



Consolidated Financial Statements  
2013 SIMONA Group

## Key Financials

### SIMONA GROUP

		2013	2012	2011
Revenue	€m	286.2	293.2	308.5
Year-on-year change	%	-2.4	-5.0	15.4
of which abroad	€m	197.0	200.1	203.9
of which abroad	%	68.8	68.2	66.1
Staff costs	€m	56.2	57.3*	58.6
Profit before taxes (EBT)	€m	7.2	13.5*	20.7
Profit for the year	€m	4.8	10.6*	16.2
Net cash from operating activities	€m	14.2	21.3	23.4
EBIT	€m	8.2	14.1*	19.8
EBIT	%	2.9	4.8*	6.4
EBITDA	€m	19.6	25.6*	31.7
EBITDA	%	6.9	8.7*	10.3
Total assets	€m	257.7	262.8*	257.1
Equity	€m	167.8	166.5*	174.6
Non-current assets	€m	90.0	92.1	90.5
Investments in property, plant and equipment	€m	11.9	13.5	12.5
Employees (annual average)		1,192	1,247	1,248

Based on IFRS

\* The prior-year figures (2012) have been adjusted due to the mandatory first-time application of IAS 19R in the 2013 financial year.

# Contents

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02	Key Financials
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## GROUP MANAGEMENT REPORT

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04	Fundamental Information about the Group
06	Business Review
12	Events after the Reporting Period
13	Report on Opportunities and Risks
14	Report on Expected Developments
15	Other Information

---

## GROUP FINANCIAL STATEMENTS

---

20	Group Income Statement
21	Group Statement of Comprehensive Income
22	Group Statement of Financial Position
23	Group Statement of Cash Flows
24	Group Statement of Changes in Equity
25	Notes to Consolidated Financial Statements
59	Details of Shareholdings
60	Reproduction of the Auditor's Report
61	Other Information

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## OTHER INFORMATION

---

62	Shareholdings of SIMONA AG
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# Group Management Report of SIMONA AG for the 2013 Financial Year

## 1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

### 1.1 Group business model

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

#### Key sales markets

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

The secondary classification is based on product areas:

- Semi-finished and finished parts
- Pipes and fittings

#### Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Moehlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany).

In the period under review, the SIMONA Group operated three facilities in Germany and three plants located abroad. Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts are produced at a facility in Ringsheim (Baden-Wuerttemberg). The facility based in Hazleton (Pennsylvania, USA) primarily manufactures extruded semi-finished parts for the American market. The plant in Litvinov (Czech Republic) produces sheets and pipes, mainly for the Eastern European market, while the site in Jiangmen (China) manufactures extruded sheets.

#### Management and supervision

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

The Supervisory Board included the following members in the financial year under review: Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber, Joachim Trapp (since 7 June 2013), Andreas Bomm (Employee Representative) and Gerhard Flohr (Employee Representative).

### 1.2 Objectives and strategies

The Group's strategy was realigned in 2013. An interdisciplinary committee composed of members from various countries drew up a number of strategic initiatives that were operationalised within action plans for 2014 and 2015.

The key objectives of the new strategic direction taken by the company are to reduce its dependence on the core markets of chemical-technical plant engineering in Europe and to accelerate growth in selected regions outside Europe. For this purpose, various business models were defined for a number of market segments, based on the criteria of market size, sales channel and level of development with regard to fields of application covered by SIMONA-developed plastics. The Group as a whole is to achieve a sustainable improvement in its profitability.

At the same time, sales revenue is to be increased through organic growth and, where viable, also through additional acquisitions.

### 1.3 Internal management system

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. Within this context, the Management Board is responsible for the BSC-related corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system and initiating adjustments to the BSC process and the BSC-related corporate goals. The BSC cascades down to the company's other management levels.

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

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

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

### 1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Owing to the diversity of products and areas of application, it is essential that the property profiles of the various polymer products are refined on a continual basis. The same applies to the development of new products. As part of the company's strategic reengineering, the focus in 2013 was on further strengthening SIMONA's abilities as an innovator. To this end, the innovation process (Stage-Gate process) was revised and streamlined. The Management Board and Supervisory Board approved construction plans for a new Technology Centre. Construction work on the new centre commenced at the beginning of 2014. The aim is to create additional capacity for more development projects and for new processing methods.

The company stepped up its development activities relating to new products and formulas. A key indicator here is the share of recent products (no older than three years) in total sales revenue, which is to be further increased in the future.

In the area of PVC a new product was developed and launched for the flooring industry. Elsewhere, SIMONA brought together its range of products for the orthopaedics industry under the SIMOLIFE brand and extended its portfolio to include products made of EVA, a copolymer of ethylene and vinyl acetate. Working in cooperation with Resysta International GmbH, SIMONA was the first manufacturer worldwide to launch an extruded sheet from a material, containing rice husks and a thermoplastic, that looks and feels like wood. Among the newly developed solutions is also a prototype of a next-generation SIMONA twin-wall sheet. In cooperation with various raw material producers, SIMONA conducted research into the possibility of processing a number of bioplastics.

In the area of piping systems, the company developed an eco-friendly product in the form of a landfill gas filter made of an electrically conductive polyethylene (PE-EL). In SIMODUAL<sup>2</sup>, SIMONA developed and launched a double-containment piping system tailored to the requirements of the industrial pipeline industry.

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

## 2. BUSINESS REVIEW

### 2.1 Macroeconomic and sector-specific environment

In 2013, the overall performance of the global economy was again hampered to some extent by the financial crises engulfing some of the key industrialised nations. Global growth totalled 3.0 per cent, down from 3.1 per cent in 2012. The eurozone saw its economy shrink by 0.5 per cent, having already recorded a figure of minus 0.7 per cent in the preceding year. Among the major industrialised nations in the eurozone, Germany (0.4 per cent) and France (0.2 per cent) were in positive territory, while Italy and Spain remained mired in recession. Investment spending, an indicator that is of key importance to SIMONA's business, remained in the doldrums. In the eurozone, gross capital investments rose slightly by 1.1 per cent. In Germany, however, investments contracted by a further 2.2 per cent. The United States had to contend with a significant slowdown in economic growth. After 2.8 per cent in 2012, the economy only managed to expand by 1.9 per cent in 2013. Benefiting from a strong second half fuelled by government-backed investments, China was able to match its 7.7 per cent growth rate recorded in the previous year.

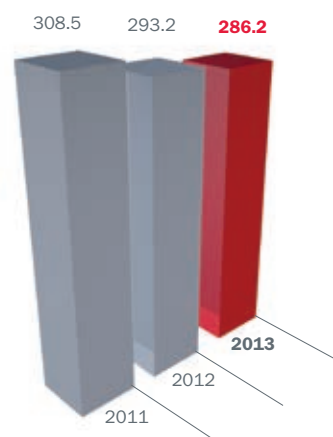
Industry-wide revenue within the German plastics processing sector grew by 3.0 per cent in 2013, taking the figure to €57.6 billion. After an extremely subdued start to the year, business gained forward momentum over the course of the second half. At 4.6 per cent, exports rose much faster than imports (+2.0 per cent). The general earnings performance of companies improved slightly in 2013, although spiralling energy costs and volatile commodity prices continued to put downward pressure on profit margins.

There was hardly any improvement in revenues generated by Germany's chemical industry in 2013. Business with customers based abroad stagnated, particularly due to the lack of growth stimulus from the US, Brazil and Asia. Production output in Germany's mechanical and plant engineering sector was down by around one per cent in 2013 compared to the previous year. This was attributable primarily to weak international demand for capital goods. By contrast, Germany's construction industry put in a satisfactory performance, recording growth in sales revenue of approx. 2.5 per cent after a buoyant second half.

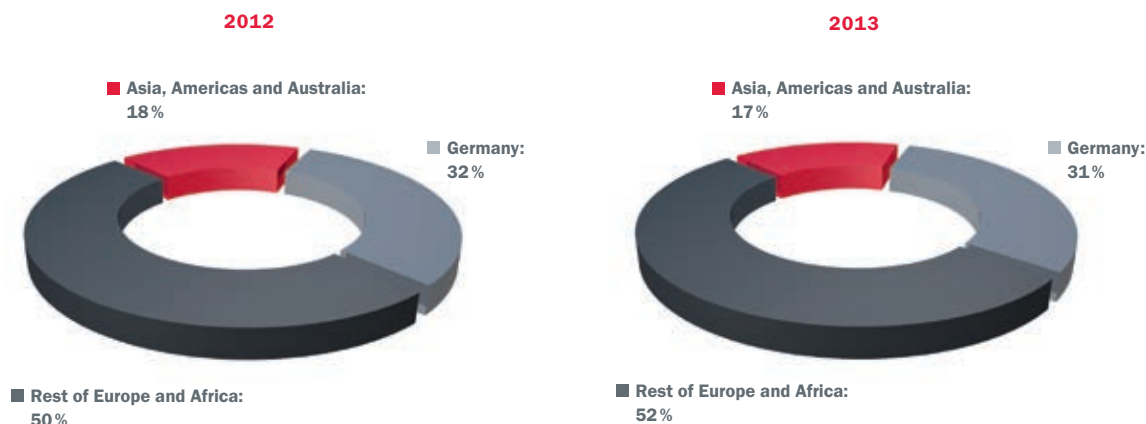
### 2.2 Course of business

The sales performance of the SIMONA Group was impacted primarily by sluggish investment spending in Europe, intense price-related competition and weak demand in the United States. Sales revenue generated at Group level totalled €286.2 million in 2013. This represents a decline of 2.4 per cent compared to 2012 (€293.2 million). Thus, the Group managed to achieve the upper figure of its target range of €280–290 million. By contrast, it failed to meet its original guidance figure of revenue in excess of €300 million.

REVENUE SIMONA GROUP (in €m)



## REVENUE BY REGION SIMONA GROUP (in per cent)



Group earnings before interest and taxes (EBIT) totalled € 8.2 million (prev. year: € 14.1 million), while the EBIT margin stood at 2.9 per cent (prev. year: 4.8 per cent). EBITDA decreased from € 25.6 million a year ago to € 19.6 million. The EBITDA margin stood at 6.9 per cent, compared to 8.7 per cent last year.

ROCE at Group level was 4.5 per cent, down from 7.9 per cent in the previous year.

The Group's weak earnings performance was attributable to product mix and price factors as well as the associated downturn in sales and margins. As regards costs, expenses relating to corporate restructuring as well as persistently high commodity prices and spiralling energy costs put downward pressure on earnings.

### Germany

Sales revenue in Germany fell by 4.2 per cent to € 89.2 million (prev. year: € 93.1 million), primarily as a result of weak investment spending within the market. The region's share in total revenue fell from 31.8 to 31.2 per cent. This serves as proof that classic applications in Germany's tank and equipment construction sector offer hardly any growth potential. With this in mind, the Group is pursuing a

route of strategic realignment to capture more pronounced growth in the emerging markets.

### Rest of Europe and Africa

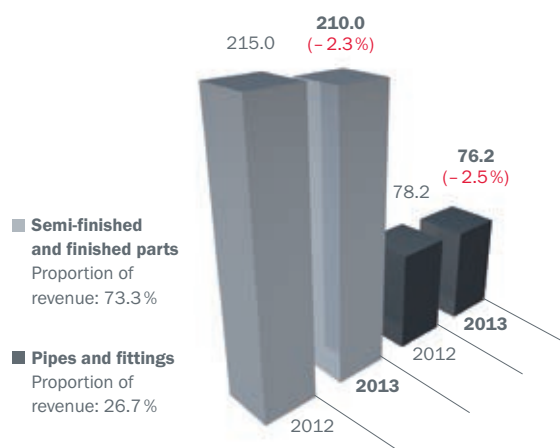
Buoyed by particularly strong growth in Eastern Europe, mainly in Russia, sales revenue in the Rest of Europe and Africa increased by 1.6 per cent to € 148.4 million (prev. year: € 146.1 million). Sluggish business in Southern Europe was more than offset by strong demand recorded by our upcoming subsidiary in Russia. Owing to a solid performance in Eastern Europe, this region's share of total revenue increase from 49.8 per cent to 51.9 per cent.

### Asia, Americas and Australia

Sales revenues in Asia were comparable to the figure recorded in the previous year, a performance that fell short of the revenue target SIMONA had set itself for this region. Business in the United States was lacklustre, having been adversely affected by extremely sluggish demand. The Group's business model in the United States has been undergoing realignment since 2012 with a focus on SIMONA's core area of business. In this context, cost structures and processes were adjusted accordingly in the period under review.



## REVENUE BY PRODUCT GROUP SIMONA GROUP (in €m)



Owing to slower business in the US, the region comprising Asia, Americas and Australia saw revenue decline by 10.1 per cent to €48.6 million (prev. year: €54.0 million). The region as a whole accounted for 17.0 per cent of total revenue, down from 18.4 per cent a year ago.

### Sales revenue by product group

The product category comprising finished and semi-finished parts saw a decline in revenue relating to sheets made of PP and fluoroplastics. Finished parts and profiles also had to contend with a year-on-year contraction in sales revenue. The Group succeeded in further expanding revenue from the sale of PVC sheets for structural engineering applications in particular. In total, finished and semi-finished parts accounted for sales revenue of €210.0 million (prev. year: €215.0 million), a year-on-year decline of 2.3 per cent. The pipes and fittings product group recorded a downturn in revenue from sales relating to PE and PP pipes. Revenue from fittings made of PE and PP was comparable to last year's figure. By contrast, the Group saw a significant increase in revenue from pipes and fittings made of fluoropolymer, which are aimed at safety-specific applications. In total, sales revenue in the pipes and fittings product area stood at €76.2 million, a year-on-year decline of 2.5 per cent.

## 2.3 Financial performance

### Earnings

Impacted by a downturn in business, Group earnings before interest and taxes (EBIT) fell substantially from €14.1 million to €8.2 million. At 2.9 per cent, the EBIT margin was down on last year's figure of 4.8 per cent.

Following the contraction in revenue, the Group's gross profit (Sales revenue, other income, changes in inventories of finished goods less cost of materials) declined by €5.4 million to €124.6 million in 2013, which represents 43.5 per cent of revenue (prev. year: 44.3 per cent).

Owing to a slight increase in stock levels, the change in inventories, as presented in the income statement, amounted to €1.0 million.

Other income totalled €5.4 million (prev. year: €6.6 million).

On the whole, raw materials became slightly more expensive over the course of 2013. Higher commodity costs were largely offset by adjustments to sales prices. The cost of raw materials and supplies fell by 0.7 per cent in total, i.e. at a slightly less pronounced rate relative to the decline in revenue. At €168.0 million, the cost of materials was marginally less than the figure posted a year ago (€169.3 million). Energy costs surged in the period under review, with SIMONA AG recording a figure of €10.8 million, which is 8.4 per cent up on the total of €10.0 million reported a year ago.

As a result of one-off charges, particularly in connection with Human Resources downsizing, staff costs fell by €1.1 million in total to €56.2 million. Following the amendment to IAS 19R "Employee Benefits", interest costs associated with pension obligations – previously recognised in staff costs – have been accounted for in net finance income/cost.

Depreciation of property, plant and equipment and amortisation of intangible assets remained unchanged year-on-year at €11.4 million.



Other expenses rose by € 1.6 million to € 48.8 million. This item includes higher expenses for exchange rate fluctuations as well as consulting services. By contrast, operating costs – particularly expenses for maintenance – were lower than in the previous year.

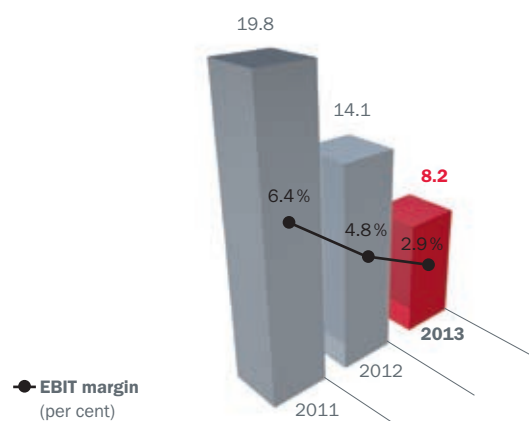
With the exception of the Italian subsidiary, the respective sales companies in Europe achieved positive results in the financial year under review. The subsidiaries in France, Russia and Poland in particular achieved more substantial earnings contributions compared to the previous year.

In a year-on-year comparison, the production company in the Czech Republic managed to further improve its profitability levels in 2013.

The US subsidiary was in negative earnings territory in 2013, particularly as a result of its weaker sales performance.

The sales companies in Asia recorded negative earnings compared to the previous year, primarily as a result of lower margins. While the plant in China reported negative EBIT, its EBITDA was in positive territory.

#### EBIT PERFORMANCE SIMONA GROUP (in €m)



## 2.4 Financial position

As at 31 December 2013, total assets were down € 5.0 million to € 257.7 million.

### Assets

Property, plant and equipment fell from € 90.9 million to € 88.8 million, mainly as a result of exchange rate fluctuations. Investments in property, plant and equipment amounted to € 11.9 million within the Group. Depreciation and write-downs totalled € 11.2 million.

Inventories of raw materials and supplies (€ 19.2 million) and finished goods and merchandise (€ 38.1 million) remained largely unchanged on the figure posted at the end of the last financial year.

Trade receivables rose by € 4.8 million to € 48.1 million due to factors relating to the end of the reporting period.

Other assets and income tax receivables decreased from € 9.5 million a year ago to € 8.8 million. This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of € 2.7 million (prev. year: € 3.3 million), the economic benefits of which will flow to the company after 31 December 2013.

Other financial assets fell from € 21.0 million to € 4.0 million due to short-term financial arrangements.

### Equity and liabilities

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

At the end of the financial year, Group equity amounted to € 167.8 million (prev. year: € 166.5 million). In this context, the key items were profit of € 4.8 million for the year, a dividend payment of € 4.5 million in respect of the 2013 financial year, foreign currency translation of € -2.2 million and the remeasurement of pension provisions of € 3.3 million following amendments to IAS 19 (revised 2011). The equity ratio for the Group was 65 per cent at the end of the reporting period (prev. year: 63 per cent).

At € 12.4 million, trade payables rose by € 1.2 million year-on-year.

Other current and non-current provisions declined by € 1.0 million in total, mainly due to the utilisation of provisions in connection with staff-related obligations.

### Capital expenditure

Group capital expenditure relating to property, plant and equipment amounted to € 11.9 million in 2013 (prev. year: € 13.5 million). They mainly relate to investments in technical equipment at the company sites in Germany. In total, net investments (additions less write-downs) amounted to € 0.6 million at Group level (prev. year: € 2.2 million).

## 2.5 Financial management and cash flows

### Principles and aims of financial management

The primary goal of financial management is to safeguard SIMONA's financial strength. In this context, the most important aspect is to meet the Group's financial requirements relating to its operational business and its investing activities to a sufficient degree. Financial management is centrally organised within the Group. To a large extent, SIMONA covers the liquidity required within the Group by means of internal Group funding via loans or similar arrangements. Additionally, firmly agreed lines of credit are in place in various currencies and maturities. Excess cash resources are invested in the money or capital markets by applying an approach that is optimised in terms of both risk and returns.

### Financing analysis

Non-current financial liabilities were just under € 0.1 million in the financial year under review. Current financial liabilities were scaled back to € 0 million in the 2013 financial year (prev. year: € 3.8 million) following the scheduled repayment of a US\$5 million bank loan in December 2013. The Group's derivative financial instruments include an interest rate swap of € 0.1 million (prev. year: € 0.1 million) for the purpose of hedging the risk associated with a US dollar loan.

At the end of the reporting period the Group had undrawn lines of credit totalling € 8.5 million (prev. year: € 8.5 million).

### Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was € 14.2 million (prev. year: € 21.3 million). The cash inflow from investing activities amounted to € 5.4 million (prev. year: cash outflow of € -3.7 million), which included net proceeds of € 17.0 million (prev. year: € 9.2 million) from short-term financial arrangements. The cash outflow attributable to financing activities was € -8.7 million (prev. year: € -7.0 million) and mainly included the repayment of a US dollar loan as well as the dividend payout in 2013.

### Cash and cash equivalents

Cash and cash equivalents mainly consist of short-term bank deposits totalling € 47.5 million (prev. year: € 36.9 million). The change of € 10.5 million (prev. year: € 10.8 million) was attributable primarily to the availability of funds under short-term financial arrangements. These changes are presented in detail in the statement of cash flows in the notes to the consolidated financial statements.

Other financial assets amounting to € 4.0 million (prev. year: € 21.0 million) encompass an investment made in 2013 in a bonded loan issued by the Bank of China. In the financial year under review, the bonded loan covering an amount of € 10.0 million expired as scheduled.

### Financial obligations

Other financial obligations totalling € 1.6 million (prev. year: € 2.2 million) were attributable to operating rental and lease agreements. Of this total, an amount of € 0.9 million is due within one year. Contracts already awarded in connection with investment projects gave rise to current obligations of € 8.5 million (prev. year: € 10.5 million).

### Net finance cost

Based on finance income (incl. investment income) of € 1.4 million and finance cost of € 2.4 million, net finance cost (incl. investment income) amounted to € -1.0 million in 2013 (prev. year € -0.6 million). Due to the change in the disclosure of interest expenses for pensions in the

financial year 2013, which are now accounted for in net finance income/cost, a total of € 2.1 million (prev. year: € 1.6 million) in interest for pension obligations has been included in net finance income/cost, having previously been recognised in staff costs. The prior-year figure was adjusted accordingly.

## 2.6 Non-financial indicators

### Customer satisfaction

SIMONA measures customer satisfaction levels in regular intervals as part of a pan-European survey. The most recent large-scale customer satisfaction survey was conducted in April 2013. It covered more than 1,800 customers in eight countries. The response rate was in excess of 30 per cent. SIMONA further improved overall customer satisfaction from 82.4 per cent for the previous survey to 86.7 per cent. 88.0 per cent of our customers would recommend our products and services to others (last survey: 85.4 per cent). This is also an excellent result compared to other companies in the industry, where the average level of customer satisfaction is 83.7 per cent and the rate of recommendation is 81.6 per cent.\*

### Employees

The restructuring measures introduced within the context of strategic reengineering resulted in a lower headcount. Within the SIMONA Group the headcount fell by 65 to 1,172 (31/12/2012: 1,237). This mainly affected the sites in Kirn and Ringsheim. The number of staff employed at SIMONA AG fell by 52 to 824 (31/12/2012: 876).

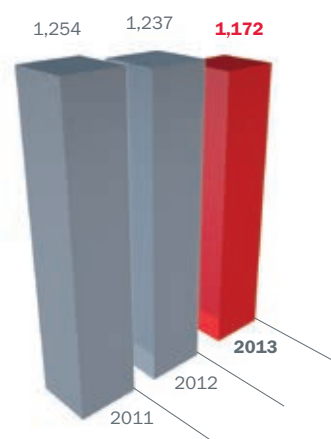
The production sites in the United States and China also employed fewer staff members than in the previous year. The headcount at the Group's sales companies in Europe remained largely unchanged. Additional staff was recruited at the subsidiaries in Russia and China for the purpose of expanding the Group's business activities in the emerging markets.

As at 31 December 2013, 46 young people were enrolled in vocational programmes relating to one of seven technical and commercial training courses offered by SIMONA.

The programme of integrated degree courses, which saw the inclusion of Plastics Engineering in 2012, was stepped up in the period under review. 5 (2012: 2) former vocational trainees are enrolled in integrated degree courses which SIMONA offers in cooperation with various colleges and universities. At 31 December 2013, 8 female members of staff were on parental leave.

At present, 2 members of staff are already enrolled in the new integrated Plastics Engineering degree course, which is offered in collaboration with the University of Applied Sciences Darmstadt. The SIMONA Corporate Academy offered a number of product and market training courses in 2013. The focal points of the occupational health management programme introduced in 2012 included workplace inspections, improvements to ergonomics and a range of jogging/running courses. In Germany, a Family Day was organised for the first time, the objective being to provide the families of company employees with an insight into the working environment at SIMONA. As part of the company's strategic reengineering efforts, the decision was made to introduce a divisional organisational structure with end-to-end responsibility for specific product areas. The process of implementation commenced in the course of 2013. Furthermore, a concept for the introduction of a qualification matrix was agreed for the operational areas.

### EMPLOYEES WITHIN THE GROUP (year-end)



\* Source: D. Hass/J. Link /C. Wingerter: Kundenzufriedenheitsbarometer für die mittelständische Industriegüterbranche, Künzelsau 2009, S. 47-48

The main focus for IT in 2013 was on integrating the subsidiaries in the Asia/Pacific sales region into the overall SAP system and the IT infrastructure of SIMONA. All key IT systems were updated and consolidated. Additionally, a company-wide communication tool was introduced for the purpose of improving the exchange of knowledge within the organisation and facilitating speedy internal support around the globe.

### **Quality, environment and energy**

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. Compliance with the provisions set out in DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is considered to be the basis for achieving this goal. In the 2013 financial year, the implementation of these management standards was again confirmed by the successful completion of external monitoring audits. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

Following the introduction and full-scale incorporation of a new energy management system within the existing Integrated Quality and Environmental Management System in the second half of 2011, the second review audit of the energy management system took place in 2013 in line with the internationally accepted DIN EN ISO 50001 standard. The audit again confirmed the high level of efficacy of the SIMONA energy management system. The energy management system helps to ensure the supply of energy at cost-effective prices as well as the provision of sufficient volumes in accordance with requirements. Higher energy efficiency levels provide a solid foundation for the reduction of manufacturing costs, as well as promot-

ing innovation within the company and extending the life cycles of operating systems.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. The SIMONA Environmental Management System is certified in accordance with DIN EN ISO 14001. When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities.

### **3. EVENTS AFTER THE REPORTING PERIOD**

There were no events of material significance to the state of affairs of the SIMONA Group in the period between the end of the reporting period for the 2013 financial year and the preparation of the Group management report, with the exception of the acquisition of Laminations Inc., USA, and the planned completion of a purchase agreement in respect of the business activities of Boltaron Performance Products, LLC, USA. On 8 January 2014, the subsidiary SIMONA AMERICA Inc., USA, acquired 100 per cent of the equity interests – furnished with voting rights – in Laminations Inc., USA. Based on the company's current planning, it is highly probable that SIMONA AMERICA Inc., USA, via a subsidiary, will conclude a purchase agreement for the assets and business activities of Boltaron Performance Products, LLC, USA. The conclusion of the purchase (closing) is to take place by the end of April 2014. SIMONA AG is responsible for providing SIMONA AMERICA Inc., USA, with the funds for the acquisitions.

Beyond this and in accordance with statutory provisions, interim announcements will be issued, outlining the development of the entity and any relevant events.

## 4. REPORT ON OPPORTUNITIES AND RISKS

### Report on opportunities

The market for application areas in which plastics are used is growing at a global level. Since the 1950s, the average growth rates achieved within this sector have been around 9 per cent. In the coming years, per-capita consumption in Asia is expected to increase at twice the rate than in Europe. This opens up a number of growth opportunities for German plastics companies operating at an international level. The trend within the spectrum of applications for SIMONA products is towards increasingly lightweight plastics with next-generation properties. In particular, alternative materials with advanced properties have become increasingly sought-after in the field of medical technology, the construction industry and mobility. Another trend includes alternatives to plastics derived from crude oil resources. SIMONA is proficient in the use of various methods to process plastics and is committed to steadily expanding its international presence. Operating with a diversified business model featuring various product/market combinations and pursuing a strategy of high-level innovation through more intensive research and development, SIMONA is well positioned for the future. Committed to developing hybrid materials and bioplastics, SIMONA is also able to deliver solutions aimed at meeting demands for plastics made from alternative raw materials.

### Risk report

#### Significant elements of the internal control and management system

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

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory re-

quirements 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 the 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 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
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

On the basis of the risk map drawn up in 2012, the risk management system of SIMONA AG controls the following material risks associated with the Group: risks relating to the general business environment and sector, financial risks and IT-specific risks.

#### Business environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sec-

tor-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. These risks are mitigated by a diversified product portfolio, thorough monitoring of markets and structured procurement management. The production facilities in the United States, China and the Czech Republic provide greater flexibility when it comes to meeting new customer requirements in close proximity to their sites of operation.

### Financial risks

They encompass, above all, currency risks, default risks, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. In 2013, the most significant risk to business development came from the sluggish performance of the global economy and the concomitant downturn in capital expenditure on machinery and equipment, particularly in the eurozone. Commodity prices remain high and extremely volatile. At the same time, intense competition is exerting downward pressure on selling prices. Both aspects are considered to be key risks when it comes to the future direction taken by earnings within the SIMONA Group. We expect to see a further structural upturn in commodity prices over the medium to long term. Additionally, the risk of default has increased as a result of the difficult economic climate. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of overdue payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products. The interest rate swap entered into for the purpose of hedging the risk of changes to interest rate has no material impact. The risks associated with occupational pension

schemes are considered to be significant and the probability of their occurrence is deemed to be high.

### Information technology risks

Information technology risks relate mainly to the disruption of IT systems, loss of data and attacks on IT systems together with industrial espionage. 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. The risks associated with external attacks on IT systems in particular could be considered elevated.

At the end of the 2013 financial year, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise SIMONA AG's existence as a going concern.

## 5. REPORT ON EXPECTED DEVELOPMENTS

### Economic conditions

#### Global economy sustains growth momentum

The outlook for the economy as a whole in 2014 is favourable. According to the projections issued by the International Monetary Fund, growth will amount to 3.7 per cent in 2014 and 3.9 per cent in 2015. The forecast points to sustained fast-track growth for the emerging and developing economies and emergence from the financial crises recently suffered by the industrialised nations. The eurozone is also expected to return to a pattern of growth and expand by 1.0 per cent in 2014, followed by 1.4 per cent in 2015. The German economy will continue to be the principal growth driver, with a projected rate of expansion of 1.6 per cent in 2014 and 1.4 per cent in 2015. The United States is also expected to generate more pronounced growth of 2.8 per cent in 2014 and 3.0 per cent in 2015.

Forward momentum in the global economy is likely to have a positive impact on German exports and, in turn, investment spending, which is a particularly important aspect for SIMONA's business.

### Sector-specific conditions

Given the solid state of the economy as a whole, the plastics processing industry is also expecting strong growth of between 4 and 5 per cent in 2014. In this context, the sector will benefit in particular from the favourable direction taken by Europe's industrialised countries.

### Future performance

Against the background of favourable economic forecasts and the company's strategic reengineering, the SIMONA Group has set itself ambitious goals for the coming financial year. The SIMONA Group is targeting revenue of over € 310 million and a Group EBIT margin slightly in excess of 5 per cent for the financial year 2014 as a whole. The acquisition of Laminations Inc., USA, should lift revenue at Group level by around US\$25-30 million in 2014. The inclusion of this company is not yet expected to generate positive earnings in 2014. We anticipate that revenue and earnings will increase in the region covering the Rest of Europe and Africa, particularly Eastern Europe, as well as in Asia, Americas and Australia. The target for Germany is to achieve slight growth in both revenue and earnings contributions. The return on capital employed (ROCE) for the Group in 2014 is expected to be comparable to that achieved in the financial year 2013 (4.5 per cent).

The main impetus for growth is likely to come from the emerging markets (Eastern Europe, Asia, Latin America) as well as the United States, for which particularly strong growth rates have been budgeted. The growth target for Germany and Western Europe is also in excess of GDP, which is to be achieved primarily by unlocking new fields of application, in some cases with new products. The aim is for all product areas to contribute to growth. In the area of semi-finished parts the plan is to expand business with the help of fluoropolymers, underpinned by the acquisition of Laminations at the beginning of the current financial year. The objective for PVC sheets is to achieve fast-track growth through new products for the construction industry. The pipes and fittings segment is to be expanded at an international level mainly through business in the area of industrial applications centred around PP pipes and fittings.

Growth in earnings is to be achieved primarily through the effects of scale, measures already initiated for the purpose of stabilising earnings, efficiency gains through leaner processes and operational excellence. The Group's ability to achieve these targets will depend in particular on the future direction taken by volatile commodity prices and the capacity to impose viable prices in an extremely aggressive competitive environment.

Benefiting from a new strategic approach, the SIMONA Group expects to see a further improvement in customer satisfaction, as the company will be in an even better position to meet specifications for new and refined products.

Given our activities in the area of energy management, we expect to see another slight improvement in energy efficiency.

The number of employees within the SIMONA Group is likely to increase marginally in 2014.

## 6. OTHER INFORMATION

### 6.1 Declaration on corporate governance

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

### 6.2 Compensation report

#### Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of the Supervisory Board Chairman Dr. Rolf Goessler as well as the Supervisory Board members Roland Frobel and Dr. Roland Reber.



Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective members of the Management Board are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. 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. In 2012, the Supervisory Board passed a long-term incentive plan for variable Management Board compensation. Calculated on the basis of SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the period from 2012 to 2014, the first payment can be made effective from 2015.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are calculated on the basis of the company's earnings performance (EBIT). Total compensation for the Management Board amounted to € 1,322 thousand in the financial year under review (prev. year: € 1,760 thousand). Total compensation comprised € 1,042 thousand (prev. year: € 1,118 thousand) in fixed-level compensation and € 280 thousand (prev. year: € 642 thousand) in bonus payments. On 1 July 2011, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid until the end of 2015. Therefore, no disclosures are made under Section 314(1) no. 6 a) sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

The company's Articles of Association contain no provisions that are non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the company's Articles of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act (Aktiengesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounted to € 502 thousand (previous year: € 440 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 10,061 thousand as at 31 December 2013 (previous year: € 9,081 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance premiums. The company did 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.

#### **Supervisory Board compensation**

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

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

In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 7 June 2013 no such resolution for variable compensation components was passed for the 2013 financial year.

Supervisory Board compensation for 2013 amounted to € 131 thousand (previous year: € 136 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.

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

As at 31 December 2013, the share capital of SIMONA AG remained unchanged at € 15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. 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 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.

As at 7 June 2013, members of the Management Board reported a total holding of 70,776 own shares; this corresponds to 11.80 per cent of the share capital of SIMONA AG. According to the notification of 7 June 2013, members of the Supervisory Board held a total of 1,300 shares. This corresponds to 0.22 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.

#### **6.4 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 imponderables, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

#### **6.5 Responsibility Statement**

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

Kirn, 31 March 2014  
SIMONA Aktiengesellschaft

Wolfgang Moyses      Dirk Möller      Fredy Hiltmann

# Contents

## **GROUP FINANCIAL STATEMENTS**

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<b>20</b>	Group Income Statement
<b>21</b>	Group Statement of Comprehensive Income
<b>22</b>	Group Statement of Financial Position
<b>23</b>	Group Statement of Cash Flows
<b>24</b>	Group Statement of Changes in Equity
<b>25</b>	Notes to Consolidated Financial Statements
<b>59</b>	Details of Shareholdings
<b>60</b>	Reproduction of the Auditor's Report
<b>61</b>	Other Information

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## **OTHER INFORMATION**

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<b>62</b>	Shareholdings of SIMONA AG
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# Group Income Statement of SIMONA AG for the 2013 Financial Year

	Notes	01/01 – 31/12/2013	01/01 – 31/12/2012 adjusted
in € '000			
Revenue	[7]	286,240	293,230
Other income		5,361	6,567
Changes in inventories of finished goods		1,025	-486
Cost of materials		168,008	169,275
Staff costs	[8]	56,240	57,303
Depreciation of property, plant and equipment and amortisation of intangible assets	[15, 16]	11,428	11,436
Other expenses	[10]	48,767	47,168
Income from equity investments		1,000	600
Finance income	[11]	436	630
Finance cost	[11]	2,431	1,856
<b>Profit before taxes</b>		<b>7,188</b>	<b>13,503</b>
Income tax expense	[12]	2,424	2,895
<b>Profit for the period</b>		<b>4,764</b>	<b>10,608</b>
of which attributable to:			
Owners of the parent company		4,686	10,551
Non-controlling interests		78	57

## EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	7.81	17.59
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	7.81	17.59

# Group Statement of Comprehensive Income of SIMONA AG for the 2013 Financial Year

	01/01 – 31/12/2013	01/01 – 31/12/2012 adjusted
in € '000		
<b>Profit for the period</b>	<b>4,764</b>	<b>10,608</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurement of defined benefit obligations	4,691	-21,851
Deferred taxes on remeasurement of defined benefit obligations	-1,383	6,443
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	-2,227	250
<b>Other comprehensive income recognised directly in equity</b>	<b>1,081</b>	<b>-15,158</b>
<b>Total comprehensive income</b>	<b>5,845</b>	<b>-4,550</b>
of which attributable to:		
Owners of the parent company	5,807	-4,588
Non-controlling interests	38	38

# Group Statement of Financial Position of SIMONA AG for the 2013 Financial Year

## ASSETS

	Notes	31/12/2013	31/12/2012 adjusted	01/01/2012 adjusted
in € '000				
Intangible assets	[15]	1,187	1,175	1,280
Property, plant and equipment	[16]	88,832	90,879	89,229
Financial assets	[29]	23	23	23
Income tax assets	[19]	1,975	2,612	3,205
Deferred tax assets	[12]	2,075	3,020	174
<b>Non-current assets</b>		<b>94,092</b>	<b>97,709</b>	<b>93,911</b>
Inventories	[17]	57,288	56,932	57,283
Trade receivables	[18]	48,097	43,283	42,606
Other assets and prepaid expenses	[19]	5,888	6,166	6,164
Income tax assets	[19]	903	750	750
Other financial assets	[29]	4,000	20,994	30,227
Cash and cash equivalents	[20]	47,477	36,934	26,139
<b>Current assets</b>		<b>163,653</b>	<b>165,059</b>	<b>163,169</b>
<b>Total assets</b>		<b>257,745</b>	<b>262,768</b>	<b>257,080</b>

## EQUITY AND LIABILITIES

	Notes	31/12/2013	31/12/2012 adjusted	01/01/2012 adjusted
in € '000				
<b>Equity attributable to owners of the parent company</b>				
Issued capital		15,500	15,500	15,500
Capital reserves		15,274	15,274	15,274
Revenue reserves		138,734	135,240	145,797
Other reserves		-1,963	224	-45
		<b>167,545</b>	<b>166,238</b>	<b>176,526</b>
<b>Non-controlling interests</b>		277	239	201
<b>Total equity</b>	[21]	<b>167,822</b>	<b>166,477</b>	<b>176,727</b>
Financial liabilities	[22]	41	66	4,728
Provisions for pensions	[23, 24]	59,524	60,374	36,340
Other provisions	[25]	4,247	4,994	5,450
Other liabilities		59	118	172
Deferred tax liabilities	[12]	0	843	6,063
<b>Non-current liabilities</b>		<b>63,871</b>	<b>66,395</b>	<b>52,753</b>
Financial liabilities	[22]	23	3,812	312
Provisions for pensions	[23]	1,509	1,457	1,327
Other provisions	[25]	1,749	2,024	2,245
Trade payables		12,430	11,266	11,223
Income tax liabilities		1,938	1,960	1,153
Other liabilities and deferred income		8,365	9,299	11,217
Derivative financial instruments	[28, 29]	38	78	123
<b>Current liabilities</b>		<b>26,052</b>	<b>29,896</b>	<b>27,600</b>
<b>Total equity and liabilities</b>		<b>257,745</b>	<b>262,768</b>	<b>257,080</b>



# Group Statement of Cash Flows of SIMONA AG for the 2013 Financial Year

in € '000	Notes	01/01 – 31/12/2013	01/01 – 31/12/2012 adjusted
Profit before taxes		7,188	13,503
Income taxes paid		-2,473	-4,022
Finance income and finance cost		-160	-346
Depreciation of property, plant and equipment and amortisation of intangible assets	[15, 16]	11,428	11,436
Other non-cash expenses and income		4,165	95
Change in pensions	[23, 24]	-798	2,313
Result from disposal of non-current assets		59	-99
Change in inventories	[17]	-356	351
Change in trade receivables	[18]	-4,814	-677
Change in other assets		885	591
Change in liabilities and other provisions		-891	-1,844
<b>Net cash from operating activities</b>		<b>14,233</b>	<b>21,301</b>
Investments in intangible assets and property, plant and equipment	[15, 16]	-12,067	-13,675
Proceeds from the disposal of assets		92	113
Proceeds relating to the short-term financial management of cash investments	[29]	20,994	9,233
Investments relating to the short-term financial management of cash investments		-4,000	0
Interest received		398	586
<b>Net cash from/(used in) investing activities</b>		<b>5,417</b>	<b>-3,743</b>
Repayment of financial liabilities	[22]	-3,877	-1,034
Payment of prior-year dividend	[14]	-4,500	-5,700
Interest paid and similar expenses		-276	-284
<b>Net cash used in financing activities</b>		<b>-8,653</b>	<b>-7,018</b>
<b>Effect of foreign exchange rate changes on liquidity</b>	[26]	-454	287
<b>Change in cash and cash equivalents</b>		<b>10,543</b>	<b>10,827</b>
Cash and cash equivalents at 1 January	[26]	36,934	26,107
Cash and cash equivalents at 31 December	[26]	47,477	36,934
<b>Change in cash and cash equivalents</b>		<b>10,543</b>	<b>10,827</b>

# Group Statement of Changes in Equity of SIMONA AG for the 2013 Financial Year

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY					NON- CONTROLLING INTERESTS	TOTAL EQUITY*
		Issued capital	Capital reserves	Revenue reserves	Other reserves Currency translation differences	Total		
in € '000								
	NOTES	[21]	[21]					
<b>Balance at 1/1/2012 (as previously reported)</b>		<b>15,500</b>	<b>15,274</b>	<b>143,702</b>	<b>-45</b>	<b>174,431</b>	<b>201</b>	<b>174,632</b>
Transitional effect under IAS 8 from the retrospective application of IAS 19R	[3]	0	0	2,095	0	2,095	0	2,095
<b>Balance at 1/1/2012 (adjusted)</b>		<b>15,500</b>	<b>15,274</b>	<b>145,797</b>	<b>-45</b>	<b>176,526</b>	<b>201</b>	<b>176,727</b>
Amount recognised directly in equity		0	0	-15,408	269	-15,139	-19	-15,158
Profit for the period		0	0	10,551	0	10,551	57	10,608
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>-4,857</b>	<b>269</b>	<b>-4,588</b>	<b>38</b>	<b>-4,550</b>
Dividend payment	[14]	0	0	-5,700	0	-5,700	0	-5,700
<b>Balance at 31/12/2012 (adjusted)</b>		<b>15,500</b>	<b>15,274</b>	<b>135,240</b>	<b>224</b>	<b>166,238</b>	<b>239</b>	<b>166,477</b>
<b>Balance at 1/1/2013 (adjusted)</b>		<b>15,500</b>	<b>15,274</b>	<b>135,240</b>	<b>224</b>	<b>166,238</b>	<b>239</b>	<b>166,477</b>
Amount recognised directly in equity		0	0	3,308	-2,187	1,121	-40	1,081
Profit for the period		0	0	4,686	0	4,686	78	4,764
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>7,994</b>	<b>-2,187</b>	<b>5,807</b>	<b>38</b>	<b>5,845</b>
Dividend payment	[14]	0	0	-4,500	0	-4,500	0	-4,500
<b>Balance at 31/12/2013</b>		<b>15,500</b>	<b>15,274</b>	<b>138,734</b>	<b>-1,963</b>	<b>167,545</b>	<b>277</b>	<b>167,822</b>

\*Prior-year figures have been adjusted due to mandatory application of IAS 19R.

# Notes to Consolidated Financial Statements of SIMONA AG for the 2013 Financial Year

## [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 in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchanges. The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2013 were scheduled to be released by the Management Board on the basis of a resolution of 4 April 2014 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 and profiles as well as pipes, fittings and finished parts made of thermoplastics.

The semi-finished products are manufactured at the plant in Kirn (Germany) 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 Ltd., Stafford, United Kingdom), France (SIMONA S.A.S, Domont, France), Italy (SIMONA S.r.l. Società Unipersonale, 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., Kwidzyn, Poland), Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic, SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic), China (SIMONA FAR EAST Ltd. Hong Kong, China, SIMONA ENGINEERING PLASTICS TRADING Co. Ltd, Shanghai, China, SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China), the United States (SIMONA AMERICA Inc., Hazleton, USA) and the Russian Federation (OOO SIMONA RUS, Moscow, Russian Federation).

## [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 2013 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 Standards Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2013 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/losses") 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 applied for the first time in the financial year**

With the exception of IAS 19, the accounting standards to be applied for the first time in the financial year 2013 had no material impact on the presentation of the financial statements.

IAS 19 "Employee Benefits" (revised 2011, IAS 19R) was endorsed by the EU and incorporated into European law in June 2012. It is to be applied by entities for annual periods beginning on 1 January 2013. The amendments mainly relate to changes in the recognition and measurement of expenses for defined benefit plans and termination benefits. Additionally, the previous option as part of which actuarial gains and losses could be accounted for according to the corridor method is no longer applicable. Remeasurements are to be recognised directly in other comprehensive income within equity. IAS 19R replaces interest expenses and the expected return on plan assets with a net interest amount. It is calculated by applying the discount rate used to measure defined benefit obligations to the net defined benefit liability (asset). The net interest from a net defined benefit liability (asset) includes the interest expenses attributable to defined benefit obligations and interest income from plan assets. The difference between the interest income on plan assets and the expected return on plan assets is included in the remeasurement of defined benefit obligations in other comprehensive income for the Group. Therefore, the return of plan assets is no longer calculated on the basis of the expected yield, but rather on the basis of the discount rate. Additionally, the disclosure requirements in respect of employee benefits have been extended. In future, the recognition of changes in remeasurements within other comprehensive income will lead to greater volatility in equity.

The following table outlines the effects of the amendments to IAS 19R:

	<b>31/12/2012</b>			<b>01/01/2012 (31/12/2011)</b>		
in € '000	before adjustment	adjustment	after adjustment	before adjustment	adjustment	after adjustment
<b>GROUP INCOME STATEMENT</b>						
<b>Profit before taxes</b>	<b>14,766</b>	<b>-1,263</b>	<b>13,503</b>			
of which staff costs	57,612	-309	57,303			
of which interest expense	284	1,572	1,856			
Income tax expense	3,267	-372	2,895			
<b>Profit for the period</b>	<b>11,499</b>	<b>-891</b>	<b>10,608</b>			
of which attributable to:						
Owners of the parent company	11,442	-891	10,551			
Non-controlling interests	57	0	57			
<b>EARNINGS PER SHARE</b>						
Basic earnings per share in €	19.07	-1.48	17.59			
Diluted earnings per share in €	19.07	-1.48	17.59			
<b>GROUP STATEMENT OF COMPREHENSIVE INCOME</b>						
<b>Profit for the period</b>	<b>11,499</b>	<b>-891</b>	<b>10,608</b>			
Remeasurement of defined benefit obligations	0	-21,851	-21,851			
Deferred taxes on remeasurement of defined benefit obligations	0	6,443	6,443			
<b>Total comprehensive income</b>	<b>11,749</b>	<b>-16,299</b>	<b>-4,550</b>			
of which attributable to:						
Owners of the parent company	11,711	-16,299	-4,588			
Non-controlling interests	38	0	38			
<b>GROUP STATEMENT OF FINANCIAL POSITION</b>						
<b>Total assets</b>	<b>260,120</b>	<b>2,648</b>	<b>262,768</b>	<b>257,080</b>	<b>0</b>	<b>257,080</b>
of which deferred tax assets	372	2,648	3,020	174	0	174
<b>Total equity</b>	<b>180,681</b>	<b>-14,204</b>	<b>166,477</b>	<b>174,632</b>	<b>2,095</b>	<b>176,727</b>
of which revenue reserves	149,444	-14,204	135,240	143,702	2,095	145,797
<b>Total non-current liabilities</b>	<b>49,543</b>	<b>16,852</b>	<b>66,395</b>	<b>54,848</b>	<b>-2,095</b>	<b>52,753</b>
of which provisions for pensions	40,231	20,143	60,374	39,311	-2,971	36,340
of which deferred tax liabilities	4,134	-3,291	843	5,187	876	6,063
<b>Total current liabilities</b>	<b>29,896</b>	<b>0</b>	<b>29,896</b>	<b>27,600</b>	<b>0</b>	<b>27,600</b>
of which provisions for pensions	1,457	0	1,457	1,327	0	1,327

If the former IAS 19 had been applied without its amendments, the pension obligation of €41,688 thousand recognised by the Group in the previous financial year would have increased to €43,648 thousand in the period under review. Current Group profit would have risen by €3,545 thousand and earnings per share would have been up by €4.17 per share. The adverse effect on total comprehensive income would have been €653 thousand less.

On 16 June 2011 the IASB adopted amendments to IAS 1 “Presentation of Financial Statements”. Under these amendments entities are required to change the presentation of other comprehensive income in the statement of comprehensive income. Those items of other comprehensive income that are reclassifiable to profit or loss subsequently (“recycling”) are to be presented separately from those items of other comprehensive income that are not reclassifiable. If a gross presentation is used, i.e. without offsetting the effects of deferred taxes, the deferred taxes shall now no longer be presented in a single amount but rather allocated to the two aforementioned groups of items. The amendments were adopted by the European Union on 6 June 2012 and are applicable for the first time for annual periods beginning on or after 1 July 2012.

IFRS 13 “Fair Value Measurement” defines fair value, sets out in a single IFRS a framework for measuring fair value and extends the disclosure requirements in the notes as regards such measurements. However, it does not include provisions in respect of when fair value is to be applied. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e. an “exit price”). The fair value of a liability reflects the effect of non-performance risk. Non-performance risk includes an entity’s own credit risk. IFRS 13 is applicable prospectively as from 1 January 2013. Under the transitional provisions, the disclosure requirements of this IFRS need not be applied in comparative information provided for periods before initial application of this IFRS. First-time application of IFRS 13 had no material influence on the Group.

### 3.2 Issued standards and interpretations which were not applied in the financial year (EU endorsement completed)

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) 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 2013 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

- IFRS 10 “Consolidated Financial Statements” and amendments to IAS 27 “Consolidated and Separate Financial Statements”
- IFRS 11 “Joint Arrangements” and amendments to IAS 28 “Investments in Associates and Joint Ventures”
- IFRS 12 “Disclosure of Interests in Other Entities”
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements; Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance”
- Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”
- Amendments to IAS 32 “Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities”
- Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”

The standards IFRS 10 and amendments to IAS 27, IFRS 11 and amendments to IAS 28 as well as IFRS 12 were issued on May 2011; the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued in June 2012, and the amendments to IFRS 10, IFRS 12 and IAS 27 were issued in October 2012. The above-mentioned standards apply for the first time for annual periods beginning on or after 1 January 2014. The implications of these standards with regard to the financial position, financial performance and cash flows of the Group have yet to be analysed in full.

The amendments to standard IAS 32 were issued in December 2011 and those relating to IAS 39 in June 2013. They are to be applied for the first time for annual periods beginning on or after 1 January 2014. Application of the aforementioned standards is unlikely to have significant implications for the future financial statements issued by the SIMONA Group.

### 3.3 Issued standards and interpretations which were not applied in the financial year (EU endorsement pending)

The IASB and IFRS IC issued the following Standards and Interpretations that were not yet applicable in the 2013 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

- IFRS 9 “Financial Instruments”
- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”
- Annual Improvement Process for IFRS 2010–2012 Cycle
- IFRS 14 “Regulatory Deferral Accounts”
- IFRIC 21 “Levies”

On 12 December 2013, the IASB issued “Annual Improvements to IFRSs 2010–2012 Cycle” as well as “Annual Improvements to IFRSs 2011–2013 Cycle” (Annual Improvements), which comprised amendments to a total of eleven International Financial Reporting Standards (IFRSs).

The amendments as part of “Annual Improvements to IFRSs 2010–2012 Cycle” were as follows: IFRS 2 with regard to the “Definition of vesting condition”, IFRS 3 with regard to “Accounting for contingent consideration in a business combination”, IFRS 8 with regard to disclosures for “Aggregation of operating segments” and “Reconciliation of the total of the reportable segments’ assets to the entity’s assets”, IFRS 13 with regard to “The measurement of short-term receivables and payables”, IAS 16 with regard to the “Revaluation method – proportionate restatement of accumulated depreciation”, IAS 24 with regard to related-party disclosures and the interpretation of “Key management personnel” and IAS 38 with regard to

“Revaluation method – proportionate restatement of accumulated amortisation.”

The amendments as part of “Annual Improvements to IFRSs 2011–2013 Cycle” were as follows: IFRS 1 with regard to the definition in IFRS 1.7 of “The IFRSs that are effective at the end of the reporting period”, IFRS 3 with regard to the “Scope exceptions for joint ventures”, IFRS 13 with regard to “The scope of the so-called portfolio exception” and IFRS 40 with regard to “Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property”. The amendments are to be applied for annual periods beginning on or after 1 January 2014.

The possible implications for the future financial statements of the SIMONA Group have yet to be analysed in full.

## [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 the 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 ("CGU") to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows. As at 31 December 2013, the carrying amount of goodwill was unchanged year on year at €143 thousand.

### Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond four years.

### 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 [12].

### Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [25]. 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 that include discount rates, expected salary and pension increases as well as mortality rates. The assumptions used as a basis of valuations may differ from actual development due to changing market, economic and social conditions. Any change in these assumptions will have an impact on the carrying amounts of pension obligations. For further details, please refer to Note [23] and [24].

## [5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations

Business combinations subsequent to 1 January 2010 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 other expenses.

On first-time recognition, goodwill is measured at cost, being 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.

### 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 (Guangdong) Co. Ltd., Jiangmen, China – Renminbi
- OOO SIMONA RUS, Moscow, Russian Federation – Russian Rouble

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. This does not include monetary items that have been designated as part of a hedge of a net investment by the Group in a foreign operation. They are recognised in other comprehensive income until disposal of the net investment; the cumulative amount is reclassified in profit and loss only upon disposal. Taxes arising from exchange differences relating to these monetary items are also recognised directly in other comprehensive income.

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 items presented in the statement of financial position are recognised in other reserves.

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

### **Property, plant and equipment**

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

The carrying amounts of property, plant and equipment attributable to a cash-generating unit are tested for impairment as soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Items of property, plant and equipment are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

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 2013, no such finance leases existed within the Group.

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

### **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 process engineering), at changes and improvements to formulas, 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 formulas 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 the financial year under review or the previous financial year.

#### **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 of disposal and its value in use. If the recoverable amount of an asset, or of all assets of a cash-generating unit, is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss.

#### **Impairment of non-financial assets**

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. If such indications are present or if an annual impairment test of

an asset or a group of assets is required, the Group makes an estimate of the recoverable amount of each asset or of the group of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Impairment losses are recognised in profit or loss within the expense category that corresponds to the function of the impaired asset.

For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment tests on detailed budget and forecasting calculations that are prepared separately for each of the Group's cash-generating units to which individual assets are assigned. Such budget and forecasting calculations generally cover a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows subsequent to the fourth year.

#### **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. Derivatives, 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 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, quoted in an active market, 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 within one of the three above-mentioned categories. 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 end of the reporting period. The fair value of financial instruments for which no active market exists is determined on the basis of valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

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

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

### **Impairment of financial assets**

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

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

As regards available-for-sale 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. When determining the impairment of debt instruments classified as available for sale, the same criteria are used as those applied to financial assets measured at amortised cost. The amount recognised for impairments, however, is the cumulative loss determined as the difference between the amortised cost and the current fair value less any impairment losses of this instrument recognised in profit or loss on an earlier occasion.

### **Inventories**

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

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the weighted average cost formula. 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.

### **Financial liabilities**

Financial liabilities within the meaning of IAS 39 are classified either as financial liabilities measured at fair value or as loans. The Group determines the classification of its financial liabilities upon initial recognition. All financial liabilities are measured at fair value upon initial recognition. The Group's financial liabilities comprise trade payables, other payables, bank overdrafts, loans and derivative financial instruments.

### **Interest-bearing borrowings**

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

### **Cash 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 items in addition to overdrafts used by the Group and securities that are readily convertible to cash.

### **Other provisions**

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

### **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 are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. The fair value of the plan assets is based on information regarding the market price; in the case of securities traded on public exchanges, it corresponds to the published pur-

chase price. As the requirements for plan assets specified in IAS 19.8 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 as at the end of the reporting period, 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. Owing to the elimination of the corridor method, remeasurements are recognised directly in equity through other comprehensive income. The recognition as income or expense of non-vesting past service cost is performed as it occurs, rather than over a period up to vesting.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation less the fair value 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 as part of profit or loss under the heading of other income and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.



### 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 assets and current tax liabilities 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. Management regularly assesses individual tax issues as to whether there is any room for interpretation on the basis of applicable tax regulations. Where required, tax provisions are recognised.

#### b) Deferred taxes

Applying the liability method, 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 utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognised for all taxable and deductible temporary differences, with the exception of:

- Deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.
- Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

#### c) Value added tax

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

### Derivative financial instruments and hedging instruments

Derivative 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.



## [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, Americas 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. The prior-year figures have been adjusted due to mandatory application of IAS 19R.

### SEGMENT INFORMATION BY REGION

	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
in € '000	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from sales to external customers	89,203	93,122	148,437	146,059	48,600	54,049	0	0	286,240	293,230
Revenue from sales to other segments	17,247	18,516	50,607	46,695	12,843	12,879	-80,696	-78,090	0	0
<b>Segment revenue</b>									<b>286,240</b>	<b>293,230</b>
Segment result	4,946	7,058	5,713	7,400	-2,476	-329			8,183	14,129
Segment assets	125,504	124,567	36,696	34,935	39,092	38,933			201,292	198,435
of which non-current	56,006	55,727	13,853	14,367	20,160	21,960			90,019	92,054
Segment liabilities	72,848	77,248	9,484	8,665	5,551	3,619			87,883	89,532
Segment capital expenditure	9,214	8,571	1,585	4,102	1,268	1,002			12,067	13,675
Depreciation/amortisation	7,999	8,262	1,196	1,203	2,233	1,971			11,428	11,436

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	31/12/2013	31/12/2012
Segment assets	201,292	198,435
Other financial assets	4,000	20,994
Cash and cash equivalents	47,477	36,934
Non-current income tax assets	1,975	2,612
Current income tax assets	903	750
Deferred tax assets	2,075	3,020
Financial assets	23	23
<b>Current and non-current assets</b>	<b>257,745</b>	<b>262,768</b>

in € '000	31/12/2013	31/12/2012
Segment liabilities	87,883	89,532
Deferred tax liabilities	0	843
Income tax liabilities	1,938	1,960
Non-current financial liabilities	41	66
Current financial liabilities	23	3,812
Derivative financial instruments	38	78
<b>Current and non-current liabilities</b>	<b>89,923</b>	<b>96,291</b>

in € '000	2013	2012
Segment result	8,183	14,129
Income from equity investments	1,000	600
Interest income	436	630
Interest expense	2,431	1,856
<b>Profit before taxes</b>	<b>7,188</b>	<b>13,503</b>

#### SEGMENT INFORMATION RELATING TO PRODUCT GROUPS

in € '000	2013	2012
<b>Sales revenue from external customers</b>		
Semi-finished and finished parts	209,990	215,009
Pipes and fittings	76,250	78,221
<b>Total</b>	<b>286,240</b>	<b>293,230</b>

## 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 groups is outlined in segment reporting – Note [6].

### [8] STAFF COSTS

#### STAFF COSTS

	2013	2012 adjusted
in € '000		
Salaries and wages	43,419	45,029
Expenses relating to social security	9,611	9,868
Expenses relating to pensions	3,210	2,406
<b>Total</b>	<b>56,240</b>	<b>57,303</b>

### [9] RESEARCH AND DEVELOPMENT EXPENSES

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

## [10] OTHER EXPENSES

Other expenses include expenses relating to rental and lease agreements amounting to €1,797 thousand in the financial year under review (prev. year: €2,207 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.

Additionally, other expenses include expenses for outward freight amounting to €12,685 thousand (prev. year: €12,535 thousand), maintenance expenses of €7,977 thousand (prev. year: €9,679 thousand) and expenses for packaging material amounting to €6,543 thousand (prev. year: €6,067 thousand).

## [11] NET FINANCE INCOME/COST

in € '000	2013	2012
<b>Finance income</b>	<b>436</b>	<b>630</b>
of which from the measurement of derivatives	38	44
of which from loans and receivables	398	586
in € '000	2013	2012 adjusted
<b>Finance cost</b>	<b>2,431</b>	<b>1,856</b>
of which interest expenses from termination benefits	2,131	1,572
of which from borrowings and financial liabilities	300	284

## [12] INCOME TAXES

The principal elements of income tax expense for the 2013 and 2012 financial years are as follows:

### GROUP INCOME STATEMENT

in € '000	2013	2012
<b>Current tax</b>		
Current tax expense	3,756	4,660
Adjustments of current tax attributable to previous periods	27	6
Income from measurement of credits for the reduction of corporation tax	0	-147
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-1,359	-1,624
<b>Income tax expense reported in the Group income statement</b>	<b>2,424</b>	<b>2,895</b>

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 2013 and 2012 financial years is as follows:

in € '000	2013	2012
<b>Profit before taxes</b>	<b>7,188</b>	<b>13,503</b>
Income tax expense at German tax rate of 29.48 % (prev. year: 29.48%)	2,119	3,981
Adjustments of current tax attributable to previous periods	27	6
Income from measurement of credits for the reduction of corporation tax	0	-147
Unrecognised deferred tax assets relating to tax losses	879	425
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	0	-267
Capitalisation of deferred tax assets relating to tax losses	0	-192
Tax effect of non-deductible expenses	1,332	68
Tax rate differences	-359	-154
Tax-free dividend income	-343	-122
Other tax-free income	-262	-6
Capitalisation of deferred tax assets relating to foreign tax credits as well as use thereof	-998	-1,068
Other	29	371
<b>Income tax expense at effective tax rate of 33.73% (prev. year: 21.44%)</b>	<b>2,424</b>	<b>2,895</b>
<b>Income tax expense reported in the Group income statement</b>	<b>2,424</b>	<b>2,895</b>

At 31 December 2013, 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 €2,957 thousand (prev. year: €3,696 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of €2,715 thousand (prev. year: €3,331 thousand). Payouts in connection with the corporation tax credits will be made in four remaining annual

instalments of €739 thousand p.a. in the period from 2014 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 taxes

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

	Group statement of financial position		Group income statement		Amount recognised directly in equity	
in € '000	31/12/2013	31/12/2012	2013	2012	2013	2012
<b>Deferred tax liabilities</b>						
Non-current assets	6,342	6,825	-483	-466	0	0
Inventories	3,399	3,487	-88	41	0	0
Receivables and other assets	256	262	-6	-82	0	0
Other provisions and liabilities	59	208	-149	190	0	0
Other items	4	3	1	3	0	0
	<b>10,060</b>	<b>10,785</b>	<b>-725</b>	<b>-314</b>	<b>0</b>	<b>0</b>
<b>Deferred tax assets</b>						
Provisions for pensions	9,301	10,568	-194	-310	-1,383	6,443
Other provisions and liabilities	461	229	-232	37	0	0
Inventories	271	416	145	53	0	0
Receivables and other assets	48	22	-26	-22	0	0
Loss carryforwards and tax credits	2,003	1,564	-439	-1,027	0	0
Other items	25	138	113	-16	0	0
Non-current assets	26	25	-1	-25	0	0
	<b>12,135</b>	<b>12,962</b>	<b>-634</b>	<b>-1,310</b>	<b>-1,383</b>	<b>6,443</b>
after set-off:						
<b>Deferred tax assets</b>	<b>2,075</b>	<b>3,020</b>				
<b>Deferred tax liabilities</b>	<b>0</b>	<b>-843</b>				
<b>Deferred tax income</b>			<b>-1,359</b>	<b>-1,624</b>		
<b>Amount recognised directly in equity relating to deferred taxes</b>					<b>-1,383</b>	<b>6,443</b>

At the end of the reporting period, loss carryforwards amounted to €12,837 thousand (prev. year: €15,715 thousand). Deferred tax assets of €0 thousand (prev. year: €192 thousand) were recognised for €0 thousand (prev. year: €667 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. Furthermore, the loss carryforwards are attributable to subsidiaries that have incurred losses over a period of several years, and at present there is no reasonably reliable indication that the earnings situation of these entities will 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	2013	2012
Between 3 and 20 years	12,837	15,400
Indefinite carryforward	0	315
	<b>12,837</b>	<b>15,715</b>

### [13] 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 2013 or 2012 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	2013	2012
Profit or loss attributable to ordinary equity holders of the parent company	4,686	10,551
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)	7.81	17.59
Diluted earnings per share (in euro)	7.81	17.59

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

### [14] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €7.50 per share was declared and distributed. The total payment made in the financial year under review amounted to €4,500 thousand (prev. year: €5,700 thousand).

A dividend proposal of €6.00 per share (prev. year: €7.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €3,600 thousand (prev. year: €4,500 thousand).

## NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

### [15] INTANGIBLE ASSETS

#### 31 DECEMBER 2013

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2013 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,032	143	1,175
Additions	216	0	216
Disposals	0	0	0
Amortisation during the financial year	-194	0	-194
Effects of changes in foreign currency exchange rates	-10	0	-10
<b>Balance at 31 December 2013</b> (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	<b>1,044</b>	<b>143</b>	<b>1,187</b>
Balance at 1 January 2013			
Cost of purchase/conversion (gross carrying amount)	7,895	143	8,038
Accumulated amortisation	-6,863	0	-6,863
<b>Carrying amount</b>	<b>1,032</b>	<b>143</b>	<b>1,175</b>
Balance at 31 December 2013			
Cost of purchase/conversion (gross carrying amount)	7,982	143	8,125
Accumulated amortisation	-6,938	0	-6,938
<b>Carrying amount</b>	<b>1,044</b>	<b>143</b>	<b>1,187</b>

#### 31 DECEMBER 2012

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2012 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,137	143	1,280
Additions	136	0	136
Disposals	-14	0	-14
Amortisation during the financial year	-222	0	-222
Effects of changes in foreign currency exchange rates	-5	0	-5
<b>Balance at 31 December 2012</b> (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	<b>1,032</b>	<b>143</b>	<b>1,175</b>
Balance at 1 January 2012			
Cost of purchase/conversion (gross carrying amount)	8,169	143	8,312
Accumulated amortisation	-7,032	0	-7,032
<b>Carrying amount</b>	<b>1,137</b>	<b>143</b>	<b>1,280</b>
Balance at 31 December 2012			
Cost of purchase/conversion (gross carrying amount)	7,895	143	8,038
Accumulated amortisation	-6,863	0	-6,863
<b>Carrying amount</b>	<b>1,032</b>	<b>143</b>	<b>1,175</b>

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.

## [16] PROPERTY, PLANT AND EQUIPMENT

### 31 DECEMBER 2013

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2013 (Cost of purchase/ conversion, taking into account accumulated depre- ciation and impairments)	34,027	56,852	90,879
Additions	948	10,903	11,851
Disposals	-2	-1,177	-1,179
Depreciation during the financial year	-1,791	-9,443	-11,234
Effects of changes in foreign currency exchange rates	-651	-834	-1,485
<b>Balance at 31 December 2013</b> (Cost of purchase/ conversion, taking into account accumulated depre- ciation and impairments)	<b>32,531</b>	<b>56,301</b>	<b>88,832</b>
Balance at 1 January 2013			
Cost of purchase/conversion (gross carrying amount)	66,333	210,614	276,947
Accumulated depreciation and impairments	-32,306	-153,762	-186,068
<b>Carrying amount</b>	<b>34,027</b>	<b>56,852</b>	<b>90,879</b>
Balance at 31 December 2013			
Cost of purchase/conversion (gross carrying amount)	66,486	216,015	282,501
Accumulated depreciation and impairments	-33,955	-159,714	-193,669
<b>Carrying amount</b>	<b>32,531</b>	<b>56,301</b>	<b>88,832</b>

### 31 DECEMBER 2012

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2012 (Cost of purchase/ conversion, taking into account accumulated depre- ciation and impairments)	32,470	56,759	89,229
Additions	3,321	10,218	13,539
Disposals	0	-700	-700
Depreciation during the financial year	-1,731	-9,483	-11,214
Effects of changes in foreign currency exchange rates	-33	58	25
<b>Balance at 31 December 2012</b> (Cost of purchase/ conversion, taking into account accumulated depre- ciation and impairments)	<b>34,027</b>	<b>56,852</b>	<b>90,879</b>
Balance at 1 January 2012			
Cost of purchase/conversion (gross carrying amount)	63,167	202,587	265,754
Accumulated depreciation and impairments	-30,697	-145,828	-176,525
<b>Carrying amount</b>	<b>32,470</b>	<b>56,759</b>	<b>89,229</b>
Balance at 31 December 2012			
Cost of purchase/conversion (gross carrying amount)	66,333	210,614	276,947
Accumulated depreciation and impairments	-32,306	-153,762	-186,068
<b>Carrying amount</b>	<b>34,027</b>	<b>56,852</b>	<b>90,879</b>

The useful life of the assets was estimated as follows:

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

Other income includes gains of €92 thousand (prev. year: €148 thousand) from the disposal of property, plant and equipment; other expenses include losses of €151 thousand (prev. year: €49 thousand) from the disposal of property, plant and equipment.

#### [17] INVENTORIES

in € '000	31/12/2013	31/12/2012
Raw materials and supplies	19,204	19,129
Finished goods and merchandise	38,084	37,803
<b>Inventories</b>	<b>57,288</b>	<b>56,932</b>

In the 2013 financial year inventory impairments rose by €409 thousand to €3,662 thousand compared to 31 December 2012. The cost of materials includes expenses relating to raw materials and supplies in the amount of €166,512 thousand (prev. year: €163,212 thousand).

#### [18] TRADE RECEIVABLES

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

in € '000	31/12/2013	31/12/2012
<b>Carrying amount</b>	<b>48,097</b>	<b>43,283</b>
of which not impaired at the reporting date and past due within the following time ranges		
up to 30 days	3,497	4,066
between 31 and 60 days	1,866	1,813
between 61 and 90 days	942	431
between 91 and 120 days	753	129
more than 120 days	1,115	1,895

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

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

in € '000	31/12/2013	31/12/2012
Balance of specific allowances at 1 January	1,676	1,568
Exchange differences	-27	+10
Allocated	+179	+295
Utilised	-54	-5
Reversed	-122	-192
<b>Balance of specific allowances at 31 December</b>	<b>1,652</b>	<b>1,676</b>

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 expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other income.

in € '000	2013	2012
Expenses attributable to the derecognition of trade receivables	162	94
Income attributable to amounts received in connection with derecognised trade receivables	49	52



## [19] OTHER ASSETS AND PREPAID EXPENSES AS WELL AS TAX ASSETS

### OTHER ASSETS AND PREPAID EXPENSES

in € '000	31/12/2013	31/12/2012
Other receivables	5,071	5,014
Receivables from other long-term investees and investors	80	300
Prepaid expenses	737	852
<b>Other assets and prepaid expenses</b>	<b>5,888</b>	<b>6,166</b>

Other receivables include reimbursement rights in respect of sales tax as well as receivables relating to energy tax. At the end of the reporting period, other assets were neither impaired nor past due.

Income tax assets include the reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG.

## [20] CASH AND CASH EQUIVALENTS

in € '000	31/12/2013	31/12/2012
Bank balances and cash on hand	47,477	36,934
<b>Cash and cash equivalents</b>	<b>47,477</b>	<b>36,934</b>

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

At 31 December 2013, the Group had undrawn borrowing facilities of €8,450 thousand (prev. year: €8,516 thousand).

## [21] EQUITY

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

### Issued capital

As at 31 December 2013, 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	31/12/2013	31/12/2012
Share capital	15,500	15,500
<b>Issued capital</b>	<b>15,500</b>	<b>15,500</b>

### Capital reserves

in € '000	31/12/2013	31/12/2012
Share premium from the issuance of stock	15,274	15,274
<b>Capital reserves</b>	<b>15,274</b>	<b>15,274</b>

Capital reserves include the share premium from the issuance of SIMONA AG stock. There was no increase in capital reserves in the period under review.

### Other reserves

in € '000	31/12/2013	31/12/2012
Currency translation effects	-1,963	224
<b>Other reserves</b>	<b>-1,963</b>	<b>224</b>

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

## [22] FINANCIAL LIABILITIES

in € '000	Due date	31/12/2013	31/12/2012
<b>Current liabilities</b>			
Loan of US\$5 million (nominal amount)	12/2013	0	3,789
Pro-rata loan of US\$210 thousand (principal repayments due by 31/12/2014)	01/2014 – 12/2014	23	23
		<b>23</b>	<b>3,812</b>
<b>Non-current liabilities</b>			
Pro-rata loan of US\$210 thousand (principal repayments due after 31/12/2014)	01/2015 – 10/2016	41	66
		<b>41</b>	<b>66</b>

Fixed interest rates of between 1.5 per cent and 4.9 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.

SIMONA AG, Kirn, issued absolute suretyships in respect of loans for the benefit of its subsidiaries.

## [23] PENSIONS

The majority of employees at SIMONA AG 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. These relate to benefits in respect of retirement, disability and surviving dependants.

In order to mitigate the risks associated with defined benefit plans, particularly as regards longevity, inflation and salary increases, SIMONA introduced multifinanced defined contribution plans for employees joining the company on or after 1 January 2009.

With the exception of payments to SIMONA Sozialwerk GmbH, no contributions are made to funds, cf. Note [24].

The following tables include 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 statement of financial position for the respective plans.

The changes in the liabilities of defined benefit obligations (DBO) are as follows:

in € '000	31/12/2013	31/12/2012 adjusted
DBO at beginning of reporting period	48,488	36,159
Current service cost	1,381	997
Interest cost	1,667	1,769
Remeasurement	-1,795	11,226
Actuarial gains/losses due to changes in financial assumptions	-1,664	10,780
Actuarial gains/losses due to changes in demographic assumptions	0	0
Actuarial gains/losses from changes in the entitlement base	-131	446
Benefits paid	-1,606	-1,663
<b>DBO at end of reporting period</b>	<b>48,135</b>	<b>48,488</b>
of which non-current liability	46,626	47,031
of which current liability	1,509	1,457

The Group anticipates benefit payments of €1,509 thousand in connection with defined benefit pension plans for the 2014 financial year.

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

	31/12/2013	31/12/2012
Discount rate	3.70 %	3.50 %
Salary increases	2.50 %	2.50 %
Pension increases	1.87 %	1.87 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2013 would increase or decrease the DBO as follows:

in € '000	<b>Change in DBO by half a percentage point as at 31/12/2013</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate	-3,799	4,333
Salary increases	1,073	-1,013
Pension increases	2,826	-2,581

The decline in mortality rates by 10% results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2013 would increase by € 1,405 thousand following a reduction in the mortality rate by 10% and would decrease by € -1,269 thousand following a 10% increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans of SIMONA AG is 17.1 years (prev. year: 17.8 years).

## [24] COMPANY WELFARE INSTITUTIONS

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.8. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employees of SIMONA AG as well as their dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. SIMONA AG has no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

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

The agreed 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. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases.

Funding of SIMONA Sozialwerk GmbH is performed in observance of tax regulations.

	<b>31/12/2013</b>	<b>31/12/2012</b> adjusted
in € '000		
DBO at beginning of reporting period	52,369	37,231
Current service cost	1,986	1,409
Interest cost	1,814	1,838
Remeasurement	-2,330	12,755
Actuarial gains/losses due to changes in financial assumptions	-2,205	13,383
Actuarial gains/losses due to changes in demographic assumptions	0	0
Actuarial gains/losses from changes in the entitlement base	-125	-628
Benefits paid	-919	-864
<b>DBO at end of reporting period</b>	<b>52,920</b>	<b>52,369</b>
Fair value of plan assets at beginning of year	39,024	39,631
Expected returns on plan assets	1,350	2,035
Remeasurement	567	-1,778
Returns on plan assets without amounts included in net interest expenses and income	567	-1,778
Benefits paid	-919	-864
<b>Fair value of plan assets at end of year</b>	<b>40,022</b>	<b>39,024</b>
<b>Deficit of plan assets</b>	<b>-12,898</b>	<b>-13,345</b>

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [23].

A 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 19.8, the plan assets are available to be used only to pay or fund employee benefits. The surplus of indirect pension obligations not recognised in the Group statement of financial position was € 2,400 thousand as at 1 January 2012 and fell to € 0 in 2012 as a result of a remeasurement of the obligation.

The change in the deficit as at 31 December 2013 is attributable primarily to the increase in current service cost. Due to the application of IAS 19R "Employee Benefits" and the elimination of the corridor method, remeasurements are accounted for as a liability for the first time in the financial year 2013; the figures for 2012 have been adjusted accordingly.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2013 would increase or decrease the DBO as follows:

in € '000	<b>Change in DBO by half a percentage point as at 31/12/2013</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate	-4,979	5,770
Salary increases	2,034	-1,874
Pension increases	3,315	-3,030

The decline in mortality rates by 10% results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2013 would increase by €1,606 thousand following a 10% reduction in the mortality rate and would decrease by € -1,455 thousand following a 10% increase in the mortality rates.

The composition of plan assets is presented below:

in € '000	<b>Fair value at</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
<b>Category of assets</b>		
Shares in SIMONA AG	19,640	18,420
Bonded loans	5,600	9,069
Time deposits	8,500	11,200
Cash and cash equivalents	5,945	222
Other plan assets	337	113
<b>Total plan assets</b>	<b>40,022</b>	<b>39,024</b>

Only the shares in SIMONA AG are quoted in an active market.

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 20.5 years (prev. year: 21.5 years).

The liability recognised in the statement of financial position with regard to this pension plan changed as follows:

	<b>31/12/2013</b>	<b>31/12/2012</b>
in € '000		adjusted
Liability at beginning of reporting period	13,345	0
Current service cost	1,986	1,409
Net interest expense	464	-197
Remeasurement	-2,897	12,133
Actuarial gains/losses due to changes in financial assumptions	-2,205	13,383
Actuarial gains/losses from changes in the entitlement base	-125	-628
Remeasurement from plan assets	-567	1,778
Remeasurement from asset ceiling	0	-2,400
<b>Liability at end of reporting period</b>	<b>12,898</b>	<b>13,345</b>

## [25] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Others	Total
<b>Balance at 1 January 2013</b>	<b>3,552</b>	<b>3,392</b>	<b>74</b>	<b>7,018</b>
Allocated	80	29	11	120
Used	973	29	10	1,012
Reversed	0	77	56	133
Exchange differences	-3	0	0	-3
Compounding	0	6	0	6
<b>Balance at 31 December 2013</b>	<b>2,656</b>	<b>3,321</b>	<b>19</b>	<b>5,996</b>
Short-term provisions	1,002	736	11	1,749
Long-term provisions	1,654	2,585	8	4,247
<b>Balance at 31 December 2013</b>	<b>2,656</b>	<b>3,321</b>	<b>19</b>	<b>5,996</b>
Short-term provisions	1,210	748	66	2,024
Long-term provisions	2,342	2,644	8	4,994
<b>Balance at 31 December 2012</b>	<b>3,552</b>	<b>3,392</b>	<b>74</b>	<b>7,018</b>

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement and provisions relating to anniversaries. Personnel-related provisions are measured on the basis of actuarial figures.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to €1,481 thousand (prev. year: €2,375 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 indi-

vidual 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.

## [26] STATEMENT OF CASH FLOWS

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

in € '000	<b>31/12/2013</b>	<b>31/12/2012</b>
Cash and cash equivalents	47,477	36,934
	<b>47,477</b>	<b>36,934</b>

The effects of changes to cash and cash equivalents attributable to exchange rates were €-454 thousand (prev. year: €287 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.

## [27] 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, Kirn
- Dirk Möller, Deputy Chairman, Kirn
- Fredy Hiltmann, Kirn

### Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim  
Diplom-Kaufmann  
Chairman  
Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobél, Isernhagen,  
Managing Director of Dirk Rossmann GmbH, Burgwedel  
Deputy Chairman  
Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main  
Chairman of the Advisory Board of Saxonia Holding GmbH, Wolfsburg
- Dr. Roland Reber, Stuttgart  
Managing Director of Ensinger GmbH, Nufringen

- Joachim Trapp, Biberach  
Qualified Lawyer  
Member of the Supervisory Board of Kreissparkasse Biberach, Biberach  
Managing Director of Sparkasse-Immobilien BC GmbH, Biberach  
Managing Director of Sparkasse-Immobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach (since 7 June 2013)
- Gerhard Flohr, Bergen  
Employee Representative
- Andreas Bomm, Schmidthachenbach  
Employee Representative (until 28 March 2014)
- Jörg Hoseus, Monzingen  
Employee Representative (since 28 March 2014)

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, Dirk 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 (Guangdong) 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 €1,132 thousand were transacted between SIMONA AG and the entities of the Ensinger Group.

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.

We received no mandatory notifications in the period under review.

#### **Compensation of members of the Management Board and Supervisory Board**

Total compensation for the Management Board amounted to €1,322 thousand in the financial year under review (prev. year: €1,760 thousand). Total compensation comprised €1,042 thousand (prev. year: €1,118 thousand) in fixed-level compensation and €280 thousand (prev. year: €642 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €10,061 thousand (prev. year: €9,081 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was €563 thousand (prev. year: €473 thousand). Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2013, these amounted to €6,035 thousand (prev. year: €5,608 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €502 thousand (prev. year: €440 thousand).

Supervisory Board compensation for 2013 amounted to €131 thousand (previous year: €136 thousand). Supervisory Board compensation encompasses no variable components.

### **[28] FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Principles of financial 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 loans denominated in foreign currency. To hedge the original risk of interest-rate changes in respect of a loan extinguished in 2012 prior to maturity, the company has also entered into an interest swap agreement that matures on 30 September 2015. 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 Libor been 100 basis points higher or lower at 31 December 2013, the net finance result would have been €5 thousand higher and €5 thousand lower respectively.

Had the market interest rate of the US dollar Libor been 100 basis points higher or lower at 31 December 2012, the net finance result would have been €12 thousand higher and €13 thousand lower respectively.

### Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of operating activities as well as 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.

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 2013, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,785 thousand lower (€5,849 thousand higher).

The hypothetical effect on profit of minus € 4,785 thousand (plus €5,849 thousand) is attributable to the following sensitivity to exchange rates:

	Effect on profit before taxes	
in € '000		
EUR/USD	-2,994	(3,659)
EUR/GBP	-231	(283)
EUR/CHF	-178	(218)
EUR/CZK	188	(-229)
EUR/PLN	-167	(204)
EUR/HKD	-883	(1,079)
EUR/CNY	-330	(403)
EUR/RUB	-190	(232)
	<b>-4,785</b>	<b>(5,849)</b>

If, as at 31 December 2012, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €3,998 thousand lower (€4,887 thousand higher).

The hypothetical effect on profit of minus €3,998 thousand (plus €4,887 thousand) is attributable to the following sensitivity to exchange rates:

	Effect on profit before taxes	
in € '000		
EUR/USD	-2,501	(3,058)
EUR/GBP	-219	(268)
EUR/CHF	-150	(183)
EUR/CZK	191	(-235)
EUR/PLN	-151	(185)
EUR/HKD	-899	(1,100)
EUR/CNY	-227	(277)
EUR/RUB	-42	(51)
	<b>-3,998</b>	<b>(4,887)</b>

The effect on equity of currency translation of monetary items, which constitute part of a net investment in foreign subsidiaries pursuant to IAS 21, would be € -1,638 thousand (€2,002 thousand) in the financial year under review; prev. year: € -1,128 thousand (€1,379 thousand).



### 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 mitigated with the help of trade credit insurance. On average, around 60 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy. Receivables exposed to probable credit risk are identified and monitored on a regular basis; credit risk relating to such items is accounted for by means of specific allowances on an item-by-item basis. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets.

### Liquidity risk

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

Alongside cash and cash equivalents amounting to €47.5 million, the SIMONA Group has undrawn borrowing facilities of €8.5 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 2013, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	23	41	0	64
Trade payables	12,430	0	0	12,430
Other liabilities	8,361	59	0	8,420
<b>Financial liabilities</b>	<b>20,814</b>	<b>100</b>	<b>0</b>	<b>20,914</b>

As at 31 December 2012, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	3,812	66	0	3,878
Trade payables	11,266	0	0	11,266
Other liabilities	9,264	118	0	9,382
<b>Financial liabilities</b>	<b>24,342</b>	<b>184</b>	<b>0</b>	<b>24,526</b>

As in the previous financial year, at 31 December 2013, 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 €38 thousand (prev. year: €78 thousand).

As in the previous financial year, at 31 December 2013, there were no currency options that would result in amounts due to the entity or payment obligations.

### 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.

## [29] FINANCIAL INSTRUMENTS

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

		Carrying amount		Fair value	
in € '000		31/12/2013	31/12/2012	31/12/2013	31/12/2012
<b>Non-current financial assets</b>					
Financial assets	HtM	23	23	23	23
<b>Current financial assets</b>					
Other financial assets	AfS	4,000	10,000	4,000	10,000
Cash and short-term deposits	LaR	47,477	47,928	47,477	47,928
Trade receivables	LaR	48,097	43,283	48,097	43,283
<b>Financial liabilities</b>					
Loans	FLAC	-64	-3,878	-64	-3,878
Interest-rate swap	FLHfT	-38	-78	-38	-78
Trade payables	FLAC	-12,430	-11,266	-12,430	-11,266
<b>Total by measurement category</b>					
HtM		23	23	23	23
AfS		4,000	10,000	4,000	10,000
LaR		95,574	91,211	95,574	91,211
FLAC		-12,494	-15,144	-12,494	-15,144
FLHfT		-38	-78	-38	-78

(HtM = Held to Maturity, AfS = Available for Sale, LaR = Loans and Receivables, 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.

Short-term deposits held as Loans and Receivables (LaR) include time deposits of €0 thousand (prev. year: €10,994 thousand).

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.

#### 2013: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total
AfS	75	0	0	0	75
LaR	323	0	-516	-89	-282
HfT	0	38	0	0	38
FLAC	-235	0	0	0	-235
<b>Total</b>	<b>163</b>	<b>38</b>	<b>-516</b>	<b>-89</b>	<b>-404</b>

#### 2012: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total
AfS	229	0	0	0	229
LaR	357	0	-486	-150	-279
HfT	0	44	0	0	44
FLAC	-312	0	0	0	-312
<b>Total</b>	<b>274</b>	<b>44</b>	<b>-486</b>	<b>-150</b>	<b>-318</b>

### Hedging transactions

#### Cash flow hedging instruments

As at 31 December 2013 and 31 December 2012, the Group held no forward currency contracts.

At the reporting date, the Group continued to hold an interest-rate swap used for the purpose of hedging risk arising from changes in the cash flow of a floating-rate US dollar loan extinguished prior to maturity in 2012. The term is based on the underlying loan.

As at 31 December 2013 and 31 December 2012, the Group held no currency options.

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

Assets measured at fair value:

in € '000	as at 31 December 2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Bonded loans	4,000	0	4,000	0

A bonded loan was taken out on 25 February 2013 and is due on 25 February 2015 at the latest, but can be cancelled by the lender as agreed by the contracting parties. The bonded loan bears interest based on the three-month EURIBOR rate plus a floating premium. The floating premium amounted to 30 basis points and rises each quarter-year until it has reached 70 basis point at the end of maturity.

in € '000	as at 31 December 2012	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Bonded loans	10,000	0	10,000	0

Liabilities measured at fair value:

in € '000	as at 31 December 2013	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	38	0	38	0

	<b>as at 31 Decem- ber 2012</b>			
in € '000	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial liabilities at fair value through profit or loss				
Interest-rate swap	78	0	78	0

### [30] 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.S., Domont, France	100.0
SIMONA S.r.l. Società Unipersonale, Vimodrone, Italy	100.0
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 (Guangdong) 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
OOO SIMONA RUS, Moscow, Russian Federation	100.0

There were no changes to the ownership interests held in subsidiaries in the financial year under review.

#### 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.

	<b>Ownership interest</b>	<b>Equity 31/12/2012</b>	<b>Profit/loss 2012</b>
Company	in %	in € '000	in € '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	15,579	108
SIMONA Vermögensverwaltungs- gesellschaft der Beleg- schaft mbH, Kirn, Germany	50.0	6,328	623

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.8. 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.

#### Corporate acquisitions

On 8 January 2014, effective from 1 January 2014, the Group acquired 100 per cent of the equity interests furnished with voting rights in Laminations Inc., a non-listed entity headquartered in Archbald, PA, USA. The Group acquired Laminations Inc. for the purpose of strengthening its position in the US market for semi-finished plastics and unlocking new fields of application for HDPE in markets such as the recreational, furniture and marine industry. The provisional consideration is €12,793 thousand in total (including €-80 thousand in cash acquired). The consideration comprises liabilities assumed, which have been recognised at a fair value of €0 thousand. The fol-

lowing information pertaining to provisional purchase price allocation details the expected values of the principal groups of assets and liabilities acquired at the date of purchase: property, plant and equipment €4,247 thousand, inventories €4,342 thousand, receivables and other assets €2,476 thousand as well as liabilities €1,690 thousand. Provisional goodwill amounting to €3,418 thousand includes non-separable intangible assets, unrecognised advantages relating to the acquiree's personnel base, synergy effects from the product portfolio and sales as well as other synergy effects.

#### Average number of staff employed in the financial year

##### GROUP

	2013	2012
Industrial staff	681	723
Clerical staff	469	478
	<b>1,150</b>	<b>1,201</b>
School-leaver trainees (apprentices)	42	46
<b>Total number of employees</b>	<b>1,192</b>	<b>1,247</b>

#### Contingent liabilities and other financial commitments

There were no contingent liabilities at the end of the reporting period.

in € '000	31/12/2013	31/12/2012
<b>Other financial commitments</b>		
Commitments from operating rental and lease agreements		
Due within:		
1 year	925	955
2 – 5 years	665	1,219
after 5 years	0	0
	<b>1,590</b>	<b>2,174</b>
<b>Purchase commitments arising from investment projects</b>	<b>8,457</b>	<b>10,453</b>

#### Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2013 on 26 February

2014. It has been made permanently available to shareholders on its corporate website at [www.simona.de](http://www.simona.de).

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

As at 7 June 2013 (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 1,300 shares, which corresponds to 0.22 per cent of share capital of SIMONA AG.

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

The total fees invoiced by the independent auditor of SIMONA AG in the financial year under review were €182 thousand. These fees comprised the following items: €135 thousand for the year-end audit, €10 thousand for tax consulting services and €37 thousand for other services.

#### Events after the reporting period

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

Effective from 1 January 2014, the Group acquired 100 per cent of the equity interests in Laminations Inc., Archbald, PA, USA, furnished with voting rights.

Kirn, 31 March 2014

SIMONA Aktiengesellschaft

Wolfgang Moyses

Dirk Möller

Fredy Hiltmann

## Details of Shareholdings of SIMONA AG

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	€ '000	€ '000
<b>Indirectly</b>			
SIMONA S.A.S., Domont, France	100.0	3,192	252
SIMONA S.r.l. Società Unipersonale, Vimodrone, Italy	100.0	269	-127
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,636	69
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	174	61
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,151	-19
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	6,197	-912
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,644	0
<b>Directly</b>			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	342	54
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	543	-406
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,054	169
SIMONA Sozialwerk GmbH, Kirn (2012)	50.0	15,579	108
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2012)	50.0	6,328	623
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0*
SIMONA AMERICA Inc., Hazleton, USA	100.0	1,670	-1,433
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	17,552	3,812
SIMONA ASIA Ltd., Hong Kong, China	100.0	3,918	-387
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	566	159
OOO SIMONA RUS, Moscow, Russian Federation	100.0	156	245

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

## Reproduction of the Auditor's Report

### Having concluded our audit, we issued the following unqualified audit opinion dated 4 April 2014:

"We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement 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 2013. The Management Board of the Company is 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 Management Board, 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."

Frankfurt am Main, 4 April 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	Christian Kwasni
German Public Auditor	German Public Auditor

## Other Information

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

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

Kirn, 31 March 2014  
SIMONA Aktiengesellschaft

Wolfgang Moyses

Dirk Möller

Fredy Hiltmann



# Shareholdings of SIMONA AG

## SIMONA AG, KIRN

<b>SIMONA Beteiligungs-GmbH</b> Kirn, Germany		100.0 %
	<b>SIMONA S.A.S.</b> Domont, France	100.0 %
	<b>SIMONA S.r.l.</b> <b>Società Unipersonale</b> Vimodrone, Italy	100.0 %
	<b>SIMONA UK Ltd.</b> Stafford, United Kingdom	100.0 %
	<b>SIMONA IBERICA</b> <b>SEMIELABORADOS S.L.</b> Barcelona, Spain	100.0 %
<b>SIMONA Sozialwerk GmbH</b> Kirn, Germany		50.0 %
<b>SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH</b> Kirn, Germany		50.0 %
<b>SIMONA-PLASTICS CZ, s.r.o.</b> Prague, Czech Republic		100.0 %
<b>SIMONA Plast-Technik s.r.o.</b> Litvinov, Czech Republic		100.0 %
<b>SIMONA POLSKA Sp. z o.o.</b> Wrocław, Poland		100.0 %
<b>DEHOPLAST POLSKA Sp. z o.o.</b> Kwidzyn, Poland		51.0 %
<b>SIMONA AMERICA Inc.</b> Hazleton, USA		100.0 %
	<b>64 NORTH CONAHAN DRIVE HOLDING LLC</b> Hazleton, USA	100.0 %
<b>SIMONA FAR EAST Ltd.</b> Hong Kong, China		100.0 %
	<b>SIMONA ENGINEERING PLASTICS TRADING Co. Ltd.</b> Shanghai, China	100.0 %
<b>SIMONA ASIA Ltd.</b> Hong Kong, China		100.0 %
	<b>SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.</b> Jiangmen, China	100.0 %
<b>OOO SIMONA RUS</b> Moscow, Russian Federation		100.0 %

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