

Consolidated Financial Statements
2008 SIMONA Group

Key Financials

SIMONA Group*		2008	2007	2006
Revenue	€ m	303.7	299.9	262.8
Year-on-year change	%	1.3	14.1	14.0
of which abroad	€ m	191.6	185.0	165.3
of which abroad	%	63.1	61.7	62.9
Staff costs	€ m	58.2	58.1	52.1
Profit before income taxes	€ m	20.2	19.8	15.1
Profit for the period	€ m	13.9	14.1	16.1
Net cash from operating activities	€ m	44.7	17.1	16.6
EBIT	€ m	19.8	19.7	14.9
EBIT	%	6.5	6.6	5.7
EBITDA	€ m	32.3	32.5	28.0
EBITDA	%	10.6	10.8	10.7
Total assets	€ m	244.8	233.8	226.4
Equity	€ m	157.6	148.3	139.8
Non-current assets	€ m	97.1	88.3	90.6
Investments in property, plant and equipment	€ m	21.2	13.5	18.1
Average number of employees		1,237	1,224	1,101

* Based on IFRS

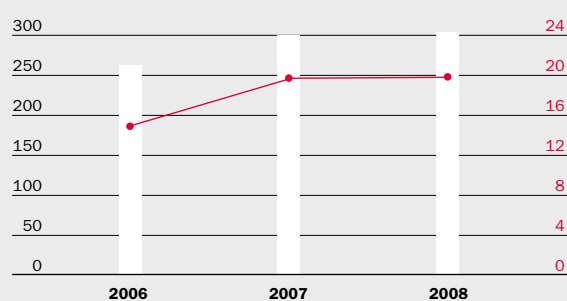
Stock Data		2008	2007	2006
Earnings per share	€	23.20	23.53	26.96
Dividend	€	8.50	8.50	7.50
Bonus 150th anniversary of SIMONA	€			1.50
Dividend yield		2.6	2.5	3.0
P/E ratio*		14.0	14.3	11.1
Market capitalisation-over-equity ratio*		1.23	1.36	1.29
share price as at Dec. 31	€	324.00	336.10	300.00

* Each calculated on consolidated basis

Revenue and EBIT SIMONA Group

(in € m)

■ Total revenue
● EBIT



The consolidated financial statements of SIMONA AG and the entities included in the consolidated group have been prepared in accordance with International Financial Reporting Standards (IFRS). Individual items of the balance sheet and income statement have been combined for the purpose of improving financial analysis. The Notes to the consolidated financial statements include details regarding the accounts; any deviations from the prior year financial statements have been explained accordingly, where relevant. Due to the rounding of figures to the next highest or lowest value in thousands of euros ('000), rounding differences may occur between the balance sheet, income statement, statement of cash flows and statement of changes in equity.

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2008 Group Management Report of SIMONA AG

1. Business Activities and General Conditions

1.1. Organisation and legal structure of the SIMONA Group

The SIMONA Group manufactures and markets a range of semi-finished plastics, pipes and fittings as well as finished parts. 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 laboratories and workshops for the production of customised fittings.

In the period under review, the SIMONA Group operated facilities located in Germany and abroad. Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while sheets and finished parts are produced at the company's plant in Kirchhundem-Würdinghausen (North Rhine-Westphalia) and pipes and fittings at a facility in Ringsheim (Baden-Württemberg). The facility based in Hazleton (Pennsylvania, USA) manufactures products destined mainly for the American and Asian markets. At the end of 2008 construction work on two new production plants was completed in Jiangmen, China, and Litvinov, Czech Republic. Litvinov is the first multifunctional production facility within the SIMONA Group. Fiscal 2008 saw the start of partial operations at this site. There were no production activities in Jiangmen during 2008.

Semi-finished products are mainly deployed within the area of chemical equipment and mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automotive industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry.

The SIMONA Group markets its products worldwide. The Group's distribution structure is based on sales regions (Germany/Rest of Europe and Africa/Asia, America and Australia) as the primary segments; the secondary segments are centred around product areas (semi-finished products as well as pipes and fittings). Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Hong Kong, China and the United States, both directly and via trading partners. Beyond this, the AG (i.e. the parent company) operates a sales office in Möhlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). Georg Fischer SIMONA Fluoropolymer Products GmbH was deconsolidated effective from January 1, 2008. As at December 31, 2008, the share capital of SIMONA AG was €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.

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Detlef Becker (since April 1, 2008), Jochen Feldmann and Dirk Möller. On June 27, 2008, scheduled elections were held by the Annual General Meeting for the four Supervisory Board members to be appointed by the company's shareholders. In 2008, the Supervisory Board included Hans-Wilhelm Voss (Chairman, until June 27, 2008), Hans-Werner Marx (Deputy Chairman, until June 26, 2008/Chairman, since June 27, 2008), Roland Frobel, Dr. Roland Reber and Dr. Rolf Gößler (since June 27, 2008/Deputy Chairman) as shareholder representatives and, as in the previous year, Bernd Meurer and Karl-Ernst Schaab as staff representatives. Hans-Wilhelm Voss left the Supervisory Board effective from June 27, 2008.

1.2. Business Review

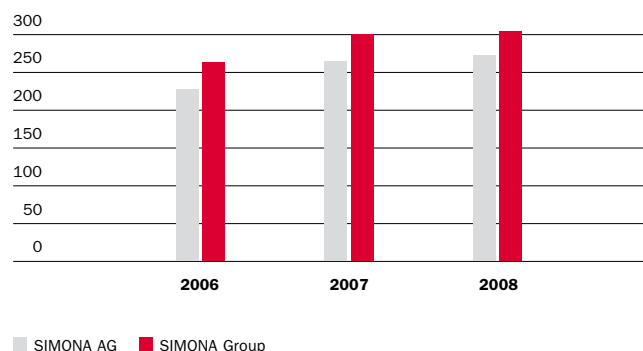
Revenue growth dampened by financial crisis

Up until and including the third quarter of 2008 SIMONA achieved revenue growth of around 4.5 per cent. In the fourth quarter, however, the Group felt the full force of the economic downturn precipitated by the global financial crisis. Within this context, the effects of economic slowdown were particularly evident in the chemical industry and the mechanical engineering sector. As a result both order intake and revenue contracted significantly. In the fourth quarter, revenue was 8.7 per cent down on the previous year's fourth-quarter figure. However, buoyed by its favourable performance in the first three quarters of 2008, the Group managed to edge beyond the sales record set in the previous financial year. Compared with the previous year, Group revenue rose by €3.8 million to €303.7 million in 2008. This corresponds to a year-on-year increase of 1.3 per cent. The parent company, SIMONA AG, increased its revenue by 2.1 per cent to €271.2 million.

Germany

In Germany, the severe fourth-quarter slump in sales generated through business within the chemical and mechanical engineering sector led to a slight fall in total revenue. Sales revenue declined by €2.8 million to €112.1 million, which corresponds to a year-on-year contraction of 2.4 per cent. As a sales region, Germany accounted for 36.9 per cent of total revenue, down from 38.3 per cent a year ago. There was evidence of key customer sectors and the economy as a whole losing momentum as early as the second quarter of 2008, but despite these adverse conditions SIMONA managed to achieve significant growth in sales revenue over the course of the first three quarters. By contrast, growth within the German economy was moderate in 2008. Price-adjusted GDP was just 1.3 per cent higher than in the previous year, while GDP growth had stood at 2.5 per cent in 2007. The impact of the financial and eco-

Revenue performance SIMONA AG – SIMONA Group (in € m)



omic crisis became increasingly tangible from the second quarter of 2008 onwards. Indeed, the economy as a whole only managed to produce quarter-on-quarter growth in the first three months of the year. At –0.5 per cent, the economic downturn was still relatively moderate in the second and third quarters. By contrast, economic output for the fourth quarter was 2.1 per cent down on the previous quarter – the most significant decline since German reunification. Over the course of 2008 the only real stimulus came from domestic demand, the emphasis being on equipment (+5.3 per cent) and construction-related investments (+2.7 per cent). Declining by 0.3 percentage points, net exports had a dampening effect.

Trends within the key customer sectors were dominated to a large extent by the encroaching financial and economic crisis.

The mechanical and plant engineering industry recorded its fifth year of successive growth, with production expanding by an estimated 5 per cent in 2008. However, this was driven solely by a strong performance in the first quarter. Growth began to wane as early as the second quarter, and orders in the third quarter were down on the figure posted a year earlier. In December alone, order intake within this sector declined by 30 per cent compared to the preceding month.

After a strong start to the year, the chemical industry lost its forward momentum very early on. Given the significant fall in production output since November, it seems unlikely that this sector generated any growth in the annual period as a whole. With the exception of the pharmaceutical sector, all segments within the chemical industry were affected in equal measure by the downturn. Against this backdrop, major chemical companies announced the closure of entire production sites.

International trade fairs hosted in Germany remained buoyant in 2008, with initial estimates suggesting a rise of 3.5 per cent in exhibition space bookings and visitor numbers.

The German construction industry recorded moderate growth in 2008. Construction-related investments rose by 2.7 per cent to €219 billion. Within this context, commercial construction proved to be the principal growth driver, expanding by more than 7 per cent. Public-sector construction was more subdued, recording growth of 2.2 per cent, while the residential construction sector expanded by a mere 0.7 per cent.

Operating within a difficult market environment, the plastics processing industry recorded slight growth, with industry revenue increasing by 2 per cent to €54 billion. Within this segment the plastic packaging industry generated the most pronounced growth of 6 per cent. Manufacturers of plastics-based building products recorded growth of 2.5 per cent, while consumer goods producers expanded by 2 per cent. The financial and economic crisis had a dramatic effect on manufacturers of technical parts for the automobile and electronics industry, with revenues declining by 3.5 per cent. This was attributable to the severe slump in order intake in the final quarter of 2008, prompted mainly by sluggish foreign demand. Within this context, the growth markets of Eastern Europe and Asia contracted heavily. As a result, non-domestic revenue generated by the plastics processing industry declined for the first time in many years (–1 per cent).

Europe and Africa

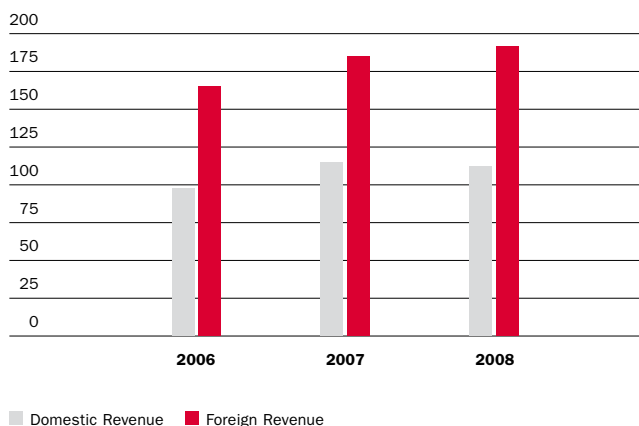
The financial and economic crisis had a noticeable impact on the European economy in 2008. Economic growth in the eurozone stood at just 0.7 per cent (2007: 2.7 per cent), and the EU27 recorded growth of 0.9 per cent (2007: 2.9 per cent). Africa also had to contend with a significant slowdown in growth to 5.2 per cent (2007: 6.2 per cent).

Despite this challenging market environment, revenue growth in Europe (excluding Germany) and Africa was more pronounced than that achieved in terms of total revenue. Sales revenue stood at €158.3 million, compared to €151.3 million in the previous year. This corresponds to an increase of 4.6 per cent and is attributable mainly to the as yet stable order situation in Europe within the area of chemical tank and apparatus building. By contrast, demand in Eastern Europe declined significantly in the fourth quarter.

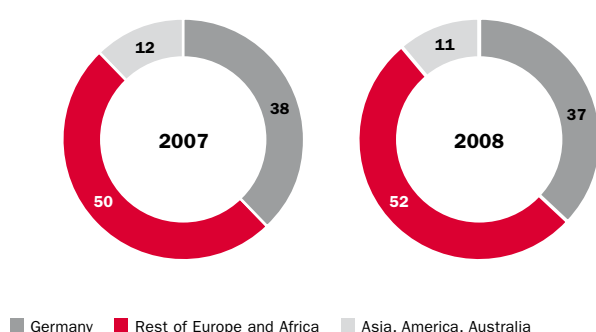
America, Asia and Australia

Our markets in Asia and North America were severely buffeted by the financial and economic crisis. In the United States, economic growth fell to 1.1 per cent (2007: 2 per cent). At the same time, the newly industrialised Asian

Development of Revenue SIMONA Group (in € m)



SIMONA Group Revenue by region (in %)



economies only managed to grow by 2.1 per cent in 2008, compared to 5.6 per cent in 2007. Despite these developments, SIMONA managed to achieve significant revenue growth in Asia over the course of the first three quarters. Business performance in North America was adversely affected by sluggish demand and continuing structural problems. As a result of the dramatic slump in demand in the fourth quarter, total sales revenue in Asia remained largely unchanged year on year at €34.6 million, compared to €34.5 million a year ago.

Positive trend for semi-finished products – slight decline in revenue for pipes and fittings

The main revenue drivers within the area of semi-finished products were profiles, finished parts and extruded sheets made of PE. Within this context, the decision to expand SIMONA's product range by including finished parts in the overall portfolio proved well-judged from a strategic perspective, as this allows the company to market itself as a high-end system supplier within the chemical and mechanical engineering market. Within the area of pressed sheets, SIMONA focused mainly on customised applications and high-margin products, thus accepting the potential decline in volume. At 2.9 per cent, sales revenue within the area of semi-finished products grew faster than total revenue.

Having recorded significant growth in recent years, piping systems had to contend with a slight fall in revenue in the period under review. By contrast, business within the area of fittings expanded considerably in 2008. In parallel, the company managed to achieve gains in the field of international project business for new applications such as geothermal power. However, sales of standard pipes were down, with revenue falling from €87.6 million a year ago to €85.7 million in 2008. This corresponds to a decline of 2.2 per cent.

Product development based on customer-driven requirements

Within the area of R&D, SIMONA continued to advance its product development activities based on individual customer requirements. A case in point is the new PVC foam sheet developed by SIMONA, featuring a density of well under 0.5 g/cm³, while the standard mechanical and surface properties have been largely retained. Following a successful launch by the company, it is now being marketed as SIMOPOR-ULTRALIGHT. In the period under review, product development activities were also centred around the inclusion of specific functions such as antibacterial properties. Key achievements within the area include an antibacterial PVC-CAW for wall panels and a SIMOLUX product tailored to the requirements of the orthopaedics industry. Within the pipes and fittings segment, the company rolled out a new product family by the name of SIMOFUSE®, which features integral electrofusion spirals for the tight and permanent joining of pipes and fitting. Investments in extruder technology paved the way for new pipe dimensions in diameters up to 1,200 mm. In launching GEO-Line, SIMONA introduced a major product innovation in the area of piping systems for geothermal energy applications. The second generation of twin-wall sheets developed back in 2007 was successfully rolled out during 2008 and marketed in new fields of application. In collaboration with the Landesgewerbeanstalt Nürnberg (LGA), SIMONA

developed a software application for the structural calculation of tanks made of twin-wall sheets; it is currently being used as a sales support tool.

Testing in connection with the official certification for PP-DWU AlphaPlus® – a new product line within the company's portfolio – from the Deutsches Institut für Bautechnik (DIBt) has been completed, which makes SIMONA the only manufacturer of semi-finished products with a DIBt-approved compound for a PP-H material.

Research and development expenses are mainly comprised of staff costs, material costs and depreciation/amortisation of non-current assets. Owing to the interrelationship between customer-specific manufacturing procedures, optimisation measures within the area of process engineering and formulae as well as product development itself, the above-mentioned expenses cannot be systematically segregated from production costs.

2. Financial Performance

Stable EBIT

Earnings before interest and taxes (EBIT) rose by €0.1 million to €19.8 million in 2008. At 6.5 per cent, the EBIT margin was slightly down on last year's figure, as well as falling just short of the minimum target of 7 per cent.

The significant rise in commodity prices continued up to the end of the third quarter. However, the fourth quarter marked the beginning of visible price adjustments within the area of standard polymers. As a result, total expenditure on production supplies and materials was scaled back slightly. The cost of materials fell by 4.6 per cent to €166.9 million. Within the parent company (AG), the costs associated with energy and water rose by a further €0.8 million in 2008, on the back of a significant rise in 2007.

Due to lower expenses associated with production supplies and materials and a stronger focus on high-margin products, the Group's gross profit margin rose by €12 million to €137.3 million.

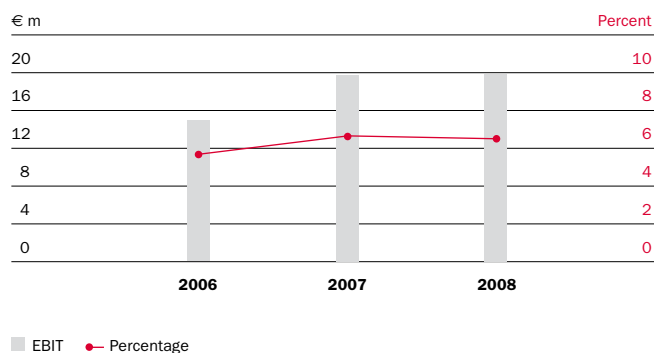
As a result of adjustments within the area of commodity prices at the end of 2008 and a targeted reduction in stock levels, the carrying amount for finished goods and work in progress was €7.8 million down on last year's figure. Foreign currency gains, in particular, contributed to an increase in other operating income by €3.9 million to €8.6 million.

Staff costs rose slightly to €58.2 million in 2008. Within this context, expenses attributable to wages and salaries edged up by €0.3 million to €46.3 million, whereas expenses relating to social security and post-employment benefits fell by €0.2 million.

Other operating expenses increased by €3.0 million.

Due to inventory write-downs prompted by the decline in commodity prices in the fourth quarter and as a result of the difficult business climate created by the financial and economic crisis, earnings in America were negative. The key financial indicators used by SIMONA for the purpose of analysing and controlling operating results are EBIT (Earnings before Interest and Taxes) and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation). EBIT represents the operating result before interest and taxes as well as the effects of investments. In the case of EBITDA, non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are

EBIT SIMONA Group



added to the EBIT figure. Both EBIT and EBITDA can thus be used for the purpose of evaluating a company's earnings performance, in addition to providing an approximation of cash flow.

Earnings before interest and taxes amounted to €19.8 million, resulting in an EBIT margin of 6.5 per cent. EBITDA at Group level declined slightly year on year to €32.3 million (2007: €32.5 million), with depreciation and amortisation remaining largely unchanged. The EBITDA margin was 10.6 per cent (2007: 10.8 per cent).

3. Financial Assets and Liabilities

The financial assets mainly comprise cash and short-term bank deposits totalling €48.4 million. In addition, the Group has recognised €0.6 million in foreign currency options at fair value.

In 2008, non-current financial liabilities rose by €3.5 million to €8.5 million as a result of a US\$5 million loan taken out by the company, the principal being due at the final maturity date. The annuity loan was extinguished by US\$0.3 million as scheduled. Other financial liabilities alongside current financial liabilities amount to €0.4 million in connection with interest rate swaps. Interest rate swaps are designed to hedge the risk of a change in the fair value of US dollar loans.

Other financial obligations include €4.5 million from rental and lease agreements. Of this total, an amount of €1.4 million is due within one year. A total of €5.3 million in current obligations is attributable to investment projects already initiated.

Based on finance income of €1.0 million and finance cost of €0.6 million, net finance income amounted to €0.4 million in 2008.

4. Financial Position

Investments expanded

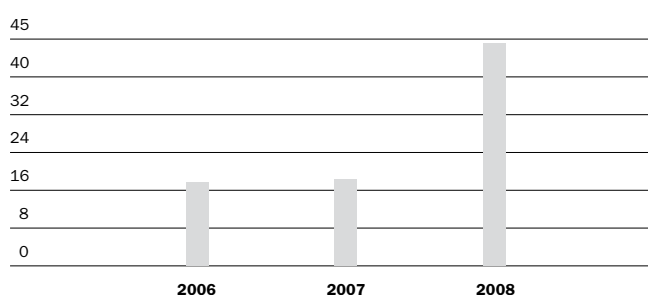
As at December 31, 2008, total assets of the SIMONA Group amounted to €244.8 million, which represents a year-on-year increase of €11 million. This was mainly attributable to more extensive assets under construction following investments in China and the Czech Republic as well as higher cash holdings. In terms of equity and liabilities, other revenue reserves were higher at the end of the reporting period, as were non-current financial liabilities as a result of a new US\$ loan whose principal is due at the final maturity date.

Over the course of 2008, investments aimed at expanding and modernising the company's production facilities were stepped by significantly. In total, an amount of €21.2 million was invested in property, plant and equipment, compared to €13.8 million in 2007. The main emphasis was on the new plants in the Czech Republic and China as well as additional investments in process technology within the area of injection moulding and a machine for the extrusion of pipes up to a diameter of 1,200 mm. Funds were also invested in a calender and a sheet processing unit. The additions to intangible assets were mainly attributable to software licences.

Other financial assets comprise capitalised corporation tax credits of SIMONA AG amounting to €5.6 million, the economic benefits of which will flow to the company as from December 31, 2008. This is to be seen within the context of the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG), according to which the dividend-related reduction of corporation tax is no longer applicable for periods subsequent to 2006. In accordance with these legal provisions, the level of existing credits with a reducing effect on corporation tax was determined, and the entitlement was recognised as an asset in the balance sheet as at December 31, 2008, in an amount equivalent to the present value.

Cash flow from operating activities

(in € m)



Inventories declined both in terms of volume and value; the fall in volumes was due to stock reductions in response to lower sales in November and December 2008, while the lower carrying amount was attributable to the significant decline in commodity prices. Production supplies and materials, for instance, fell by €4.2 million in the period under review. Finished goods and merchandise contracted by €7.8 million.

Trade receivables declined by €6.1 million to €41.3 million due to less buoyant business in the fourth quarter.

Cash resources increased by €25.6 million to €48.4 million. SIMONA significantly increased its net cash from operating activities in 2008, as discussed in greater detail in the Statement of Cash Flows in the notes to the financial statements. Group liquidity was safeguarded at all times during the period under review.

Trade payables fell by €4.6 million at the end of the reporting period due to the reduction in stock levels.

Equity rose significantly by €9.3 million to €157.6 million, mainly as a result of consolidated profit for the year (€13.9 million) – with dividend payments amounting to €5.1 million in fiscal 2008. Thus, the equity ratio increased from 63.5 to 64.4 per cent.

5. Events after the Reporting Date

There were no events of material significance to the state of affairs of the SIMONA Group in the period between the end of the 2008 financial year and the preparation of this management report. Beyond this and in accordance with statutory provisions, interim announcements will be issued during 2009, outlining the development of the entity and any events that are subject to disclosure requirements.

6. Risks of Future Development

The risk management system of SIMONA AG controls the following material risks: risks relating to the general business environment and sector, financial risks and IT-specific risks.

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic development of customer segments supplied by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the raw material markets. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. The establishment of own production facilities in China and the Czech Republic will help us to improve the company's flexibility when it comes to meeting new customer requirements at a global level. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in the United States has helped to scale back risks within this area. What is more, the start of production at our new plant in China will further mitigate foreign exchange risks. In addition, SIMONA AG addresses the issue of currency risk to the largest extent possible by deploying hedging instruments. SIMONA will be exposed mainly to economic and sector-specific risks in 2009. The reces-

sionary trends seen in the majority of the company's key sales markets and regions are likely to be a dominant force in terms of revenue and earnings performance in 2009. Price risks relating to raw materials are again likely to be of particular significance in 2009.

As the market situation becomes more challenging, the risk of default is likely to become more pronounced. In this context, thorough investigations in credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. 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 were assessed on a regular basis, and adjustments in the form of allowances were made for specific products.

At the end of the 2008 financial year, we are of the opinion that the risk situation for the company has deteriorated compared to the previous year due to the factors outlined above.

7. Report on Expected Developments

Global recession

Overall, 2009 is likely to be the most challenging year for the world economy since the end of the Second World War. The International Monetary Fund has forecast global economic growth of just 0.5 per cent. With this context, all industrialised economies will have to contend with recessionary trends. In Germany, the decline in GDP is projected to be between 2.5 and 7 per cent. Exports, in particular, are expected to contract dramatically. In January 2009 alone, the volume of exports was 20.7 per cent lower than in the same month a year ago. Within this context, the chemical and mechanical engineering sectors in particular had to contend with a significant fall in orders. What is more, financing has become increasingly difficult for compa-

nies as a result of the financial crisis, which is also likely to have an adverse effect on their propensity to invest. Against this backdrop, competition within our product segments will become much more intense.

Strong decline in order intake

SIMONA is bracing itself for a very difficult year, having already recorded a significant contraction in sales revenues since November 2008. This trend remained unchanged over the first two months of 2009. At present, it is difficult to predict with any certainty the future course of events. There can be no doubt, however, that the global economy is facing one of its most severe recessions. In order to cushion the decline in production output, SIMONA announced short-time work as from March 1, 2009, which will initially remain in place until the end of 2009. These measures will be implemented to varying degrees at all German locations. In addition, the company will pursue a strict cost-reduction policy.

Targeting positive EBITDA

Owing to the current economic situation and lower sales prices in response to contracting commodity prices, SIMONA AG is anticipating a significant decline in revenues for the 2009 financial year as a whole. Operating within this challenging environment, SIMONA is looking to achieve revenue of at least €200 million. This forecast is based on the assumption that business in the second half of the year is more favourable than in the first. Having extended the product range to include finished parts and established itself as a premium supplier, SIMONA is well positioned to meet the requirements of its key customer groups in the chemical and mechanical engineering sectors – and to retain clients and attract new ones regardless of the current crisis. In developing new products and unlocking new areas of application within the field of piping systems, we have raised our profile and strengthened our position within the international arena.

Against the backdrop of extremely adverse economic conditions, SIMONA is targeting positive EBITDA and a positive cash contribution for 2009. There is, however, the possibility of a loss before taxes.

Given the high degree of uncertainty associated with the global financial markets and real economy, it is at present impossible to provide an outlook on business performance for 2010. Having said that, SIMONA anticipates that the economy will improve only slightly in 2010, advancing gradually from a weak base in 2009.

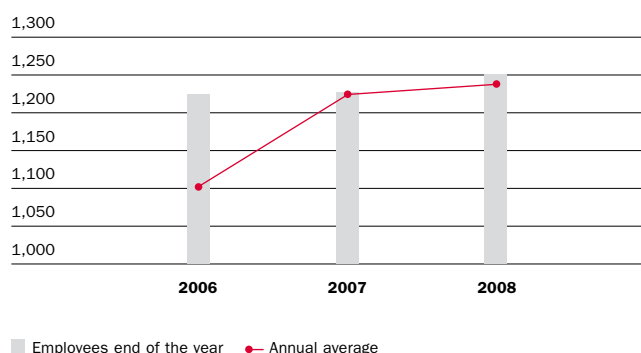
8. Other Information

Employees

The SIMONA Group increased its staffing levels in 2008. New jobs for highly qualified staff were created in particular at an international level through the start-up of facilities in Litvinov, Czech Republic, and Jiangmen, China. In total, 1,251 people were employed at the end of the 2008 financial year, which was 24 more than at the 2007 year end. The average headcount was 1,237. Staffing trends at the respective sites throughout the Group are a reflection of the strategy pursued by SIMONA when it comes to international expansion. In Asia and North America the number of personnel rose from 87 to 99 as at December 31, 2008. At the end of 2008, 139 staff members – 30 more than at the end of 2007 – were employed at our European subsidiaries, with the year-on-year increase being attributable mainly to the new facility in the Czech Republic.

The number of employees at the parent company (AG) declined by 18 to 1,013. By contrast, the apprenticeship programme was further expanded beyond the high level already reached in 2007. At the end of 2008, 65 (previous year: 63) young people were in apprenticeships relating to various technical or commercial disciplines. In 2008, 20 apprentices successfully completed their vocational training with the company. The majority of vocational trainees are

Employees SIMONA Group



offered positions within SIMONA upon completion of their apprenticeships. In total, 15 apprentices were offered positions with the company in 2008. Two apprentices are attending part-time degree courses on the basis of the integrated educational programme introduced in 2001 in collaboration with the University of Applied Sciences Ludwigs-hafen.

Within the area of HR development, the main emphasis in 2008 was on improving our employees' foreign-language skills. We also expanded our internal development programme with cross-departmental lectures and subject-specific product and application workshops. Our management teams were given the opportunity to take part in personal development seminars aimed at enhancing their leadership skills; in other areas, we offered training for MS Office applications.

As regards the company-wide roll-out of SAP, our focus in 2008 was on optimising processes at all sites and executing sub-projects for the purpose of integrating SAP at our subsidiaries. On July 1, 2008, SAP was introduced at SIMONA IBERICA SEMIELABORADOS S.L. Additionally, the production sites in Litvinov, Czech Republic, and Jiangmen, China, as well as our subsidiary in France, including associated warehouse locations, were connected to the SAP

system. On January 1, 2009, we also completed sub-project 1 for SAP integration at SIMONA AMERICA Inc., which included the modules Finance and Purchasing.

Quality and environmental management

One of the declared goals of SIMONA is to ensure sustained quality throughout the Group. The high standard of our management system was confirmed by the recertification of our quality and environmental management processes at all domestic production sites in December 2008. The audits by TÜV Süd were conducted without any departures.

For the first time, our Würdinghausen facility was included fully in this certification process with regard to quality and environmental management.

Regular quality meetings were organised as part of quality and complaints reviews in all areas of the company and at all staff levels. The action plans and quality targets defined as part of these procedures continue to be essential tools used for the purpose of improving products and processes. Preparations will also be made for the audit of our new production facility in Litvinov in December 2009. We are committed to ensuring that our customers are supplied with consistently high products and services from all sites operated by the company. As regards our certified "Automotive" QM systems, we are currently in the process of conducting extensive quality plans for new products associated with plastic tanks made of coextruded PE sheets, the aim being to meet the high standards of our customers for these products manufactured on the basis of high-end SIMONA technology.

The company also continued to pursue its measures within the area of environmental management. SIMONA's high standards with regard to energy saving and reduction or efficient use of production waste are closely monitored and improved where feasible.

Compensation Report

Management Board compensation

The Personnel Committee within the Supervisory Board is responsible for determining the level of compensation for the Management Board. The Personnel Committee consists of Hans-Werner Marx, Chairman of the Supervisory Board, as well as the Deputy Chairman of the Supervisory Board Dr. Rolf Gößler and the Supervisory Board member Roland Frobel. 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 Board of Directors 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. Both of the aforementioned components are assessed on an annual basis. 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. The most recent assessment was conducted in 2008.

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 company's earnings performance. Total compensation for the Management Board amounted to €1,448 thousand (previous year: €1,081 thousand). This increase was attributable principally to the appointment of a fourth Management Board member effective from April 1, 2008. Total compensation comprises €908 thousand (previous year: €691 thousand) in fixed-level compensation and €540 thousand (previous year: €390 thousand) in

bonus payments. The company does not grant loans to members of the Management Board. There are no share option plans or other share-based compensation programmes in place for members of the Management Board.

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 (Aktiengesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounted to € 795 thousand (previous year: € 782 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 11,079 thousand as at December 31, 2008 (previous year: € 10,073 thousand).

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 shall be authorised to pass a resolution on a variable compo-

nent of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on June 27, 2009, no such resolution for variable compensation components was passed for the 2007 financial year.

Supervisory Board compensation for 2008 amounted to € 122 thousand (previous year: € 128 thousand). The company does not grant loans to members of the Supervisory Board. There are no share option plans or other share-based compensation programmes in place for members of the Supervisory Board.

Shareholder structure, shareholdings of the Management Board and Supervisory Board as well as investments subject to disclosure

At the end of the reporting date, the share capital of SIMONA AG was € 15.5 million, divided into 600,000 bearer shares. All shares are categorised as no-par-value shares ("Stückaktien" governed by German law). There are no restrictions with regard to share transfer or voting rights. An 18.66 per cent interest is held by Anita Bürkle (Kirn), a 12.13 per cent interest by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.41 per cent interest by Regine Tegtmeyer (Seelze), a 10.67 per cent interest by Kreissparkasse Biberach (Biberach), a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel) and a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft mbH (Kirn). The remaining 15.39 per cent of shares in the company are in free float.

As at June 27, 2008, members of the Management Board reported a total holding of 69,826 own shares; this corresponds to 11.64 per cent of the share capital of SIMONA AG. According to the notification of June 27, 2008, members of the newly appointed Supervisory Board held a total of 2,320 shares. This corresponds to 0.39 per cent of total share capital.

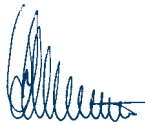
Closing statement

We hereby declare that to the best of our knowledge the management report conveys the course of business, the financial performance and the material opportunities and risks associated with the expected development of the SIMONA Group.

Kirn, 26 March 2009



Wolfgang Moyses



Dirk Möller



Jochen Feldmann



Detlef Becker

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 31/12/08	01/01 – 31/12/07
Revenue	[9]	303,651	299,881
Other operating income		8,614	4,694
Changes in inventories of finished goods		–8,035	4,813
Cost of materials		166,901	174,942
Staff costs	[10]	58,229	58,130
Depreciation of property, plant and equipment, and amortisation of intangible assets	[17], [18]	12,477	12,805
Other operating expenses		46,826	43,788
Interest income	[13]	1,024	763
Interest expense	[13]	572	653
Profit before income taxes		20,249	19,833
Taxes on income	[14]	6,321	5,688
Profit for the year		13,928	14,145
of which attributable to:			
owners of the parent		13,920	14,118
minority interests		8	27
Earnings per share			
in €			
– basic, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company	[15]	23.20	23.53
– diluted, calculated on the basis of profit for the year attributable to ordinary shareholders of the parent company	[15]	23.20	23.53

Group Balance Sheet of SIMONA AG

Assets in € '000	Notes	31/12/08	31/12/07
Intangible assets	[17]	1,498	2,524
Property, plant and equipment	[18]	95,601	85,735
Financial assets		23	23
Non-current tax assets		4,844	5,348
Deferred tax assets	[14]	276	545
Non-current assets		102,242	94,175
Inventories	[19]	43,709	55,679
Trade receivables	[20]	41,345	47,449
Other assets and prepaid expenses	[21]	8,426	9,191
Derivative financial instruments		607	338
Cash	[22]	48,432	22,875
Assets of a disposal group classified as held for sale	[7]	0	4,082
Current assets		142,519	139,614
Total assets		244,761	233,789

Equity and liabilities in € '000	Notes	31/12/08	31/12/07
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		128,092	118,833
Other reserves		-1,430	-1,499
Equity attributable to owners of the parent		157,436	148,108
Minority interests		211	227
Equity	[23]	157,647	148,335
Financial liabilities	[24]	8,514	4,991
Provisions for pensions	[25]	35,929	35,025
Other provisions	[27]	6,825	6,221
Other liabilities		216	258
Deferred tax liabilities	[14]	7,089	8,074
Non-current liabilities		58,573	54,569
Financial liabilities	[24]	350	305
Provisions for pensions	[25]	1,576	1,496
Other provisions	[27]	5,957	3,457
Trade payables		7,373	11,978
Income tax liabilities		2,250	554
Other liabilities and deferred income		10,655	11,787
Derivative financial instruments		380	179
Liabilities related to assets held for sale	[7]	0	1,129
Current liabilities		28,541	30,885
Total liabilities and equity		244,761	233,789

Notes to Consolidated Financial Statements of SIMONA AG

[1] Company information

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges.

The consolidated financial statements of SIMONA AG for the financial year ended December 31, 2008, were released by the Management Board on the basis of a resolution passed on March 26, 2009, for the purpose of forwarding them to the Supervisory Board.

The activities of SIMONA AG mainly include the production and sale of semi-finished products in the form of sheets, rods, welding rods, pipes and fittings made of thermoplastics.

Semi-finished products are manufactured at facilities in Kirn, Kirchhundem-Würdinghausen (Germany) and Hazleton (USA); pipes are produced at a facility in Ringsheim (Germany) and fittings at facilities in Ringsheim and Litvinov (Czech Republic). The products are marketed under the joint SIMONA brand as well as a range of separate brands. SIMONA AG maintains a sales office in Möhlin/Switzerland. In addition, distribution is conducted via subsidiaries in the United Kingdom (SIMONA U.K. Ltd., Stafford/United Kingdom), France (SIMONA S.A., Domont/France), Italy (SIMONA S.r.l., Vimodrone/Italy), Spain (SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain), Poland (SIMONA POLSKA Sp. z o.o., Wrocław/Poland, DEHOPLAST Polska Sp. z o.o., Kwdizyn/Poland), the Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague/Czech Republic), Hong Kong (SIMONA FAR EAST Ltd., Hongkong/China), China (SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai/China) and the United States (SIMONA AMERICA Inc., Hazleton/USA).

[2] Accounting policies

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, with the exception of derivative financial instruments and available-for-sale financial assets, which are measured at fair value. The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € '000.

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended December 31, 2008, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315 a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term “IFRS” comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date. Additionally, all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2008 financial year.

The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at December 31 of each financial year (hereinafter also referred to as “Group” or “SIMONA Group”).

The Group balance sheet conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the balance sheet have been aggregated for the purpose of improving the overall clarity of presentation. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements comprise the accounts of SIMONA AG and its subsidiaries for each financial year ended December 31. The financial statements of SIMONA AG and the subsidiaries are prepared using uniform accounting policies for the same reporting period. All intragroup balances (receivables, liabilities, provisions), transactions, income and expenses as well as profits and losses from transactions between consolidated entities ("intercompany profits") are eliminated as part of consolidation.

Subsidiaries are fully consolidated effective from the acquisition date, which is the date on which the Group effectively obtains control. Inclusion in the consolidated financial statements ends as soon as the parent ceases to control the subsidiary.

Pursuant to IFRS 3, all business combinations shall be accounted for on the basis of the purchase method, according to which the identifiable assets acquired as well as the liabilities and contingent liabilities assumed are recognised at their fair value. The excess of the cost of the combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill and is subject to regular impairment testing. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, a reassessment is performed in respect of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities, and any excess remaining after that assessment is recognised immediately in profit or loss.

Minority interests are disclosed separately in the Group income statement and within equity of the Group balance sheet.

[3] New financial reporting standards

[3.1] Accounting standards applicable for the first time in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following revised accounting standards in 2007 and 2008. These standards shall be applied by the company for the 2008 financial year on the basis of their adoption by the European Union (Endorsement Procedure):

- IAS 39 "Financial Instruments: Recognition and Measurement" (amended as regards reclassification of financial instruments classified as held for trading)
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"

The initial application of these standards will not have any significant effect on the financial performance, financial position or cash flows of the Group.

[3.2] Issued standards and interpretations which have not yet been applied (EU endorsement completed)

The IASB and IFRIC issued the following Standards and Interpretations which have already been adopted by the European Union as part of the comitology procedure but whose application was not yet mandatory in the 2008 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and must be applied by entities for annual periods beginning on or after January 1, 2009. IFRS 8 requires the disclosure of information relating to a Group's operating segments and replaces the pro-

vision in IAS 14 that specified the presentation of primary and secondary segment reporting for an entity. IFRS 8 is centred around the so-called management approach, according to which segment reporting shall be based solely on financial information used by an entity's decision-making bodies for the purpose of internal management of the entity. Within this context, the key areas of significance relate to the internal reporting and organisational structure of an entity as well as to those elements of financial data that are relied upon in decision-making processes regarding the allocation of resources or the assessment of an entity's performance. The application of IFRS 8 will have an effect on the presentation of the Group's segment reporting.

IAS 23 Borrowing Costs

The revised Standard IAS 23 was issued in March 2007 and must be applied by entities for annual periods beginning on or after January 1, 2009. Having eliminated the option formerly available under IAS 23, the Standard requires that an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Standard stipulates a prospective application of the amendments. As the Group does not hold any qualifying assets, the application of this standard will not have any effect on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The revised Standard IAS 1 was issued in September 2007 and must be applied by entities for annual periods beginning on or after January 1, 2009. The revised version of the Standard contains significant amendments to the presentation and classification of financial information within financial statements. In future, the statement of changes in equity will only include transactions with equity holders acting in their capacity as equity holders. The other changes

in equity are to be presented in a statement of comprehensive income; within this context, details may be presented either in a single statement of comprehensive income or in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). Additionally, under this Standard entities are obliged to provide a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. The new standard will have an effect on how the Group's financial information is reported. However, it will not have any impact on the recognition and measurement of assets and liabilities within the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to IFRS 1 and IAS 27 were issued in May 2008 and are to be applied for annual periods beginning on or after January 1, 2009. According to the amendments to IFRS 1, an entity may measure its investment in a subsidiary, jointly controlled entity or associate in its opening IFRS statement of financial position either by using the previous GAAP carrying amount or the fair values as an alternative to cost (so-called "deemed cost"). The amendments to IAS 27 relate only to the separate financial statements of the parent, stipulating that all dividends of subsidiaries, jointly controlled entities or associates be recognised in profit or loss. The transition provisions require that the amendments be applied prospectively. As the regulations for the initial application of IFRS and the provisions governing separate financial statements do not relate to the Group, this amendment will have no effect on the consolidated financial statements.

Improvements to IFRS 2008

The amendments to IFRS arising from the 2008 improvements project were issued in May 2008 and – with the exception of IFRS 5 (as from July 1, 2009) – are to be applied for annual periods beginning on or after January 1, 2009. The 2008 improvements project introduced a number of substantive amendments with a direct impact on accounting and measurement, as well as several changes of a purely editorial nature. As part of the editorial changes, for example, specific definitions and the wording of some passages were amended in order to ensure consistency with other IFRSs. The Group anticipates that – with the exception of those regulations expressly referred to herein – the new regulations associated with the Improvements Project will not have any significant effect on the financial statements. The following amendments have not yet been applied by the Group:

- **IAS 36 Impairment of Assets:** The amendment introduces a consistent approach to the disclosure of the method used to determine value in use and that used to determine fair value less costs to sell; these requirements appeared inconsistent when a similar valuation methodology (discounted cash flows) had been used.
- **IAS 39 Financial Instruments: Recognition and Measurement:** In future, after initial recognition derivatives may, as a result of changed circumstances, be designated as at fair value through profit or loss or eliminated from this category because this does not constitute a reclassification within the meaning of IAS 39. In addition, the term “segment” was deleted from the section dealing with qualifying instruments in connection with hedging. Finally, the Board clarified that the revised effective interest rate shall be applied when measuring a debt instrument on cessation of fair value hedge accounting.

[3.3] Issued standards and interpretations which have not yet been applied (EU endorsement pending)

The IASB and IFRIC issued the following Standards and Interpretations that were not yet applicable in the 2008 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

IFRS 3 Business Combinations

The revised Standard IFRS 3 was issued in January 2008 and must be applied by entities for annual periods beginning on or after July 1, 2009. The Standard was amended extensively as part of the convergence project implemented by the IASB and FASB. The key amendments are centred around the introduction of an option relating to the measurement of minority interests, with a choice between recognition on the basis of the proportionate identifiable net assets (Purchased Goodwill Method) and the so-called Full Goodwill Method, whereby the entire portion of goodwill applicable to the minority shareholder shall be recognised. Other points include the revaluation, with recognition in profit or loss, of any existing ownership interests at the date of initially obtaining control (business combination achieved in stages), the recognition at the acquisition date of any consideration contingent on future events as well as the recognition of transaction costs in profit or loss. The transitional provisions stipulate a prospective application of the amendments. There are no changes in respect of assets and liabilities that arise from business combinations prior to the initial application of the new standards. The amendments will have an effect on the carrying amount of goodwill, on the results of the reporting period in which a business combination has occurred and on future results. In particular, application of the full-goodwill method may result in higher goodwill being recognised.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 were issued in March 2009 and shall be applied for reporting periods beginning on or after January 1, 2009. The amendments are aimed at improving disclosures with regard to the measurement at fair value as well as liquidity risks. The application of this standard has had no effect on the net assets, financial position and results of operations, i.e. performance, financial position and change in financial position, of the Group. However, additional disclosures may be necessary.

IAS 27 Consolidated and Separate Financial Statements according to IFRS

The revised Standard IAS 27 was issued in January 2008 and must be applied by entities for annual periods beginning on or after July 1, 2009. The amendments relate, primarily, to accounting for non-controlling interests, which in future will participate fully in the losses of the Group, and to accounting for transactions that result in the loss of control in a subsidiary, with any gains/losses being accounted for in profit or loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. The transition provisions require that the amendments be applied prospectively. There are no changes in respect of assets and liabilities that arise from such transactions prior to the initial application of the new standards. The amendments will have an effect on future results as well as equity amounts in the case of future acquisitions as well as disposals resulting in the loss of control and transactions with minorities. In future, losses attributable to minorities will be allocated in full even if the amounts reported in connection with minority interests have been fully utilised as a result of a continuing loss situation. The negative amount resulting therefrom is to be disclosed separately within equity. Capitalisation is not possible, as there is no enforceable legal claim to settlement.

Additionally, in the period up to the preparation of the consolidated financial statements the amended versions of IFRS 2 Share-based Payment Vesting Conditions and Cancellations, IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation, IAS 39 Qualifying Items, IFRIC 9 Embedded Derivatives, IFRIC 13 Customer Loyalty Programmes, IFRIC 14 and IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfers of Assets from Customers had been issued. These amendments are not expected to have a significant effect on the financial position, financial performance or cash flows.

[4] Material judgements and estimates**Judgements**

When applying the accounting policies, the management made the following judgements with the most significant effect on the amounts recognised in the financial statements. Within this context, decisions containing estimates have not been taken into account.

Among other aspects, significant estimates relates to the useful lives of assets.

Material judgement relate to the classification of leases, the recognition of provisions, the estimation or assessment of the recoverability or possible impairment of trade receivables, inventories and deferred tax assets, as well as assessment of factors that may indicate an impairment of assets and the classification of non-current assets held for sale and discontinued operations.

Uncertainties relating to estimates

The following section outlines the most important forward-looking assumptions as well as other material uncertainty

regarding the use of estimates, applicable at the reporting date, as a result of which there is a significant risk that the carrying amounts of assets and liabilities may require material adjustments within the coming financial year.

Impairment of goodwill

The Group performs impairment tests for goodwill at least once per year. This requires estimates to be made with regard to the value in use of cash-generating units to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows. As at December 31, 2008, the carrying amount of goodwill was €143 thousand (prev. year: €143 thousand).

Deferred tax assets

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The process of determining the level of deferred tax assets requires significant judgement by the management with regard to the timing and amount of future taxable profit as well as the future tax planning strategies. For further details, please refer to Note 14.

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note 27. In determining the level of provisions, the management is required to make significant judgements as to the timing and the amounts of future outflow of resources.

Pensions

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions in respect of discount rates, future salary increases, mortality and future pension increases. In view of the long-term orientation of such plans, these estimates are associated with significant uncertainty. For further details, please refer to Note 25.

[5] Summary of significant accounting policies

Interests in a joint venture

Until January 1, 2008, SIMONA AG held an interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, which until then had been a jointly controlled entity (joint venture). In the previous financial year, the Group accounted for its interest in the joint venture by applying proportionate consolidation. The financial statements of the joint venture were prepared using uniform accounting policies for the same financial year as the financial statements of the parent company. Any differences arising in connection with these accounting policies were eliminated by means of appropriate adjustments.

If the venturer contributed or sold assets to the joint venture, recognition of any portion of a gain or loss from the transaction reflected the substance of these transactions. If the venturer purchased assets from the joint venture, the venturer did not recognise its share of the profits of the joint venture from the transaction until it resold the assets to an independent party.

The joint venture was included in the consolidated financial statements, applying the method of proportionate consolidation, until such time as the control over the joint venture ceased.

Assets of a disposal group classified as held for sale as well as liabilities related to assets held for sale

Non-current assets and disposal groups are reported separately in the balance sheet as “held for sale” if they are available for immediate sale and their sale is highly probable. Non-current assets and disposal groups classified as “held for sale” are measured at the lower of their carrying amount and fair value less costs to sell. In accordance with their classification, liabilities directly related to an asset held for sale are presented separately from other liabilities in the balance sheet.

Currency translation

Annual financial statements prepared by the consolidated Group entities in a foreign currency are translated on the basis of the functional currency method. The functional currency is the currency of the primary economic environment in which the entities operate, which in the case of the Group companies of SIMONA AG is the respective local currency. The consolidated financial statements are prepared in euro.

Those foreign entities whose functional currencies differ from the euro have been presented below, together with details of their functional currency:

- SIMONA U.K. Ltd.,
Stafford, United Kingdom – Pound Sterling
- SIMONA POLSKA Sp. z o.o.,
Wrocław/Poland – Polish Zloty
- DEHOPLAST Polska Sp. z o.o.,
Kwidzyn, Poland – Polish Zloty
- SIMONA-PLASTICS CZ, s.r.o.,
Prague, Czech Republic – Czech Koruna
- SIMONA Plast-Technik s.r.o.,
Litvinov, Czech Republic – Czech Koruna
- SIMONA FAR EAST Ltd.,
Hong Kong, China – Hong Kong Dollar
- SIMONA ASIA Ltd.,
Hong Kong, China – Hong Kong Dollar
- SIMONA AMERICA Inc.,
Hazleton, USA – US Dollar
- 64 NORTH CONAHAN DRIVE HOLDING LLC,
Hazleton, USA – US Dollar
- SIMONA ENGINEERING PLASTICS TRADING Co., Ltd.,
Shanghai, China – Renminbi
- SIMONA ENGINEERING PLASTICS Co., Ltd.,
Jiangmen, China – Renminbi

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. All exchange differences are recorded in profit or loss for the period.

Non-monetary items that are measured at historical cost of purchase or conversion in a foreign currency are translated at the foreign exchange rate applicable on the day of the transaction. Non-monetary items that are measured at fair value in the foreign currency are translated at the rate that was prevailing at the time the fair value was determined.

In the consolidated financial statements expenses and income associated with financial statements of subsidiaries prepared in a foreign currency are translated on the basis of the year-average exchange rate, whereas assets and liabilities are translated on the basis of the closing rate. Exchange differences arising from the translation of equity as well as exchange differences arising from the use of exchange rates in the income statement that differ from those used for the translation of balance sheet items are recognised in other reserves.

On the disposal of a foreign operation, the cumulative amount of the exchange differences accounted for in respect of the foreign operation is recognised in profit or loss.

Property, plant and equipment

All items classified as property, plant and equipment are used for operational purposes and are measured at cost less depreciation on a systematic basis. Depreciation of property, plant and equipment is performed on a straight-line basis in accordance with the pattern of use of such items. To the extent that depreciable assets of property, plant and equipment have different useful lives, they are depreciated separately.

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

The residual values of assets as well as the useful lives and depreciation methods are assessed at the end of each financial year and are adjusted where necessary.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Intangible assets

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if it is probable that the intangible asset will generate future economic benefits and the costs of the intangible asset can be reliably measured. They are measured at cost of purchase or conversion. Intangible assets with a finite useful life are amortised on the basis of the length of that useful life. Amortisation of intangible assets, with the exception of capitalised development costs, is performed over a useful life of between three and five years. Intangible assets with indefinite useful lives are regularly assessed for impairment. In the case of impairment, they are adjusted to their recoverable amount.

Research and development costs

The research and development activities conducted by SIMONA AG are directed principally at the optimisation of production and manufacturing processes (advancement

within the area of production engineering), at changes and improvements to formulae, some of which have been in existence for an extensive period of time, or at fundamental improvements for the purpose of meeting specified quality and inspection requirements, including new testing procedures and new areas of application. Generally, these activities do not involve the development of an entirely new product that would sever the link with existing formulae and manufacturing processes.

To the extent that research and development activities provide the basis for a product that is technically feasible and from which the Group can generate future economic benefits, the period attributable to general research activities constitutes the major part thereof. The scale of development expenses arising after the product has been made marketable is negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely effect the true and fair view of the Group's state of affairs as regards financial performance, financial position and cash flows.

In addition, SIMONA AG does not capitalise development costs to the extent that costs (expenditure) cannot be reliably allocated to development projects. The costs are recognised as expense in the period in which they are incurred. There were no development projects resulting in the capitalisation of intangible assets in 2008 or 2007.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. On initial recognition the financial assets are measured at fair value. Additionally, in the case of financial assets other than those classified as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are accounted for accordingly. The designation of financial assets to the respective measurement categories occurs upon initial recognition. To the extent that they are permitted and necessary, reclassifications are performed at the end of the financial year.

All regular way purchases or sales of financial assets are accounted for at the date of settlement. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The group of financial assets at fair value through profit or loss comprises financial assets held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term. Derivates, including embedded derivatives accounted for separately, are also classified as held for trading, with the exception of those derivatives that are designated and effective hedging instruments. Gains and losses on financial assets held for trading are recognised in profit or loss. Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process. Loans and receivables are non-derivative financial assets

with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairments where applicable. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition available-for-sale financial assets are measured at fair value. Gains and losses on available-for-sale financial assets are recognised directly in equity. If an available-for-sale financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The fair value of financial instruments traded within organised markets is determined on the basis of the market price quoted at the reporting date. The fair value of financial instruments for which no active market exists is determined on the basis of valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

Held-to-maturity investments as well as loans and receivables are measured at amortised cost. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, minus any reduction for impairments.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expire.

Impairment of financial assets

The Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, the new carrying amount must not exceed the amortised cost at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

If in the case of trade receivables there is objective evidence that not all due amounts will be received in accordance with the agreed invoicing terms and conditions (e.g. likelihood of an insolvency or significant financial difficulties of the obligor), the carrying amount is reduced through use of an allowance account. Receivables are derecognised when they are considered to be uncollectible.

Inventories

Inventories are stated at the lower of purchase or conversion cost and net realisable value.

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the first-in, first-out (FIFO) method. Finished goods are measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current

operational accounting, in addition to the directly related cost of direct material and units of production, this item also includes special production costs as well as production and material overheads, including depreciation. Financing costs are not accounted for in the cost of conversion. All identifiable risks associated with inventories, particularly relating to holding periods in excess of average duration, diminished usability and net realisable value, are recognised by an appropriate write-down.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Treasury shares

Any treasury shares acquired by the Group are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's own equity instruments.

Interest-bearing borrowings

On initial recognition, loans are measured at the fair value of the consideration received, having deducted the transaction costs relating to the origination of the loan. After initial recognition interest-bearing borrowings are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or when it expires.

Cash

Cash recognised in the balance sheet comprises cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the consolidated cash flow statement, cash and cash equivalents comprise the aforementioned cash items in addition to overdrafts used by the Group and securities that are readily convertible to cash.

Other provisions

Other provisions are recognised when an obligation exists towards a third party, settlement of this obligation is probable and a reliable estimate can be made of the amount of the required provision. Other provisions are measured at aggregate costs. Long-term provisions with more than one year to maturity are recognised at their discounted settlement value as at the reporting date.

Pensions

The Group has direct pension plans as well as one indirect pension plan. The indirect pension plan is serviced by SIMONA Sozialwerk GmbH, which manages the plan assets. The plan assets are accounted for in the Group balance sheet such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. As the requirements for plan assets specified in IAS 19.7 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations. Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) (IAS 19). As part of this process, besides pensions and benefits known at the reporting date, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data. Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10%

of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period plus any actuarial gains (less any actuarial losses) not recognised minus any past service cost not yet recognised minus the fair value at the end of the reporting period of plan assets out of which the obligations are to be settled directly.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Additionally, the following conditions must be satisfied for the recognition of revenue.

a) Sale of goods

Revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

b) Interest

Revenue is recognised using the effective interest method when the interest arises.

Taxes

a) Current tax assets and current tax liabilities

Current tax liabilities and current tax assets for current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

b) Deferred taxes

Deferred taxes are recognised for all temporary differences between the carrying amount of an asset or liability in

the balance sheet and its tax base as well as in connection with consolidation procedures. Additionally, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

c) Value added tax

Sales revenues, expenses and assets are recognised after deduction of value added tax.

Derivative financial instruments and hedging instruments

Derivate financial instruments are used solely for hedging purposes in order to mitigate currency and interest rate risks arising from operating business. Under IAS 39, all derivative financial instruments, such as interest rate, currency and foreign exchange forward contracts as well as currency options, are to be carried at fair value, irrespective of the purpose such transactions have been entered into by the entity.

The derivative financial instruments do not fulfil the restrictive requirements of IAS 39 applying to the recognition of hedging relationships. Therefore, gains and losses arising from a change in the fair value of derivative financial instruments are recognised immediately in profit or loss.

The fair value of derivative financial instruments is calculated on the basis of market data and generally accepted valuation methodologies. The market changes associated with derivative financial instruments are reported in the results.

[6] Business combinations

Company acquisition in 2007

On June 11, 2007, the SIMONA Group, acting through SIMONA Plast-Technik s.r.o., acquired the plastic fittings operations of PTE Plast-Technik s.r.o., Litvinov, as part of an asset deal. The object of the acquired business segment is the production of plastic fittings.

The acquisition encompassed the movable and immovable non-current assets attributable to property, plant and equipment, as well as the existing raw materials and consumables. The employees were taken over within the framework of the acquisition.

The cost attributable to the business combination was €650 thousand, which is equivalent to the purchase price of the acquired assets. The costs associated with the acquisition were paid fully at the reporting date from cash resources held by SIMONA Plast-Technik s.r.o.

The fair values of the identifiable assets at the date of acquisition and the total cost of acquisition are outlined below:

Fair value at date of acquisition
in € '000

Non-current assets (property, plant, equipment)	645
Current assets	5
Net assets acquired	650
Total cost of acquisition	650
Difference	0

The business combination contributed an amount of minus €13 thousand to the consolidated profit for 2007. Due to the absence of data for this separate business segment prior to the date of acquisition, the company is not in a position to determine what the extent of revenue and earnings would have been at Group level if the business combination had been executed as at January 1, 2007.

[7] Assets of a disposal group classified as held for sale as well as liabilities related to assets held for sale

In the consolidated financial statements of SIMONA AG for the financial year ended December 31, 2007, the investment in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, was accounted for on a pro-rata basis. In this case, the assets and liabilities were presented separately in a disposal group classified as held for sale.

Effective from January 1, 2008, SIMONA AG, Kirn, disposed fully of its 50% interest held in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim. Upon disposal of the ownership interest, the investment was no longer accounted for in the consolidated financial statements of SIMONA AG; correspondingly derecognition of this item was performed effective from January 1, 2008.

As at the end of the reporting date of December 31, 2008, the assets included in a disposal group classified as held for sale and as well the liabilities relating to assets held for sale ceased to exist within the Group.

The disposal had the following effect on the consolidated financial statements as at December 31, 2008:

in € '000

Assets of a disposal group classified as held for sale	4,082
Liabilities related to assets held for sale	-1,129
Liabilities in connection with assets held for sale eliminated as part of the consolidation process	-617
Deferred tax liabilities	-9
Net assets disposed of	2,327
Purchase price	3,100
Income from disposal	773

In contrast to the prior-year consolidated financial statements, the consolidated financial statements as at December 31, 2008, includes no expenses and income from the business activities of Georg Fischer Fluoropolymer Products GmbH previously allocated to the Group on a pro-rata

basis, as the entity was deconsolidated effective from January 1, 2008. Therefore, year-on-year comparability of the reports incorporated within the consolidated financial statements is restricted.

[8] Segment reporting

In accordance with IAS 14, the activities of the SIMONA Group are categorised by region as the primary reporting format and by product area as the secondary reporting format. Segmentation is based on internal organisational, controlling and reporting structures.

The activities of the SIMONA Group can be broken down into those attributable to Germany, the Rest of Europe, as well as Asia and America, including Australia. The SIMONA Group produces and markets semi-finished plastics and pipes, including fittings.

As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated financial statements. Receivables, liabilities, revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction).

In the case of segment information by region, external sales revenue relates to the country in which the customer is domiciled. The segment result refers to the result from operating activities before the effects of financing activities and excluding income tax effects. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets and segment liabilities comprise assets and liabilities that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to both intangible assets and property, plant and equipment.

The following tables include information relating to revenues and profit or loss as well as specific information regarding assets and liabilities of the regional segments or product areas of the Group for the financial years ended December 31, 2008 and 2007.

Segment assets and segment liabilities differ from disclosures in the balance sheet in terms of income tax items and cash. Data presented in respect of earnings is based on EBIT.

Segment information – SIMONA Group for the 2008 financial year

Segmentation by region in € '000	Germany		Rest of Europe and Africa		Asia, America and Australia		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from sales to external customers	112,096	114,900	158,268	151,277	34,568	34,533	-1,281	-829	303,651	299,881
Revenue from sales to other segments	0	1,195	59,231	58,635	8,981	9,405	-68,212	-69,235	0	0
Segment revenue									303,651	299,881
Segment result	11,832	11,299	9,986	9,801	-2,036	-1,377	0	0	19,782	19,723
Segment assets	136,298	148,620	31,433	28,003	22,570	21,465			190,301	198,088
Segment liabilities	62,772	62,884	4,319	4,067	1,441	3,272			68,532	70,223
Segment capital expenditure	11,414	9,256	5,560	1,923	4,496	2,646			21,470	13,825
Depreciation/amortisation	11,411	11,955	315	323	751	527			12,477	12,805
Material non-cash expenses (excl. depreciation)	6,079	4,943	931	205	36	212			7,046	5,360

Segmentation by product area in € '000	Semi-finished plastics		Pipes and fittings		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from sales to external customers	219,280	213,148	85,652	87,562	-1,281	-829	303,651	299,881
Segment assets	135,294	147,286	55,007	50,802	0	0	190,301	198,088
Segment capital expenditure	13,000	9,152	8,470	4,673	0	0	21,470	13,825

Reconciliation of segment assets and segment liabilities to current and non-current assets and liabilities is presented below:

in € '000	31/12/08	31/12/07
Segment assets	190,301	198,088
Cash	48,432	22,875
Non-current tax assets	4,844	5,348
Current tax assets	885	2,828
Deferred tax	276	545
Financial assets	23	23
Assets of a disposal group classified as held for sale	0	4,082
Current and non-current assets	244,761	233,789
Segment liabilities	68,532	70,223
Deferred tax	7,089	8,074
Income tax liabilities	2,250	554
Non-current financial liabilities	8,514	4,991
Current financial liabilities	350	305
Derivative financial instruments	380	179
Liabilities related to assets held for sale	0	1,129
Current and non-current liabilities	87,115	85,455

Notes to Group income statement

[9] Sales revenue

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings. The classification of sales revenue by region and product segment is outlined in segment reporting – Note [8].

[10] Staff costs

in € '000	2008	2007
Wages and salaries	46,338	46,055
Expenses relating to social security	9,411	9,564
Expenses relating to pensions	2,480	2,511
	58,229	58,130

[11] Research and development expenses

The costs incurred as part of research and development activities vary in nature and are recognised in the respective items of the Group income statement. Delineation of research and development costs from costs incurred when implementing customised product properties is not possible on a systematic basis due to the same production processes applied in both areas. Research and development expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

[12] Rental and leasing expenses

Other operating expenses include expenses relating to rental and lease agreements amounting to €2,605 thousand in the financial year under review (prev. year: €2,628 thousand). The expenses are attributable mainly to the rental of dispatch warehouses and production facilities. The rental agreements have various contractual maturities (usually 3 to 15 years); some of the rental agreements include options for the extension of rental periods. All rental and lease agreements are structured as operating leases within the meaning of IAS 17.

[13] Net finance income

in € '000	2008	2007
Interest income	1,024	763
of which from loans and receivables	1,024	763

in € '000	2008	2007
Interest expense	572	653
of which from the measurement of derivatives	190	176
of which from borrowings and financial liabilities	382	477

[14] Income taxes

The principal elements of income tax expense for the 2008 and 2007 financial years are as follows:

Group income statement in € '000	2008	2007
Current tax		
Current tax expense	7,378	8,057
Adjustments of current tax attributable to previous periods	-106	0
Income from measurement of credits for the reduction of corporation tax	-235	-229
Deferred tax		
Origination and reversal of temporary differences	-716	-2,140
Income tax expense reported in Group income statement	6,321	5,688

Reconciliation between income tax expense and the product of profit for the year carried in the balance sheet and the tax rate applicable to the Group for the 2008 and 2007 financial years is as follows:

in € '000	2008	2007
Profit before income taxes	20,249	19,833
Income tax expense at German tax rate of 28.43 % (prev. year 37.47 %)	5,757	7,431
Adjustments of current tax attributable to previous periods	-106	0
Adjustments relating to reduction of future income tax charge (tax rate applicable in the future 28.43 %)	0	-1,793
Tax effect of non-deductible expenses	47	31
Tax rate differences	-87	-11
Recognition of deferred tax assets relating to loss carryforwards attributable to previous year	0	64
Tax effect of non-taxable disposal of interests	-204	0
Reversal of deferred tax assets relating to loss carryforwards attributable to previous year due to lack of recoverability	357	0
Income from measurement of credits for the reduction of corporation tax	-235	-229
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-180	-250
Unrecognised deferred tax assets relating to tax losses	992	763
Other	-20	-318
Income tax expense at effective tax rate of 31.22 % (prev. year: 28.67 %)	6,321	5,688
Income tax expense reported in Group income statement	6,321	5,688

At December 31, 2008, the potential credit for the reduction of corporation tax, which results from the provisions set out in Section 37 and 38 KStG and is to be disclosed in accordance with IAS 12.82A, was €6,653 thousand (prev. year: €7,392 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of €5,563 thousand (prev. year: €6,066 thousand). Payouts in connection with the corporation tax credits will be made in nine remaining annual

instalments of € 739 thousand in the period from 2009 to 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the balance sheet as non-current assets. Payments due within one year are carried as current assets.

Deferred tax

The deferred tax liabilities and assets for the period under review are outlined below:

in € '000	Group balance sheet		Group income statement	
	31/12/2008	31/12/2007	2008	2007
Deferred tax liabilities				
Non-current assets	8,654	9,292	-638	-2,639
Inventories	2,457	2,860	-403	-389
Receivables and other assets	261	396	-135	-112
Other provisions and liabilities	151	72	79	-101
Other items	211	101	110	-24
	11,734	12,721	-987	-3,265
Deferred tax assets				
Provisions for pensions	3,624	3,701	77	518
Other provisions and liabilities	510	536	26	472
Inventories	580	464	-116	107
Loss carryforwards	61	418	357	64
Other items	146	73	-73	-36
	4,921	5,192	271	1,125
after set-off:				
Deferred tax assets	276	545		
Deferred tax liabilities	-7,089	-8,074		
Deferred tax income			-716	-2,140

Deferred tax assets and deferred tax liabilities are offset to the extent that the company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities related to income taxes levied by the same taxation authority (IAS 12.74).

At the end of the reporting date, loss carryforwards amounted to € 9,142 thousand (prev. year: € 6,473 thousand). Deferred tax assets of € 61 thousand (prev. year: € 418 thousand) were recognised for € 174 thousand (prev. year: € 1,194 thousand) of the loss carryforwards mentioned above. Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies whose earnings situation is unlikely to improve so significantly in the short term that future taxable profit will be available against which the unused tax losses can be utilised.

Expiry date of tax loss carryforwards:

in € '000	2008	2007
Between 3 and 20 years	8,545	4,471
Indefinite carryforward	597	2,002
	9,142	6,473

[15] Earnings per share

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the 2008 or 2007 reporting periods. The following table presents the amounts relevant to the calculation of basic and diluted earnings per share:

in € '000 or units of 1,000	2008	2007
Profit or loss attributable to ordinary equity holders of the parent company	13,920	14,118
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share	600	600
Dilutive effects	0	0
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share	600	600
Basic earnings per share (in euro)	23.20	23.53
Diluted earnings per share (in euro)	23.20	23.53

No transactions with ordinary shares occurred between the reporting date and the preparation of the consolidated financial statements.

[16] Paid and proposed dividends

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €8.50 per share was declared and distributed. The total payment made in the financial year under review amounted to €5,100 thousand (prev. year: €5,391 thousand). A dividend proposal of €8.50 per share (prev. year: €8.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend per share is €8.50 (prev. year: €8.50 per share); this amount was not recognised as a liability at the reporting date. The corresponding payment would total €5,100 thousand (prev. year: €5,100 thousand).

[17] Intangible assets

December 31, 2008

in € '000	Patents and licences	Goodwill	Total
Balance at January 1, 2008 (Cost of purchase/conversion, taking into account accumu- lated amortisation and impair- ments)	2,381	143	2,524
Additions	275	0	275
Amortisation during the financial year	-1,303	0	-1,303
Exchange differences	2	0	2
Balance at December 31, 2008	1,355	143	1,498
Balance at January 1, 2008			
Cost of purchase/conversion (gross carrying amount)	7,575	143	7,718
Accumulated amortisation	-5,194	0	-5,194
Carrying amount	2,381	143	2,524
Balance at December 31, 2008			
Cost of purchase/conversion (gross carrying amount)	7,861	143	8,004
Accumulated amortisation	-6,506	0	-6,506
Carrying amount	1,355	143	1,498

December 31, 2007

in € '000	Patents and licences	Goodwill	Total
Balance at January 1, 2007 (Cost of purchase/conversion, taking into account accumu- lated amortisation and impair- ments)	3,469	143	3,612
Additions	289	0	289
Amortisation during the financial year	-1,362	0	-1,362
Exchange differences	-15	0	-15
Balance at December 31, 2007	2,381	143	2,524
Balance at January 1, 2007			
Cost of purchase/conversion (gross carrying amount)	7,383	143	7,526
Accumulated amortisation	-3,914	0	-3,914
Carrying amount	3,469	143	3,612
Balance at December 31, 2007			
Cost of purchase/conversion (gross carrying amount)	7,575	143	7,718
Accumulated amortisation	-5,194	0	-5,194
Carrying amount	2,381	143	2,524

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of 3 to 5 years by using the straight-line method.

[18] Property, plant and equipment

December 31, 2008

in € '000	Land and buildings	Plant and equipment	Total
Balance at January 1, 2008 (taking into account accumulated amortisation and impairments)	29,490	56,245	85,735
Additions	536	20,660	21,196
Disposals	-1	-582	-583
Amortisation during the financial year	-1,426	-9,748	-11,174
Effects of changes in foreign currency exchange rates	183	244	427
Balance at December 31, 2008 (taking into account accumu- lated depreciation/amortisation and impairments)	28,782	66,819	95,601
Balance at January 1, 2008			
Cost of purchase or conversion	53,487	179,591	233,078
Accumulated depreciation and impairments	-23,997	-123,346	-147,343
Carrying amount	29,490	56,245	85,735
Balance at December 31, 2008			
Cost of purchase or conversion	54,205	198,146	252,351
Accumulated depreciation and impairments	-25,423	-131,327	-156,750
Carrying amount	28,782	66,819	95,601

December 31, 2007

in € '000	Land and buildings	Plant and equipment	Total
Balance at January 1, 2007 (taking into account accumulated depreciation/ amortisation and impairments)	29,060	57,972	87,032
Additions	1,721	11,172	12,893
Additions due to company acquisition	565	80	645
Disposals	-1	-372	-373
Disposals due to classification as assets held for sale	0	-2,198	-2,198
Amortisation during the financial year	-1,366	-10,077	-11,443
Effects of changes in foreign currency exchange rates	-489	-332	-821
Balance at December 31, 2007 (taking into account accumu- lated depreciation/amortisation and impairments)	29,490	56,245	85,735
Balance at January 1, 2007			
Cost of purchase or conversion	51,706	182,199	233,905
Accumulated depreciation and impairments	-22,646	-124,227	-146,873
Carrying amount	29,060	57,972	87,032
Balance at December 31, 2007			
Cost of purchase or conversion	53,487	179,591	233,078
Accumulated depreciation and impairments	-23,997	-123,346	-147,343
Carrying amount	29,490	56,244	85,735

The useful life of assets was estimated on the following basis:

Buildings	20 – 40 years
Plant and equipment	5 – 20 years

Other operating income includes gains from the disposal of property, plant and equipment amounting to €120 thousand (prev. year: €50 thousand).

[19] Inventories

in € '000	31/12/08	31/12/07
Raw material and consumables used	11,446	15,645
Finished goods	32,263	40,034
Inventories	43,709	55,679

Inventory impairments recognised as expense amounted to €2,897 thousand (prev. year: €2,483 thousand). The cost of materials includes expenses relating to raw materials and consumables in the amount of €166,263 thousand (prev. year: €174,745 thousand).

[20] Trade receivables

Trade receivables are not interest-bearing and are generally due within 30 to 90 days.

in € '000	31/12/08	31/12/07
Carrying amount	41,345	47,449
of which neither past due nor impaired at the reporting date	33,240	39,035
of which not impaired at the reporting date and past due within the following time ranges		
• up to 30 days	4,343	4,612
• between 31 and 60 days	1,441	2,596
• between 61 and 90 days	271	558
• between 91 and 120 days	287	126
• more than 120 days	476	256

As regards the trade receivables that were neither impaired nor past due, there were no indications at the reporting date that customers will fail to meet their payment obligations.

The changes to valuation allowances for trade receivables are outlined below:

in € '000	31/12/08	31/12/07
Balance of specific allowances at January 1	466	363
Exchange differences	-27	-8
Allocated	+528	+184
Utilised	-48	-29
Reversed	-25	-44
Balance of specific allowances at December 31	894	466

The following table includes expenses and income attributable to the derecognition of trade receivables as well as income from amounts received in connection with derecognised trade receivables. Expenses attributable to the derecognition of trade receivables are reported as other operating expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other operating income.

in € '000	2008	2007
Expenses attributable to the derecognition of trade receivables	291	209
Income attributable to amounts received in connection with derecognised trade receivables	53	54

[21] Other assets and prepaid expenses

in € '000	31/12/08	31/12/07
Other receivables	7,964	7,933
Receivables from other long-term investees and investors	1	390
Prepaid expenses	461	868
Other assets and prepaid expenses	8,426	9,191

Other receivables include reimbursement rights attributable to value-added tax, bonus receivables from suppliers as well as a reimbursement right due within one year in respect of corporation tax credits associated with the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG). At the reporting date, other assets were neither impaired nor past due.

[22] Cash

in € '000	31/12/08	31/12/07
Bank balances and cash on hand	48,432	22,875
Cash	48,432	22,875

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand. At December 31, 2008, the Group had undrawn borrowing facilities of €10,260 thousand (prev. year: €11,355 thousand).

[23] Equity

Changes in equity are presented in a separate statement of changes in equity.

Issued capital

As at December 31, 2008, the share capital of SIMONA AG was divided into 600,000 no-par-value shares. These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of €25.83 in the company's share capital. The ordinary shares have been issued and fully paid in.

in € '000	31/12/08	31/12/07
Share capital	15,500	15,500
Issued capital	15,500	15,500

Other reserves

in € '000	31/12/08	31/12/07
Currency translation effects	-1,430	-1,499
Other reserves	-1,430	-1,499

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries.

[24] Financial liabilities

in € '000	Maturity date	31/12/2008	31/12/2007
Current liabilities			
Pro-rata loan of USD 3 million (principal repayments due after 31/12/09)	09/2009	237	227
Liabilities from deferred interest attributable to USD loans (current liabilities)	03/2009	89	77
Bank overdrafts	on demand	24	1
		350	305

in € '000	Maturity date	31/12/2008	31/12/2007
Non-current liabilities			
Loan of USD 5.0 million (nominal amount)	09/2010	3,547	3,403
Loan of USD 5.0 million (nominal amount)	12/2013	3,547	0
Pro-rata loan of USD 3 million (principal repayments due after 31/12/09)	09/2010 – 09/2015	1,420	1,588
		8,514	4,991

[25] Pensions

The majority of employees within the SIMONA Group are entitled to post-employment benefits attributable to pension plan agreements. The aforementioned plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff, including members and former members of the Management Board. With the exception of payments to SIMONA Sozialwerk GmbH (cf. Note [26]), no contributions are made to funds.

The following table includes a breakdown of the expense items recognised in the Group income statement in connection with retirement benefits as well as the amounts carried in the balance sheet for the respective plans.

Expenses included in staff costs for retirement benefits

in € '000	2008	2007
Current service cost	929	1,059
Interest cost	1,551	1,452
Cost of retirement benefits	2,480	2,511

The changes in the present value of defined benefit obligations are as follows:

in € '000	31/12/08	31/12/07
Obligation at beginning of reporting period	36,521	35,485
Current service cost	929	1,059
Interest cost	1,551	1,452
Benefits paid	–1,496	–1,475
Obligations at end of reporting period	37,505	36,521
– of which non-current liability	35,929	35,025
– of which current liability	1,576	1,496

The Group anticipates expenses of €2,550 thousand in connection with defined benefit pension plans for the 2009 financial year.

Actuarial gains and losses are offset in profit or loss to the extent that they exceed the 10 per cent corridor. As from the subsequent period, the portion of actuarial gains and losses exceeding this corridor is offset over the future average remaining working life of the employees. No actuarial gains or losses were allocated in the 2008 and 2007 financial years.

Liabilities attributable to defined benefit obligations

in € '000	31/12/08	31/12/07
Present value of defined benefit obligation	32,826	33,598
Unrecognised actuarial gains/losses attributable to the obligation	–4,679	–2,923
Liabilities attributable to defined benefit obligations	37,505	36,521

The assumptions made for the purpose of determining the pension obligations are as follows:

	31/12/08	31/12/07
Discount rate	5.25 %	4.75 %
Salary increase	2.0 %	2.0 %
Pension adjustments	1.5 %	1.5 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

[26] Company welfare institutions

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.7. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employees of SIMONA AG as well as their dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. SIMONA AG has no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

The assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH.

in € '000	31/12/08	31/12/07
Present value of defined benefit plans at the beginning of the year	24,731	22,366
Current service cost	1,262	1,584
Interest cost	1,283	1,193
Recognised actuarial losses	0	229
Benefits paid	-673	-641
Present value of defined benefit plans at the end of the year	26,603	24,731
Market value of fund assets at the beginning of the year	40,276	37,400
Disposals of financial assets	-673	-641
Return on fund assets	-529	3,517
Market value of fund assets at the end of the year	39,074	40,276
Surplus plan assets	12,471	15,545

The surplus relating to plan assets is not accounted for in the consolidated financial statements of SIMONA AG, as SIMONA AG has no control over these assets. In accordance with the provisions set out in IAS 19.7, the plan assets are available to be used only to pay or fund employee benefits.

The fair value of the plan assets includes shares in SIMONA AG with a fair value of €19,440 thousand (prev. year: €20,166 thousand) as at December 31, 2008.

Assets (liabilities) attributable to defined benefit obligations

in € '000	31/12/08	31/12/07
Defined benefit obligation	-27,327	-27,381
Fair value of plan assets	39,074	40,276
Overfunded	11,747	12,895
Unrecognised actuarial losses attributable to the obligation	724	2,650
Assets attributable to defined benefit obligations	12,471	15,545

[27] Other provisions

in € '000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at January 1, 2008	3,797	4,376	1,505	9,678
Allocated	2,065	3,346	436	5,847
Used	998	958	138	2,094
Reversed	9	283	357	649
Balance at December 31, 2008	4,855	6,481	1,446	12,782
Short-term provisions	1,309	3,321	1,327	5,957
Long-term provisions	3,546	3,160	119	6,825
Balance at December 31, 2008	4,855	6,481	1,446	12,782
Short-term provisions	998	954	1,505	3,457
Long-term provisions	2,799	3,422	0	6,221
Balance at December 31, 2007	3,797	4,376	1,505	9,678

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement, provisions relating to anniversaries as well as obligations from flexitime surpluses accumulated by employees. With the exception of provisions for flexitime surpluses, personnel-related provisions are measured on the basis of actuarial data. Provisions for flexitime surpluses are measured by discounting the estimated staff costs over a period calculated as the difference between the average age and the projected date of retirement of those affected.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to €3,785 thousand (prev. year: €2,859 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments. In the 2008 financial year,

payments amounted to €1,233 thousand (prev. year: €790 thousand).

Provisions for guarantees are recognised in connection with warranties for products sold in preceding years. Guarantee-related provisions at SIMONA AG are recognised for ongoing, regularly occurring warranty cases as well as for individual cases that occur on an irregular basis and are associated with the risk of above-average claims.

As regards regularly occurring warranty cases, a provision is calculated on the basis of experience over what is adjudged to be a probable average claim period of 5 years. For the purpose of measuring the provision, the expenses actually incurred in connection with customer credits/refunds from warranty obligations as well as the thus resulting direct costs of processing a complaint are analysed in detail.

Within this context, the weighted average warranty expense of the past 3 years is used for calculation purposes.

The portion of warranty provisions calculated in respect of individual cases occurring on an irregular basis is recognised only when the utilisation of the provision is considered likely, a payment relating thereto is deemed probable and a reliable estimate can be made.

The portion of the warranty provision whose utilisation is not due within one year after the reporting date is discounted. The effect attributable to compounding of provisions was €158 thousand (prev. year: €151 thousand) and was accounted for in profit or loss.

[28] Cash flow statement

The cash flow statement presents changes to cash and cash equivalents during the financial year by outlining case inflows and outflows. In accordance with IAS 7, the cash flow statement includes information relating to cash flows from operating activities, investing activities and financing activities.

As at December 31, cash and cash equivalents composed of cash and current financial liabilities were as follows:

in € '000	31/12/08	31/12/07
Cash	48,432	22,875
Current financial liabilities (excluding liabilities attributable to loans)	-113	-79
	48,319	22,796

The effects of changes to cash and cash equivalents attributable to exchange rates were €223 thousand (prev. year: minus €603 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i.e. via changes to the Group balance sheet, having accounted for the effects of currency translation.

[29] Related-party disclosures

Entities and persons with control over the SIMONA Group, as well as associated entities and persons, including close members of the family and intermediate entities, with significant influence over the financial and operating policies of the SIMONA Group are to be disclosed in accordance with IAS 24.

Management Board

- Wolfgang Moyses,
Chairman of the Management Board, Kirn
- Detlef Becker, Saarbrücken (since April 1, 2008)
- Jochen Feldmann, Kirn
- Dirk Möller, Kirn

Supervisory Board

- Hans-Werner Marx, Kirn,
Chairman of the Supervisory Board (since June 27, 2008), previously Deputy Chairman of the Supervisory Board
- Dr. Rolf Gößler, Bad Dürkheim,
Deputy Chairman of the Supervisory Board (member of the Supervisory Board since June 27, 2008),
Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen,
Tax Consultant
- Dr. Roland Reber, Stuttgart,
Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler,
Employee Representative
- Karl-Ernst Schaab, Bergen,
Employee Representative
- Hans-Wilhelm Voss, Simmertal,
Chairman of the Supervisory Board (retired on June 27, 2008)

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and a member of the Management Board of SIMONA AG. Additionally, Mr. Möller performs executive or controlling duties within the individual companies of 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 Co., Ltd., Jiangmen, (2).

The duties as an executive or controlling body are as follows: (1) Managing Director/General Manager, (2) Member of the Board of Directors

In the period under review, SIMONA AG and the entities specified above sold plastic products to each other and provided services on arm's length terms.

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH. 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 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.

Compensation of members of the Management Board and Supervisory Board

Total Management Board compensation amounted to €1,448 thousand in the period under review (prev. year: €1,081 thousand). It comprises €908 thousand (prev. year: €691 thousand) in fixed-level compensation and €540 thousand (prev. year: €390 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €11,079 thousand (prev. year: €10,073 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. Compensation of former Management Board members and their surviving dependants amounted to €795 thousand (prev. year: €782 thousand).

Supervisory Board compensation at Group level totalled €122 thousand in the 2008 financial year (prev. year: €128 thousand). Supervisory Board compensation encompasses no variable components.

[30] Financial risk management objectives and policies

Principles of risk management

Some of the assets, liabilities and planned transactions of SIMONA AG are exposed to risks associated with changes to foreign exchange rates and interest rates.

The principal aim of financial risk management is to mitigate risks attributable to ongoing operating and finance-related transactions.

Depending on the risk, the aim is to restrict the level of associated risk by means of derivative financial instruments and non-derivative hedging instruments. All hedging instruments are used solely for the purpose of hedging cash flows.

Interest-rate risk

The financial instruments exposed to interest-rate risk include short-term bank overdrafts as well as floating-rate US dollar loans. In the 2008 financial year, the interest-rate risk associated with these instruments was mitigated entirely by means of interest rate derivatives (interest rate swaps), as was the case in the previous financial year. In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the balance sheet. As the interest rate derivatives (interest rate swaps) are not part of a hedging relationship as described in IAS 39, changes are recognised directly in finance income or cost.

Had the market interest rate of the US dollar been 100 basis points higher or lower at December 31, 2008, the net

finance result would have been €113 thousand higher and €118 thousand lower respectively.

Had the market interest rate of the US dollar been 100 basis points higher or lower at December 31, 2007, the net finance result would have been €146 thousand higher and €153 thousand lower respectively.

Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of investing and financing activities. Risks attributable to foreign currencies are hedged to the extent that they affect the cash flows of the Group. The risk of exchange rate fluctuations associated solely with the translation of assets and liabilities into the reporting currency of the consolidated financial statements (euros) remains unhedged.

Within the area of financing activities, the Group is exposed to foreign currency risks relating to two US dollar loans granted for the purpose of financing the US subsidiary. The currency risk remains unhedged due to the fact that the loan is denominated in the same currency as the functional currency of the US subsidiary. In view of the origination of an additional US dollar loan in December 2008 for the benefit of an Asian subsidiary, which has accounted for an intercompany receivable in the same amount, the aggregate unhedged currency risk remains balanced.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company is responsible almost solely for managing transactions in foreign currencies and hedges these activities within specified parameters as part of treasury management. Foreign exchange forward contracts and currency options are used for the purpose of hedging currency risks associated with operating activities. Within this context, payments up to a maximum of one year in advance are subject to hedging. As a result of these hedging activities, SIMONA AG was not exposed to significant currency risks as at the reporting date.

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

If, as at December 31, 2008, the euro had appreciated (depreciated) by 10% against all other currencies, earnings before taxes would have been €740 thousand lower (€1,055 thousand higher).

The hypothetical effect on profit of minus €740 thousand (plus €1,055 thousand) is attributable to the following sensitivity to exchange rates:

EUR/USD	-279 thsd	(376 thsd)
EUR/CHF	-25 thsd	(131 thsd)
EUR/GBP	-47 thsd	(73 thsd)
EUR/CZK	-296 thsd	(362 thsd)
EUR/PLN	-176 thsd	(215 thsd)
EUR/HKD	83 thsd	(-102 thsd)
	-740 thsd	1,055 thsd

If, as at December 31, 2007, the euro had appreciated (depreciated) by 10% against all other currencies, earnings before taxes would have been €278 thousand lower (€525 thousand higher).

The hypothetical effect on profit of minus €278 thousand (plus €532 thousand) is attributable to the following sensitivity to exchange rates:

EUR/USD	-247 thsd	(488 thsd)
EUR/CHF	66 thsd	(-82 thsd)
EUR/GBP	25 thsd	(-31 thsd)
EUR/CZK	-142 thsd	(174 thsd)
EUR/PLN	20 thsd	(-17 thsd)
	-278 thsd	532 thsd

Credit risk

SIMONA AG is exposed to credit risk as part of its operating activities. Financial assets outstanding – principally trade receivables – are monitored on a decentralised basis, i.e. by each legally separate company within the Group. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is addressed with the help of trade credit insurance. Receivables exposed to probable credit risk are identified and monitored on a regular basis; credit risk relating to such items is accounted for by means of specific allowances on an item-by-item basis. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets.

Liquidity risk

In order to ensure solvency and maintain financial flexibility, the Group continuously monitors liquidity levels associated with operating activities as well as anticipated payments attributable to commitments arising from capital investment orders of the respective companies. Within this context, liquidity is identified and assessed with a separate tool.

Alongside cash amounting to €48.4 million, the SIMONA Group has undrawn borrowing facilities of €10.2 million. The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of bank overdrafts and loans.

As at December 31, 2008, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2 – 5 years	More than 5 years	Total
Financial liabilities	743	9,162	521	10,426
Trade payables	7,373	0	0	7,373
Other liabilities	13,055	92	124	13,271
Financial liabilities	21,171	9,254	645	31,070

As at December 31, 2007, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2 – 5 years	More than 5 years	Total
Financial liabilities	537	5,024	773	6,334
Trade payables	11,978	0	0	11,978
Other liabilities	11,787	121	137	12,045
Financial liabilities	24,302	5,145	910	30,357

As at December 31, 2008, there were no foreign exchange forward contracts that would result in amounts due to the entity or payment obligations. As at December 31, 2007, the net amount due in 2008 had been €229 thousand. The market valuation of interest rate swaps resulted in a net payment obligation of €380 thousand (prev. year: €174 thousand).

Based on market data, the value of the currency options is considered to be positive, resulting in a net amount due of €607 thousand (prev. year: €104).

Capital management

The primary objective of capital management within the Group is to ensure a high credit rating and maintain a healthy equity ratio.

The Group manages its capital structure and makes adjustments in response to changing economic conditions where such action is deemed appropriate. For the purpose of maintaining or realigning the capital structure, the Group can make adjustments to shareholder dividend payments. As at December 31, 2008, and December 31, 2007, no changes were implemented with regard to SIMONA's goals, guidelines and policies.

[31] Financial instruments

The following table presents the carrying amounts and fair values of all financial instruments recognised by the Group.

		Carrying amount		Fair value	
in € '000		31/12/ 2008	31/12/ 2007	31/12/ 2008	31/12/ 2007
Financial assets					
Cash and short-term deposits	LaR	48,432	22,875	48,432	22,875
Foreign exchange forward contracts	FAHFT	0	234	0	234
Currency options	FAHFT	607	104	607	104
Trade receivables	LaR	41,345	47,449	41,345	47,449
Financial liabilities					
Bank overdrafts	FLAC	-24	-2	-24	-2
Other current financial liabilities	FLAC	-89	-77	-89	-77
Loans	FLAC	-8,751	-5,217	-8,751	-5,217
Foreign exchange forward contracts	FLHFT	0	-5	0	-5
Interest-rate swap	FLHFT	-380	-174	-380	-174
Trade payables	FLAC	-7,373	-11,978	-7,373	-11,978

Total by measurement category

in € '000				
LaR	89,777	70,324	89,777	70,324
FAHFT	607	338	607	338
FLAC	-16,237	-17,274	-16,237	-17,274
FLHFT	-380	-179	-380	-179

(LaR = Loans and Receivables, FAHFT = Financial Assets Held for Trading, FLAC = Financial Liabilities Measured at Amortised Cost, FLHFT = Financial Liabilities Held for Trading)

The fair value of derivative financial instruments and loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest

as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the balance sheet, listed according to the respective measurement categories.

2008: Net gains and losses by measurement category

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total
LaR	1,024	0	-865	-666	-507
HfT	0	132	364	0	496
FLAC	-319	0	0	0	-319
Total	705	132	-501	-666	-330

2007: Net gains and losses by measurement category

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total
LaR	763	0	-852	-258	-347
HfT	0	10	187	0	197
FLAC	-345	0	0	0	-345
Summe	418	10	-665	-258	-495

Hedging transactions

a) Cash flow hedging instruments

As at December 31, 2008, the Group held no forward currency contracts.

At December 31, 2007, the Group held forward currency contracts used for the purpose of hedging expected sales to customers. In this case, the Group has given firm commitments. The forward currency contracts are deployed in order to hedge foreign currency risk associated with firm commitments. The terms and conditions of these contracts are outlined in the following table:

Forward contracts to hedge future expected sales

	in '000	Maturity date	Exchange rate
Pound Sterling	3,300	01. – 05.2008	0.6802 – 0.7275
Swiss Francs	2,400	01. – 05.2008	1.6359 – 1.6650
Polish Zloty	5,700	01. – 05.2008	3.6385 – 3.8041

b) Fair value hedging instruments

At the reporting date the Group had two interest-rate swaps used for the purpose of hedging floating-rate US dollar loans. The maturities are based on the underlying loans. As at December 31, 2008, the Group also held currency options deployed for the purpose of hedging receivables denominated in a foreign currency. The terms and conditions of these contracts are outlined in the following table:

Foreign currency options for fair value hedging

	in '000	Maturity date	Exchange rate
US Dollar	8,000	01.2009	1.6100
Pound Sterling	3,000	02. – 06.2009	0.8200
Swiss Francs	2,200	01. – 03.2009	1.5600 – 1.6000

The terms and conditions of contracts held by the Group as at December 31, 2007, are outlined in the following table:

Foreign currency options for fair value hedging

	in '000	Maturity date	Exchange rate
US Dollar	4,500	05.2008	1.4400

[32] Other information

Subsidiaries

Alongside SIMONA AG as the parent, the consolidated financial statements include the following entities. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

in %	Ownership Interest
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA U.K. Ltd., Stafford, United Kingdom	100.0
SIMONA S.A., Domont, France	96.6
SIMONA S.r.l., Vimodrone, Italy	98.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0
SIMONA-PLASTICS CZ s.r.o., Prague, Czech Republic	100.0
SIMONA FAR EAST Ltd., Hong Kong, China	100.0
SIMONA AMERICA Inc., Hazleton, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai, China	100.0
SIMONA ASIA Ltd., Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS Co., Ltd., Jiangmen, China	100.0
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0
DEHOPLAST Polska, Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany*	0.0

* Until and including December 31, 2007, SIMONA AG held a 50 % interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim, Germany. The latter was a joint venture under joint control. Effective from January 1, 2008, SIMONA AG disposed of its interest in Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim.

Financial assets

SIMONA AG holds at least a one-fifth interest in the following entities, without being able to control or significantly influence the financial and operating policies of the entities in question. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

	Ownership Interest	Equity 31/12/07	Profit/loss 2007
Company	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	13,951	-95
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	6,976	657

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.7. SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH is not included in the consolidated financial statements because the assets of this entity may be utilised solely for funding purposes in respect of SIMONA Sozialwerk GmbH and thus remain outside SIMONA AG's scope of economic control.

Average number of staff employed during the financial year:

	2008	2007	
	Group	Group	*
Industrial staff	763	748	19
Clerical staff	419	418	1
	1,182	1,166	20
School-leaver trainees (apprentices)	55	58	0
Total number of employees	1,237	1,224	20

* Employees of joint venture Georg Fischer SIMONA Fluoropolymer Products GmbH, Ettenheim

Contingent liabilities and other financial commitments

No provisions were recognised for the following contingent liabilities, carried at their nominal amounts, because the probability of the occurrence of risk is considered to be low.

Liability risk

in € '000	31/12/08	31/12/07
Rental guarantees	0	23

Other financial commitments

in € '000	31/12/08	31/12/07
Commitments from operating rental and lease agreements		
Due within:		
1 year	1,447	1,660
2 – 5 years	2,869	3,495
after 5 years	153	318
	4,469	5,473

Purchase commitments arising from investment projects

in € '000	31/12/08	31/12/07
	5,334	10,461

Declaration of Conformity regarding the Corporate Governance Code

In accordance with the provisions set out in Section 161 AktG, SIMONA AG – as the only exchange-listed company within the Group – filed a Declaration of Conformity for 2008 on March 16, 2009, and made the aforementioned Declaration permanently available to shareholders.

Directors' holdings – Shares held by members of the Management Board and Supervisory Board of SIMONA AG

As at June 27, 2008, (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 69,826 shares; this corresponds to approx. 11.64 per cent of the share capital of SIMONA AG.

The members of the Supervisory Board reported holdings of 2,320 shares, which corresponds to 0.39 per cent of share capital.

In accordance with Section 15 a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG. In the period under review, the company was notified of one such transaction.

Audit fees

Professional fees accounted for as expense in connection with the year-end financial audit amounted to € 192 thousand, while fees attributable to tax consulting services amounted to € 14 thousand.

Events after the reporting period

No events occurred after the reporting date that would necessitate a change to measurements or recognised amounts.

Consolidated Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 – 31/12/08	01/01 – 31/12/07
Profit before taxation		20,249	19,833
Income taxes paid		–7,272	–8,056
Interest received and paid		–452	–110
Depreciation of property, plant and equipment, and amortisation of intangible assets	[17], [18]	12,477	12,805
Other non-cash expenses and income		473	2,051
Reclassification of assets to a disposal group classified as held for sale		0	–4,082
Change in pensions	[25]	984	1,036
Result from disposal of non-current assets		57	316
Result from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale		–773	0
Change in inventories	[19]	11,970	–4,047
Change in trade receivables	[20]	6,104	160
Change in other assets		4,222	–3,685
Reclassification of liabilities in connection with assets held for sale		0	1,129
Change in liabilities and other provisions		–3,306	–246
Net cash from operating activities		44,733	17,104
Investments in intangible assets and property, plant and equipment	[17], [18]	–21,470	–13,181
Payments for acquisition of subsidiaries (after deduction of acquired cash)	[6]	0	–650
Proceeds from disposal of non-current assets		96	59
Proceeds from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale	[7]	3,100	0
Net cash used in investing activities		–18,274	–13,772
Proceeds from financial liabilities	[24]	3,547	0
Repayment of financial liabilities		–236	–254
Proceeds from disposal of treasury shares		0	375
Payment of prior-year dividend	[16]	–5,100	–5,391
Payment of prior-year dividend minority interests		–12	0
Interest received		1,024	763
Interest paid and other expenses		–382	–477
Net cash used in financing activities		–1,159	–4,984
Effect of foreign exchange rate changes on liquidity		223	–603
Change in cash and cash equivalents		25,523	–2,255
Cash and cash equivalents at January 1		22,796	25,051
Cash and cash equivalents at December 31		48,319	22,796
Change in cash and cash equivalents		25,523	–2,255

Consolidated Statement of Changes in Equity of SIMONA AG

	Equity attributable to owners of the parent											Minority interests	Total equity	
	Issued capital			Capital reserves	Revenue reserves						Other reserves			
	Share capital	Treasury shares	Total		Legal reserves	Statutory reserves	Other revenue reserves	Treasury shares	Accumulated profit for the period	Total	Currency translation differences			
in € '000														
Balance at 01/01/07	15,500	−26	15,474	15,032	397	2,847	66,130	−107	40,053	109,320	−223	204	139,807	
Foreign currency translation	0	0	0	0	0	0	0	0	679	679	−1,276	−4	−601	
Amount recognised directly in equity	0	0	0	0	0	0	0	0	679	679	−1,276	−4	−601	
Profit for the year	0	0	0	0	0	0	0	0	14,118	14,118	0	27	14,145	
Appropriations to other revenue reserves	0	0	0	0	0	0	7,457	0	−7,457	0	0	0	0	
Dividend payment (incl. bonuses payment for 150th anniversary)	0	0	0	0	0	0	0	0	−5,391	−5,391	0	0	−5,391	
Disposal of treasury shares	0	26	26	242	0	0	0	107	0	107	0	0	375	
Balance at 31/12/07	15,500	0	15,500	15,274	397	2,847	73,587	0	42,002	118,833	−1,499	227	148,335	
Balance at 01/01/08	15,500	0	15,500	15,274	397	2,847	73,587	0	42,002	118,833	−1,499	227	148,335	
Foreign currency translation	0	0	0	0	0	0	0	0	439	439	69	−12	496	
Amount recognised directly in equity	0	0	0	0	0	0	0	0	439	439	69	−12	496	
Profit for the year	0	0	0	0	0	0	0	0	13,920	13,920	0	8	13,928	
Appropriations to other revenue reserves	0	0	0	0	0	0	6,862	0	−6,862	0	0	0	0	
Dividend payment	0	0	0	0	0	0	0	0	−5,100	−5,100	0	0	−5,100	
Distribution to non-Group parties	0	0	0	0	0	0	0	0	0	0	0	−12	−12	
Balance at 31/12/08	15,500	0	15,500	15,274	397	2,847	80,449	0	44,399	128,092	−1,430	211	157,647	

Details of Shareholdings of SIMONA AG

Company	Ownership interest %	Equity € '000	Profit/loss of last financial year € '000
Indirectly			
SIMONA S.A., Domont/France	96.6	3,424	139
SIMONA S.r.l., Vimodrone, Italy	98.0	957	93
SIMONA U.K. Ltd., Stafford, United Kingdom	100.0	491	564
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona/Spain	100.0	-101	-83
SIMONA ENGINEERING PLASTICS TRADING Co., Ltd., Shanghai/China	100.0	463	40
SIMONA ENGINEERING PLASTICS Co., Ltd., Jiangmen/China	100.0	5,517	-115
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,586	0
Directly			
SIMONA-PLASTICS CZ, s.r.o., Prag/Czech Republic	100.0	288	116
SIMONA FAR EAST Ltd., Hong Kong/China	100.0	811	42
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	717	247
SIMONA Sozialwerk GmbH, Kirn (2007)	50.0	13,951	-95
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2007)	50.0	6,976	657
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton/USA	100.0	1,881	-3,339
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	4,737	-341
SIMONA ASIA Ltd., Hong Kong/China	100.0	5,218	-124
DEHOPLAST Polska Sp. z o.o., Kwidzyn/Polen	51.0	154	3

Auditor's Report

We have issued the following audit opinion relating to the consolidated financial statements and Group management report:

"We have audited the consolidated financial statements prepared by SIMONA AG, Kirn, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements together with the Group management report for the financial year from 1 January to 31 December 2008. The legal representatives of the Company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315 a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with German generally accepted standards for the audit of financial statements 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group man-

agement report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 27 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klein	Erbacher
German Public Auditor	German Public Auditor

Other Information

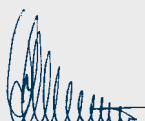
Responsibility Statement pursuant to Sections 297 (2), 315 (1) HGB

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

SIMONA AG
Kirn, 26 March 2009



Wolfgang Moyses
CEO, and Chairman of
the Management Board



Dirk Möller
Member of the
Management Board



Jochen Feldmann
Member of the
Management Board



Detlef Becker
Member of the
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