

SIMONA



2010

SIMONA Group – Consolidated Financial Statements

Key Financials

SIMONA GROUP*

		2010	2009	2008
Revenue	€m	267.4	215.1	303.7
Year-on-year change	%	24.3	-29.2	1.3
of which abroad	€m	176.8	138.6	191.6
of which abroad	%	66.1	64.4	63.1
Staff costs	€m	55.9	55.3	58.2
Profit before taxes	€m	10.5	7.1	20.2
Profit for the year	€m	7.2	5.0	13.9
Net cash from operating activities	€m	3.1	28.2	44.7
EBIT	€m	10.1	7.3	19.8
EBIT	%	3.8	3.4	6.5
EBITDA	€m	22.7	21.9	32.3
EBITDA	%	8.5	10.2	10.6
Total assets	€m	245.0	244.7	244.8
Equity	€m	162.2	157.5	157.6
Non-current assets	€m	89.4	94.3	97.1
Investments in property, plant and equipment	€m	6.5	11.6	21.2
Employees (annual average)		1,218	1,230	1,237

* based on IFRS

STOCK DATA

		2010	2009	2008
Earnings per share	€	12.00	8.31	23.20
Dividend	€	6.50	6.00	8.50
Dividend yield		2.1	1.9	2.6
P/E ratio*		26.3	38.1	14.0
Market capitalisation-over-equity ratio*		1.17	1.21	1.23
share price as at Dec. 31	€	315.00	317.00	324.00

* Each calculated on consolidated basis

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1. BUSINESS ACTIVITIES AND GENERAL CONDITIONS

1.1. Organisation and legal structure of the SIMONA Group

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, 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. Semi-finished products are deployed mainly 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. Finished parts are destined in particular for the mechanical engineering and transport technology sectors.

The SIMONA Group markets its products worldwide. The sales structure is primarily based on the following three sales regions:

- Germany
- Rest of Europe and Africa
- Asia, America and Australia

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). 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 were produced at the company's plant in Kirchhundem-Würdinghausen (North Rhine-Westphalia) and pipes, fittings and finished parts at a facility in Ringsheim (Baden-Württemberg). The facility based in Hazleton (Pennsylvania, USA) manufactures extruded semi-finished products destined mainly for the American market. The plant in Litvinov, Czech Republic, produces sheets and pipes, primarily for the Eastern European market, while the site in Jiangmen, China, manufactures extruded sheets. The factory in Kirchhundem-Würdinghausen was closed down effective from 30 September 2010.

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman, since 1 May 2010), Detlef Becker and Jochen Feldmann (until 10 August 2010). In 2010, the members of the Supervisory Board included Hans-Werner Marx (Chairman), Dr. Rolf Göbner (Deputy Chairman), Roland Frobél and Dr. Roland Reber as shareholder representatives, as well as Bernd Meurer and Karl-Ernst Schaab (until 31 August 2010), who represented staff interests.

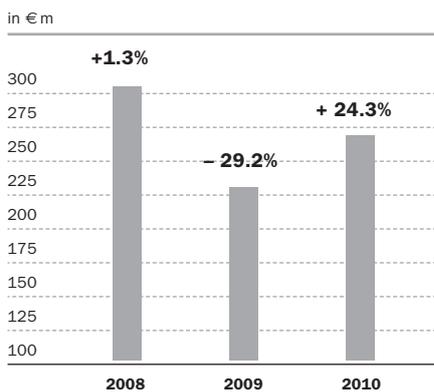
1.2. Business Review

Significant growth in revenue

The overall recovery of the world economy was faster than anticipated following the slump induced by the global financial and economic crisis. After a downturn of 0.9 per cent in 2009, global gross domestic product rose significantly by an estimated 5 per cent. Having said that, the world economy lost its forward momentum as the year progressed, with global trade failing to expand significantly in the second half of 2010. Global economic performance in 2010 clearly illustrated the growing importance of the emerging markets within the context of international trade. While the emerging markets in Asia returned to their pre-crisis levels in 2010, production in the industrialised countries again fell short of the figures recorded prior to the economic downturn.

Against this backdrop, SIMONA AG saw its sales revenue rise significantly from March 2010 onwards, after a sluggish start to the year. Remaining buoyant until the end of the financial year, sales revenue increased by 24.3 per cent year on year to €267.4 million for the annual period as a whole (2009: €215.1 million). Much of the impetus came from more expansive investments in machinery and equipment, particularly in the chemical and mechanical engineering industry. Revenue generated by the parent company, SIMONA AG, rose from €191.1 million a year ago to €232.5 million in 2010, a year-on-year increase of 21.7 per cent.

DEVELOPMENT OF REVENUE SIMONA GROUP



Germany

In Germany, GDP grew by 3.5 per cent in 2010 as a whole – adjusted for prices and working days – and was dominated by rebounding markets as the economy emerged from the crisis. Faced with a double-digit downturn in economic output over the course of 2009, the manufacturing sector, in particular, recorded a strong performance in terms of gross value added, which rose by an impressive 10.3 per cent in 2010. Exports rose by 14.2 per cent in the same period. Investments in machinery and equipment were up 9.4 per cent on the figure recorded in 2009, although this area had been worst hit by the economic downturn. Recovery slowed down slightly in the fourth quarter, with GDP rising by just 0.4 per cent compared to the previous quarter. Exports also proved buoyant in the fourth quarter, with a year-on-year increase of 15.9 per cent in terms of goods and services sold abroad.

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Review of the principal sales segments and plastics processing industry in 2010

The German chemical industry recorded an 11 per cent increase in production volume, with revenues expanding by 17.5 per cent. Within this context, foreign markets provided much of the impetus. Growth was less pronounced in the second half of the year. Germany's mechanical and plant engineering industry managed to expand its production output by 8.8 per cent in 2010. Order intake rose by 36 per cent in real terms, with domestic orders increasing by 29 per cent and non-domestic orders expanding by 39 per cent. The overall export ratio within this sector rose to 74.8 per cent (2009: 73.6 per cent). The solid performance in 2010 is reflected in the level of capacity utilisation, which was up from 72.5 per cent in 2009 to 79.8 per cent in 2010. After the significant decline recorded in 2009, the international exhibition and trade fair industry in Germany was faced with a sluggish recovery in the period under review, mainly due to the fact that streamlining measures agreed in 2009 remained in place to some extent. Based on initial estimates, exhibitor numbers rose by 1 per cent (2009: -4 per cent), while the overall number of visitors receded slightly by 2 per cent (2009: -8 per cent). The German construction industry also failed to keep up with the general pace of economic recovery in the period under review. Revenues in the principal construction sector contracted by 1 per cent (2009: -4 per cent) in nominal terms. This decline was attributable to the adverse effects felt within the commercial construction sector (-4.5 per cent) and in the public-sector segment (-3 per cent).

Based on preliminary figures, Germany's plastics-processing industry managed to lift revenues by 14 per cent to €51.3 billion in 2010, thus almost returning to the level recorded in 2008. At 12.2 million tonnes, the volume of plastics processed also moved closer towards the figure achieved in 2008. Among the principal growth drivers were suppliers of technical components, who accounted for 23 per cent of overall growth. Within the area of consumer and other plastic goods, total revenue increased by 14.7 per cent to €16.4 billion. The construction sector recorded growth of 5 per cent, taking its total revenue to €10.8 billion. The plastics packaging industry, the largest segment within the plastics-processing sector, saw its gross output rise by 14 per cent to €12.2 billion. In terms of value, however, the figure was down 2 per cent on last year's total. The positive performance was driven mainly by foreign trade. At +15.5 per cent, exports attributable to the plastics-processing industry outpaced domestic sales (+14 per cent). The export ratio rose from 34.3 per cent to 35.7 per cent in 2010. With customers in the chemical and mechanical engineering industry – a key market for SIMONA – expanding their capital expenditure on machinery and benefiting from buoyant exports, SIMONA saw its revenue surge in the period under review. Sales revenues generated in Germany rose by 18.4 per cent to €90.6 million (2009: €76.5 million).

Revenue by product group

SIGNIFICANT GROWTH IN SALES VOLUMES

In the area of semi-finished products, sales volumes of PE and PP sheets used in tank and apparatus construction rose sharply. Business relating to finished parts as well as plastic sheets destined for the photovoltaics and solar power industry also developed well. The Group recorded significant growth in the area of PP pipes for industrial applications, whereas revenue generated through PE pipes contracted.

+7,8 %

PIPES AND FITTINGS

+31,6 %

SEMI-FINISHED PRODUCTS



70,6 € MILLIONS

196,8 € MILLIONS

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Europe and Africa

Gross domestic product in the eurozone expanded by 1.7 per cent in 2010 (prev. year: –4.0 per cent), while the EU27 region recorded growth of 1.8 per cent in the same period (prev. year: –4.2 per cent).

Economic growth in the Middle East and North Africa stood at 3.9 per cent in 2010.

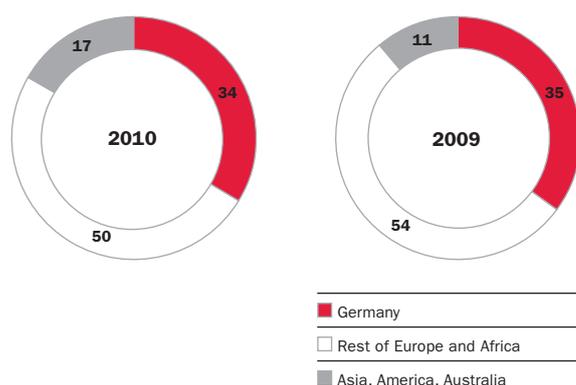
Revenue from sales in the Rest of Europe and Africa also rose sharply during the period under review. In Western Europe, the most important market for SIMONA, the downturn seen in 2009 had not been as pronounced as in other regions. As a result, revenue growth in 2010 was below average. In total, the Rest of Europe and Africa accounted for sales revenue of €132.7 million (2009: €115.4 million). This represents an increase of 15.0 per cent compared to 2009. As a region, the Rest of Europe and Africa accounted for 49.6 per cent of total revenue generated by SIMONA AG, down on last year's figure of 53.6 per cent.

America, Asia and Australia

At 2.8 per cent (2009: –2.6 per cent), the US economy grew at a less pronounced rate than many of the other industrialised economies. Not only were the Asian markets the first to be affected by the economic and financial crisis, they also bore the brunt of the downturn. On a more positive note, they led the way when it came to economic recovery. Both China (+10.3 per cent) and India (+9.7 per cent) returned to their pre-crisis levels of growth in 2010. SIMONA was able to reap the rewards of this trend by generating above-average revenue growth in Asia. In North America, by contrast, business grew at a low level. In total, revenue from sales in Asia, America and Australia rose by 82.9 per cent to €44.5 million. As a result, this region accounted for 16.6 per cent of total sales revenue, a significant year-on-year increase.

SIMONA REVENUE BY REGION

in %



Strong expansion of sales volumes of PE and PP sheets as well as specialty plastics – Above-average revenue growth for pipes and fittings

In the area of semi-finished products, sales volumes of PE and PP sheets used in tanks and apparatus engineering rose sharply in 2010. Business relating to plastic sheets used by the photovoltaics and solar industry also developed well in the period under review. By contrast, business centred around PVC sheets was more sluggish. SIMONA also saw a further increase in the overall sales volume of finished parts. Products made of specialty plastics showed more forward momentum than business within the area of semi-finished plastics. In total, revenue generated from semi-finished products stood at €196.8 million, a year-on-year increase of 31.6 per cent.

Within the area of piping systems, the company also succeeded in expanding sales revenues, albeit at a much less pronounced rate than in the area of semi-finished plastics. Sales volumes of PP pipes for industrial applications rose significantly, whereas revenues generated in the area of PE fittings were down. The pipes and fittings product segment recorded revenue growth of 7.8 per cent to € 70.6 million in total.

Product development for safety-critical and eco-specific applications

SIMONA pursues product development at various levels. Our Technical Service Centre is responsible for reviewing customer requirements and refining existing products by making well-judged alterations to polymer properties, e.g. by changing the basic formula. The New Products & Applications unit works in close collaboration with our product management to test new materials and develop plastics for new fields of application. Committed to promoting energy-efficient artificial ice rinks, SIMONA developed SIMONA® Eco-Ice® and launched the new product at the beginning of 2010. In contrast to conventional ice rinks, installations using SIMONA® Eco-Ice® can be operated without cooling pipes and coolants for ice production. The ice skates can be used directly on the plastic panels, which are securely joined to one another to form an ice rink surface. SIMONA® Eco-Ice® is supplied in various polyethylene designs: PE-HD (high heat resistance), PE-HMW (high molecular weight) and PE-UHMW (ultra-high molecular weight). In mid-2010, the system was extended to include perimeter boards made of PE FOAM twin-wall sheets. In dehoplast® x-detect, an ultrahigh-molecular-weight polyethylene, SIMONA has developed a premium product for the food and pharmaceutical industries. In the event of a fracture, even small plastic particles can be detected in food by means of metal detectors. Developed in 2009, the PVC sheet SIMOSHIELD for doors,

manufactured on the basis of inline foiling technology, was launched onto the market in early 2010. The PVC free-foam sheet SIMOPOR-DIGITAL, which was developed for digital direct printing, was also launched onto the European market in 2010. Within the area of polyolefins, we carried out technical refinements to the foamed sheets PE FOAM and PP FOAM. The PE FOAM line was extended to include a twin-wall sheet that is used primarily for perimeter boards and housings as well as noise and heat insulation.

In the field of piping systems, we launched an advanced SIMONA® PP-H AlphaPlus® piping system tailored specifically to the geothermal industry; it is capable of withstanding extreme thermal, mechanical and hydraulic stresses. Elsewhere, the SIMOFUSE® joining method, first developed for wastewater management in non-pressurised applications, has been refined to meet the requirements of the power supply industry and its demands for sustainable solutions. SIMOFUSE® pipe modules can be supplied in diameters of up to 1,000 mm. Following the successful market launch of protective-jacket pipes made of PE, SIMONA – as the first manufacturer worldwide – commissioned an independent testing unit to assess the full RC (Resistance to Cracking) fittings portfolio in accordance with PAS 1075. The test results were highly encouraging. In pipe extrusion, initial production testing was conducted for pipes with a wear-resistant interior skin. The aim is to develop a pipe with a high level of abrasion resistance for the transport of solid materials.

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 clearly segregated from production costs.

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2. FINANCIAL PERFORMANCE

Earnings

Against the backdrop of gradual economic recovery, the SIMONA Group saw its earnings before interest, taxes and income from equity investments (EBIT) rise by €2.8 million to €10.1 million. The EBIT margin stood at 3.8 per cent, up from a margin of 3.4 per cent last year.

Raw material prices continued to spiral over the course of 2010. Within this context, the Group was unable to pass on these price hikes in full. As a result, the percentage increase in expenses relating to raw materials and consumables was more pronounced than the level of revenue growth. In total, the cost of materials rose by 49 per cent year on year to €154.4 million (2009: €103.7 million). Following a significant reduction in 2009, the costs attributable to energy and water edged up by €0.9 million in the period under review as a result of higher production output.

In view of expanding sales, the gross profit for 2010 rose by €8.5 million to €125.5 million, which represents 47 per cent of revenue.

Owing to higher commodity prices and inventory streamlining, the change in inventories, as presented in the income statement, amounted to €5.3 million.

Other operating income contracted marginally, down €0.2 million to €7.2 million.

At €55.9 million, staff costs were slightly higher than the figure recorded a year ago (2009: €55.3 million).

Depreciation of property, plant and equipment and amortisation of intangible assets fell by €1.9 million to €12.6 million as a result of impairment charges recognised in 2009.

Other operating expenses rose by €7.1 million to €46.9 million. Against the backdrop of more expansive

business, the Group incurred higher costs relating to outward freight and packaging, in particular, as well as seeing a rise in maintenance costs for manufacturing systems.

The performances of the individual subsidiaries differed from region to region. Within this context, earnings performance was encouraging in Poland, the United Kingdom and the Czech Republic. By contrast, the results posted in Italy and particularly France, which incurred losses as a result of restructuring measures, were less satisfactory.

The production company in the Czech Republic is operating at a profitable level.

The US-based subsidiary posted a loss, although its earnings performance improved markedly in a year-on-year comparison. A profit has been budgeted for fiscal year 2011.

The performance of our sales companies in Asia improved substantially in the year under review. Our plant in China is still in the start-up phase and has yet to generate a profit.

EBIT margin

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 equity investments. In the case of EBITDA, non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are 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 €10.1 million, resulting in an EBIT margin of 3.8 per cent. EBITDA at Group level rose slightly to €22.7 million (2009: €21.9 million), with amortisation of intangible assets and depreciation of property, plant and equipment contracting year on year. At 8.5 per cent, the EBITDA margin remained just under the figure of 10.2 per cent recorded in previous financial year.

3. FINANCIAL ASSETS AND LIABILITIES

The financial assets mainly comprise cash and short-term bank deposits totalling €39.3 million (2009: €61.5 million). Additionally, the Group made a securities investment in covered bonds (Pfandbriefe) totalling €10.0 million in 2010.

Non-current financial liabilities were scaled back by €2.1 million to €4.8 million in the financial year under review. The reduction was attributable to the early repayment of a loan amounting to GBP 2.0 million in respect of SIMONA UK Ltd., which was replaced by Group funds. In 2010, current financial liabilities declined as a result

of the scheduled repayment of a USD 5.0 million loan, the principal being due at the final maturity date. Alongside current financial liabilities, the Group had additional financial liabilities of €0.2 million in connection with an interest rate swap to hedge the risk associated with a US dollar loan.

Other financial obligations totalling €2.9 million (2009: €3.1 million) were attributable to rental and lease agreements. Of this total, an amount of €1.3 million is due within one year. A total of €1.9 million in current obligations is attributable to contracts already awarded as part of capital expenditure projects.

Based on finance income of €1.0 million and finance cost of €0.6 million, net finance income amounted to €0.4 million in 2010 (2009: €-0.2 million).

4. FINANCIAL POSITION

Higher equity ratio

At 31 December 2010 total assets remained largely unchanged at €245 million.

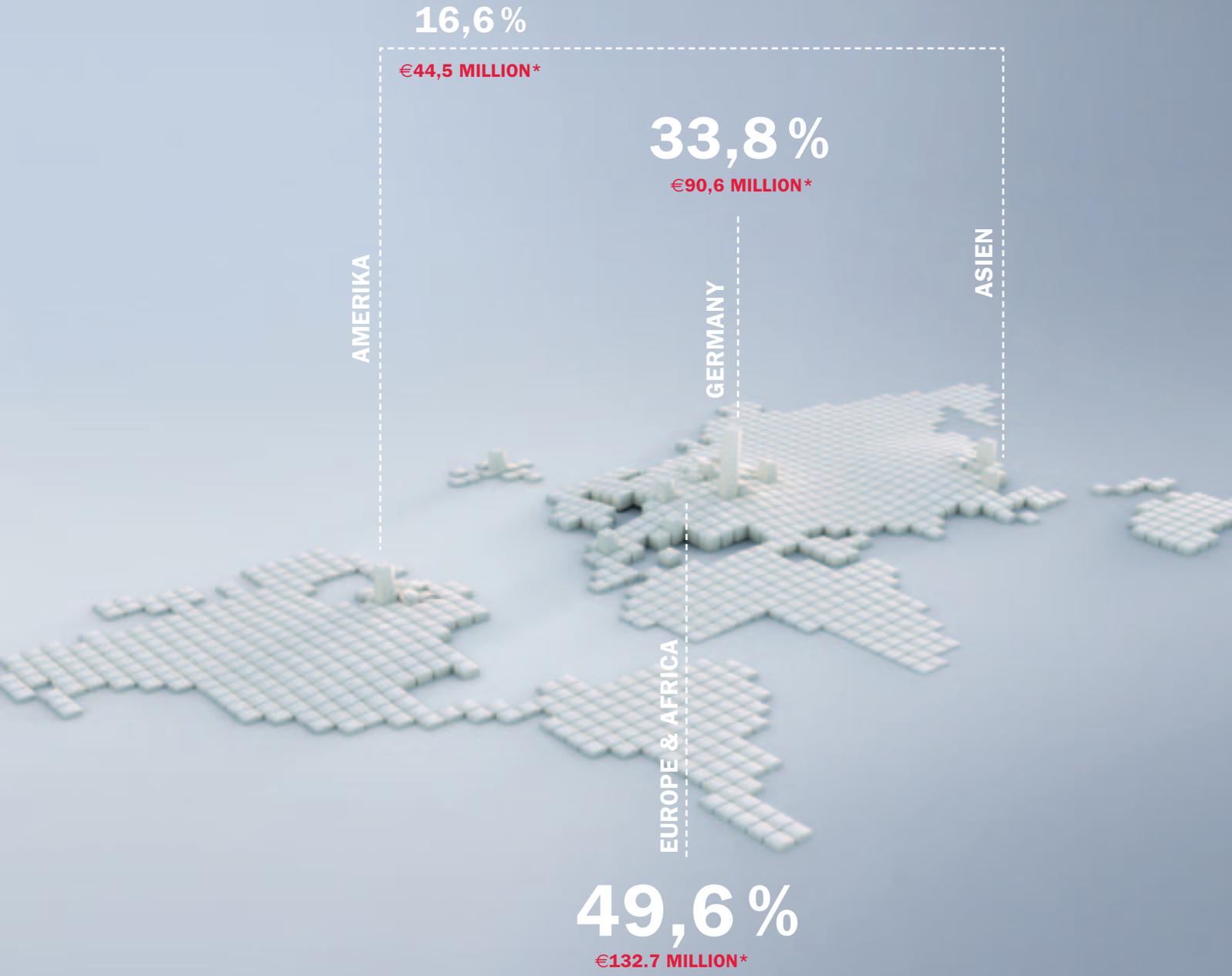
Despite further investments in new plants in Litvinov (Czech Republic) and Jiangmen (China), the total carrying amount of property, plant and equipment fell by €4.7 million in the period under review, as depreciation and write-downs exceeded total capital expenditure. Raw materials and consumables rose by €1.7 million year on year, while finished goods and merchandise increased by €4.8 million.

Higher trade receivables, up €8.5 million to €41.8 million, were a reflection of more pronounced revenue growth in 2010.

Revenue by region

PROGRAMME OF INTERNATIONALISATION BEARS FRUIT

The Group increased its revenue markedly in all sales regions. The buoyant Asian markets accounted for significant growth in the region America, Asia & Africa. This region generated 16.6 per cent of total revenue within the SIMONA Group, up from 11.2 per cent a year ago. The Group's solid performance is a testament to its incisive strategy of international expansion.



* Rounding differences due to Group eliminations

Other financial assets comprise capitalised corporation tax credits of SIMONA AG amounting to €4.5 million, the economic benefits of which will flow to the company after 31 December 2010. The entitlement was recognised as an asset in the statement of financial position as at 31 December 2010 in an amount equivalent to the present value.

Cash and cash equivalents fell by €22.1 million, mainly as a result of inventory downsizing, an increase in receivables, a securities investment in covered bonds and the repayment of financial liabilities. These aspects are presented in the Statement of Cash Flows in the notes to the consolidated financial statements.

Equity rose by €4.7 million in the financial year under review, while liabilities were scaled back by the same amount.

At the end of the financial year, Group equity amounted to €162.2 million (2009: €157.5 million). This figure includes annual profit of €7.2 million and a dividend payment of €3.6 million in 2010. The Group equity ratio at the reporting date was 66 per cent (2009: 64 per cent).

At the end of the reporting period trade payables amounted to €11.2 million, up €4.3 million year on year due to more buoyant business.

Other current provisions declined by €3.6 million, primarily due to the utilisation of restructuring provisions in connection with the closure of the plant in Kirchhundem-Würdinghausen.

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 2010 financial year and the preparation of this management report. Beyond this and in accordance with statutory provisions, interim

announcements will be issued during 2011, outlining the development of the entity and any events that are subject to disclosure requirements.

6. RISK REPORT

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 served by SIMONA. They also include exchange rate and commodity price volatility as well as the availability of raw materials. 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 production facilities in the United States, 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 by SIMONA outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. Sector-specific risks will continue to be a focal point of our risk management during 2011. Both revenue and earnings performance in 2011 will be dependent to a large extent on developments within the sales markets primarily targeted by SIMONA. Against the backdrop of a more favourable economic climate, the risk situation is now considered much less pronounced. By contrast, the risks associated with com-

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modity prices have increased during the first months of 2011 and are likely to be a key factor in earnings performance for 2011 as a whole. Initiated two years ago, the transition from quarterly to monthly contracts for ethylene and propylene has led to significant price volatility for downstream products.

As regards receivables, the risk of default is mitigated by means of extensive credit rating checks in the case of new accounts and ongoing assessments of the credit ratings of existing customers. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances were made for specific unsaleable products.

Risks attributable to information technology are controlled Group-wide by the company's own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis.

At the end of the 2010 financial year, we are of the opinion that the overall risk situation for the company has improved slightly as a result of the factors outlined above.

Corporate Governance Statement

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

7. REPORT ON EXPECTED DEVELOPMENTS

Growth with considerable risks

The global economy lost most of its dynamism towards mid-2010, with the majority of the developed countries recording subdued GDP growth in the fourth quarter of 2010. However, indicators improved again towards the end of the year, which was underlined by the significant expansion of the world economy since the beginning of 2011. Having said that, there are signs of bifurcation: the emerging markets – particularly in Asia – have returned to or exceeded their pre-crisis levels and currently run the risk of overheating, whereas many of the developed economies – such as the United States, the United Kingdom and Spain – have been sluggish. The global economy is exposed to certain risks with regard to its future performance. Within this context, spiralling commodity prices represent one of the most potent risks. The price of crude oil has surged in the wake of the political upheaval witnessed throughout the Arab world. Governments in the emerging markets will be forced to counteract the risk to stability that is generally associated with an economic boom. It remains to be seen to what extent the price of crude oil and global economic performance as a whole will be affected by the natural and nuclear disaster in Japan.

In January, the International Monetary Fund (IMF) projected global economic growth of 4.4 per cent for 2011. However, the latest forecasts issued by economists suggest that growth will be less pronounced. The IMF again anticipates strong growth for China (+9.6 per cent) and

India (+8.4 per cent). The Russian economy is expected to expand by 4.5 per cent. Recovery throughout the eurozone remains sluggish; against this backdrop, GDP is forecast to grow by just 1.7 per cent. The US economy is expected to gain some momentum, with estimated growth of 3.0 per cent in 2011.

SIMONA anticipates that the overall order situation will remain solid in 2011. Order intake remains stable at a high level. Following the downturn, there remains significant potential with regard to capital expenditure on machinery and equipment – of particular relevance to our business – within key sales markets. In addition, demand is likely to be buoyed by export trade on the part of customers operating within the chemical and mechanical engineering industry. Piping systems engineering is expected to develop at a more subdued rate. Short-time work was partially introduced at the Ringsheim plant, which produced pipes and fittings.

Elevated commodity prices continue to exert downward pressure on our gross profit margin, as the percentage of material costs attributable to our products is significant. It will be difficult to pass these higher costs on to customers within the highly competitive markets of Europe.

The SIMONA Group will be looking to propel revenue further to at least €290 million for the financial year 2011 as a whole. Despite the continued rise in commodity prices, profitable growth remains a top priority for SIMONA; the target for Group earnings before taxes has been set at €15 million. Our focus for the future will be on extruded semi-finished thermoplastics and related products for safety-critical and eco-specific applications. We have also identified opportunities for growth within the area of energy utilities and commodities, environmental engineering and agriculture/food manufacturing.

Owing to the uncertainties associated with the commodity markets as well as the inconsistent economic trends and the risk of unforeseen events, such as recent developments in Japan, providing a performance outlook for 2012 is difficult. Given the growth opportunities emanating from the emerging markets and the new focus on safety-critical and eco-specific applications, SIMONA anticipates that its business performance will remain favourable beyond the financial year 2011.

8. OTHER INFORMATION

Employees

In aggregate, the number of people employed within the SIMONA Group remained stable in 2010. At the end of the reporting period, the Group headcount stood at 1,236 (2009: 1,234). Within this context, the closure of our plant in Kirchhudem-Würdinghausen and the discontinuation of two logistics sites in France pushed the Group's headcount down, while the recruitment efforts at the new production facility in Jiangmen, China, resulted in new jobs being created within the Group. The average number of employees within the Group was 1,218. As at 31 December 2010, the headcount for the parent company, SIMONA AG, was 910 (2009: 957). At the end of 2010, 54 young people (2009: 59) were enrolled in vocational programmes relating to one of seven technical and commercial training courses. In total, 18 apprentices successfully completed their vocational training programmes; nine of them were offered permanent employment contracts. Two apprentices opted for an integrated degree course offered by SIMONA in cooperation with the University of Applied Sciences Ludwigshafen. At 31 December 2010, 6 female members of staff were on parental leave. At the end of 2010, 60 members of staff (2009: 64) had opted for early part-time retirement.

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In 2010, SIMONA extended its Balanced Scorecard as a strategic management instrument to incorporate other organisational levels within the company. In-house training within the context of a cross-company project aimed at improving the order process formed one of the focal points of HR development in the year under review. Additionally, the company organised a number of personalised specialist training schemes and drew up a concept for the establishment of a talent promotion circle, which will commence in 2011.

In 2011, the emphasis with regard to IT was on standardising the SAP modules used within the Group and introducing SAP in full at SIMONA AMERICA Inc. Furthermore, the rollout template relating to the SAP module Human Resources was extended and initial preparations were made for release migration.

Significant elements of the internal control and management system

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

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements can be prepared in accordance with statutory requirements despite possible risks. The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and

organisational instructions that are revised regularly to account for the latest external and internal developments. As regards the financial reporting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and overall assessment of the annual financial statements, including the management report. These elements are as follows:

- Identification of significant areas of risk and control with an influence over the group-wide financial reporting process
- Monitoring of the group-wide financial reporting process and any findings therefrom at Management Board level
- Preventative measures of control with regard to group accounting as well as subsidiaries included in the consolidated group
- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting

Quality and environmental management

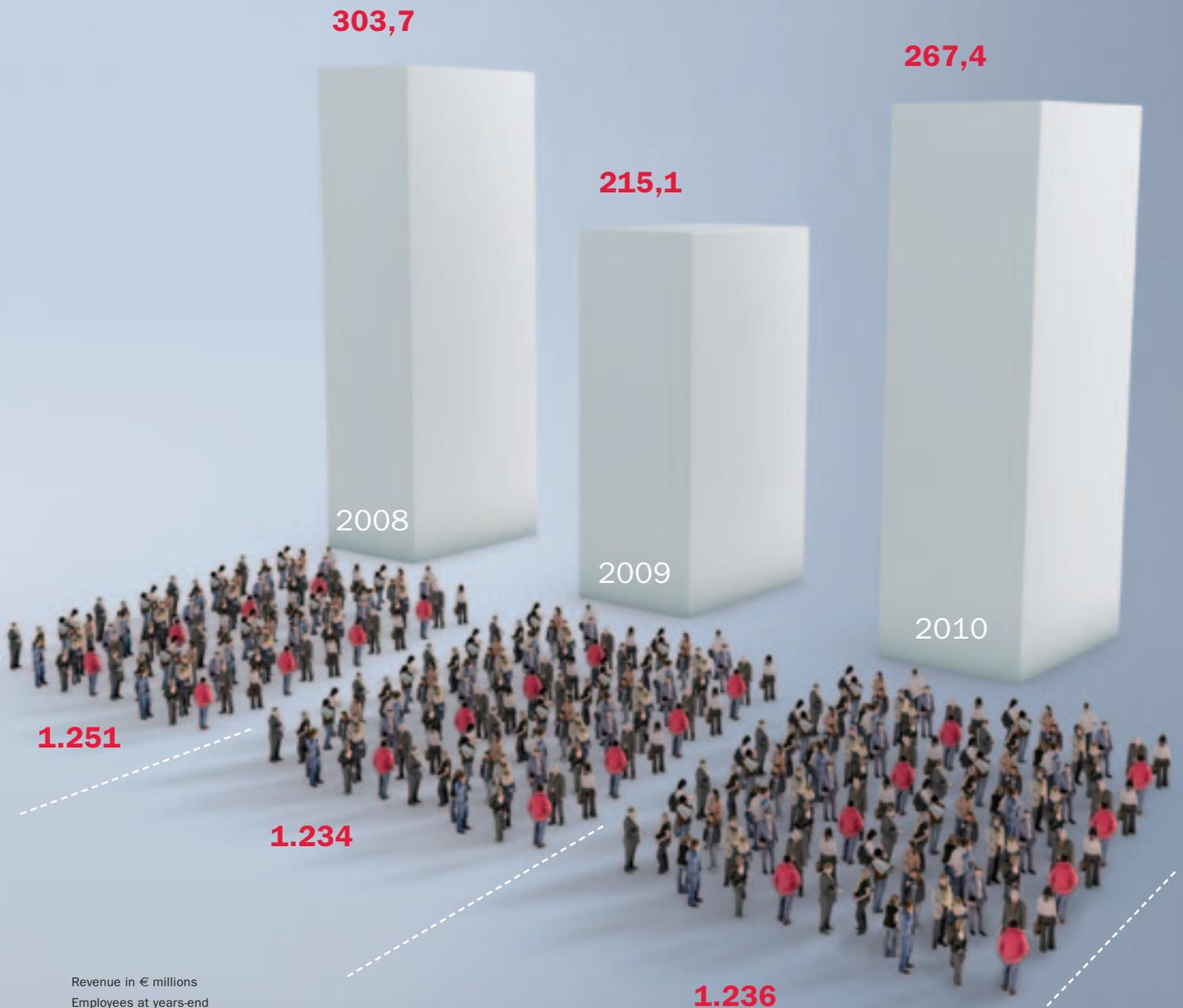
The goal of SIMONA's quality management is to ensure that the quality of its products and processes is safeguarded and optimised on a continual basis. Within this context, the aim is to achieve a consistently high level of quality awareness at all production and distribution sites. The incorporation of the new production site at Jiangmen, China, into the SIMONA quality management concept progressed well, and certification of the QM system at our Chinese manufacturing plant can now be planned for the end of 2011.

Among the focal points of the quality management system in 2010 were an interdisciplinary quality circle, product audits and several process optimisation meas-

Staff and revenue

RELIABLE AND ATTRACTIVE EMPLOYER

Despite the economic upheaval seen in 2009 and 2010, SIMONA maintained kept staffing levels stable. We demand performance and encourage initiative. This is illustrated by our award-winning vocational training programme, our close collaboration with universities and the newly created SIMONA Talent Promotion Circle – „Your Talent. Our Future.“



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ures relating to new automotive projects. In the area of pipes and fittings, an increasing number of country-specific product certifications were necessary in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

As a company operating within the global business arena, SIMONA AG is well aware of its responsibilities towards people and the environment. Thus, sustainability and environmental compatibility form an integral part of the corporate philosophy embraced by SIMONA AG. SIMONA products contribute to the protection of resources, e.g. by replacing heavier materials, by facilitating water treatment or by reducing CO₂ emissions. Sustainability has also been defined as a strategic goal with regard to our production processes. Indeed, production-integrated environmental protection plays a pivotal role when it comes to planning new production processes and coordinating fabrication methods. SIMONA AG is committed to improving its processes on a continual basis, with the express purpose of acting in a resource- and environmentally-friendly manner.

Compensation Report

Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of Hans-Werner Marx, Chairman of the Supervisory Board, as well as the Supervisory Board members Dr. Rolf Gößler and Roland Frobél. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial

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

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. 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 2009. 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 €1,553 thousand (prev. year: €1,296 thousand). Total compensation comprises €1,034 thousand (prev. year: €988 thousand) in fixed-level compensation and €519 thousand (prev. year: €308 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 €592 thousand (previous year: €853 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €7,756 thousand as at 31 December 2010 (previous year: €8,507 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 component 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 25 June 2010 no such resolution for variable compensation components was passed for the 2010 financial year.

Supervisory Board compensation for 2010 amounted to €121 thousand (previous year: €121 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.

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

As at 31 December 2010, the share capital of SIMONA AG was €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). Thus, it remained unchanged in the 2010 financial year. The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. We shall no longer issue effective share certificates. As far as the Management Board is aware, there are no restrictions affecting voting rights or the transfer of shares.

A 30.79 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.41 per cent interest by

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Regine Tegtmeyer (Seelze), a 15.0 per cent interest by Kreissparkasse Biberach (Biberach), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 11.06 per cent of shares in the company were in free float. On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent, 20 per cent, 25 per cent and 30 per cent of the voting rights on 13 May 2010 and that at this date its interest was 30.79 per cent (corresponding to 184,739 voting rights). On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung filed an application with the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) for exemption pursuant to Section 37(1) and (2) of the Securities Acquisition and Takeover Act (Wertpapiererwerb- und Übernahmegesetz – WpÜG) in conjunction with Section 9 sentence 1 no. 1 of the WpÜG Offer Ordinance (WpÜG-Angebotsverordnung). On the basis of an official Notice issued by the Federal Financial Supervisory Authority on 22 July 2010, Dr. Wolfgang und Anita Bürkle Stiftung was exempted from its duties under Section 35(2) sentence 1 WpÜG to submit an offer document to the Federal Financial Supervisory Authority and its duties under Section 35(2) sentence 2 in conjunction with Section 14(2) sentence 1 WpÜG to publish a mandatory offer. This exemption was granted under Section 37(1) and (2) WpÜG in conjunction with Section 9 sentence 1 no. 1 WpÜG Offer Ordinance in respect of the control gained over SIMONA AG following the testamentary succession of 13 May 2010. On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had

exceeded the threshold of 3 per cent, 5 per cent and 10 per cent on 29 November 2006 and that at this date its interest was 10.67 per cent (64,000 voting rights). Of these voting rights, 10.67 per cent (64,000 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more: Kreissparkasse Biberach, Biberach, Germany. On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 15 per cent on 2 March 2010 and that at this date its interest was 15.0038 per cent (90,023 voting rights).

Of these voting rights, 15.0038 per cent (90,023 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more: Kreissparkasse Biberach, Biberach, Germany.

As at 25 June 2010, members of the Management Board reported a total holding of 70,776 own shares; this corresponds to 11.8 per cent of the share capital of SIMONA AG. According to the notification of 25 June 2010, members of the Supervisory Board held a total of 1,700 shares. This corresponds to 0.28 per cent of total share capital.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights of control associated with their shareholdings.

The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) as well as by Section 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board generally has a chairman to be appointed by the Supervisory Board. The Supervisory Board is entitled to transfer to a Supervisory Board committee the duties relating to the conclusion, amendment and termination of Management Board employment contracts. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

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

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

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

Forward-looking statements and forecasts

This Group management report contains forward-looking statements that are based on the current expectations, presumptions and forecasts of the Management Board of SIMONA AG as well as on information currently available to the Management Board. These forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialise. Rather, future circumstances and results depend on a multitude of factors. These include various risks and imponderabilities, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

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.

SIMONA AG
Kirn, 31 March 2011

The Management Board

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Group Income Statement of SIMONA AG

in € '000	Notes	01/01 - 31/12/10	01/01 - 31/12/09
Revenue	[7]	267,402	215,070
Other operating income	[8]	7,201	7,408
Changes in inventories of finished goods		5,314	-1,833
Cost of materials		154,420	103,686
Staff costs	[9]	55,876	55,256
Depreciation of property, plant and equipment, and amortisation of intangible assets	[16], [17]	12,606	14,554
Other operating expenses	[11]	46,946	39,830
Income from equity investments		500	0
Interest income	[12]	498	506
Interest expense	[12]	579	690
Profit before tax		10,488	7,135
Income tax expense	[13]	3,263	2,113
Profit for the period		7,225	5,022
of which attributable to:			
Owners of the parent company		7,198	4,988
Non-controlling interests		27	34

Earnings per share:

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[14]	12.00	8.31
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[14]	12.00	8.31

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Group Statement of Comprehensive Income of SIMONA AG

in €'000	01/01 - 31/12/10	01/01 - 31/12/09
Profit for the period	7,225	5,022
Exchange differences on translating foreign operations during the year	1,040	-17
Amount recognised directly in equity	1,040	-17
Total comprehensive income	8,265	5,005
Total comprehensive income attributable to:		
Owners of the parent company	8,235	4,968
Non-controlling interests	30	37

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	31/12/10	31/12/09
Intangible assets	[16]	1,294	1,412
Property, plant and equipment	[17]	88,126	92,839
Financial assets	[30]	23	23
Non-current tax assets	[20]	3,773	4,320
Deferred tax assets	[13]	173	236
Non-current assets		93,389	98,830
Inventories	[18]	50,515	43,994
Trade receivables	[19]	41,845	33,320
Other assets and prepaid expenses	[20]	9,947	6,902
Derivative financial instruments	[30]	0	160
Other financial assets	[30]	10,000	0
Cash and cash equivalents	[21]	39,316	61,479
Current assets		151,623	145,855
Total assets		245,012	244,685

EQUITY AND LIABILITIES

in € '000	Notes	31/12/10	31/12/09
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		131,425	127,755
Other reserves		-260	-1,225
		161,939	157,304
Non-controlling interests		272	242
Total equity	[22]	162,211	157,546
Financial liabilities	[23]	4,848	7,000
Provisions for pensions	[24]	38,322	36,698
Other provisions	[26]	6,036	5,979
Other liabilities		211	414
Deferred tax liabilities	[13]	5,654	5,271
Non-current liabilities		55,071	55,362
Financial liabilities	[23]	313	3,824
Provisions for pensions	[24]	1,248	1,637
Other provisions	[26]	2,535	5,708
Trade payables		11,202	6,904
Income tax liabilities		1,607	2,638
Other liabilities and deferred income		10,670	10,771
Derivative financial instruments	[30]	155	295
Current liabilities		27,730	31,777
Total equity and liabilities		245,012	244,685

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[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 31 December 2010 were released by the Management Board on the basis of a resolution passed on 31 March 2011 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, fittings and finished parts made of thermoplastics.

The semi-finished products are manufactured in Germany at plants in Kirn and Kirchhundem-Würdinghausen (until 30 September 2010), as well as in Hazleton (USA) and Jiangmen (China). Pipes and fittings are produced at the plant in Ringsheim (Germany). The plant in Litvinov (Czech Republic) manufactures semi-finished products, pipes and fittings. 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 UK Limited, 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., Hong Kong, 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 31 December 2010, 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 315a(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 2010 financial year. The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at 31 December of each financial year (hereinafter also referred to as “Group” or “SIMONA Group”).

The Group statement of financial position conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the statement of financial position 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 31 December. 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. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

[3] NEW FINANCIAL REPORTING STANDARDS

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

The accounting methods applied to these consolidated financial statements are consistent with those applied in the previous year, with the exception of the following new and amended Standards and Interpretations effective as at 1 January 2010. The following section provides a summary of Standards that are of relevance to SIMONA AG, as well as detailing the possible implications for the consolidated financial statements:

- IAS 39 "Financial Instruments: Recognition and Measurement" (Eligible Hedged Items)
- IFRS 2 "Share-based Payment" (Group Cash-settled Share-based Payment Transactions)
- IFRS 3 "Business Combinations" / IAS 27 "Consolidated and Separate Financial Statements" (Phase II: general revision as part of the convergence project of the IASB and FASB)
- IFRIC 17 Distributions of Non-cash Assets to Owners (new interpretation)
- Improvements to IFRS 2008
- Improvements to IFRS 2009

The following section provides a summary of the relevant Standards, as well as detailing the possible implications for the consolidated financial statements:

- IAS 39 "Financial Instruments: Recognition and Measurement" (Eligible Hedged Items) clarifies that an entity is entitled to designate just some of the changes in the cash flows or fair values of a financial instrument as a hedged item. This also encompasses the designation of inflation as a hedged risk or portion in particular situations. The SIMONA Group has ascertained that this amendment will not affect the Group's financial position, financial performance and cash flows, as the Group has not entered into any such transactions.
- IFRS 2 "Share-based Payment" (Group Cash-settled Share-based Payment Transactions) contains amendments to the scope and accounting of Group cash-settled share-based payment transactions). The amendment to IFRS 2 has no effect on the financial position, financial performance and cash flows of the SIMONA Group, as no share-based payment is offered.
- IFRS 3 "Business Combinations" / IAS 27 "Consolidated and Separate Financial Statements" were amended extensively as part of the convergence

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project implemented by the IASB and FASB. The key amendments are centred around the introduction of an option relating to the measurement of non-controlling 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 may 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. These amendments had no effect on the 2010 financial year, as no transactions relating to business combinations occurred in the period under review.

- IFRIC 17 includes details on how to account for distributions of non-cash assets to owners either from reserves or in the form of dividends. This Interpretation does not effect the presentation of financial position, financial performance and cash flows of the SIMONA Group, as no such distributions were made.

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (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 2010 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)
- IAS 24 “Related Party Disclosures”
- IAS 32 “Financial Instruments: Presentation” (Classification of Rights Issues)
- IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Various improvements to IFRS (omnibus standard for the purpose of amending various IFRSs).

Based on sound judgement, the SIMONA Group may potentially be affected by the following amendments:

- IAS 1 “Presentation of Financial Statements”
- IAS 27 “Consolidated and Separate Financial Statements”
- IFRS 3 “Business Combinations”
- IFRS 7 “Financial Instruments: Disclosures”

With the exception of IAS 24, application of the aforementioned standards and interpretations is unlikely to have significant implications for the future financial statements issued by the SIMONA Group:

IAS 24 (amended) was issued in November 2009 and must be applied by entities for annual periods beginning on or after 1 January 2011. It revises the definition of related parties in order to simplify the process of identifying relationships with related parties, as well as

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 31 December. 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. Changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

[3] NEW FINANCIAL REPORTING STANDARDS

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

The accounting methods applied to these consolidated financial statements are consistent with those applied in the previous year, with the exception of the following new and amended Standards and Interpretations effective as at 1 January 2010. The following section provides a summary of Standards that are of relevance to SIMONA AG, as well as detailing the possible implications for the consolidated financial statements:

- IAS 39 “Financial Instruments: Recognition and Measurement” (Eligible Hedged Items)
- IFRS 2 “Share-based Payment” (Group Cash-settled Share-based Payment Transactions)
- IFRS 3 “Business Combinations” / IAS 27 “Consolidated and Separate Financial Statements” (Phase II: general revision as part of the convergence project of the IASB and FASB)
- IFRIC 17 Distributions of Non-cash Assets to Owners (new interpretation)
- Improvements to IFRS 2008
- Improvements to IFRS 2009

The following section provides a summary of the relevant Standards, as well as detailing the possible implications for the consolidated financial statements:

- IAS 39 “Financial Instruments: Recognition and Measurement” (Eligible Hedged Items) clarifies that an entity is entitled to designate just some of the changes in the cash flows or fair values of a financial instrument as a hedged item. This also encompasses the designation of inflation as a hedged risk or portion in particular situations. The SIMONA Group has ascertained that this amendment will not affect the Group’s financial position, financial performance and cash flows, as the Group has not entered into any such transactions.
- IFRS 2 “Share-based Payment” (Group Cash-settled Share-based Payment Transactions) contains amendments to the scope and accounting of Group cash-settled share-based payment transactions). The amendment to IFRS 2 has no effect on the financial position, financial performance and cash flows of the SIMONA Group, as no share-based payment is offered.
- IFRS 3 “Business Combinations” / IAS 27 “Consolidated and Separate Financial Statements” were amended extensively as part of the convergence

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project implemented by the IASB and FASB. The key amendments are centred around the introduction of an option relating to the measurement of non-controlling 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 may 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. These amendments had no effect on the 2010 financial year, as no transactions relating to business combinations occurred in the period under review.

- IFRIC 17 includes details on how to account for distributions of non-cash assets to owners either from reserves or in the form of dividends. This Interpretation does not effect the presentation of financial position, financial performance and cash flows of the SIMONA Group, as no such distributions were made.

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (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 2010 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)
- IAS 24 “Related Party Disclosures”
- IAS 32 “Financial Instruments: Presentation” (Classification of Rights Issues)
- IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Various improvements to IFRS (omnibus standard for the purpose of amending various IFRSs).

Based on sound judgement, the SIMONA Group may potentially be affected by the following amendments:

- IAS 1 “Presentation of Financial Statements”
- IAS 27 “Consolidated and Separate Financial Statements”
- IFRS 3 “Business Combinations”
- IFRS 7 “Financial Instruments: Disclosures”

With the exception of IAS 24, application of the aforementioned standards and interpretations is unlikely to have significant implications for the future financial statements issued by the SIMONA Group:

IAS 24 (amended) was issued in November 2009 and must be applied by entities for annual periods beginning on or after 1 January 2011. It revises the definition of related parties in order to simplify the process of identifying relationships with related parties, as well as

exempting a reporting entity from its disclosure requirements in relation to related party transactions with a government that has control, joint control or significant influence over the reporting entity and another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The Standard is to be applied retrospectively. In view of the extended definition set out in the amendment, it is likely that additional disclosures relating to the circle of related parties of the Group will be required. The details of application of this revised definition are currently being assessed. However, the amendment will have no implications for the recognition and measurement of assets and liabilities in the consolidated financial statements and for the results in the future financial years.

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 2010 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

- IAS 12 “Income Taxes” (Deferred Tax: Recovery of Underlying Assets)
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)
- IFRS 7 “Financial Instruments: Disclosures” (IFRS Disclosures—Transfers of Financial Assets)
- IFRS 9 “Financial Instruments: Classification and Measurement” (new Standard).

The implications of the aforementioned Standards and Interpretations with regard to the financial position, financial performance and cash flows of the Group are currently being analysed. However, the Group does not anticipate that its financial position, financial perform-

ance and cash flows will be affected by the application of said amendments.

[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 relate to the useful lives of assets.

Material judgements 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.

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

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present value of the aforementioned cash flows. As at 31 December 2010, 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 [13].

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [26]. 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 [24].

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

a) Business combinations as from 1 January 2010

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as administration costs.

Goodwill is measured as the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration transferred is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for in profit and loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, as from the date of acquisition goodwill acquired as part of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination. This method is applied regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

b) Business combinations prior to 1 January 2010

The method previously applied to the recognition and measurement of business combinations differed from the approach outlined above:

Business combinations were accounted for by applying

the purchase method. Transaction costs directly attributable to the acquisition represented part of the cost of the business combination. The non-controlling interest (previously referred to as minority interests) was measured at the corresponding pro-rata share of the identifiable net assets of the acquiree.

All business acquisitions were transacted prior to 1 January 2010.

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 UK 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-

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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.

Leasing

Whether an agreement constitutes a lease is determined on the basis of the substance of the transaction detailed in the agreement at the time the agreement is concluded. This requires an assessment as to whether the fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset/assets even if this right is not specifically defined in the agreement.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset, are recognised as assets in the statement of financial position at the commencement of the lease term. As at 31 December 2010, no such finance leases existed within the Group.

Lease payment under an operating lease are recognised in the income statement as an expense on a straight-line basis and are presented as other operating expense.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its

intended use or sale, form part of the cost of that asset and are capitalised accordingly. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. No borrowing costs have been capitalised by the Group, as it does not possess qualifying assets.

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 2010 or 2009.

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. No reclassifications have been performed to date.

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. The Group has not made use of the option to designate financial assets or liabilities as "measured at fair value through profit or loss".

Derivatives embedded within a host contract are recognised separately at their fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading purposes or are not designated as "at fair value through profit or loss". These embedded derivatives are measured at their fair value; changes to the fair value are recognised in profit or loss. A reassessment is performed only upon amendments to the contractual terms

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and conditions if this leads to a significant change to the cash flows that would otherwise have resulted from the contract.

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. Unrealised 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 and active 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 know-

ledgeable, 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 current cost or 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 achievable in the ordinary course of business, less the estimated costs incurred until completion and the estimated costs necessary to make the sale.

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 and cash equivalents

Cash and cash equivalents recognised in the statement of financial position comprise cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the Group statement of cash flows, cash and cash equivalents comprise the aforementioned cash and cash equivalents 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 statement of financial position 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

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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 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent 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.

Government grants

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented in the income statement as “other operating income”.

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 statement of financial position 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 uti-

lised. 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 net finance cost/income.

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[6] SEGMENT REPORTING

For company management purposes, the Group is organised according to geographic regions and has the three following reportable operating segments:

- Germany
- Rest of Europe and Africa
- Asia, America and Australia

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts.

Management assesses the operating results of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.

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). External sales revenue relates to the country in which the customer is domiciled. 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 segments. The differences in respect of the consolidated financial statements are presented in the reconciliation.

SEGMENT INFORMATION – SIMONA GROUP FOR FY 2010

Segmentation by region	Germany		Rest of Europe and Africa		Asia, America and Australia		Eliminations		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
in €'000										
Revenue from sales to external customers	90,625	76,518	132,689	115,387	44,475	24,319	-387	-1,154	267,402	215,070
Revenue from sales to other segments	14,583	0	48,336	47,097	12,522	5,306	-75,441	-52,403	0	0
Segment revenue									267,402	215,070
Segment result	6,546	4,080	3,925	3,836	-402	-597	0	0	10,069	7,319
Segment assets	123,160	122,362	33,862	31,032	33,138	24,344			190,160	177,738
Segment liabilities	60,238	62,150	4,315	3,479	5,671	2,482			70,224	68,111
Segment capital expenditure	3,576	5,323	696	4,023	2,329	3,050			6,601	12,396
Depreciation/amortisation	9,842	12,860*	1,138	925	1,626	769			12,606	14,554

* Depreciation/amortisation includes impairment losses of €1,790 thousand

A reconciliation between segment assets, segment liabilities and segment profit/loss and current and non-current assets and liabilities as well as earnings before taxes is presented below:

RECONCILIATION

in €'000	31/12/10	31/12/09
Segment assets	190,160	177,738
Other financial assets	10,000	0
Cash and cash equivalents	39,316	61,479
Non-current tax assets	3,773	4,320
Current tax assets	1,567	889
Deferred tax assets	173	236
Financial assets	23	23
Current and non-current assets	245,012	244,685
Segment liabilities	70,224	68,111
Deferred tax liabilities	5,654	5,271
Income tax liabilities	1,607	2,638
Non-current financial liabilities	4,848	7,000
Current financial liabilities	313	3,824
Derivative financial instruments	155	295
Current and non-current liabilities	82,801	87,139
Segment result	10,069	7,319
Income from equity investments	500	0
Interest income	498	506
Interest expense	579	690
Earnings before taxes	10,488	7,135

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Information relating to product groups

SALES REVENUE FROM EXTERNAL CUSTOMERS

in € '000	2010	2009
Semi-finished products and finished parts	196,816	149,534
Pipes and fittings	70,586	65,536
Total	267,402	215,070

NOTES TO GROUP INCOME STATEMENT

[7] SALES REVENUE

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings as well as finished parts. The classification of sales revenue by region and product segment is outlined in segment reporting – Note [6].

[8] OTHER OPERATING INCOME

Other operating income includes government grants of €546 thousand (prev. year: €0). They were provided by the Czech state for the purpose of promoting investments in the Czech Republic. The government grant was issued subject to the proviso that 65 new jobs are created in the Czech Republic. In accordance with IAS 20.7, the government grant was recognised in profit or loss, as there is reasonable assurance that the Group will comply with the conditions attaching to it.

[9] STAFF COSTS

in € '000	2010	2009
Wages and salaries	44,243	43,703
Expenses relating to social security	9,015	9,005
Expenses relating to pensions	2,618	2,548
	55,876	55,256

[10] 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. Delimitation 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.

[11] RENTAL AND LEASING EXPENSES

Other operating expenses include expenses relating to rental and lease agreements amounting to €1,961 thousand in the financial year under review (prev. year: €1,978 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.

[12] NET FINANCE INCOME

in € '000	2010	2009
Interest income	498	506
of which from the measurement of derivatives	163	76
of which from loans and receivables	335	430

in € '000	2010	2009
Interest expense	579	690
of which from borrowings and financial liabilities	579	690

[13] INCOME TAXES

The principal elements of income tax expense for the 2010 and 2009 financial years are as follows:

GROUP INCOME STATEMENT

in € '000	2010	2009
Current tax		
Current tax expense	2,780	4,185
Adjustments of current tax attributable to previous periods	230	-80
Income from measurement of credits for the reduction of corporation tax	-193	-214
Deferred tax		
Origination and reversal of temporary differences	446	-1,778
Income tax expense reported in Group income statement	3,263	2,113

Reconciliation between income tax expense and the product of profit for the year carried in the statement of financial position and the tax rate applicable to the Group for the 2010 and 2009 financial years is as follows:

in € '000	2010	2009
Earnings before taxes	10,488	7,135
Income tax expense at German tax rate of 29.13% (prev. year 28.43%)	3,055	2,028
Adjustments of current tax attributable to previous periods	230	-80
Tax effect of non-deductible expenses	20	26
Tax rate differences	-526	-125
Income from measurement of credits for the reduction of corporation tax	-193	-214
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-136	-116
Unrecognised deferred tax assets relating to tax losses	1,006	532
Tax-free dividend income	-207	0
Other	14	62
Income tax expense at effective tax rate of 31.11% (prev. year 29.61%)	3,263	2,113
Income tax expense reported in Group income statement	3,263	2,113

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At 31 December 2010, 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 € 5,175 thousand (prev. year: € 5,914 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of € 4,492 thousand (prev. year: € 5,037 thousand). Payouts in connection with the corporation tax credits will be made in seven remaining annual instalments of € 739 thousand p.a. in the period from 2011 to 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the statement of financial position 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 statement of financial position		Group income statement	
	31/12/10	31/12/09	2010	2009
Deferred tax liabilities				
Non-current assets	7,758	7,954	-196	-700
Inventories	3,031	1,677	1,354	-780
Receivables and other assets	261	168	93	-93
Other provisions and liabilities	18	52	-34	-99
Other items	0	0	0	-211
	11,068	9,851	1,217	-1,883
Deferred tax assets				
Provisions for pensions	4,626	3,565	-1,061	59
Other provisions and liabilities	393	490	97	20
Inventories	455	465	10	115
Loss carryforward	47	179	132	-118
Other items	66	117	51	29
	5,587	4,816	-771	105
after set-off:				
Deferred tax assets	173	236		
Deferred tax liabilities	-5,654	-5,271		
Deferred tax expense (prev. year: deferred tax income)			446	-1,778

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 € 12,544 thousand (prev. year: € 10,990 thousand). Deferred tax assets of € 47 thousand (prev. year: € 179 thousand) were recognised for € 271 thousand (prev. year: € 1,147 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	2010	2009
Between 3 and 20 years	11,579	10,452
Indefinite carryforward	965	538
	12,544	10,990

[14] 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 2010 or 2009 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	2010	2009
Profit or loss attributable to ordinary equity holders of the parent company	7,198	4,988
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)	12.00	8.31
Diluted earnings per share (in euro)	12.00	8.31

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

[15] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of € 6.00 per share was declared and distributed. The total payment made in the financial year under review amounted to € 3,600 thousand (prev. year: € 5,100 thousand).

A dividend proposal of € 6.50 per share (prev. year: € 6.00 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the reporting date. The corresponding payment would total € 3,900 thousand (prev. year: € 3,600 thousand).

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[16] INTANGIBLE ASSETS

31 DECEMBER 2010

in €'000	Patents and licences	Goodwill	Total
Balance at 1 January 2010 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,269	143	1,412
Additions	89	0	89
Amortisation during the financial year	-277	0	-277
Effects of changes in foreign currency exchange rates	70	0	70
Balance at 31 December 2010 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,151	143	1,294
Balance at 1 January 2010			
Cost of purchase/conversion (gross carrying amount)	8,460	143	8,603
Accumulated amortisation	-7,191	0	-7,191
Carrying amount	1,269	143	1,412
Balance at 31 December 2010			
Cost of purchase/conversion (gross carrying amount)	8,592	143	8,735
Accumulated amortisation	-7,441	0	-7,441
Carrying amount	1,151	143	1,294

31 DECEMBER 2009

in €'000	Patents and licences	Goodwill	Total
Balance at 1 January 2009 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,355	143	1,498
Additions	834	0	834
Amortisation during the financial year	-920	0	-920
Balance at 31 December 2009 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,269	143	1,412
Balance at 1 January 2009			
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
Balance at 31 December 2009			
Cost of purchase/conversion (gross carrying amount)	8,460	143	8,603
Accumulated amortisation	-7,191	0	-7,191
Carrying amount	1,269	143	1,412

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

[17] PROPERTY, PLANT AND EQUIPMENT**31 DECEMBER 2010**

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2010 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	33,938	58,901	92,839
Additions	471	6,041	6,512
Disposals	-19	-864	-883
Depreciation during the financial year	-2,006	-10,323	-12,329
Effects of changes in foreign currency exchange rates	1,003	984	1,987
Balance at 31 December 2010 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	33,387	54,739	88,126
Balance at 1 January 2010			
Cost of purchase or conversion	60,888	196,577	257,465
Accumulated depreciation and impairments	-26,950	-137,676	-164,626
Carrying amount	33,938	58,901	92,839
Balance at 31 December 2010			
Cost of purchase or conversion	62,384	198,595	260,979
Accumulated depreciation and impairments	-28,997	-143,856	-172,853
Carrying amount	33,387	54,739	88,126

31 DECEMBER 2009

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2009 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	28,782	66,819	95,601
Additions	6,818	4,744	11,562
Disposals	-20	-426	-446
Depreciation during the financial year*	-1,544	-12,090	-13,634
Effects of changes in foreign currency exchange rates	-98	-146	-244
Balance at 31 December 2009 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	33,938	58,901	92,839
Balance at 1 January 2009			
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
Balance at 31 December 2009			
Cost of purchase or conversion	60,888	196,577	257,465
Accumulated depreciation and impairments	-26,950	-137,676	-164,626
Carrying amount	33,938	58,901	92,839

* Depreciation of technical equipment as well as operating and office equipment for the financial year 2009 includes impairment losses of € 1,790 thousand. The impairment loss has been allocated to the segment "Germany" (please refer to Note [6]).

The impairment loss of € 1,790 thousand recognised in the 2009 financial year relates to the reduction of the carrying amount of specific items of property, plant and equipment within the area of "PVC" to the recoverable amount due to expected negative cash flows. The impairment loss was recognised in the income statement as depreciation of property, plant and equipment, and amortisation of intangible assets. The recoverable amount was determined on the basis of the value in use.

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The useful lives of the assets were estimated as follows:

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

Other operating income includes gains of € 109 thousand (prev. year: € 430 thousand) from the disposal of property, plant and equipment; other operating expense includes losses of € 139 thousand (prev. year: € 209 thousand) from the disposal of property, plant and equipment.

[18] INVENTORIES

in €'000	31/12/10	31/12/09
Raw materials and consumables used	14,601	12,904
Finished goods	35,914	31,090
Inventories	50,515	43,994

In the 2010 financial year inventory impairments fell by € 402 thousand to € 2,828 thousand compared to 31 December 2009. The cost of materials includes expenses relating to raw materials and consumables in the amount of € 153,861 thousand (prev. year: € 103,082 thousand).

[19] TRADE RECEIVABLES

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

in €'000	31/12/10	31/12/09
Carrying amount	41,845	33,320
of which not impaired at the reporting date and past due within the following time ranges		
• up to 30 days	4,853	3,512
• between 31 and 60 days	2,322	884
• between 61 and 90 days	470	408
• between 91 and 120 days	595	72
• more than 120 days	1,075	916

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	31/12/10	31/12/09
Balance of specific allowances at 1 January	919	894
Exchange differences	+11	+7
Allocated	+284	+183
Utilised	-4	-28
Reversed	-59	-137
Balance of specific allowances at 31 December	1,151	919

The following table includes expenses 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	2010	2009
Expenses attributable to the derecognition of trade receivables	263	82
Income attributable to amounts received in connection with derecognised trade receivables	45	35

[20] NON-CURRENT TAX ASSETS AS WELL AS OTHER ASSETS AND PREPAID EXPENSES

OTHER ASSETS AND PREPAID EXPENSES

in € '000	31/12/10	31/12/09
Other receivables	9,401	6,139
Receivables from other long-term investees and investors	62	58
Prepaid expenses	484	705
Other assets and prepaid expenses	9,947	6,902

Other receivables include reimbursement rights in respect of sales tax as well as bonus receivables from suppliers. At the reporting date, other assets were neither impaired nor past due.

Non-current tax assets include the due reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG that is not due within one year.

[21] CASH AND CASH EQUIVALENTS

in € '000	31/12/10	31/12/09
Bank balances and cash on hand	39,316	61,479
Cash and cash equivalents	39,316	61,479

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand.

At 31 December 2010, the Group had undrawn borrowing facilities of € 6,600 thousand (prev. year: € 6,829 thousand).

[22] EQUITY

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

Issued capital

As at 31 December 2010, 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	31/12/10	31/12/09
Share capital	15,500	15,500
Issued capital	15,500	15,500

OTHER RESERVES

in € '000	31/12/10	31/12/09
Currency translation effects	-260	-1,225
Other reserves	-260	-1,225

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

[23] FINANCIAL LIABILITIES

in € '000	Due date	31/12/10	31/12/09
Current liabilities			
Pro-rata loan of USD 3 million (principal repayments due by 31/12/11)	09/2011	249	231
Loan of USD 5 million (nominal amount)	09/2010	0	3,471
Pro-rata loan of USD 210 thousand (principal repayments due by 31/12/11)	01/2011 - 12/2011	24	22
Liabilities from deferred interest attributable to USD loans (current liabilities)	03/2011	35	85
Liabilities from deferred interest attributable to GBP loans (current liabilities)	04/2010	0	15
Bank overdrafts	on demand	5	0
		313	3,824
Non-current liabilities			
Loan of USD 5 million (nominal amount)	12/2013	3,742	3,471
Pro-rata loan of USD 3 million (principal repayments due after 31/12/11)	09/2012 - 09/2015	998	1,157
Loan of GBP 2 million (nominal amount)		0	2,252
Pro-rata loan of USD 210 thousand (principal repayments due after 31/12/11)	01/2012 - 10/2016	108	120
		4,848	7,000

Fixed or floating interest rates of between 4.9 per cent and 6.8 per cent have been agreed in respect of the interest-bearing loans. Interest is computed either on the basis of the nominal value of the loan or the remaining amount of the loan.

The loan of GBP 2 million (nominal amount) was fully extinguished during the financial year 2010.

[24] 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 [25]), 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 Group statement of financial position for the respective plans.

Expenses included in staff costs for retirement benefits:

in € '000	2010	2009
Current service cost	934	947
Interest cost	1,733	1,672
Actuarial gain	-49	-71
Cost of retirement benefits	2,618	2,548

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

in € '000	31/12/10	31/12/09
Obligation at beginning of reporting period	38,335	37,505
Current service cost	934	947
Interest cost	1,733	1,672
Actuarial gain	-49	-71
Benefits paid	-1,383	-1,718
Obligations at end of reporting period	39,570	38,335
– of which non-current liability	38,322	36,698
– of which current liability	1,248	1,637

The Group anticipates expenses of € 2,388 thousand in connection with defined benefit pension plans for the 2011 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.

LIABILITIES ATTRIBUTABLE TO DEFINED BENEFIT OBLIGATIONS

in € '000	31/12/10	31/12/09
Present value of defined benefit obligations	32,946	34,022
Unrecognised actuarial gains attributable to the obligations	-6,625	-4,313
Liabilities attributable to defined benefit obligations	39,570	38,335

The present values of the defined benefit obligations of the current and the previous four annual reporting periods are as follows:

in € '000	2010	2009	2008	2007	2006
Present value of defined benefit obligations	32,946	34,022	32,826	33,598	37,123

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

in € '000	31/12/10	31/12/09
Discount rate	5.15 %	5.25 %
Salary increase	2.5 %	2.0 %
Pension adjustments	1.5 %	1.5 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

[25] 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.

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

in € '000	31/12/10	31/12/09
Present value of defined benefit plans at the beginning of the year	28,500	26,603
Current service cost	1,158	1,188
Interest cost	1,477	1,413
Benefits paid	-723	-704
Present value of defined benefit plans at the end of the year	30,412	28,500
Market value of fund assets at the beginning of the year	38,597	39,074
Disposals of financial assets	-723	-704
Return on fund assets	1,334	227
Market value of fund assets at the end of the year	39,208	38,597
Surplus plan assets	8,796	10,097

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [24].

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 € 18,900 thousand (prev. year: € 18,900 thousand) as at 31 December 2010.

ASSETS/ (LIABILITIES) ATTRIBUTABLE TO DEFINED BENEFIT OBLIGATIONS

in € '000	31/12/10	31/12/09
Defined benefit obligations	-30,412	-28,500
Fair value of plan assets	39,208	38,597
Overfunded	8,796	10,097
Unrecognised actuarial losses attributable to the obligations	1,620	42
Assets attributable to defined benefit obligations	10,416	10,139

The amounts of the defined benefit obligations and the plan assets relating to the current and the four previous annual reporting periods are as follows:

in € '000	2010	2009	2008	2007	2006
Present value of defined benefit obligations	-30,412	-28,500	-27,327	-27,381	-30,184
Fair value of plan assets	39,208	38,597	39,074	40,276	37,400
	8,796	10,097	11,747	12,895	7,216

[26] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Other items	Total
Balance at 1 January 2010	4,944	3,153	3,590	11,687
Allocated	1,872	877	158	2,907
Used	1,556	691	3,329	5,576
Reversed	400	24	23	447
Balance at 31 December 2010	4,860	3,315	396	8,571
Short-term provisions	1,424	721	390	2,535
Long-term provisions	3,436	2,594	6	6,036
Balance at 31 December 2010	4,860	3,315	396	8,571
Short-term provisions	1,455	715	3,538	5,708
Long-term provisions	3,489	2,438	52	5,979
Balance at 31 December 2009	4,944	3,153	3,590	11,687

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.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to € 3,748 thousand (prev. year: € 4,161 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments.

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 5 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.

In 2009, other provisions included provisions of € 3,294 thousand in connection with restructuring measures at the Kirchhundem-Würdinghausen plant, which was closed down on 30 September 2010. In 2010, an amount of € 3,060 thousand relating to the provision was utilised. Additionally, an allocation of € 156 thousand was made; it is included in other operating expenses and is attributable solely to the segment "Germany". The remaining provision amounts to € 390 thousand.

[27] STATEMENT OF CASH FLOWS

The statement of cash flows presents changes to cash and cash equivalents during the financial year by outlining case inflows and outflows. In accordance with IAS 7,

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the statement of cash flows includes information relating to cash flows from operating activities, investing activities and financing activities.

As at 31 December, total cash and cash equivalents, together with current financial liabilities, were as follows:

in €'000	31/12/10	31/12/09
Cash and cash equivalents	39,316	61,479
Current financial liabilities (excluding liabilities attributable to loans)	-40	-100
	39,276	61,379

The effects of changes to cash and cash equivalents attributable to exchange rates were € 734 thousand (prev. year: minus € 190 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 statement of financial position, having accounted for the effects of currency translation.

[28] 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
- Dirk Möller, Deputy Chairman of the Management Board (since 1 May 2010), Kirn
- Detlef Becker, Saarbrücken
- Jochen Feldmann, Kirn (until 10 August 2010)

Supervisory Board

- Hans-Werner Marx, Kirn, Merchant
Chairman of the Supervisory Board
- Dr. Rolf Gößler, Bad Dürkheim, Diplom-Kaufmann
Deputy Chairman of the Supervisory Board
Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen, Managing Director of Dirk Rossmann GmbH, Burgwedel
Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt (since 23 March 2011)
- Dr. Roland Reber, Stuttgart,
Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler, Employee Representative
- Karl-Ernst Schaab, Bergen, Employee Representative (until 31 August 2010)

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.

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH, Nufringen. The two entities maintain business relations with each other on arm's length terms. In the

financial year under review, product sales amounting to € 189 thousand were transacted between SIMONA AG and Ensinger GmbH, Nufringen.

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.

As part of its ordinary operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose. These business transactions relating to the supply of goods and the rendering of services are made at market prices.

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

On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung filed an application with the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) for exemption pursuant to Section 37(1) and (2) of the Securities Acquisition and Takeover Act (Wertpapiererwerb- und Übernahmegesetz – WpÜG) in conjunction with Section 9 sentence 1 no. 1 of the WpÜG Offer Ordinance (WpÜG-Angebotsverordnung). On the basis of an official Notice issued by the Federal Financial Supervisory Authority on 22 July 2010, Dr. Wolfgang und Anita Bürkle Stiftung was exempted from its duties under Section 35(2) sentence 1 WpÜG to submit an offer document to the Federal Financial Supervisory Authority and its duties under Section 35(2) sentence 2 in conjunction with Section

14(2) sentence 1 WpÜG to publish a mandatory offer. This exemption was granted under Section 37(1) and (2) WpÜG in conjunction with Section 9 sentence 1 no. 1 WpÜG Offer Ordinance in respect of the control gained over SIMONA AG following the testamentary succession of 13 May 2010. With the exception of the dividend payment of € 6.00 per share (total of € 1,109 thousand), no other business relations existed with Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, in the financial year under review.

Compensation of members of the Management Board and Supervisory Board

Total Management Board compensation amounted to € 1,553 thousand in the period under review (prev. year: € 1,296 thousand). It comprises € 1,034 thousand (prev. year: € 988 thousand) in fixed-level compensation and € 519 thousand (prev. year: € 308 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of € 7,756 thousand (prev. year: € 8,507 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 € 592 thousand (prev. year: € 853 thousand).

Supervisory Board compensation at Group level totalled € 121 thousand in the 2010 financial year (prev. year: € 121 thousand). Supervisory Board compensation encompasses no variable components.

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[29] 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 a floating-rate US dollar loan. In the 2010 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 statement of financial position. 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 31 December 2010, the net finance result would have been € 32 thousand higher and € 34 thousand lower respectively.

Had the market interest rate of the US dollar been 100 basis points higher or lower at 31 December 2009, the net finance result would have been € 60 thousand higher and € 62 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.

Exchange rate risks attributable to the finance area exist with regard to the origination of a US dollar loan in December 2008 for the benefit of an Asian subsidiary, which has accounted for an intercompany receivable in the same amount. Therefore, 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. As at the reporting date, no foreign exchange forward contracts and currency options were used for the purpose of hedging currency risks associated with operating activities.

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 31 December 2010, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €2,311 thousand lower (€2,825 thousand higher).

The hypothetical effect on profit of minus €2,311 thousand (plus €2,825 thousand) is attributable to the following sensitivity to exchange rates:

	€ '000	€ '000
EUR/USD	-696	(851)
EUR/CHF	-1	(1)
EUR/GBP	-526	(643)
EUR/CZK	-389	(475)
EUR/PLN	-197	(241)
EUR/HKD	-502	(614)
	-2,311	(2,825)

If, as at 31 December 2009, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €990 thousand lower (€1,569 thousand higher).

The hypothetical effect on profit of minus €990 thousand (plus €1,569 thousand) is attributable to the following sensitivity to exchange rates:

	€ '000	€ '000
EUR/USD	-236	(439)
EUR/CHF	-117	(143)
EUR/GBP	143	(34)
EUR/CZK	-628	(768)
EUR/PLN	-103	(126)
EUR/HKD	-49	(59)
	-990	(1,569)

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 identi-

fied 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 and cash equivalents amounting to €39.3 million, the SIMONA Group has undrawn borrowing facilities of €6.6 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 31 December 2010, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

	Up to 1 year	2-5 years	More than 5 years	Total
in € '000				
Financial payables	547	5,382	20	5,949
Trade payables	11,202	0	0	11,202
Financial liabilities	11,749	5,382	20	17,151

As at 31 December 2009, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

	Up to 1 year	2-5 years	More than 5 years	Total
in € '000				
Financial payables	4,271	7,480	288	12,039
Trade payables	6,904	0	0	6,904
Financial liabilities	11,175	7,480	288	18,943

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As in the previous financial year, at 31 December 2010, there were no foreign exchange forward contracts that would result in amounts due to the entity or payment obligations.

The market valuation of interest rate swaps resulted in a net payment obligation of €155 thousand (prev. year: €295 thousand).

No currency options existed as at 31 December 2010.

Based on market data, the value of the currency options is considered to be positive; in the previous year, this resulted in a net amount due of €160 thousand.

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.

[30] FINANCIAL INSTRUMENTS

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

in €'000		Carrying amount		Fair value	
		31/12/10	31/12/09	31/12/10	31/12/09
Non-current financial assets					
Financial assets	HtM	23	23	23	23
Current financial assets					
Other financial assets	AfS	10,000	0	10,000	0
Cash and short-term deposits	LaR	39,316	61,479	39,316	61,479
Currency options	FAHfT	0	160	0	160
Trade receivables	LaR	41,845	33,320	41,845	33,320
Financial liabilities					
Bank overdrafts	FLAC	-5	0	-5	0
Other current financial liabilities	FLAC	-35	-100	-35	-100
Loans	FLAC	-5,121	-10,724	-5,121	-10,724
Interest-rate swap	FLHfT	-155	-295	-155	-295
Trade payables	FLAC	-11,202	-6,904	-11,202	-6,904
Total by measurement category					
HtM		23	23	23	23
AfS		10,000	0	10,000	0
LaR		81,161	94,799	81,161	94,799
FAHfT		0	160	0	160
FLAC		-16,363	-17,728	-16,363	-17,728
FLHfT		-155	-295	-155	-295

(HtM = Held to Maturity, AfS = Available for Sale, 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 available-for-sale financial assets (AFS) include non-exchange-listed debt instruments whose fair value was reliably measurable and was thus measured at a fair value of €10,000 thousand as at 31 December 2010. The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the statement of financial position, listed according to the respective measurement categories:

2010: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total
LaR	335	0	805	-449	691
HfT	0	3	263	0	266
FLAC	-501	0	0	0	-501
Total	-166	3	1,068	-449	456

2009: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair Value	Currency translation	Impairment loss / Disposal	Total
LaR	506	0	263	-73	696
HfT	0	-288	-124	0	-412
FLAC	-559	0	0	0	-559
Total	-53	-288	139	-73	-276

HEDGING TRANSACTIONS

Cash flow hedging instruments

As at 31 December 2010 and 31 December 2009, the Group held no forward currency contracts.

At the reporting date, the Group had an interest-rate swap used for the purpose of hedging risk arising from changes in the cash flow of the floating-rate US dollar loan. The term is based on the underlying loan.

As at 31 December 2010, the Group held no currency options.

The terms and conditions of contracts held by the Group as at 31 December 2009, are outlined in the following table:

FOREIGN CURRENCY OPTIONS FOR FAIR VALUE HEDGING

	in '000	Due date	Exchange rate
US-Dollar	3,500	03/2010	1.4000
Pound Sterling	3,000	01/2010 – 07/2010	0.9000

The Group uses the following hierarchy for the purpose of determining and disclosing the fair values of financial instruments per measurement method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: methods for which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly; and
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

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Assets measured at fair value:

	as at 31 December			
in €'000	2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	10,000	0	10,000	0

The securities disclosed above are a certificate of debt. The certificate of debt is due on 10 May 2013 at the latest, but can be cancelled by the lender at any time. The certificate of debt bears interest based on the six-month EURIBOR rate plus a floating premium. The floating premium amounted to 25 basis points and rises each half-year until it has reached 125 basis point at the end of maturity.

	as at 31 December			
in €'000	2009	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Foreign currency options	160	0	160	0

Liabilities measured at fair value:

	as at 31 December			
in €'000	2010	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	155	0	155	0

	as at 31 December			
in €'000	2009	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	295	0	295	0

[31] 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.

	Ownership interest in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA UK 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

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.

Company	Ownership Interest	Equity 31/12/09	Profit/loss 2009
	%	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	13,910	-267
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	8,304	619

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.

The interests in SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are accounted for at book value, as the fair value is not reliably determinable. The book values of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are €10 thousand and €13 thousand respectively.

Average number of staff employed during the financial year:

	2010 Group	2009 Group
Industrial staff	710	744
Clerical staff	457	430
	1,167	1,174
School-leaver trainees (apprentices)	51	56
Total number of employees	1,218	1,230

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.

OTHER FINANCIAL COMMITMENTS

in € '000	31/12/10	31/12/09
Commitments from operating rental and lease agreements		
Due within:		
1 year	1,302	1,278
2 – 5 years	1,578	1,730
after 5 years	0	53
	2,880	3,061

Purchase commitments arising from investment projects

in € '000	31/12/10	31/12/09
	1,916	711

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Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the Company filed a Declaration of Conformity for 2010 on 10 March 2011. It has been made permanently available to shareholders on its corporate website at www.simona.de.

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

As at 25 June 2010 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,776 shares; this corresponds to approx. 11.80 per cent of the share capital of SIMONA AG.

The members of the Supervisory Board reported holdings of 1,700 shares, which corresponds to 0.28 per cent of share capital.

In accordance with Section 15a 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 no such transaction.

Audit fees

Professional fees accounted for as expense in connection with the year-end financial audit amounted to €247 thousand, while fees attributable to tax consulting services amounted to €22 thousand and other services totalled €56 thousand.

Events after the reporting period

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

SIMONA AG
Kirn, 31 March 2011

Management Board

Group Statement of Cash Flows of Simona AG

in € '000	Notes	01/01 - 31/12/10	01/01 - 31/12/09
Profit before tax		10,488	7,135
Income taxes paid		-3,010	-4,105
Interest expense/income	[12]	81	184
Amortisation of intangible assets and depreciation of property, plant and equipment	[16, 17]	12,606	14,554
Other non-cash expenses and income		-824	441
Change in pensions	[24]	1,235	830
Result from disposal of non-current assets	[17]	30	-221
Change in inventories	[18]	-6,521	-285
Change in trade receivables	[19]	-8,525	8,025
Change in other assets		-2,338	2,495
Change in liabilities and other provisions		-130	-901
Net cash from operating activities		3,092	28,152
Investments in intangible assets and property, plant and equipment	[16, 17]	-6,601	-12,396
Payments relating to the short-term financial management of cash investments		-10,000	0
Proceeds from the disposal of non-current assets		853	667
Net cash used in investing activities		-15,748	-11,729
Proceeds from financial liabilities		0	2,398
Repayment of financial liabilities		-6,337	-235
Dividend paid to owners of the parent	[15]	-3,600	-5,100
Dividend paid to non-controlling interests		0	-6
Interest received		335	430
Interest paid		-579	-660
Net cash used in financing activities		-10,181	-3,173
Effect of foreign exchange rate changes on liquidity	[27]	734	-190
Change in cash and cash equivalents	[27]	-22,103	13,060
Cash and cash equivalents at 1 January	[27]	61,379	48,319
Cash and cash equivalents at 31 December	[27]	39,276	61,379
Change in cash and cash equivalents	[27]	-22,103	13,060

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Group Statement of Changes in Equity of Simona AG

Notes	Equity attributable to owners of the parent company								Non-controlling interests	Total equity	
	Issued capital		Capital reserves	Revenue reserves				Other reserves			
	Share capital	Total		Legal reserves	Statutory reserves	Other revenue reserves	Accumulated profit for the period				Total
in € '000 [22]											
Balance at 01/01/09	15,500	15,500	15,274	397	2,847	80,449	44,399	128,092	-1,430	211	157,647
Amount recognised directly in equity	0	0	0	0	0	0	-225	-225	205	3	-17
Profit for the period	0	0	0	0	0	0	4,988	4,988	0	34	5,022
Total comprehensive income for the period	0	0	0	0	0	0	4,763	4,763	205	37	5,005
Appropriations to other revenue reserves	0	0	0	0	0	6,206	-6,206	0	0	0	0
Dividend payment [15]	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	-6	-6
Balance at 31/12/09	15,500	15,500	15,274	397	2,847	86,655	37,856	127,755	-1,225	242	157,546
Balance at 01/01/10	15,500	15,500	15,274	397	2,847	86,655	37,856	127,755	-1,225	242	157,546
Amount recognised directly in equity	0	0	0	0	0	0	72	72	965	3	1,040
Profit for the period	0	0	0	0	0	0	7,198	7,198	0	27	7,225
Total comprehensive income for the period	0	0	0	0	0	0	7,270	7,270	965	30	8,265
Appropriations to other revenue reserves	0	0	0	0	0	5,762	-5,762	0	0	0	0
Dividend payment [15]	0	0	0	0	0	0	-3,600	-3,600	0	0	-3,600
Balance at 31/12/10	15,500	15,500	15,274	397	2,847	92,417	35,764	131,425	-260	272	162,211

Details of Shareholdings of Simona AG

Company	Ownership interest	Equity	Profit/loss of last financial year
	per cent	€ '000	€ '000
Indirectly			
SIMONA S.A., Domont, France	96.6	2,513	-686
SIMONA S.r.l., Vimodrone, Italy	98.0	417	-181
SIMONA UK Ltd., Stafford, United Kingdom	100.0	910	230
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	26	41
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	762	238
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China	100.0	8,282	-716
64 NORTH CONAHAN DRIVE HOLDING LLC, HAZLETON, USA	100.0	2,729	0
Directly			
SIMONA-PLASTICS CZ s.r.o., Prag, Czech Republic	100.0	422	87
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	1,081	272
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,040	387
SIMONA Sozialwerk GmbH, Kirn (2009)	50.0	13,910	-267
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2009)	50.0	8,304	619
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	3,569	-900
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	7,696	2,216
SIMONA ASIA Ltd., Hong Kong, China	100.0	5,165	-205
DEHOPLAST POLSKA Sp. z o.o., Kwdziny, Poland	51.0	365	109

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Auditor's Report

We have audited the consolidated financial statements of SIMONA AG, Kirn, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statements of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2010. 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 315a (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 management 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 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations 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, 11 April 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Erbacher
German Public Accountant	German Public Accountant

Other Information

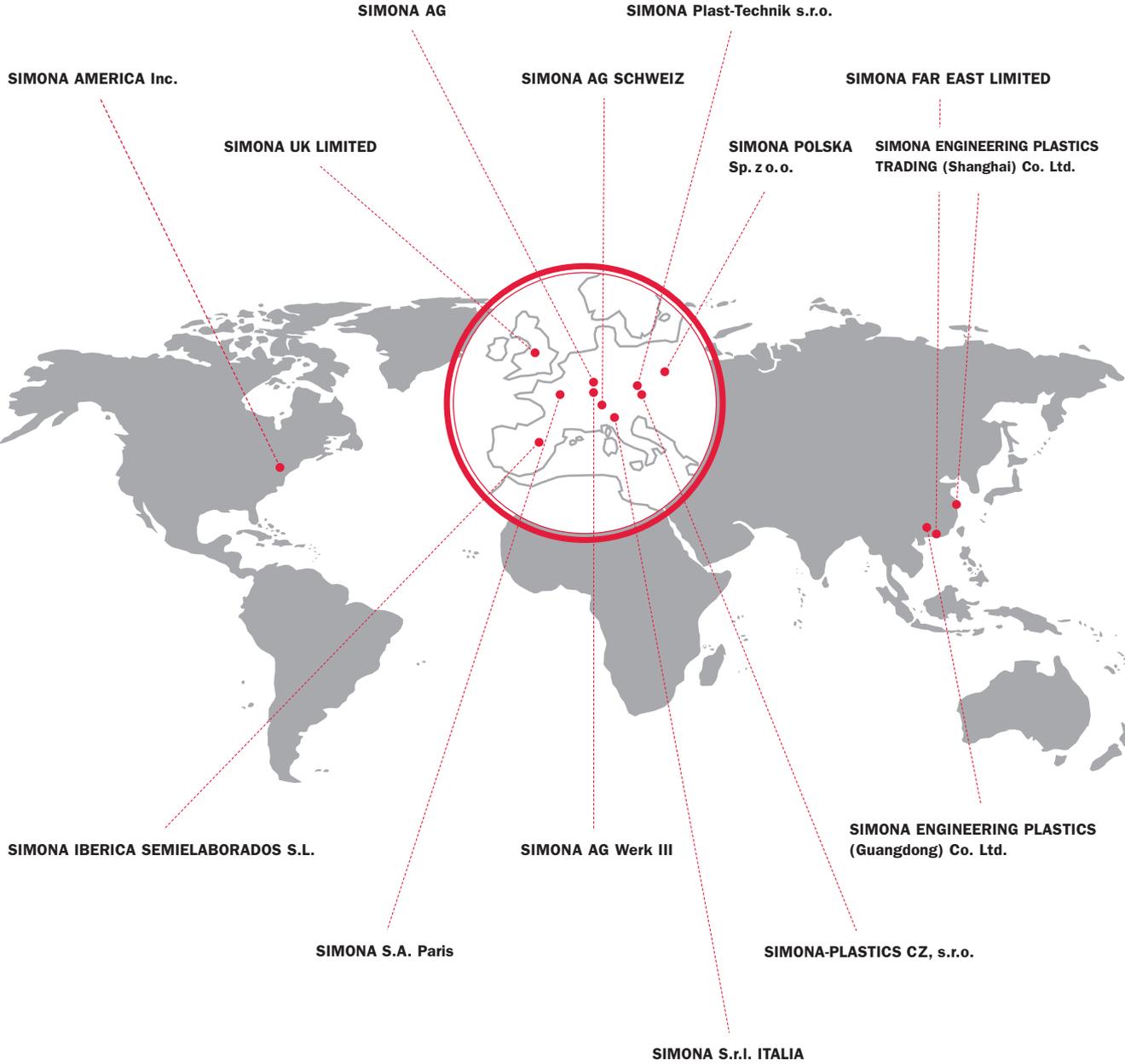
RESPONSIBILITY STATEMENT PURSUANT TO SECTIONS 297 (2), 315 (1) HGB

“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, 31 March 2011

The Management Board

SIMONA worldwide



SIMONA AG

Investor Relations

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