



FINANCIAL STATEMENTS SIMONA AG

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COMBINED MANAGEMENT REPORT FOR THE 2015 FINANCIAL YEAR

PRELIMINARY NOTE

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn (referred to also as SIMONA AG, SIMONA or company) (Section 315(3) in conjunction with Section 298(3) of the German Commercial Code Handelsgesetzbuch – HGB). This combined management report has been published instead of a Group management report in the annual report of the SIMONA Group. It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1 Group business model

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts and profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics workshop for the production of customised fittings.

Key sales markets

Semi-finished parts are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automobile industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry. Finished parts and profiles are destined in particular for the mechanical engineering and transport technology sectors.

The SIMONA Group markets its products worldwide. The primary reporting segments are categorised according to the following regions:

- Europe
- Americas
- Asia and Pacific

The secondary classification is based on product areas:

- Semi-finished and finished parts
- Pipes and fittings

Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three facilities in Germany and four plants located abroad. Semi-finished parts (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts are produced at a facility in Ringsheim (Baden-Württemberg). The plant in Litvinov (Czech Republic) produces pipes and sheets, while the site in Jiangmen (China) manufactures extruded sheets. The facility operated by SIMONA AMERICA Inc. in Archbald (Pennsylvania, USA) mainly produces extruded sheet products. Additionally, Boltaron Inc. produces thermoplastic sheets at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors. The sales company SIMONA-PLASTICS CZ s.r.o., Prague, was closed effective from 30 June 2015 and integrated within the production company SIMONA Plast-Technik s.r.o., Litvinov.

Management and supervision at SIMONA AG

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman/COO) and Fredy Hiltmann (Board Member Finance & Administration/CFO).

The Supervisory Board included the following members in the financial year under review: Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber, Joachim Trapp as well as Jörg Hoseus (Employee Representative) and Gerhard Flohr (Employee Representative).

1.2 Objectives and strategies

The SIMONA Group made further progress in the year under review with measures initiated back in 2013 with the aim of strategic realignment. In this context, the Industrial Products division operated by the US-based subsidiary SIMONA AMERICA Inc. was successfully reorganised. This helped to improve its positioning within the market and produce a positive EBIT and cash contribution at a divisional level. The Reengineering Europe project saw SIMONA step up its innovation process, the focus being on refining and evolving the Group's portfolio of materials. The completion of the new Technology Centre at SIMONA's corporate headquarters in Kirn represented an important milestone in pursuit of this goal.

In 2015, SIMONA extended and reprioritised the following key objectives of its new strategic realignment programme:

- Enter new fields of application beyond the core market of chemical-technical plant engineering in Europe.
- Accelerate growth in selected regions outside Europe.
- Raise the level of profitability in a sustainable manner for the Group as a whole by embracing the idea of profitable operations in all processes.

The decision was made to introduce the role of Business Development for defined market segments, the aim being to accelerate the process of developing new applications and products. In the emerging markets the focus for the coming years will be on the Asia-Pacific region, where SIMONA will concentrate on the premium segment within the core fields of application centred around Chemical Process Industry, Green Technologies and Semicon. Committed to further improving its earnings capacity, SIMONA launched a project aimed at reducing the complexity of its product portfolio, particularly in the area of semi-finished parts marketed in Europe. The strategy for the Pipes and Fittings division was redefined at an international level.

1.3 Internal management system

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. Within this context, the Management Board is responsible for the BSC-related corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system and

initiating adjustments to the BSC process and the BSC-related corporate goals. The BSC cascades down to the company's other management levels.

The analysis and assessment of earnings performance by SIMONA is conducted primarily with the help of sales revenue as well as the two financial indicators EBIT and EBITDA (earnings before interest, taxes, depreciation and amortisation as well as investment income). EBIT represents the operating result before interest and taxes as well as income from investments. EBITDA represents an approximation for cash flow from operating activities, as non-cash depreciation/write-downs of property, plant and equipment as well as amortisation/write-downs of intangible assets are added to the EBIT figure.

Reconciliation from IFRS to HGB of EBIT generated by SIMONA AG is mainly as follows:

in € million	2015	2014
EBIT under IFRS	15.2	20.5
Change in inventories	-0.8	-3.5
Staff costs (pensions)	2.4	2.8
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	1.1	1.1
Other changes	-1.0	-2.4
EBIT under HGB	16.9	18.5

Additionally, the return on operating assets is reviewed annually within the Group as part of the forecasting process and is an important criterion when it comes to managing the investment budget. ROCE, which stands for return on capital employed, is used as a profitability indicator; capital employed includes property, plant and equipment, inventories and trade receivables less trade payables.

The principal non-financial indicators employed by the company include customer satisfaction, number of staff and their qualifications as well as quality and energy management.

1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and

Process Development. In completing the new Technology Centre, SIMONA reached an important milestone when it comes to strengthening the company's capabilities as an innovator. In mid-2015, two machines capable of processing high-performance plastics commenced operations. Towards the end of 2015, work began on relocating the Research and Development, Process Development and Laboratory departments. Bringing together the Group's technical expertise, these departments are now accommodated in the administration building of the new Technology Centre. This translates into shorter distances and improved training facilities for customers and business partners.

Development work on new products and formulas was stepped up again within the areas of innovation introduced by the company in 2014. A key indicator here is the share of recent products (no older than three years) in total sales revenue, which was further increased over the course of 2015.

In the Semi-Finished Parts division the range of hollow rods was expanded to include products made of PP-H AlphaPlus®. A special formula was developed for the new product SIMOWOOD, a hybrid material based on rice husks. It meets the strict flammability tests applicable within the maritime industry and received IMO certification. The third generation of twin-wall sheets is much more than a facelift of its predecessor. Thanks to highly innovative technical adjustments, the efficiency and stability of the sheets were optimised while keeping the overall thickness of the walls to a minimum.

In the Pipes and Fittings division the system of interconnecting modules used in sewer repair and rehabilitation was established in the market by means of pilot projects. As part of a special injection-moulding initiative, the company produced large fittings in a diameter of up to 500 mm. As a world first, SIMONA also managed to develop parts with wall thicknesses of more than 80 mm in its product range of seamless bends with diameters of up to 1,000 mm.

Research and development expenses within the Group amounted to €3,608 thousand in the financial year under review (prev. year: €2,362 thousand). These expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

2. BUSINESS REVIEW

2.1 Macroeconomic and sector-specific environment

According to initial calculations, the world economy grew by approx. 3 per cent in 2015, which falls 0.5 percentage points short of the outlook presented a year ago by the International Monetary Fund (IMF). In fact, this is the weakest growth rate in five years. There were significant differences in global economic development between the respective regions. Europe and the United States were robust, whereas Asia put in a sluggish performance.

The German economy continued to grow at a solid and steady pace in 2015. Based on preliminary data issued by the Federal Statistical Office, Germany's gross domestic product (GDP) rose by 1.7 per cent (2014: 1.6 per cent). Growth was fuelled mainly by consumption. The number of people in work continued to rise, and investment spending picked up again. Capital expenditure directed at machinery and equipment increased by 3.6 per cent. The eurozone as a whole saw a return to stability in terms of economic growth. After 0.8 per cent in 2014, estimates issued by the European Commission point to economic growth of 1.6 per cent in 2015. Alongside a buoyant German economy, expansion of 3.1 per cent in Spain in particular helped to propel the eurozone forward. Structural deficits continue to hamper growth in France (+1.1 per cent) and Italy (+0.9 per cent). The US economy grew by 2.3 per cent in the first three quarters and is likely to fall short of the 3 to 3.5 per cent growth rate projected for the year as a whole. Growth in the US was yet again underpinned by private consumption, the services sector, a recovering labour market and a solid construction industry. The manufacturing industry and foreign trade provided very little stimulus. Brazil (-3.8 per cent) and Russia (-3.7 per cent) are mired in recession. China's economy grew by 6.9 per cent, driven almost entirely by the services sector. Industrial growth, by contrast, has seen a significant downturn, while the property market continues to undergo a period of correction. Overall, economic growth in China was not sufficiently robust to provide any impetus for capital expenditure within the industrial sector.

Revenue generated by plastics manufacturers in Germany rose slightly by 1.3 per cent to €59.8 billion. Viewed from this perspective, the plastics processing sector grew at a slower rate than the German economy as a whole. Revenue from

domestic sales stagnated at €37.8 billion. The sector as a whole was impacted by unfavourable demand-side trends relating to building materials and associated semi-finished products. Growth was supported entirely by exports, which expanded by 3.6 per cent to €22.0 billion. At 13.6 million tons, the overall volume of plastics processed in 2015 was similar to the previous year's figure.

Production output in Germany's chemical industry rose slightly (+1.0 per cent). However, revenue stagnated due to a further decline in producer prices. Excluding pharmaceuticals, high-volume business declined by 0.5 per cent. According to the industry federation VCI, a lack of stimulus from the global economy proved detrimental to performance.

Based on preliminary estimates by the industry federation VDMA, Germany's machine and plant engineering sector will close the year 2015 with zero growth. The VDMA cites global crisis hotspots that had a negative impact on the business activities of export-focused machine manufacturers in Germany.

Germany's building sector fell short of expectations in 2015 according to provisional figures released by the two main federations operating in this area. The residential construction industry grew by 2.0 per cent. The commercial building sector missed its prior-year result by approx. 2 per cent, while the commercial civil engineering industry expanded by approx. 3 per cent. Growth was also modest within the area of public-sector construction (+0.5 per cent).

2.2 Course of business – SIMONA Group

Sales revenue totalled €360.3 million in the 2015 financial year (prev. year: €336.6 million), which corresponds to an increase of 7.1 per cent. Sales performance was characterised by stability in Europe and a very positive course of business in North America, contrasting with an increasingly difficult market environment in Asia as the year progressed. Competition remained intense across all regions and product groups. SIMONA exceeded its revenue forecast of €340 – 345 million for the 2015 financial year, as presented in last year's Group management report. This was attributable to a favourable second quarter, on the back of which the Group's guidance figure for the financial year as a whole was revised upward. SIMONA also performed slightly better than the rev-

enue forecasts issued as part of the Group interim report for the first half of the financial year (€340 – 350 million) as well as the interim announcement within the second half of the financial year (€345 – 355 million).

Based on Group earnings before interest and taxes (EBIT) of €26.7 million (prev. year: €17.8 million), the budgeted EBIT margin (5.5 per cent) as well as the prior-year figure of 5.3 per cent were exceeded by a substantial margin and stood at 7.4 per cent in 2015. EBITDA rose from €31.0 million a year ago to €40.1 million at the end of the reporting period. The EBITDA margin stood at 11.1 per cent, compared to 9.2 per cent for the same period a year ago.

At 12.1 per cent, Group ROCE was up on the prior-year figure (8.3 per cent) as well as the figure originally forecast.

Earnings growth was fuelled by more expansive revenues and an improved product mix. In terms of expense items, rising energy costs exerted pressure on earnings.

Europe

The region comprising "Europe" saw sales revenue increase by a moderate 1.1 per cent to €261.3 million in total (prev. year: €258.5 million). Due to more expansive investment spending within the market as a whole, SIMONA managed to achieve particularly strong growth of 8.3 per cent in Germany. In Spain, too, economic recovery translated into visible revenue growth for the company. By contrast, business in France and Italy suffered as a result of weak economic performance. The marked downturn in business within the Russian market was only partly offset by revenue growth achieved in some of the Eastern European countries. Owing to the further expansion in revenue from sales in the "Americas", Europe's share of total revenue fell from 76.8 per cent to 72.5 per cent. EBIT recorded in the segment categorised as "Europe" declined from €21.3 million in the previous financial year to €18.3 million in the period under review.

Americas

Revenue generated from sales in the "Americas" rose by 34.5 per cent to €81.7 million (prev. year: €60.8 million; the prior-year figure includes revenue from Boltaron Inc. for a period of nine months). Having centralised operations at the site in Archbald, the company recorded a solid sales performance in its Industrial Products business and succeeded

in capturing market share within this area. The subsidiary Boltaron Inc., with its Aviation and Specialty Products division, continued to perform well and was again above budget. This region accounted for 22.7 per cent of total sales revenue, up from 18.1 per cent. The “Americas” segment produced EBIT of €9.1 million in the period under review. The prior-year figure of €-2.9 million had been impacted in particular by non-recurring expenses due to acquisitions as well as costs associated with restructuring.

Asia and Pacific

The region comprising “Asia and Pacific” saw stagnant revenues of €17.3 million. Market conditions became increasingly challenging over the course of the year due to the significant slowdown in China’s economy. The region as a whole accounted for 4.8 per cent of total revenue, down from 5.1 per cent a year ago. The region covering “Asia and Pacific” recorded negative EBIT of €-0.3 million (prev. year: €-0.5 million).

Sales revenue by product group

In the product area comprising Semi-Finished and Finished Parts sales revenue increased by 6.7 per cent to €276.9 million (prev. year: €259.5 million). Considerable gains were made particularly in the field of extruded and pressed PVC sheets for aircraft interiors. Benefiting from investment spending in the German market, the Group also recorded revenue growth within the area of extruded PE and PP sheets deployed in the field of chemical tank and equipment engineering. By contrast, business relating to PVC sheets for applications in the construction and advertising industries contracted slightly. In the product group encompassing Semi-Finished and Finished Parts sales prices trended higher over the year as a whole, which was also due to supply-side shortages and a significant increase in the price of input products.

After a subdued start in the first quarter business in the area of Pipes and Fittings picked up as the year progressed. SIMONA recorded significant growth in the area of project business and large-scale contracts, in particular, whereas export business in the industrial sector was relatively sluggish. In terms of materials, PE pipes and fittings generated growth for the Group, which was attributable also to a number of new products launched within this

area. Business centred around PP fittings also proved favourable, while PP pipes developed along negative lines, partly due to a lack of projects in Asia and the Middle East. Germany, by contrast, produced gains for the company. In total, the area of Pipes and Fittings recorded revenue growth of 8.3 per cent, taking the figure to €83.4 million (prev. year: €77.1 million). The level of prices in the Pipes and Fittings product group was comparable to that in the previous year.

2.3 Financial performance

Earnings

Benefiting from the positive direction taken by business, Group earnings before interest, taxes and income from investments (EBIT) increased markedly from €17.8 million to €26.7 million. After 5.3 per cent in 2014, the EBIT margin rose to 7.4 per cent in the period under review.

Supported by revenue growth, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by €18.5 million to €171.0 million in 2015, which corresponds to 47.4 per cent of revenue (prev. year: 45.3 per cent).

Inventory changes of €1.7 million (prev. year: €0.1 million) were accounted for accordingly in earnings.

Other income totalled €11.1 million (prev. year: €11.0 million). This figure includes gains of €8.3 million (prev. year: €6.4 million) arising from changes in foreign exchange rates. Having accounted for foreign exchange losses recognised in other expenses, the net foreign exchange gain was €4.7 million (prev. year: €5.2 million).

The cost of raw materials fell slightly over the course of 2015. The cost of materials was €202.2 million (prev. year: €195.1 million); it rose 3.6 per cent year on year, i.e. at a slower rate compared to revenue growth. There was a further increase in energy costs in the year under review, prompted in part by higher EEG charges payable under the provisions of the Renewable Energy Act.

Staff costs stood €70.8 million (prev. year: €64.2 million), up 10.3 per cent on last year’s figure. The year-on-year change

was mainly attributable to higher expenses relating to staff bonuses, old-age provisions and the acquisition of Boltaron Inc. in April 2014, as the prior-year figure only included staff costs for a period spanning nine months.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €13.4 million (prev. year: €13.1 million).

Other expenses rose by 4.8 per cent to €60.0 million. The year-on-year increase was due primarily to higher expenses for currency translation, outward freight and maintenance costs.

In line with higher pre-tax profit, taxes on income rose from €4.4 million in 2014 to €7.5 million in the reporting period. The Group tax rate was 30.2 per cent in the period under review (prev. year: 28.2 per cent).

The results posted by the individual sales companies in Europe were in positive territory. In particular, the earnings contributions made by the subsidiaries in the United Kingdom, France and Poland were substantially higher year on year.

Compared with the previous year, the production company in the Czech Republic made a lower contribution to earnings in 2015.

The US-based subsidiaries contributed positive earnings at an operating level.

Overall, the sales companies in Asia saw a downturn in earnings compared to the previous year, primarily as a result of lower revenues. The plant in China reported negative EBIT in 2015.

2.4 Financial position

As at 31 December 2015, total assets at Group level were up by €17.2 million to €318.4 million.

Changes to assets

The Group's intangible assets rose to €33.9 million as a result of foreign exchange movements, particularly goodwill from the US acquisitions.

Property, plant and equipment amounted to €113.8 million (prev. year: €107.3 million). The year-on-year change was attributable primarily to the addition of the Technology Centre in Kirn. Investments in property, plant and equipment amounted to €16.0 million within the Group. Depreciation and write-downs of property, plant and equipment totalled €12.0 million.

Deferred tax assets fell from €9.7 million a year ago to €4.4 million in the period under review, primarily due to utilisation of loss carryforwards in respect of the US subsidiaries.

Inventories totalled €66.9 million (prev. year: €63.3 million). Inventories of raw materials and consumables (€26.0 million) increased by €1.6 million. Finished goods and merchandise amounted to €40.1 million (prev. year: €38.2 million).

Trade receivables fell by €4.8 million to €51.1 million.

Current and non-current other assets and tax assets totalled €6.3 million (prev. year: €7.3 million). This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of €1.4 million (prev. year: €2.1 million).

Other financial assets rose to €4.8 million (prev. year: €0.7 million), primarily as a result of short-term financial arrangements (€4.0 million).

Assets held for sale amounted to €4.7 million and relate to property, plant and equipment at sites operated in the United States and France.

Changes to equity and liabilities

The Group recorded an increase in equity compared to the previous financial year as well as a reduction in its non-current and current liabilities.

At the end of the financial year, Group equity amounted to €182.6 million (prev. year: €159.5 million). In this context, the main contributory factors were profit of €17.3 million for the year, a dividend payment of €4.8 million during the 2015 financial year and the positive effects of foreign currency translation, equivalent to €6.3 million. The revaluation of pension provisions due to the slight increase in the IAS actu-

arial interest rate pushed Group equity up by €4.3 million. The equity ratio for the Group was 57 per cent at the end of the reporting period (prev. year: 53 per cent).

Non-current and current provisions for pensions had to be revalued mainly in response to the slight increase in the IAS actuarial interest rate from 2.15 per cent a year ago to 2.30 per cent. As a result of this, they fell slightly in the financial year under review to €91.4 million in total (prev. year: €92.5 million).

At €11.7 million, trade payables were lower year on year (prev. year: €13.1 million).

Other non-current and current financial liabilities totalling €5.6 million (prev. year: €7.1 million) mainly relate to purchase price payments outstanding in connection with corporate acquisitions.

At €13.6 million, other liabilities were unchanged year on year. They are attributable primarily to management and staff bonus payments as well as deferrals/accruals relating to invoices and credit notes yet to be received.

In total, non-current (€2.7 million) and current (€2.0 million) other provisions were comparable to the figures recorded in the previous financial year.

Capital expenditure

Group capital expenditure on property, plant and equipment amounted to €16.0 million in the period under review (prev. year: €22.4 million). This mainly relates to investments in the segment covering “Europe”, the emphasis being on the new Technology Centre at the company’s headquarters as well as technical equipment at sites in Germany. In total, net investments in property, plant and equipment amounted to €4.0 million at Group level (prev. year: €10.2 million).

2.5 Financial management and cash flows

Principles and aims of financial management

The primary goal of financial management is to safeguard SIMONA’s financial strength. In this context, the most important aspect is to meet the Group’s financial requirements relating to its operational business and its investing activities

to a sufficient degree. Financial management is centrally organised within the Group. To a large extent, SIMONA covers the liquidity required within the Group by means of internal Group funding via loans or similar arrangements. Additionally, firmly agreed lines of credit are in place in various currencies and maturities. Excess cash resources are invested in the money or capital markets by applying an approach that is optimised in terms of both risk and returns.

Financing analysis

Non-current financial liabilities amounted to €3.9 million (prev. year: €4.3 million) and were attributable to KfW loans. Current financial liabilities amounted to €2.9 million at the end of the reporting period (prev. year: €3.2 million), of which bank overdrafts totalled €2.5 million and short-term KfW loans €0.4 million.

No derivative financial instruments were recognised in the period under review (the prior-year accounts included an interest rate swap of €15 thousand that expired as scheduled on 30 September 2015).

At the end of the reporting period the Group had undrawn lines of credit totalling €42.8 million (prev. year: €41.9 million).

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €37.3 million (prev. year: €30.9 million). Net cash used in investing activities amounted to €–22.1 million (prev. year: €–61.2 million, which included payments for the acquisition of subsidiaries and other business units amounting to €–42.5 million). The cash outflow attributable to financing activities was €–5.7 million (prev. year: cash inflow of €3.4 million) and mainly included the dividend payout.

Cash and cash equivalents

Cash and cash equivalents mainly consist of short-term bank deposits totalling €31.9 million (prev. year: €21.3 million). The year-on-year swing of €10.6 million (prev. year: €–26.2 million) was mainly the result of net cash from operating activities as well as net cash used in investing activities. These changes are presented in detail in the statement of cash flows.

Financial obligations

Other financial obligations totalling €1.0 million (prev. year: €1.2 million) were attributable to operating rental and lease agreements. Of this total, an amount of €0.6 million is due within one year. Contracts already awarded in connection with investment projects gave rise to current obligations of €10.7 million (prev. year: €5.2 million).

Net finance cost

Based on finance income of €0.2 million and finance cost of €2.2 million, net finance cost amounted to €-2.0 million in 2015 (prev. year: €-2.2 million).

2.6 Course of business – SIMONA AG

Revenue flows for SIMONA AG in the period under review were influenced in particular by the slowdown in growth in the second half of 2015. This was attributable primarily to the slump in China's economy, which also had a detrimental effect on export-driven customers based in Europe.

Sales revenue totalled €256.0 million in 2015 (prev. year: €251.6 million). This corresponds to revenue growth of 1.7 per cent. Thus, the company fell short of its original revenue target of €268 million.

Germany

Sales revenue in Germany increased by 3.7 per cent to €97.5 million (prev. year: €94.0 million), primarily as a result of more dynamic investment spending within the market.

Rest of Europe & Africa

The region comprising the "Rest of Europe & Africa" saw sales revenue expand by 1.4 per cent to €141.7 million in total (prev. year: €139.7 million).

Americas

The region comprising the "Americas" saw sales revenue increase by 10.1 per cent to €4.7 million in total (prev. year: €4.3 million).

Asia & Pacific

Sales revenue attributable to "Asia & Pacific" fell by 10.7 per cent, down from €13.6 million to €12.2 million.

Sales revenue by product group

The Semi-Finished and Finished Parts division saw revenue decline slightly year on year to €176.4 million (prev. year: €177.6 million). Revenue from the product group comprising Pipes and Fittings expanded by 7.6 per cent, from €74.0 million to €79.7 million.

SIMONA AG earnings declined year on year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €15.2 million (prev. year: €20.5 million), while the EBIT margin stood at 6.0 per cent (prev. year: 8.1 per cent). The company exceeded its budgeted EBIT margin (3 to 4 per cent). EBITDA, calculated on the basis of IFRS, fell from €28.2 million in the previous year to €23.2 million in 2015. The EBITDA margin stood at 9.1 per cent, compared to 11.2 per cent for the same period a year ago (budgeted EBITDA margin of 7 to 8 per cent). At 10.6 per cent (prev. year: 12.3 per cent), ROCE, based on IFRS exceeded the budgeted ROCE figure (of 8 to 10 per cent).

The decline in EBIT and EBITDA is attributable mainly to higher staff costs. The year on year change was due to an increase in expenses for retirement provision as well as higher expenses for staff bonuses. Additionally, earnings for 2015 include income from the reversal of provisions.

In total, business performance was satisfactory during the 2015 financial year.

2.7 Review of financial position, performance and cash flows of SIMONA AG

Earnings performance

At €101.0 million, gross profit (sales revenue less cost of material) was slightly higher than in the previous year (€100.5 million). The gross profit margin stood at 39.5 per cent, slightly down on the previous year's figure (39.9 per cent). The cost of materials rose at a faster rate than revenue in the period under review, primarily as a result of higher energy costs.

Other operating income totalled €5.1 million (prev. year: €4.1 million). As in the previous year, this figure includes gains from currency translation of €2.3 million.

Staff costs rose by €4.1 million to €46.5 million in total. The prior-year figure had been influenced by income from the funding of pension obligations amounting to €3.4 million. Furthermore, expenses for staff bonuses were higher in the period under review.

Depreciation/write-downs of property, plant and equipment and amortisation/write-downs of intangible assets amounted to €6.9 million (prev. year: €6.6 million).

At €36.5 million, other operating expenses were up on last year's figure (€35.1 million). Expenses for maintenance, currency translation, temporary staff, freight and agency commissions were higher in the period under review. By contrast, expenses relating to packaging material and advertising were lower.

Write-ups of €3.1 million in respect of financial assets relate to the subsidiary SIMONA AMERICA Inc., USA.

Write-downs of €5.3 million relating to financial assets were attributable to SIMONA ASIA Ltd., Hong Kong.

Interest and similar expenses were €3.4 million (prev. year: €4.3 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€3.2 million, prev. year: €3.8 million). Due to the early adoption of Section 253 of the German Commercial Code (Handelsgesetzbuch – HGB) in the version that transposes the Directive on Credit Agreements for Consumers Relating to Residential Immovable Property and amends statutory requirements under German commercial law, interest expense was €2.9 million lower than in the prior year. This was due to the fact that the period specified for the purpose of determining the average interest rate used to discount pension obligations was extended from 7 to 10 years.

Earnings before interest and taxes (EBIT) totalled €16.9 million in the period under review (prev. year: €18.5 million), as a result of which the EBIT margin stood at 6.6 per cent (prev. year: 7.3 per cent). EBITDA decreased from €25.1 million a year ago to €23.7 million. At 9.3 per cent, the EBIT margin was slightly down on last year's figure of 10.0 per cent. Earnings before taxes (EBT) fell by €3.4 million to €13.5 million. The EBT margin declined from 6.7 to

5.3 per cent. Earnings performance in the financial year under review was influenced in particular by higher expenses relating to staff bonuses and old-age provision.

Assets

Total assets attributable to SIMONA AG rose by €4.3 million to €237.4 million.

Non-current assets increased by €1.2 million to €139.0 million in total.

Property, plant and equipment increased by €3.7 million to €52.2 million, which was mainly due to the construction of a new Technology Centre in Kirn.

Interests in affiliated companies fell from €48.3 million to €46.1 million. This was attributable to a write-up in respect of interests in subsidiaries in the United States (€3.1 million) as well as write-downs recognised in connection with interests held in subsidiaries in Asia (€5.3 million).

Loans to affiliated companies, amounting to €40.1 million, relate to subsidiaries in the Americas and Asia. The subsidiary in the United States repaid a loan of €0.5 million in the reporting period.

In total, inventories increased by €1.4 million to €30.6 million. They include raw materials (€11.2 million), work in progress (€0.3 million) and finished goods (€19.2 million). Inventories of finished goods rose slightly year on year by €0.7 million.

Trade receivables fell to €24.3 million in the period under review (prev. year: €26.5 million). At €17.9 million, receivables from affiliated companies – comprising loans and goods deliveries – were down by €7.5 million year on year. This was mainly due to the repayment of loans as well as the reduction of trade receivables due to warehouse closures.

Other assets fell by €1.4 million year on year to €4.1 million.

In total, receivables and other assets stood at €46.8 million at the end of the financial year (prev. year: €57.6 million).

Cash and cash equivalents rose from €8.4 million a year ago to €20.4 million at the end of the reporting period, an increase of €12.0 million.

Equity and liabilities

SIMONA AG's equity rose from €158.3 million a year ago to €162.5 million as at the end of the 2015 financial year. The equity ratio was unchanged year on year at 68 per cent.

SIMONA AG pursues a policy of consistent dividend payments based on the performance of Group profit calculated in accordance with IFRS and an average dividend ratio that is stable over the long term. As in the past, the dividend payout is to be funded from free cash flow.

Provisions totalled €54.4 million (prev. year: €52.8 million). In total, allocations to provisions for pensions were increased by €2.8 million compared to the previous year and stood at €43.5 million at the end of the reporting period. The higher allocation is attributable primarily to a reduction in the discount rate to 4.31 per cent (prev. year: 4.53 per cent). Other provisions totalled €9.7 million (prev. year: €10.1 million).

Total liabilities fell by €1.4 million to €20.6 million. At €7.3 million, trade payables remained unchanged year on year. Liabilities towards affiliated companies amounted to €4.1 million (prev. year: €4.5 million), which relate to goods deliveries from the subsidiary in Litvinov.

Liabilities to banks stood at €6.8 million (prev. year: €7.5 million) and are attributable to long-term loans from KfW funds (€4.2 million) as well as borrowings of €2.5 million from a short-term global credit facility.

The KfW loan is subject to a fixed interest rate, with quarterly debt repayments scheduled as from mid-2016 under the terms of the agreement. The global credit facility is subject to interest on the basis of EONIA (Euro Over Night Index Average rate) plus a fixed premium calculated on an arm's length basis; these borrowings can be denominated in euros or a foreign currency.

At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €39.9 million.

Investments

Capital expenditure relating to property, plant and equipment amounted to €10.6 million in the period under review (prev. year: €14.3 million). This mainly relates to investments in technical equipment at the company sites in Germany as well as the construction of a Technology Centre at the company site in Kirn. In total, net investments (additions less write-downs) amounted to €4.0 million (prev. year: €8.0 million).

Obligations from investment projects already initiated amounted to €8.4 million, while those attributable to raw material orders were €4.9 million; they are financed from operating cash flow.

Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €20.4 million (prev. year: €8.4 million), comprising bank deposits denominated in euro and foreign currencies. The year-on-year increase is mainly attributable to an inflow of cash from operating activities.

2.8 Non-financial indicators

Customer satisfaction

SIMONA measures customer satisfaction as part of pan-European surveys. Additionally, customers and target groups are surveyed in key markets outside of Europe, such as China and the United States. Based on the results of the most recent pan-European survey, SIMONA further improved overall customer satisfaction from 82.4 per cent in 2013 to 86.7 per cent in the period under review. 88.0 per cent of our customers would recommend our products and services to others (comparative figure: 85.4 per cent). The next customer survey in Europe is scheduled for 2016.

Employees

The SIMONA Group saw a slight reduction in its headcount as at the end of the reporting period. As at 31 December 2015, the Group employed 1,278 people, 22 fewer than at the end of 2014. Staffing levels were slightly lower in Europe due to the Reengineering measures implemented in this region. This applies in particular to the Group headquarters in Kirn as well as business activities in the Czech Republic, which included the closure of the sales company

in Prague and the centralisation of operations at the production site in Litvinov. In the United States, the headcount was lower following the completion in 2014 of measures to integrate the acquiree Laminations Inc. The number of people employed by the Group in China was slightly down year on year. SIMONA's programme of international expansion is reflected in its employment figures. In 2013, 84 per cent of all employees were based in Europe. In 2015, this figure stood at 74 per cent, primarily as a result of the acquisitions in the United States.

At 788, the number of staff employed at SIMONA AG was down slightly year on year (31 Dec. 2014: 792).

The headcount of school-leaver trainees as at 31 December 2015 was comparable to the high level recorded at the end of the previous year. In total, 42 (prev. year: 41) young people were enrolled in vocational programmes relating to one of seven technical and commercial training courses offered by SIMONA. The number of former school-leaver trainees who are now enrolled in on-the-job degree courses rose from 3 to 6. Working in collaboration with various colleges and universities, SIMONA offers a range of degree programmes in business and engineering/technical disciplines.

The key objectives defined for strategic realignment also formed the focal point for personal and professional HR development over the course of 2015. Building on the training initiative spearheaded in 2014, the Group conducted sales training sessions for all members of the admin unit as well as specialist seminars for machine fitters/setters and workshops for supervisors and foremen. A dedicated Action Team was established as part of the Reengineering Europe programme. Covering four modules, the second year of the international Talent Promotion Circle provided the foundations for young members of staff to take up future roles at an operational and managerial level. As part of the company's health management programme, SIMONA teamed up with the German insurer AOK to offer a range of courses, including back exercise classes. The second SIMONA Family Day was held at the Group headquarters in Kirn, attracting more than 1,400 people. Under the heading "ONE SIMONA", it provided staff members with the opportunity to show their place of work to members of their family. This was complemented by an extensive entertainment programme.

The strategic goal of unlocking new fields of application and creating new products was addressed at an organisational level by introducing a Business Development structure. Various market segments were defined for which Business Developers are to be recruited. The first appointments have already been made, and Business Development will commence work during the first half of 2016. Furthermore, a qualification matrix was defined for the operational areas. Preparations for the introduction of a machine data and operational data acquisition system were also completed in the financial year under review.

Quality, environment and energy

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. Compliance with the provisions set out in DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is considered to be the basis for achieving this goal. In the 2015 financial year, the implementation of these management standards was again confirmed by the successful completion of external monitoring audits. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

SIMONA's energy management system – in line with the internationally accepted DIN EN ISO 50001 standard – underwent its third review audit in 2015. The audit confirmed that our energy management system is fully effective and that extensive measures have been put in place to maintain and refine it. Additionally, SIMONA received positive feedback for staff awareness and the level of execution within all areas of energy management.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. The SIMONA Environmental Management System

is certified in accordance with DIN EN ISO 14001. When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. Under the auspices of Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K), SIMONA and other manufacturers from Germany introduced a quality certification mark for PVC sheets in 2015. Those entitled to use the “PVC-Sheet Quality – Made in Germany” mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service.

Information technology

In 2015, key components were replaced within the company's IT infrastructure. This included in particular the complete reinstallation of network structures and core components of the central IT network. These measures were implemented primarily for the purpose of ensuring the availability of IT systems as well as IT security. Additionally, the foundation was laid for state-of-the-art server and storage technologies in the data centres operated by the company as well as with regard to production and logistics processes. The focus of IT applications development in the period under review was on integrating the operational business processes of the two Czech-based companies. All activities in the Czech market were centralised at the site in Litvinov.

3. EVENTS AFTER THE REPORTING PERIOD

There were no events of material significance in the period between the end of the 2015 financial year and the preparation of this report.

4. REPORT ON OPPORTUNITIES AND RISKS

According to a study published by Grand View Research, global demand for plastics will expand by 5.3 per cent on average in the coming years, reaching approx. 350 million tons by the year 2020. Despite the current dip in economic

performance among some of the APAC countries, the Asia-Pacific region is likely to remain the principal growth driver. This is underpinned by more expansive investments in construction and infrastructures throughout Asia as well as growth in private transport. The study points to relatively high levels of market saturation in North America and Europe, where further growth can only be unlocked by means of new technologies and applications, primarily through alternative solutions in the form of bioplastics. North America is expected to generate average annual growth of 4.3 per cent up to 2020. Market research institute Ceresana predicts that the European plastics market will expand by an average of 2.9 per cent annually up to the year 2022.

The strategy applied by SIMONA is in keeping with these global trends. In Europe, the emphasis is on further strengthening SIMONA's capabilities as an innovator, among other things in the field of high-performance solutions and bioplastics. At the same time, new market segments are to be opened up in the area of construction, mobility and agriculture. It is precisely here that SIMONA sees good opportunities to expand revenue with the help of new products and applications, also in view of the more extensive manufacturing possibilities offered by the new Technology Centre. In the Asia-Pacific region, meanwhile, SIMONA will be looking to tap into growing environmental awareness seen within the premium segment of tank and equipment engineering, the aim being to generate more pronounced growth in this region. SIMONA plans to establish a dedicated sales company in India in 2016 in order to take advantage of the growing plastics market on the sub-continent. In the Americas, the prospects for growth within the Industrial Products divisions are considered good. Bringing together the respective operations at the site in Archbald has cemented the company's market presence and improved the chances of applying prices that are sufficiently high to cover costs. The Aviation division continues to be fuelled by buoyant growth in the aerospace market. Boasting an extensive product portfolio and a solid market position, our subsidiary Boltaron Inc. is well placed to play an active role in this market.

Significant elements of the internal control and management system

Overall responsibility for the internal control system with regard to the financial reporting process and the Group financial reporting process rests with the Management Board. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures.

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks. As regards financial management, consolidation of the subsidiaries is performed with the help of a system certified in accordance with IDW PS 880. Data is provided via an SAP interface as well as in an Excel format. Several technical validation tasks are performed as soon as the data is transferred. Machine-based and manual process verifications as well as the two-man rule are considered to be key monitoring procedures when it comes to preparing financial statements. Income statements and statements of financial position prepared on a quarterly basis, in addition to the publication of an interim report for the first half of the financial year, provide a good basis for plausibility checks in respect of the annual financial statements.

Risk report

The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions. They are revised regularly to account for the latest external and internal developments.

As regards financial reporting and the accounting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the annual financial statements, including the management report. These elements are as follows:

- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management.

Internal Audit conducts a regular review of the risk management system as well as selected individual risks for the purpose of identifying risks, assessing risks, defining measures to mitigate risk and assessing reporting of individual risks by those responsible within the Group.

On the basis of a risk map, the risk management system of SIMONA controls the following material risks associated with the Group: The management of opportunities and risks is centred around the aspects of effect and probability of occurrence. Significant individual risks are considered to be those displaying a medium risk profile with an expected value in excess of €5.0 million when viewed over the medium term. The expected value is computed as the product of the effect/impact and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on issues of material importance. A probability of occurrence of over 50 per cent is considered high, while one of less than 50 per cent is deemed low. Risks relating to the general business environment and sector, business strategy risks, financial risks, risks attributable to procurement and purchasing as well as IT-specific risks are considered to be significant individual risks.

Business environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Expansion of production in the United States through corporate acquisitions and the plants located in China and the Czech Repub-

lic help to raise flexibility levels for the purpose of meeting customer requirements in close proximity to their sites of operation and in a market-driven manner. The geopolitical risks remain virulent and have become more pronounced. Within the segment covering Europe the refugee situation and the as yet unresolved financial crisis are dominant factors when it comes to business environment and industry-specific risks. There is more noticeable risk exposure in these areas. The business environment in the segment covering the Americas has been influenced in particular by the low price of oil and the direction taken by the dollar exchange rate. There is a risk of lower industry investment spending due to one of the above-mentioned factors, which could have an adverse effect on our business. As regards the Asia-Pacific segment, the economic performance of China within the industrial sector will have a significant bearing on risk patterns. Due to the economic slowdown in some of Asia's emerging markets, business environment and industry-specific risks have increased slightly. As regards the aspect of changes to sales markets the expected value for a decline in revenue has been determined as being approx. €5.0 million with a probability of occurrence of over 50 per cent at present. Overall, however, the probability of damages occurring from exposure to sector-specific risks is at present considered low.

Business strategy risks

These encompass the risk of misjudgements with regard to the future direction taken by the market. In order to mitigate this risk, SIMONA monitors the market and competition closely and regularly conducts strategy meetings with its sales team as well as with key accounts. The probability of damages occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks

Financial risks encompass, above all, currency risks, default risks, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme.

Dependence on the euro within the Group was scaled back significantly through recent acquisitions and the expansion of manufacturing operations within the US market. The most pronounced risk to economic development in 2015 stemmed from the sluggish performance of the emerging

markets, which also had a negative impact on the export activities of German companies.

The risk of bad debt losses remains high in particular within the Eastern European market. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. As regards transactions in Russia, a separate directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments.

The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. These relate primarily to risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as in particular risks relating to longevity. They also include risks or encumbrances that are difficult to predict with regard to liquidity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensionsversicherungsverein.

Risks attributable to procurement and purchasing

These risks relate in particular to the direction taken by commodity prices as well as supply-side disruptions. Procurement risks were much more pronounced in the first quarter of 2015 due to supply-side uncertainties in connection with production outages at some raw material facilities. However, the supply of raw materials was safeguarded by means of stockpiling, binding supply contracts and multisourcing of approved commodities. The general downturn in the price of oil is no longer reflected in the prices paid for raw materials used by the company. This is mainly due to shortages in supply following production outages. We expect to see a further structural upturn in commodity prices over the medium to long term. At present, SIMONA is not aware of any circumstances that might point to an insufficient supply of raw materials.

Information technology risks

Information technology risks relate mainly to the disruption of IT systems, loss of data and attacks on IT systems together with industrial espionage. SIMONA controls these risks by maintaining its own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis. Additionally, the company regularly invests in hardware and software, as well as using virus scanning applications, firewall systems and access control. The probability of occurrence of external attacks on IT systems is considered high.

At the end of the 2015 financial year, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

5. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

In its most recent quarterly report, the industry association BDI (Bundesverband der Deutschen Industrie) points to the significant risks associated with future economic growth at a global level. However, in line with all the major international organisations, it predicts more buoyant growth than in the previous year, with an outlook of 3.25 – 3.50 per cent. The United States and Europe are expected to remain on a path of moderate recovery, while China's economic slowdown looks set to continue.

In the United States (IMF forecast: +2.6 per cent) private consumption and services will continue to develop well, whereas investment spending and manufacturing activity within the industrial sector will be adversely affected by the strength of the dollar and the price of oil.

Europe is expected to maintain a pattern of slow yet steady growth, with higher levels of employment and a low oil price proving a boon to consumption. Against the backdrop of subdued demand within the global market, exports and investment spending are likely to be sluggish. Germany looks set to remain the driving force behind the eurozone's economy. France and Italy are likely to expand their rate of growth

(IMF forecast: 1.3 per cent respectively), but this is due to the low-base effect. Both countries, which are of particular importance to the eurozone and trade with Germany, continue to be hampered by structural deficiencies.

The prospects for growth in the emerging markets and the newly industrialised countries may be jeopardised by the low price of oil. Brazil is mired in a deep recession (IMF forecast: –3.5 per cent). According to data published by the IMF, Russia will see its economy shrink by another 1 per cent. China's economy will have to contend with a further slowdown in its economy (IMF forecast: +6.3 per cent). Having said that, Asia will again contribute the largest proportion of global economic growth in 2016.

Private consumption will be the key growth driver in the majority of the established economies. By contrast, investment spending and foreign trade – two key factors driving SIMONA's business – are unlikely to receive any strong impetus. On this basis, the industry federation VDMA has again predicted zero growth for Germany's machine and plant engineering sector in 2016. The German chemical industry is expected to see production output grow by 1.5 per cent in 2016.

Sector-specific conditions

Germany's plastics processing companies remain optimistic when it comes to business in 2016. In total, 57 per cent of the plastics companies surveyed by GKV at the beginning of the year expect to see growth in revenue over the course of 2016. Only 9 per cent predict a downturn in revenue. The same level of optimism applies to earnings expectations. From a technological perspective, the world's biggest plastics trade fair K 2016, which takes place in Düsseldorf in October 2016, is expected to produce fresh impetus.

Future performance of the SIMONA Group

Operating in a challenging economic environment, the SIMONA Group has budgeted consolidated revenue of €365 million and an EBIT margin of between 5 and 6 per cent, as well as an EBITDA margin of around 10 per cent.

At Group level, the return on capital employed (ROCE) in 2016 is expected to be between 6 and 8 per cent.

The region covering Germany, Austria and Switzerland is expected to see further market consolidation. The outlook for Western Europe points to slight growth in 2016. Eastern Europe is likely to provide a bigger growth stimulus. From a regional perspective, the segment comprising Europe is expected to deliver revenue at a level comparable to the prior-year figure. Business in the Americas is expected to remain stable year on year. The Aviation und Specialty Products division should benefit from favourable trends within the aerospace market, the aim being for it to make a more pronounced contribution to growth with the help of high-margin products.

The company's ability to achieve these targets will depend in particular on the capacity to impose viable prices in a market environment that remains highly competitive. The direction taken by commodity markets will also be a key factor. Given the Group's slightly subdued performance in the first quarter, the revenue and earnings targets set for the annual period will be difficult to achieve. At present, we anticipate that revenue of between €355 and 365 million will be achievable in the financial year as a whole, with an EBIT margin of 5 to 6 per cent. The figures budgeted by the Group can be achieved if the economic and geopolitical climate improves markedly in the second half of the year and the commodity markets are not buffeted by turbulence.

SIMONA is confident that it will be able to maintain customer satisfaction at the high level currently seen, drawing in particular on the more extensive expertise offered by its Technology Centre and benefiting from its focus on market segments.

Given our efforts in the field of energy management, we believe that we can match the level of energy efficiency already achieved.

The number of employees within the SIMONA Group is likely to remain largely unchanged in 2016. Based on the apprenticeship agreements already concluded, the headcount of school-leaver trainees is expected to be comparable to the prior-year figure.

Future performance of SIMONA AG

Despite significant uncertainties within the economic and

geopolitical domain, SIMONA has set itself some ambitious goals for the future. For the financial year 2016, SIMONA has set a guidance target of €263 million in sales revenue, together with an EBIT margin of between 4 and 6 per cent and an EBITDA margin of between 7 and 9 per cent, each calculated on the basis of IFRS.

The return on capital employed (ROCE) in 2016 is expected to be between 7 and 9 per cent.

As regards the sales region covering "Germany", SIMONA anticipates further market consolidation. The region encompassing the "Rest of Europe & Africa" is to achieve slight growth. Eastern Europe is likely to provide a bigger growth stimulus. In Europe, SIMONA will again be pursuing growth generated through new products and applications. At the same time, the introduction of a Business Development team is expected to provide fresh impetus. The goal for the "Americas" sales region is to maintain business at the current level. SIMONA will be looking to achieve more pronounced growth in the region covering "Asia & Pacific".

6. OTHER INFORMATION

6.1 Declaration on corporate governance

The declaration on corporate governance pursuant to Section 289a (1) sentences 2 and 3 of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at www.simona.de.

6.2 Compensation report

Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of the Supervisory Board Chairman Dr. Rolf Goessler as well as the Supervisory Board members Roland Frobel and Dr. Roland Reber. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and

structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective members of the Management Board are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. The variable component of compensation is reviewed annually, while the fixed component is assessed once every two years. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. Variable Management Board compensation is based on earnings performance at Group level as well as a long-term incentive programme centred around SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the years 2013 to 2015.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are calculated on the basis of the Group's earnings performance. Total compensation for the Management Board amounted to €2,062 thousand in the financial year under review (prev. year: €1,647 thousand). Total compensation comprised €1,012 thousand (prev. year: €1,030 thousand) in fixed-level compensation and €1,050 thousand (prev. year: €617 thousand) in bonus payments. On 1 July 2011, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid up to and including the 2015 financial year. Therefore, no individual, i.e. itemised, disclosures are made under Section 285 no. 9 and Section 314(1) no. 6 of the German Commercial Code (Handelsgesetzbuch – HGB).

The company's Articles of Association contain no provisions that are non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the company's Articles

of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act (Aktien-gesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounts to €486 thousand (prev. year: €476 thousand). Pension provisions for active and former members of the Management Board, as governed by the German Commercial Code, were recognised to the full extent and amounted to €11,810 thousand as at 31 December 2015 (prev. year: €10,941 thousand). IFRS-based pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €16,333 thousand as at 31 December 2015 (prev. year: €16,105 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance policies. Members of the Management Board received neither loans nor share options or other share-based compensation from the company.

Supervisory Board compensation

Supervisory Board compensation is calculated according to the size of the company, as well as the duties and responsibilities of the Supervisory Board members. The Chairman and the Deputy Chairman as well as members involved in Committees receive supplementary compensation.

Members of the Supervisory Board receive a standard fixed level of compensation amounting to €10,000. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation; the Deputy Chairman receives an amount equivalent to one and a half times the standard level of compensation. Supervisory Board members who are engaged in Committee work receive supplementary compensation of €5,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate perfor-

mance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 12 June 2015 no such resolution for variable compensation components was passed for the 2015 financial year.

Supervisory Board compensation for the financial year under review amounted to €131 thousand (prev. year: €133 thousand), of which €105 thousand (prev. year: €106 thousand) was attributable to SIMONA AG. Members of the Supervisory Board received neither loans nor share options or other share-based compensation from the company.

6.3 Disclosures pursuant to Section 289(4) and Section 315(4) HGB and explanatory report

As at 31 December 2015, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital.

A 31.19 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.25 per cent interest by Regine Tegtmeyer (Nebel), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 25.82 per cent of shares in the company were in free float.

As at 12 June 2015, members of the Management Board reported a total holding of 70,860 shares; this corresponds to 11.81 per cent of the share capital of SIMONA AG. The

members of the Supervisory Board reported holdings of 1,300 shares in total as at the attendance date of the Annual General Meeting on 12 June 2015. This corresponds to 0.22 per cent of SIMONA AG's share capital.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights of control associated with their shareholdings. The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktengesetz – AktG) as well as by Section 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board shall generally have a Chairperson appointed by the Supervisory Board.

The Supervisory Board may delegate decisions on the conclusion, amendment and termination of Management Board employment contracts to a Supervisory Board committee. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

According to Section 6 of the Articles of Association, the company is entitled to issue share certificates that embody one share (single certificate) or multiple shares (global certificates).

At present there are no significant agreements containing a change of control provision that would apply in the event of a takeover bid.

At present there are no agreements with members of the Management Board or with employees relating to compensation payments in the event of a change of control.

Forward-looking statements and forecasts

This combined management report contains forward-looking statements that are based on the current expectations, presumptions and forecasts of the Management Board of SIMONA AG as well as on information currently available to the Management Board. These forward-looking statements

shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialise. Rather, future circumstances and results depend on a multitude of factors. These include various risks and imponderables, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

Responsibility Statement

We hereby declare that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the SIMONA Group and SIMONA AG, together with a description of the principal opportunities and risks associated with the expected development of the Group and SIMONA AG.

Kirn, 30 March 2016
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

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BALANCE SHEET

OF SIMONA AG FOR THE 2015 FINANCIAL YEAR

ASSETS

in € '000

	31/12/2015	31/12/2014
A. NON-CURRENT ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets as well as licences in such rights and assets	577	495
	577	495
II. Property, plant and equipment		
1. Land, land rights and buildings	15,562	15,461
2. Technical equipment and machinery	21,812	21,488
3. Other equipment, operating and office equipment	5,486	4,967
4. Prepayments and assets under construction	9,350	6,615
	52,210	48,531
III. Financial assets		
1. Investments in affiliated companies	46,142	48,327
2. Loans to affiliated companies	40,075	40,456
3. Other long-term equity investments	23	23
	86,240	88,806
	139,027	137,832
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, consumables and supplies	11,158	10,546
2. Work in progress	275	211
3. Finished goods and merchandise	19,208	18,467
	30,641	29,224
II. Receivables and other assets		
1. Trade receivables	24,290	26,493
2. Receivables from affiliated companies	17,861	25,404
3. Receivables from other long-term investees and investors	571	206
4. Other current assets	4,086	5,476
	46,808	57,579
III. Cash in hand and bank balances	20,412	8,375
	97,861	95,178
C. PREPAID EXPENSES	561	103
	237,449	233,113

EQUITY AND LIABILITIES

in € '000	31/12/2015	31/12/2014
A. EQUITY		
I. Subscribed capital	15,500	15,500
II. Capital reserves	15,032	15,032
III. Revenue reserves		
1. Legal reserve	397	397
2. Statutory reserves	2,847	2,847
3. Other revenue reserves	116,677	112,181
	119,921	115,425
IV. Unappropriated surplus	12,044	12,347
	162,497	158,304
B. PROVISIONS		
1. Provisions for pensions	43,539	40,773
2. Provisions for taxes	1,199	1,964
3. Other provisions	9,656	10,087
	54,394	52,824
C. LIABILITIES		
1. Liabilities to banks	6,787	7,453
2. Trade payables	7,260	7,348
3. Liabilities to affiliated companies	4,070	4,456
4. Liabilities to other long-term investees and investors	0	261
5. Other liabilities (of which taxes €268 thousand; prev. year: €669 thousand) (of which relating to social security €731 thousand; prev. year: €628 thousand)	2,441	2,467
	20,558	21,985
	237,449	233,113

INCOME STATEMENT

OF SIMONA AG FOR THE 2015 FINANCIAL YEAR

in € '000	01/01/ - 31/12/2015	01/01/ - 31/12/2014
1. Revenue	256,036	251,641
2. Decrease/increase in finished goods and work in progress	614	-2,011
	256,650	249,630
3. Other operating income (of which from currency translation €2,268 thousand; prev. year: €2,299 thousand)	5,096	4,103
4. Cost of materials		
a) Cost of raw materials, consumables and supplies	-154,321	-150,744
b) Cost of services purchased	-703	-421
	-155,024	-151,165
5. Staff costs		
a) Wages and salaries	-36,974	-35,110
b) Social security, post-employment and other employee benefit costs (of which in respect of old-age pensions €2,358 thousand; prev. year: €589 thousand)	-9,551	-7,312
	-46,525	-42,422
6. Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets	-6,866	-6,588
7. Other operating expenses (of which from currency translation €623 thousand; prev. year: €546 thousand)	-36,479	-35,084
8. Income from equity investments (of which from affiliated companies €1,478 thousand; prev. year: €1,163 thousand)	1,478	1,163
9. Write-ups of financial assets	3,156	823
10. Other interest and similar income (of which from affiliated companies €635 thousand; prev. year: €590 thousand)	758	708
11. Write-downs of financial assets	-5,341	0
12. Interest and similar expenses (of which from unwinding of discount €3,306 thousand; prev. year: €3,978 thousand)	-3,404	-4,267
13. Result from ordinary activities	13,499	16,901
14. Taxes on income	-4,369	-4,442
15. Other taxes	-137	-147
16. Profit for the year	8,993	12,312
17. Unappropriated retained earnings brought forward	7,547	6,191
18. Allocation to revenue reserves	-4,496	-6,156
19. Unappropriated surplus	12,044	12,347

NOTES

OF SIMONA AG FOR THE 2015 FINANCIAL YEAR

GENERAL INFORMATION

These financial statements have been prepared in accordance with Section 242 et seq. and Section 264 et seq. of the German Commercial Code (Handelsgesetzbuch – HGB) as well as on the basis of the relevant provisions set out in the Stock Corporation Act (Aktiengesetz – AktG) and the supplementary accounting requirements of the Articles of Association. In this case, regulations governing large corporations apply.

The income statement has been prepared on the basis of the nature of expense method. For the purpose of clarity, the item „write-ups relating to financial assets“, i.e. reversals of write-downs, was incorporated within the classification under Section 275 HGB.

ACCOUNTING POLICIES

The following accounting policies, which remain unchanged compared with the previous year with the exception of provisions for pensions and similar obligations, have been used in preparing the annual financial statements.

Purchased **intangible assets** are recorded at their cost of acquisition and, to the extent that their useful lives are finite, their carrying amount is appropriately reduced by systematic straightline amortisation.

The company does not recognise **internally generated intangible assets** relating to non-current assets.

Property, plant and equipment are initially recorded at cost of purchase or cost of conversion and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic straightline depreciation. Assets relating to property, plant and equipment are written down according to their estimated useful lives. Depreciation on additions to property, plant and equipment is performed pro rata temporis. Items of property, plant and equipment whose cost of purchase or conversion is in excess of €150, but not in excess of €1,000, are accounted for in an annual collective item in the year of addition. This collective item is subject to depreciation in the year it was formed as well as in the subsequent four financial years, in each case at a rate of one-fifth. Following full depreciation, the collective items are derecognised.

In the case of **financial assets**, equity interests are carried at cost or, where the impairment is likely to be permanent, at the lower fair value, while loans are recognised at cost.

In accordance with the strict lower-of-cost-or-market principle, **inventories** are stated at the lower of purchase or conversion cost and fair value.

The cost of purchase or conversion of raw materials and finished goods is determined on the basis of the LIFO method. The differences in these amounts to those resulting from measurement on the basis of the exchange price or the market price at the balance sheet date have been presented as part of the explanatory notes to the balance sheet.

The inventories associated with consumables and supplies have been capitalised at the lower of average historical cost or current cost at the balance sheet date.

The cost of conversion relating to **finished goods and work in progress** is measured according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material, direct labour and special production costs, this item also includes production and material overheads as well as depreciation/write-downs of non-current assets. Interest on borrowed capital is not included in the cost of conversion.

All identifiable risks associated with **inventories**, relating to holding periods in excess of average duration, diminished usability and lower replacement costs, are recognised by an appropriate write-down.

Receivables and other assets are carried at their nominal values (cost of purchase). All items subject to risk are written down on an item-by-item basis; where items are subject to a general credit risk, a general allowance is recognised. Non-interest-bearing other assets with a term of more than one year have been discounted using an interest rate appropriate to the remaining term.

Cash in hand and bank balances are carried at their nominal values.

Prepaid expenses include payments for expenses in respect of subsequent years.

Subscribed capital is carried at its nominal value.

The **provisions for pensions and similar obligations** are determined in accordance with actuarial principles by applying the projected unit credit method on the basis of „Richttafeln 2005 G“ (actuarial mortality assumptions) published by Prof. Dr. Klaus Heubeck. As regards the discount rate, the average market rate of 4.31 per cent (prev. year: 4.53 per cent) for the past ten years (prev. year: seven years) was applied, with a remaining term of 15 years. Expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was accounted for with an interest rate of 2.00 per cent and expected pension increases with 1.87 per cent.

In accordance with Section 28(1) of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB), no provisions are recognised in respect of **indirect obligations** arising from pension benefits.

Tax and other provisions were created with reference to liabilities, the timing or amount of which were uncertain at the end of the reporting period or in consideration of future losses on pending transactions. They were recognised at the settlement amount deemed appropriate following a reasonable commercial assessment (i.e. including future cost and price increases). Provisions with a remaining term of more than one year are discounted using an interest rate specified in the Ordinance on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).

Liabilities are stated at their settlement amount; to the extent that they are non-current and non-interest-bearing, they are recognised as liabilities at their present value.

For the purpose of determining **deferred taxes** arising from temporary differences between the accounting carrying amounts of the assets, liabilities and accruals/deferrals and the equivalent tax base, the amounts of resulting tax burden or benefit are measured, and not discounted, using the company-specific tax rates at the date of the reduction in differences. Deferred tax assets and deferred tax liabilities are netted. In accordance with the right to exercise the option in respect of recognition, deferred taxes are not capitalised.

Currency translation

In the financial statements of SIMONA AG, receivables and liabilities denominated in foreign currencies are translated using the

mean spot exchange rate at the end of the reporting period. In the case of a remaining term of more than one year, the Realisation Principle (Section 252(1) no. 4 half sentence 2 HGB) and the Historical Cost Principle (Section 253(1) sentence 1 HGB) were observed accordingly.

NOTES TO BALANCE SHEET

Non-current assets

Changes to individual items classified as non-current assets have been presented in the statement of changes in fixed assets (appendix to notes) together with details of depreciation, amortisation and write-downs for the full financial year.

Details of shareholdings

Details of shareholdings are presented in the appendix to the notes.

Information pertaining to equity and earnings has been taken from the data used in connection with the consolidated IFRS financial statements as at 31 December 2015 (so-called Handelsbilanz II, i.e. single-entity financial statements adjusted/restated for uniform group accounting policies). Entities' foreign-currency equity is translated at the closing rate, while entities' foreign-currency earnings are translated at the average rate of the financial year.

Interests in affiliated companies

An impairment loss, i.e. write-down to the lower fair value, of €5,341 thousand was recognised in respect of interests in affiliated companies as the impairment was likely to be permanent.

Loans to affiliated companies

This item includes loans to SIMONA ASIA Ltd. (€16,817 thousand) and SIMONA AMERICA Inc. (€23,258 thousand).

Inventories

Inventories of raw materials and finished goods are measured on the basis of the LIFO method. The LIFO measurement of inventories entails the classification of inventories into appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method, leading to a reduction in inventories, was €2,690 thousand in the case of raw materials and €8,776 thousand with regard to finished goods.

Receivables and other assets

Essentially, as was the case in the previous year, all receivables and other assets, with the exception of those receivables and other assets described below, have maturities of under one year.

The receivables from affiliated companies relate to trade receivables (€13,058 thousand, prev. year: €18,747 thousand) as well as loans (€4,803 thousand, prev. year: €6,657 thousand). The total amount of loans with a remaining term of more than one year was €4,577 thousand (prev. year: €6,626 thousand).

The receivables from other longterm investees and investors, amounting to €571 thousand, are attributable to payments made within the context of post-employment benefits.

The company recognised its entitlement to the payment of the corporation tax credit (€1,410 thousand) and reported this item under other assets. The respective instalments are due in 2016 and 2017. Additionally, other assets mainly include VAT/sales tax receivables of €1,822 thousand.

The total amount attributable to other assets with a remaining term of more than one year was €691 thousand (prev. year: €1,384 thousand).

Equity

As in the previous year, share capital amounted to €15,500,000 and consisted of 600,000 bearer shares. Share capital is in the form of no-parvalue shares ("Stückaktien").

The unappropriated surplus ("Bilanzgewinn", i.e. the distributable profit) includes €7,547 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €4,496 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

Provisions for pensions and similar obligations

The difference between the pension provisions recognised by the company and provisions calculated on the basis of an average interest rate for the last seven annual periods is €-2,901 thousand.

SIMONA Sozialwerk GmbH operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As at 31 December 2015, the compa-

ny recorded a deficit of €8,774 thousand (ten-year interest rate) and €12,353 thousand (seven-year interest rate); this deficit does not necessitate mandatory recognition as a liability.

Other provisions

Other provisions were recognised primarily in respect of personnel-related provisions of €6,071 thousand (prev. year: €5,330 thousand) and warranty obligations of €2,543 thousand (prev. year: €3,532 thousand).

Liabilities

Bank borrowings include loans from banks totalling €1,726 thousand (prev. year: €2,257 thousand) with a remaining term of more than five years as well as bank overdrafts of €2,538 thousand (prev. year: €3,204 thousand) due within one year.

Liabilities to affiliated companies relate solely to trade payables due within one year (€4,070 thousand, prev. year €4,456 thousand).

All liabilities are unsecured.

Deferred taxes

Deferred taxes are not presented in the balance sheet, as the option provided under Section 274 HGB specifies that the excess of assets remaining after netting of deferred tax assets and deferred tax liabilities need not be recognised. Deferred tax liabilities result from valuation differences in the case of trade receivables due to unrealised foreign exchange gains. Deferred tax assets result mainly from differences in valuation and recognition relating to provisions for pensions and similar obligations as well as other provisions and non-current assets. The amounts were computed on the basis of a tax rate of 29.48 per cent.

Contingencies

In respect of warranty agreements, SIMONA AG, Kirn, issued one guarantee each in respect of its subsidiaries SIMONA FAR EAST Ltd., Hong Kong, China, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2015, they amounted to €0 in total.

As collateral for third-party liabilities, SIMONA AG, Kirn, issued a payment guarantee covering a nominal amount of €2,756 thousand for the purpose of securing commodity deliveries. Trade payables of SIMONA AMERICA Inc. and Boltaron Inc. amounted to €125 thousand in total as at 31 December 2015.

The risk of a contractual obligation arising from guarantees is currently considered to be improbable, as the subsidiaries in the United States have sufficient funds from operating activities to meet their obligations.

Other financial commitments

COMMITMENTS FROM RENTAL AND LEASE AGREEMENTS

in € '000	
Due 2016	188
Due 2017 – 2019	0
	188

ORDER COMMITMENTS

in € '000	
arising from investment orders	8,425
arising from raw material orders	4,947
	13,372

Related-party transactions

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. In the financial year under review, product sales amounting to €1,867 thousand (prev. year: €1,386 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group. The two entities maintain business relations with each other on arm's length terms.

Beyond this, companies of the SIMONA Group entered into no significant transactions (revenues below €10 thousand in total) with members of the Management Board or the Supervisory Board of SIMONA AG and/or entities to which these persons have been appointed in an executive or controlling capacity. This also applies to close family members of the aforementioned persons.

NOTES TO INCOME STATEMENT

Revenue

REVENUES BY REGION

in € '000	2015	%	2014	%
Germany	97,447	38.1	93,968	37.3
Rest of Europe & Africa	141,704	55.3	139,764	55.6
Americas	4,692	1.8	4,260	1.7
Asia & Pacific	12,193	4.8	13,649	5.4
	256,036	100.0	251,641	100.0

REVENUES BY PRODUCT GROUP

in € '000	2015	%	2014	%
Semi-finished and finished parts	176,350	68.9	177,602	70.6
Pipes and fittings	79,686	31.1	74,039	29.4
	256,036	100.0	251,641	100.0

Other operating income

Other operating income includes income not attributable to the accounting period in connection with the reversal of provisions (€1,379 thousand; prev. year: €637 thousand) as well as other income not attributable to the accounting period (€4 thousand; prev. year: €230 thousand).

Other operating expenses

Other operating expenses relate primarily to outward freight charges (€9,814 thousand; prev. year: €9,490 thousand), maintenance expenses (€7,709 thousand; prev. year: €6,275 thousand), expenses for packaging material (€5,726 thousand; prev. year: €5,860 thousand), legal and consulting costs (€1,318 thousand; prev. year: €1,185 thousand), cost of premises (€912 thousand; prev. year: €938 thousand) and advertising costs (€635 thousand; prev. year: €837 thousand). Expenses not attributable to the accounting period relate to the derecognition of receivables (€104 thousand; prev. year: €28 thousand).

Other interest and similar income

No interest and similar income from prior financial years was received by the company in the period under review (prev. year: €1 thousand).

Taxes on income

Income taxes are attributable to earnings from ordinary activities

in the financial year under review. Taxes on income include tax income of €6 thousand (prev. year: tax expenses of €220 thousand) that relates to previous financial years.

OTHER INFORMATION

Governing bodies and compensation

Management Board:

Wolfgang Moyses

MBA, Diplom-Betriebswirt, (Chairman)

Responsible for the areas:

- USA and Asia-Pacific
- Global Business Segments
- Strategic Business Development
- Global HR & Legal
- Investor Relations
- Marketing & Communication

Dirk Möller

Diplom-Ingenieur, (Deputy Chairman)

Responsible for the areas:

- Semi-Finished Parts Division Europe
- Division Pipes and Fittings
- Research and Development
- Application Technology/Technical Service Centre
- Process Development
- Logistics

Fredy Hiltmann

Betriebsökonom

Responsible for the areas:

- Finance
- Controlling
- Tax
- Purchasing
- IT & Organisation
- Quality Management

Wolfgang Moyses performs executive or controlling duties in the following entities:

- Customer Advisory Board of LBBW Rheinland-Pfalz Bank

- Advisory Board of CW Brabender Instruments Inc., South Hackensack/USA
- Supervisory Board member of SURTECO SE, Bittenwiesen-Pfaffenhofen

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and Member of the Management Board of SIMONA AG. In parallel, Dirk Möller performs the following executive duties at individual companies within the SIMONA Group:

- SIMONA Plast-Technik s.r.o., Litvinov, (1),
- SIMONA AMERICA Inc., Hazleton, (2),
- SIMONA FAR EAST Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, (2),
- SIMONA ASIA Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, (2)

His executive duties are as follows:

(1) Managing Director, (2) Member of the Board of Directors

Supervisory Board:

Dr. Rolf Goessler

Bad Dürkheim, Diplom-Kaufmann

(Chairman)

Other supervisory board mandates:

- Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen

Roland Frobél

Isernhagen, Managing Director of ROSSMANN CENTRAL EUROPE B.V., Renswoude, Netherlands

(Deputy Chairman)

Other supervisory board mandates:

- Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main (until 24 February 2016)
- Member of the Supervisory Board of GBK Beteiligungen AG, Hannover (since 20 May 2015)
- Chairman of the Advisory Board of Saxonia Holding-Gesellschaft mbH & Co. KG, Wolfsburg

Dr. Roland Reber

Stuttgart

- Managing Director of Ensinger GmbH, Nufringen

Joachim Trapp

Biberach, Qualified Lawyer

- Member of the Management Board of Kreissparkasse Biberach, Biberach
- Managing Director of Sparkasse-Immobilien BC GmbH, Biberach
- Managing Director of Sparkasse-Immobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach

Gerhard Flohr

Bergen, Employee Representative

- Maintenance Engineer/Fitter

Jörg Hoseus

Monzingen, Employee Representative

- Industrial Mechanic

Total Management Board compensation

Total Management Board compensation for the 2015 financial year amounted to €2,062 thousand, of which €1,050 thousand was attributable to variable components.

Beyond that, no other compensation or loans were granted.

In accordance with Section 286(5) HGB and pursuant to a resolution passed by the Annual General Meeting on 1 July 2011, which remains valid up to and including the 2015 financial year, compensation has not been presented individually in an itemised format subdivided into fixed and performance-related components as well as components with a long-term incentive.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€75 thousand) and remuneration for committee work performed by Supervisory Board members (€30 thousand). Total Supervisory Board compensation amounted to €105 thousand in the financial year under review, itemised as follows:

in € '000	2015
Dr. Rolf Goessler	30.0
Roland Frobel	25.0
Dr. Roland Reber	20.0
Joachim Trapp	10.0
Gerhard Flohr	10.0
Jörg Hoseus	10.0
	105.0

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to €486 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2015, these amounted to €6,186 thousand.

Employees

Average number of staff employed in the financial year:

	2015	2014
Industrial staff	469	482
Clerical staff	275	274
Employees	744	756
School-leavers (apprentices)	40	41
	784	797

Appropriation of profits

The Management Board proposes that the unappropriated surplus ("Bilanzgewinn", i.e. the distributable profit) be appropriated as follows:

in € '000	2015
Profit for the year	8,993
Unappropriated retained earnings brought forward	7,547
Appropriation to other revenue reserves in accordance with the Articles of Association	-4,496
Unappropriated surplus	12,044
Dividend (EUR 10.00 per share)	-6,000
Carried forward to new account	6,044

Corporate Governance Code Declaration of Compliance pursuant to Section 161 of the Stock Corporation Act

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2015 on 23 February 2016. It has been made permanently available and publicly accessible to shareholders on its corporate website at www.simona.de.

Notification of voting rights pursuant to Section 21(1) WpHG

On 12 June 2015, the company disclosed in accordance with Section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that it had received notification of the following interests held in the company. The ownership interests are outlined below:

VOTING POWER IN RESPECT OF SIMONA AG

per cent	as of 31/12/2015
Dr. Wolfgang und Anita Bürkle Stiftung, Kirn	31.19
Dirk Möller, Kirn	11.64
Regine Tegtmeyer, Nebel	11.25
Rossmann Beteiligungs GmbH, Burgwedel	10.10
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	10.00
LBBW Asset Management Investmentgesellschaft mbH, Stuttgart	10.00
BayernInvest Kapitalanlagegesellschaft mbH, Munich	5.00

SIMONA Aktiengesellschaft received the following notifications disclosing the most recent status of shareholders in respect of amounts exceeding or falling below reporting thresholds under Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG):

On 14 January 2016, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 41(4f) WpHG that its voting power in respect of SIMONA AG had fallen below the threshold of 3 per cent, 5 per cent, 10 per cent and 15 per cent on 26 November 2015 and that at this date its interest was 0.00 per cent (0 voting rights).

On 20 December 2013, BayernInvest Kapitalanlagegesellschaft mbH, Munich, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 3 per cent and 5 per cent on 19 December 2013 and that at this date its interest was 5.0038 per cent (30,023 voting rights). Of these voting rights, 5.0038 per cent

(30,023 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 6 WpHG.

On 20 December 2013, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 5 per cent on 19 December 2013 and had reached the threshold of 10 per cent and that at this date its interest was 10.00 per cent (60,000 voting rights). Of these voting rights, 10.00 per cent (60,000 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 6 WpHG in conjunction with Section 22(2) WpHG.

On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, Germany notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent, 20 per cent, 25 per cent and 30 per cent of the voting rights on 13 May 2010 and that at this date its interest was 30.79 per cent (corresponding to 184,739 voting rights).

On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent on 2 March 2010 and that at this date its interest was 15.0038 per cent (90,023 voting rights). Of these voting rights, 15.0038 per cent (90,023 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entities under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach, Germany.

On 3 March 2010, Kreissparkasse Biberach, Biberach, Germany notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent of voting rights on 2 March 2010 and that at this date its interest was 15.0038 per cent (corresponding to 90,023 voting rights).

On 20 June 2008, Rossmann Beteiligungs GmbH, Burgwedel, Germany notified the company in accordance with Section 21(1)

WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 10 per cent on 16 June 2008 and that at this date its interest was 10.10 per cent (corresponding to 60,584 voting rights).

Group relationship

The separate financial statements are included in the consolidated financial statements of SIMONA AG, Kirn, which prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Audit fees

The total fees invoiced by the independent auditor in the financial year under review were €242 thousand. These fees comprised the following items: €155 thousand for the year-end audit, €11 thousand for tax consulting services and €76 thousand for other services.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report that has been combined with the Group management report of SIMONA Aktiengesellschaft, Kirn, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Kirn, 30 March 2016
SIMONA Aktiengesellschaft

Wolfgang Moyses Dirk Möller Fredy Hiltmann

STATEMENT OF CHANGES IN FIXED ASSETS OF SIMONA AG IN THE FINANCIAL YEAR 2015

	COST OF PURCHASE					DEPRECIATION/AMORTISATION/ WRITE-DOWNS					RESIDUAL CARRY- ING AMOUNTS	
in € '000	01/01/ 2015	Addi- tions	Reclas- sifica- tions	Dispo- sals	31/12/ 2015	01/01/ 2015	Addi- tions	Write-ups	Dispo- sals	31/12/ 2015	31/12/ 2015	31/12/ 2014
I. Intangible assets												
Industrial property rights and similar rights and assets as well as licences in such rights and assets	7,529	142	202	0	7,873	7,034	262	0	0	7,296	577	495
	7,529	142	202	0	7,873	7,034	262	0	0	7,296	577	495
II. Property, plant and equipment												
1. Land, land rights and buildings	51,937	637	507	16	53,065	36,476	1,043	0	16	37,503	15,562	15,461
2. Technical equipment and machinery	141,836	2,757	1,639	27	146,205	120,348	4,071	0	26	124,393	21,812	21,488
3. Other equipment, operating and office equipment	49,628	1,933	215	970	50,806	44,661	1,490	0	831	45,320	5,486	4,967
4. Prepayments and assets under construction	6,615	5,298	-2,563	0	9,350	0	0	0	0	0	9,350	6,615
	250,016	10,625	-202	1,013	259,426	201,485	6,604	0	873	207,216	52,210	48,531
III. Financial assets												
1. Investments in affiliated companies	60,727	0	0	0	60,727	12,400	5,341	3,156	0	14,585	46,142	48,327
2. Loans to affiliated companies	40,456	0	0	381	40,075	0	0	0	0	0	40,075	40,456
3. Other long-term equity investments	23	0	0	0	23	0	0	0	0	0	23	23
	101,206	0	0	381	100,825	12,400	5,341	3,156	0	14,585	86,240	88,806
I + II + III	358,751	10,767	0	1,394	368,124	220,919	12,207	3,156	873	229,097	139,027	137,832

DETAILS OF SHAREHOLDINGS OF SIMONA AG

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	in € '000	in € '000
Indirectly			
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100	286	75
SIMONA S.A.S., Domont, France	100	3,359	354
SIMONA S.r.l., Società UNIPERSONALE, Cologno Monzese (MI), Italy	100	169	-73
SIMONA UK Ltd., Stafford, United Kingdom	100	2,521	491
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100	3,349	0
Laminations Inc., Archbald, USA	100	14,664	123
Boltaron Inc., Newcomerstown, USA	100	9,095	6,239
DANOH LLC, Akron, USA	100	215	128
CARTIERWILSON, LLC, Marietta, USA*	25	163	356
West Coast Plastic Sales, LLC, Washington, USA*	25	328	173
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100	1,118	-164
SIMONA ENGINEERING PLASTICS (Guangdong) Co.Ltd., Jiangmen, China	100	5,762	-1,317
Directly			
SIMONA Beteiligungs-GmbH, Kirn**	100	1,834	0
SIMONA Sozialwerk GmbH, Kirn (2014)	50	12,445	-4,440
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2014)	50	3,987	301
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100	19,320	393
SIMONA-PLASTICS CZ s.r.o., Prague, Czech Republic	100	110	-29
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100	1,187	282
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51	552	76
OOO SIMONA RUS, Moscow, Russian Federation	100	-215	88
SIMONA AMERICA Inc., Hazleton, USA	100	34,653	1,234
SIMONA ASIA Ltd., Hong Kong, China	100	4,355	910
SIMONA FAR EAST Ltd., Hong Kong, China	100	910	68

* Preliminary financial results

** Control and profit transfer agreement with SIMONA AG, Kirn

REPRODUCTION OF THE AUDITOR'S REPORT OF SIMONA AG FOR THE 2015 FINANCIAL YEAR

We have audited the annual financial statements – comprising the balance sheet, income statement and notes to the financial statements – in conjunction with the accounting records and management report of SIMONA Aktiengesellschaft, Kirn, which has been combined with the Group management report, for the financial year from 1 January to 31 December 2015. The Management Board of the Company is responsible for the accounting records and for preparing the financial statements and combined management report in accordance with applicable German commercial law as well as supplementary requirements set out in the articles of association. Our responsibility is to express an opinion on the financial statements – having referred to the accounting records – and the combined management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code and in compliance with generally accepted German auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. An audit includes assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the accounting records, annual financial statements and combined management report. The audit also includes assessing the accounting principles applied and significant estimates made by the Management Board, as well as evaluating the overall adequacy of the presentation of the financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 6 April 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian Kwasni
German Public Auditor

ppa. Christopher Schlig
German Public Auditor

This is a translation from German to English. Only the
German document shall be considered authoritative

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