

The SIMONA logo is displayed in white, bold, uppercase letters within a red rectangular box in the top right corner of the page. The background of the entire page is a photograph of a city skyline at sunset, with the sun low on the horizon, casting a warm orange glow over the buildings and creating a lens flare effect in the bottom left corner. A construction crane is visible on the right side of the skyline.

**SIMONA**

**CONSOLIDATED FINANCIAL  
STATEMENTS 2014**

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**SIMONA GROUP**

A decorative graphic in the bottom right corner of the red text box, featuring a stylized globe with a network of white dots and lines connecting them, set against a red background.

## KEY FINANCIALS

### SIMONA GROUP

		2014	2013	2012
Revenue	€m	336.6	287.9*	293.2
Year-on-year change	%	16.9	-1.8*	-5.0
Staff costs	€m	61.8	56.2	57.3
Earnings before taxes	€m	15.9	7.2	13.5
Profit for the year	€m	11.2	4.8	10.6
Net cash from operating activities	€m	31.2	14.2	21.3
EBIT	€m	17.1	8.2	14.1
EBIT	%	5.1	2.9	4.8
EBITDA	€m	30.0	19.6	25.6
EBITDA	%	8.9	6.9	8.7
Total assets	€m	298.0	257.7	262.8
Equity	€m	156.3	167.8	166.5
Property, plant and equipment	€m	107.3	88.8	90.9
Investments in property, plant and equipment	€m	22.4	11.9	13.5
Employees (annual average)		1,325	1,192	1,247

\* Figures adjusted due to first-time presentation of freight and packaging revenues in sales revenue .

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# GROUP MANAGEMENT REPORT OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

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## 1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

### 1.1 Group business model

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

#### Key sales markets

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

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

- Europe
- Americas
- Asia and Pacific

The secondary classification is based on product areas:

- Semi-finished and finished parts
- Pipes and fittings

#### Production and sales locations

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

company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated five 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-Württemberg). 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. The facility based in Hazleton (Pennsylvania, USA) primarily manufactured extruded semi-finished parts for the American market. In Archbald (Pennsylvania, USA), Laminations Inc., which was acquired by SIMONA AMERICA Inc. effective from 1 January 2014, also focused on the production of extruded sheets. Production of extruded sheets for industrial applications in the US market was concentrated at the site in Archbald over the course of 2014. The facility in Hazleton was closed at the end of the year. Additionally, Boltaron Inc., whose business activities were taken over by SIMONA AMERICA Inc. effective from 1 April 2014, produces sheets and films made of thermoplastics at its plant in Newcomerstown (Ohio, USA), focusing primarily on aircraft interiors. The sales company SIMONA-PLASTICS CZ, s.r.o., Prague, is to be closed effective from 30 June 2015 and integrated within the production company SIMONA Plast-Technik s.r.o., Litvinov.

#### 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, Andreas Bomm (Employee Representative, until 28 March 2014), Jörg Hoseus (Employee Representative, since 28 March 2014) and Gerhard Flohr (Employee Representative).

## 1.2 Objectives and strategies

The company remained fully focused on pursuing its strategic reengineering programme initiated in 2013. The first positive results of this realignment were seen in 2014.

As part of the Reengineering Europe project, for example, SIMONA streamlined and optimised its processes, implemented a new operating concept for machinery and adapted the business models in its European markets to current customer requirements, which involved discontinuing the logistics facilities in France and Italy.

The core objectives of strategic reengineering are as follows:

- Enter new fields of application beyond the core market of chemical-technical plant engineering in Europe.  
For this purpose, the company is looking to strengthen its abilities as an innovator, which includes a newly built Technology Centre, and step up its efforts in the area of research and development.
- Accelerate growth in selected regions outside Europe.
- Raise the level of profitability in a sustainable manner for the Group as a whole by embracing the idea of profitable operations in all processes.

## 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 BSC process was reviewed and optimised in 2014.

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

cash depreciation 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 2014 was on strengthening SIMONA's abilities as an innovator. The process of innovation (Stage-Gate process) was further optimised, which among other things included the introduction of Innovation Circles responsible for prioritising projects and expediting implementation. Work on the production facility of the new Technology Centre was completed on time in the third quarter of 2014. A processing system for high-temperature materials was put into operation in the fourth quarter of 2014.

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 was further increased over the course of 2014.

In the area of PVC sheets the company refined its product developed specifically for the flooring industry – SIMOFLOOR –

and optimised it for specialist fields of application of interest to flooring manufacturers. A PVC sheet in a new material combination designed for the production of sandwich panels was developed specifically for applications in the structural engineering sector. A sanding machine was installed for the purpose of processing SIMOWOOD, a product – launched in 2013 – that looks and feels like wood. This will extend the value creation process for the company and expand the overall product range.

In the area of pipes and fittings the focus during 2014 was on optimising injection-moulding processes and adding to the range of fittings offered by the company. This was – and will continue to be – achieved by means of targeted investments in machinery. SIMONA also invested in a new bending machine, allowing the company to extend its product portfolio of seamless bends to include products in DA 710 – 1,000 mm. Thus, SIMONA now produces the world's largest seamless bends. In the period under review, the company also developed a formula for the production of co-extruded pipes with a highly abrasion-resistant inner layer for the hydraulic and pneumatic transport of abrasive solids. In the area of sewer rehabilitation SIMONA launched a system featuring plug-in pipes for simpler and more efficient repair jobs. Thanks to a specially designed socket, the process of installing drainage pipes can be made even more efficient.

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

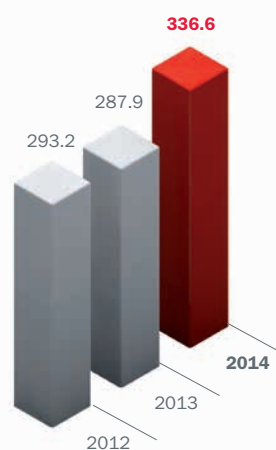
## 2. BUSINESS REVIEW

### 2.1 Macroeconomic and sector-specific environment

With the global economy yet to recover fully from the repercussions of the financial crisis, economic growth stood at 3.3 per cent in 2014. This was comparable to the rate of

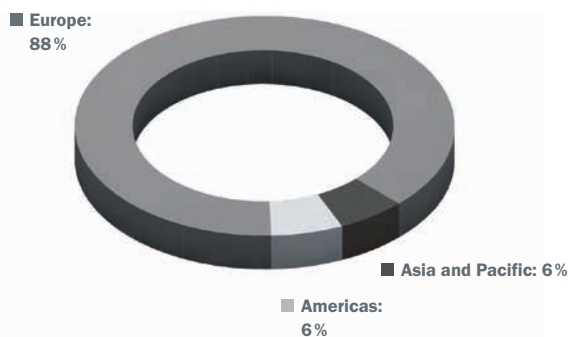
expansion recorded in the preceding year, but lower than originally forecast. Following a downturn in both 2012 and 2013, the eurozone saw its economy return to modest growth again for the first time in 2014 (+0.9 per cent). This was a tribute mainly to the buoyant German economy, which expanded by 1.6 per cent in 2014 (2013: 0.1 per cent). Elsewhere, Spain (+2.0 per cent) and Portugal (+0.7 per cent) also returned to growth, whereas Italy remained mired in recession (-0.3 per cent) and France's economy trended sideways. Investment spending within the market as a whole, which is of particular importance to SIMONA's own business, increased slightly in the period under review. In Germany, for instance, investments directed at technical equipment rose by 3.7 per cent compared to 2013. The US economy has remained robust recently. It grew by 2.4 per cent over the course of 2014 (2013: 2.2 per cent). This forward momentum, however, is being supported mainly by private consumption – underpinned by a healthy labour market and low fuel prices. By contrast, capital expenditure at a corporate level only made a very modest contribution to growth in the period under review. China's economy expanded by 7.4 per cent in 2014. This was 0.4 percentage points down on the previous year and the weakest rate of growth in 24 years. At the same time, it reflects the route chosen by China's central government, away from an invest-

REVENUE SIMONA GROUP (in €m)

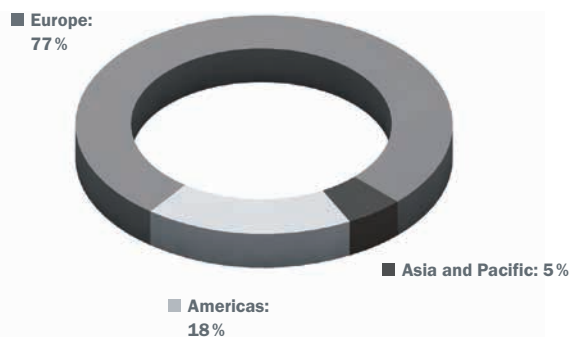


## REVENUE BY REGION SIMONA GROUP (in per cent)

2013:



2014:



(allocated according to place of registered office of revenue-generating business unit)

ment-driven economy built around foreign trade towards a structure centred on consumer spending and services.

The plastics processing industry in Germany completed 2014 with record sales revenue of €59 billion (2013: €57.5 billion). Despite a slowdown in momentum from the second half of the year onwards, growth for the year as a whole reached 2.6 per cent. Thus, this sector again managed to grow at a faster rate than the industry average. Abroad, plastics processing companies saw their sales expand by 3.4 per cent, compared to growth of 1.9 per cent in the domestic market. Corporate earnings remained stable, benefiting to some extent from lower volatility within the area of commodity prices. Having said that, the industry's overall competitiveness continues to be adversely affected by the significant costs associated with electricity supply. Production output within the European plastics industry rose slightly in the year under review (+1.5 per cent). Thus, the momentum of economic recovery first seen in 2013 was sustained over the course of 2014.

In a mildly dynamic market, revenue generated by the chemical industry in Germany rose slightly by 1.4 per cent to €193.2 billion. While companies managed to expand revenue generated from foreign sales by just 1.1 per cent, they

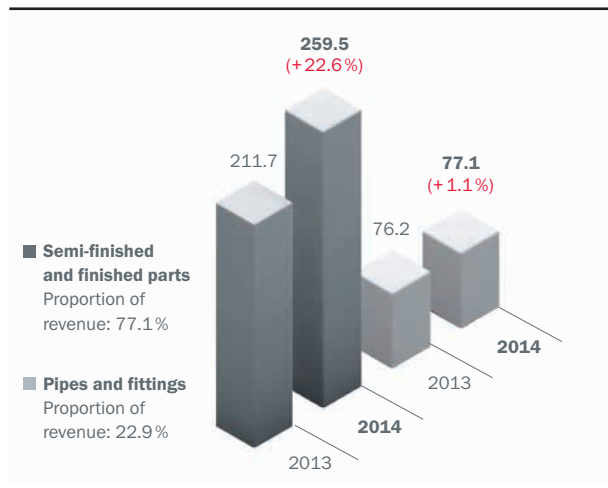
recorded slightly more dynamic business at a domestic level, with sales to German customers rising by 2.0 per cent.

Based on initial estimates, production output in Germany's mechanical and plant engineering industry expanded by 1.0 per cent, as anticipated by the German Engineering Association.

Germany's building sector grew by 2.0 per cent in 2014 according to provisional figures released by the two main federations operating in this area. This was driven by construction work on residential accommodation. By contrast, budget consolidation had a dampening effect on investments in the public sector.

### 2.2 Course of business

The SIMONA Group generated total sales revenue of €336.6 million in the 2014 financial year. This represents an increase of 16.9 per cent compared to 2013 (€287.9 million). The prior-year figure has been adjusted to reflect the change in the way freight and packaging revenue is accounted for by the Group. Sales performance was influenced mainly by more expansive capital expenditure on machinery and equipment in Germany as well as by persistently weak

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


investment spending in other countries within the eurozone. The market situation as a whole continues to be dominated by intense price-related competition. The newly acquired entities Laminations, USA, (since 1 January 2014) and Boltaron, USA, (since 1 April 2014) were consolidated within the Group for the first time in the 2014 financial year. The Group failed to achieve its revenue forecast of over €310 million for the 2014 financial year, as presented in last year's Group management report. Excluding the US acquisitions, Group revenue stood at €295 million. This was attributable to subdued investment spending within the eurozone and a more sluggish performance in Eastern Europe due to the Ukraine crisis. The revenue forecasts issued subsequent to the acquisition of the two US companies as part of the Group interim report for the first half of the financial year (€330 – 340 million) as well as the interim announcement within the second half of the financial year (€325 – 335 million) were met or slightly exceeded by the Group.

Based on Group earnings before interest and taxes (EBIT) of €17.1 million (prev. year: €8.2 million), the budgeted EBIT margin stood at 5.1 per cent (prev. year: 2.9 per cent). The acquired entities' contribution to EBIT amounted to €2.6 million in total, while their contribution to EBITDA was €3.8 million. EBITDA rose significantly from €19.6 million a year ago to €30.0 million at the end of the reporting

period. The EBITDA margin stood at 8.9 per cent, compared to 6.9 per cent for the same period a year ago. At 8.0 per cent, Group ROCE was up on the prior-year figure (4.5 per cent) as well as the figure originally forecast.

Earnings growth was fuelled by more expansive revenues and an improved product mix. As regards costs, expenses relating to acquisitions and corporate restructuring as well as persistently high commodity prices and spiralling energy costs put downward pressure on earnings.

Compared to the previous year, the segments reportable under IFRS were redefined for the 2014 financial year. The allocation of revenue to the segments Europe, Americas and Asia and Pacific is made according to the region in which the revenue generating business unit has its registered office. The region comprising the "Americas" is presented as a separate segment alongside "Asia and Pacific". The prior-year figures have been adjusted accordingly.

### Europe

The region comprising "Europe" saw sales revenue increase by a modest 2.4 per cent to €258.5 million in total (prev. year: €252.5 million). In this context, the subregions developed along different lines in the period under review. While resurgent investment spending among customers resulted in more pronounced revenue growth of 6.2 per cent in Germany, sales performance in some of the other countries within the eurozone was dampened by the lingering effects of the financial crisis. In Eastern Europe, meanwhile, the positive trend seen in recent years came to an abrupt end as the Ukraine crisis continued to unfold, as a result of which the Group was unable to achieve its growth targets. Owing to the significant expansion in revenue from sales in the Americas, Europe's share of total revenue fell from 87.7 per cent to 76.8 per cent.

### Americas

Following the first-time consolidation of the entities acquired in the United States, the "Americas" form a separate reportable segment as from the 2014 financial year. Fuelled by the recent acquisitions, the region comprising the "Americas" saw revenue increase significantly to €60.8 million (prev. year: €18.3 million). The subsidiary Boltaron



(aviation and specialty products) exceeded its revenue forecast in the period under review. By contrast, business centred around industrial products was sluggish as a result of the restructuring and concentration of operations at the site in Archbald. This region accounted for 18.1 per cent of total sales revenue, up from 6.4 per cent.

### Asia and Pacific

Sales revenue in the region encompassing “Asia and Pacific” rose slightly to €17.3 million (prev. year: €17.1 million). This figure, however, fell short of the revenue target originally set for this region. This region’s share of total revenue declined from 5.9 to 5.1 per cent, primarily as a result of the higher revenue base following the corporate acquisitions.

### Sales revenue by product group

The majority of product groups within the area of semi-finished and finished parts recorded growth in revenues during the financial year under review. The market for PVC foam sheets, a product used mainly in structural engineering and the advertising sector, proved particularly buoyant in terms of growth. Benefiting from more expansive investment activities by customers in Germany, the Group also recorded revenue growth within the area of extruded PE and PP sheets deployed in the field of chemical tank and

equipment engineering. By contrast, business relating to pressed PE sheets and finished parts contracted slightly. In total, finished and semi-finished parts accounted for sales revenue of €259.5 million (prev. year: €211.7 million). The year-on-year increase in revenue thus corresponds to 22.6 per cent; it was attributable primarily to revenue from the acquisitions consolidated for the first time as well as revenue growth generated by the parent company.

Revenue from sales within the product area of pipes and fittings was dominated by a strong first half of the year with double-digit growth rates. In the second six months, by contrast, increasingly sluggish investment spending within the market as a whole, triggered in particular by the crisis in Eastern Europe, led to consolidation within the infrastructure (supply/disposal utilities) and industrial markets. Thanks also to stronger project business, the product area comprising pipes and fittings nevertheless managed to generate slight revenue growth of 1.1 per cent, taking the total to €77.1 million (prev. year: €76.2 million).

## 2.3 Financial performance

### Earnings

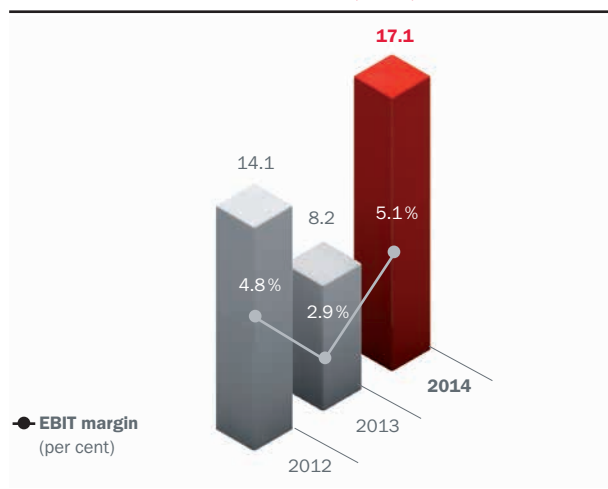
Benefiting from the positive direction taken by business, Group earnings before interest, taxes and income from investments (EBIT) doubled from €8.2 million to €17.1 million. At 5.1 per cent, the EBIT margin was up significantly on last year’s figure of 2.9 per cent.

Supported by revenue growth, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by €24.5 million to €149.1 million in 2014, which corresponds to 44.3 per cent of revenue (prev. year: 43.5 per cent).

At €0.1 million, the change in inventories had a marginal effect on the bottom line.

Other income totalled €7.6 million (prev. year: €3.7 million). This figure includes gains of €3.9 million arising from changes in foreign currency exchange rates. In 2014, freight and packaging revenue, formerly accounted for in other

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



income, has been included in sales revenue for the first time. The prior-year figure has been adjusted accordingly by €1.7 million.

The cost of raw materials fell slightly over the course of 2014. The cost of raw materials and consumables as a whole rose at a slower rate compared to revenue growth, up by 15.1 per cent. The cost of materials amounted to €195.1 million, up 16.2 per cent on the figure recorded a year ago (€168.0 million). Energy costs surged in the period under review (also due to higher EEG charges payable under the Renewable Energy Act), with SIMONA AG recording a figure of €11.9 million, which is 9.8 per cent up on the total of €10.8 million reported a year ago.

The year-on-year increase in staff costs by €5.6 million (€61.8 million; prev. year: €56.2 million) is mainly due to the first-time consolidation of acquired entities (up by €8.5 million). At the same time, the total amount was reduced by income accounted for in staff costs in connection with the cash settlement of pension obligations in 2014 (€3.4 million).

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €12.9 million (prev. year: €11.4 million). This figure includes impairment losses of €1.6 million attributable to buildings following the merger of production sites in the United States.

Other expenses rose by €8.5 million to €57.3 million. The year-on-year increase was due primarily to higher expenses for maintenance, sales commissions, outward freight and operating costs. By contrast, expenses relating to exchange differences as well as administration costs were lower in the financial year under review.

In line with higher pre-tax profit, taxes on income rose from €2.4 million in 2013 to €4.7 million in the reporting period.

With the exception of the Russian subsidiary, the respective sales companies in Europe achieved positive results in the financial year under review. In particular, the earnings contributions made by the subsidiaries in the United Kingdom and the Czech Republic were substantially higher year on year.

Compared with the previous year, the production company in the Czech Republic made a lower contribution to earnings in 2014.

The subsidiaries based in the United States recorded positive earnings at an operating level, before non-recurring expenses attributable to the acquisitions as well as restructuring.

The sales companies in Asia were faced with negative earnings compared to the previous year, primarily as a result of lower margins. While the plant in China reported negative EBIT in 2014, its EBITDA improved further compared to the previous year and remained within positive territory.

## 2.4 Financial position

As at 31 December 2014, total assets were up by €40.3 million to €298.0 million.

### Changes to assets

Intangible assets rose from €1.2 million a year ago to €28.6 million in the period under review, buoyed by the capitalisation of customer relationships as well as goodwill relating to the acquisitions in the United States.

Property, plant and equipment increased from €88.8 million to €107.3 million, mainly as a result of the acquisitions. Investments in property, plant and equipment amounted to €22.4 million within the Group. Depreciation and write-downs of property, plant and equipment totalled €12.2 million.

Deferred tax assets rose from €2.1 million to €9.5 million in the period under review, primarily due to the revaluation of pension provisions.

Inventories totalled €63.3 million (prev. year: €57.3 million). Inventories of raw materials and consumables (€24.4 million) increased by €5.2 million. Finished goods and merchandise (€38.2 million) were largely unchanged year on year at the end of the reporting period.

Trade receivables rose by €7.8 million to €55.9 million due to the acquisitions as well as factors relating to the end of the reporting period.

Other assets and income tax assets amounted to €8.0 million (prev. year: €8.8 million). This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of €2.1 million (prev. year: €2.7 million), the economic benefits of which will flow to the company after 31 December 2014.

Other financial assets fell from €4.0 million to €0 due to short-term financial arrangements.

Assets held for sale amount to €3.7 million and relate to property, plant and equipment.

#### Changes to equity and liabilities

The Group recorded a slight decline in equity compared to the same period a year ago as well as an expansion in its current and non-current liabilities.

At the end of the financial year, Group equity amounted to €156.3 million (prev. year: €167.8 million). In this context, the main contributory factors were profit of €11.2 million for the year, a dividend payment of €3.6 million during the 2014 financial year and the positive effects of foreign currency translation, equivalent to €1.6 million. The revaluation of pension provisions due to the reduction in the IAS actuarial interest rate had a significant impact on Group equity, equivalent to €-33.0 million. The equity ratio for the Group was 52 per cent at the end of the reporting period (prev. year: 65 per cent).

Provisions for pensions had to be revalued mainly in response to the reduction in the IAS actuarial interest rate from 3.70 per cent to 2.15 per cent. As a result of this, they increased substantially in the financial year under review to €92.5 million (prev. year: €61.0 million).

At €13.1 million, trade payables remained largely unchanged year on year (€12.4 million).

Other liabilities mainly comprise purchase price payments yet to be made in connection with the corporate acquisitions, management and staff bonus payments as well as deferrals/accruals relating to supplier invoices yet to be received.

Non-current (€4.0 million) and current (€1.5 million) other provisions were comparable to the figures recorded in the previous financial year.

#### Investments

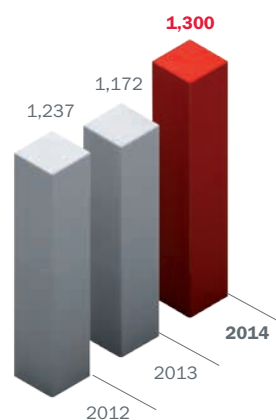
Investments in property, plant and equipment at Group level almost doubled year on year, taking the total to €22.4 million (prev. year: €11.9 million). They mainly relate to investments in the new Technology Centre at the company's headquarters as well as technical equipment at sites in Germany. In total, net investments amounted to €9.9 million at Group level (prev. year: €0.6 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 vari-

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



ous currencies and maturities. Excess cash resources are invested in the money or capital markets by applying an approach that is optimised in terms of both risk and returns.

### Financing analysis

Non-current financial liabilities amounted to €4.3 million (prev. year: €0.1 million) and were attributable to KfW loans. The current financial liabilities of €3.2 million (prev. year: €0) consisted of bank overdrafts. The Group's derivative financial instruments include an interest rate swap of €15 thousand (prev. year: €38 thousand) 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 €41.9 million (prev. year: €8.5 million).

### Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €31.2 million (prev. year: €14.2 million). Net cash used in investing activities was €-61.2 million (prev. year: net cash from investing activities of €5.4 million). This figure includes an outflow of cash for the acquisition of subsidiaries and other business units (€-42.5 million) as well as net inflows of cash totalling €4.0 million (prev. year: €21.0 million) from short-term financial arrangements. The cash inflow attributable to financing activities was €3.4 million (prev. year: net cash used in financing activities of €-8.7 million) and mainly included the cash received from bank loans and bank overdrafts as well as the dividend payout.

### Cash and cash equivalents

Cash and cash equivalents mainly consist of short-term bank deposits totalling €21.3 million (prev. year: €47.5 million). The year-on-year swing of €-26.2 million (prev. year: €10.5 million) was mainly the result of net cash from operating activities as well as net cash used in financing activities in connection with corporate acquisitions. These changes are presented in detail in the statement of cash flows in the notes to the consolidated financial statements.

The bonded loan relating to the Bank of China (prev. year: €4.0 million) presented in other financial assets in 2013 was cancelled in 2014 as agreed under the contract and paid out.

### Financial obligations

Other financial obligations totalling €1.2 million (prev. year: €1.6 million) were attributable to operating rental and lease agreements. Of this total, an amount of €0.8 million is due within one year. Contracts already awarded in connection with investment projects gave rise to current obligations of €5.2 million (prev. year: €8.5 million).

### Net finance cost

Based on finance income (including investment income) of €1.2 million and finance cost of €2.4 million, net finance cost (including investment income) amounted to €-1.2 million in 2014 (prev. year: €-1.0 million).

## 2.6 Non-financial indicators

### Customer satisfaction

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

### Employees

Due to the acquisition of Laminations Inc. and Boltaron Inc., the headcount within the SIMONA Group rose by 128 to 1,300 (2013: 1,172). The reengineering project in Europe prompted a further reduction in staffing levels in Germany (-30). Italy and France also saw job cuts in the year under review following the closure of the local logistics units. By contrast, ongoing international expansion meant that new jobs were created at the production sites in China and the Czech Republic.

The number of staff employed at SIMONA AG fell by 32 to 792 (31 December 2013: 824).

As at 31 December 2014, 41 young people were enrolled in vocational programmes relating to one of seven technical and commercial training courses offered by SIMONA. Three (2013: 5) former vocational trainees are enrolled in integrated degree courses which SIMONA offers in cooperation with various colleges and universities.

At 31 December 2014, 10 members of staff were on parental leave.

Personal and professional advancement of staff members is considered to be of particular importance to the company in the context of the strategic reengineering programme introduced by the SIMONA Group. Given the more international nature of SIMONA's business, the emphasis in 2014 was on foreign language instruction in particular. Additionally, industrial staff with HR responsibilities received leadership training as part of the reengineering project, the focus being on preparing them for new tasks within these roles. The company also carried out training in the field of lean management. Product training for Sales and Marketing was also high on the agenda. Following the success of the first-year candidates, the company launched Year 2 of its Talent Promotion Circle. As part of this programme, young members of staff receive training in preparation for future tasks at an operational and managerial level. The programme, which is supported by external consultants, forms an integral part of the HR development strategy, the aim being to appoint as many staff members from SIMONA's own ranks to specialist and managerial positions within the company.

With a view to making our processes more efficient, we initiated a restructuring programme relating to our maintenance and production activities in Kirn. These measures were drawn up jointly by the areas involved. Preparations for these restructuring projects were made fully in 2014, although some of the more complex measures will not commence until 2015.

The details of the company's Employee Suggestion Scheme were redefined and optimised by an interdisciplinary team. The key objective was to increase the number of suggestions, in addition to accelerating the process of assessing and implementing these suggestions with the help of an intranet-

based tool. The occupational health management programme focused on measures relating to workplace ergonomics as well as courses to help employees in their efforts to stop smoking.

As regards information technology, the focus in 2014 was on consolidating the IT infrastructure at the Group's two sites in Archbald and Hazleton, USA, following the acquisition of Laminations Inc., in addition to updating IT systems throughout the Group as part of ongoing measures. System administration was further standardised and automated by introducing new solutions in this area. The aim is to manage the growing number of IT systems without having to expand staffing levels.

#### **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 2014, the company was recertified with regard to all the aforementioned management standards. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

SIMONA's energy management system – in line with the internationally accepted DIN EN ISO 50001 standard – underwent its first follow-up audit in 2014. The audit confirmed that the issue of improving energy efficiency formed an essential part of the company's objectives and that organisational and technical measures to optimize peak loads – e.g. intelligent load management of energy-intensive devices – had achieved significant savings. It also confirmed that energy management was widely developed throughout the company.

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. In 2014, SIMONA joined an organisation by the name of VinylPlus, which focuses on improving sustainability within the PVC supply chain.

### 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 2014 financial year and the preparation of this Group management report.

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

The medium- to long-term prospects for growth within the market for plastics-based applications are positive. As regards growth potential, the largest regions for business expansion remain in Asia, where per-capita consumption of plastics is expected to increase twice as fast as that in Europe over the coming years. In extending its production capacity in China and acquiring Laminations and Boltaron in the United States, the SIMONA Group has further strengthened its international presence, thus allowing us to participate in the growing global trend towards applications centred around plastics. The trend within the spectrum of applications for SIMONA products continues to be towards increasingly lightweight plastics with next-generation properties. In particular, alternative materials with advanced properties have

become increasingly sought after in the construction industry and in the field of mass transportation. SIMONA has strengthened its ability to drive forward innovation and has invested in new fields of application so that it can unlock the opportunities for growth associated with this technological advancement. The company's entry into the market for aircraft interiors through the acquisition of Boltaron and the establishment of a new Technology Centre are two major milestones within this area. Another trend includes alternatives to plastics derived from crude oil resources. 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 requirements despite possible risks. The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions that are revised regularly to account for the latest external and internal developments. As regards the financial reporting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and 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 a risk map, the risk management system of SIMONA controls the following material risks associated with the Group: risks relating to the general business environment and sector, business strategy risks, financial risks, risks attributable to procurement and purchasing as well as IT-specific risks.

#### **Business environment and sector-specific risks**

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. These risks are mitigated by a diversified product portfolio, thorough monitoring of markets and structured procurement management. Expansion of production in the United States through the acquisition of Boltaron and manufacturing operations at the plants located in China and the Czech Republic provide greater flexibility when it comes to meeting new customer requirements in close proximity to their sites of operation. The market has seen a significant increase in geopolitical risks, particularly in the Eastern European region as a result of the Ukraine crisis. The outlook for growth in this sales region is bleak in the

coming years. Overall, the probability of damages occurring from exposure to sector-specific risks is considered low.

#### **Business strategy risks**

These encompass the risk of misjudgements with regard to the future direction taken by the market. In order to mitigate this risk, SIMONA monitors the market and competition closely and regularly conducts strategy meetings within its sales team as well as with major customers. The probability of damages occurring from exposure to business strategy risks is considered low.

#### **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. Due to the takeover of Laminations and Boltaron as well as the expansion of production within the US market, we have been able to further reduce our high level of dependence on the euro within the Group. The most pronounced risk to economic performance in 2014 stemmed from the financial crises in Europe and the conflict in Ukraine, which had an adverse effect on growth in Eastern Europe, as well as proving detrimental to confidence among German companies that are particularly reliant on exports. The risk of bad debt losses has increased in particular within the Eastern European market. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. As regards transactions in Russia, a separate directive for the conclusion of business agreements relating to this country was introduced for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products. The interest rate swap entered into for the purpose of hedging the risk of changes to interest rates 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.

### **Risks attributable to procurement and purchasing**

These risks relate in particular to the direction taken by commodity prices as well as supply-side disruptions. The volatility of commodity prices remained tangible during 2014. The pressure exerted on selling prices remains very high, particularly in view of the recent downturn in raw material prices and persistently intense competition. We expect to see a further structural upturn in commodity prices over the medium to long term. The probability of damages occurring from exposure to risks attributable to procurement and purchasing has increased following announcements by several raw material manufacturers of production outages (force majeure).

### **Information technology risks**

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

At the end of the 2014 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 – growth accompanied by significant risks**  
According to the forecast issued by the International Monetary Fund (IMF), the global economy will grow at a more pronounced rate in the coming years. Having said that, there is still a significant risk of new crises emerging. In its report issued in January, the IMF forecast global growth of

3.5 per cent for 2015. The eurozone is expected to recover at a slower rate (+1.2 per cent in 2015) than originally projected at the end of the year. While lower oil prices provide some impetus in the short term, weaker investment spending reflects the less favourable outlook for growth in the emerging markets, as predicted by Europe's export-driven economy. Germany is expected to expand by 1.3 per cent, while the growth forecast for France and Italy is 0.9 per cent and 0.4 per cent respectively. Spain's economy looks set to grow by a more substantial 2.0 per cent. Owing to low inflation and hardly any scope for additional interest rate cuts, the risk of deflation within the euro area has become more tangible.

Maintaining its forward momentum, the US economy is expected to expand by a sizeable 3.6 per cent in 2015, fuelled by strong domestic demand and benefiting from improved employment figures together with low oil prices. Given the strength of the US dollar, however, net exports are likely to fall.

The forecast for economic growth in the emerging markets and newly industrialised countries currently stands at 4.2 per cent. Controlled to some extent by government policies, China's economy is expected to decelerate further in 2015. Adversely affected by low oil prices and growing isolation in the wake of geopolitical conflicts, economic output in Russia is likely to decline markedly (outlook: -3.0 per cent).

The global economy will be supported largely by growing consumer demand from the industrialised nations. In Germany, export activities – a key business driver for SIMONA – will not develop as favourably as in the past against the backdrop of geopolitical conflict. What is more, the risk of further crises and conflicts is proving detrimental to the international investment climate. The low price of oil has also dampened expectations within the chemical industry – SIMONA's most important group of customers. The sector as a whole is predicting a decline in revenue of 0.5 per cent in 2015.



### Sector-specific conditions

The forecast issued by Germany's plastics processing industry points to growth in 2015 at a level comparable to last year's figure. Sixty-three per cent of the companies surveyed by the industry association GKV anticipate growth in sales revenue. The European plastics production industry anticipates that the slight upturn in business will continue in 2015, with manufacturing output predicted to grow by 1.0 per cent. Having said that, this sector as a whole is still short of its pre-crisis level in 2008.

### Future performance

Operating in a challenging economic environment, the SIMONA Group has budgeted consolidated revenue of €364 million and an EBIT margin of just over 5 per cent.

At Group level, the return on capital employed (ROCE) in 2015 is expected to be between 6 and 8 per cent.

The United States, in particular, is expected to provide fresh impetus for growth. Production within the Industrial Products division has been concentrated at the site in Archbald. This, together with full consolidation of Boltaron (aviation and specialty products) for the first time, is expected to contribute a substantial increase in revenue.

As regards the sales region encompassing "Europe", SIMONA anticipates a slight downturn in revenue due to lower investment spending within the market and the more pronounced risk of stagnation in the eurozone. At the same time, pricing levels due to the lower cost of raw materials will also play a role. The revenue targets for Germany and Europe are to be achieved primarily by expanding the company's business with new products and new customers. The planned introduction of semi-finished parts engineered from fully fluorinated plastics is to open up new fields of application for SIMONA. In the area of pipes and fittings, meanwhile, the objective is to expand international business with PP pipes and fittings targeted at industrial applications, in addition to developing the company's PE fittings business at a global level.

The company's ability to achieve these targets will depend in particular on the future capacity to impose viable prices

in a highly competitive market environment. Given the performance seen in the first quarter of the financial year, the SIMONA Group believes it will be difficult to achieve the revenue and earnings targets it has set itself. The protracted crisis in Ukraine will have a more severe impact on business in Eastern Europe than expected. At present, we anticipate that revenue of €340 – 345 million will be achievable in the financial year as a whole, with an EBIT margin of approx. 4.5 per cent. The figures budgeted by the Group can be achieved if the global economic and geopolitical climate improves markedly in the second half of the year.

SIMONA expects to be able to maintain customer satisfaction at the high level seen today with the help of new products and the improved development capabilities offered by the newly established Technology Centre.

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 fall slightly in 2015. The number of vocational trainees at the company will also be comparable to the prior-year figure to the extent that vacant apprenticeship places can be filled with suitable candidates as part of the current recruitment process.

## 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. Variable Management Board compensation is based on earnings performance at Group level as well as a long-term incentive plan centred around SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the years 2012 to 2014.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are calculated on the basis of the Group's earnings performance. Total compensation for the Management Board amounted to €1,647 thousand in the financial year under review (prev. year: €1,322 thousand). Total compensation comprised € 1,030 thousand (prev. year: €1,042 thousand) in fixed-level compensation and €617 thousand (prev. year: €280 thousand) in bonus payments. On 1 July 2011, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid up to and

including the 2015 financial year. Therefore, no individual, i.e. itemised, disclosures are made under Section 314(1) no. 6 of the German Commercial Code (Handelsgesetzbuch – HGB).

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

Remuneration for the former members of the Management Board amounts to €476 thousand (prev. year: €502 thousand). Pension provisions – based on local GAAP – for active and former members of the Management Board were recognised to the full extent and amounted to €10,941 thousand as at 31 December 2014 (prev. year: €10,061 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance policies. 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 13 June 2014 no such resolution for variable compensation components was passed for the 2014 financial year.

Supervisory Board compensation for the financial year under review amounted to €133 thousand (prev. year: €131 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 Management Board.

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

As at 31 December 2014, 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 Tegtmeier (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 13 June 2014, members of the Management Board reported a total holding of 70,810 own shares; this corresponds to 11.80 per cent of the share capital of SIMONA AG. The members of the Supervisory Board reported no shareholdings as at the attendance date of the Annual General Meeting on 13 June 2014.

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.

**Disclaimer – 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.

**Responsibility Statement**

We hereby declare that, to the best of our knowledge, the Group 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 Group.

Kirn, 31 March 2015  
SIMONA Aktiengesellschaft

Wolfgang Moyses      Dirk Möller      Fredy Hiltmann

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## GROUP INCOME STATEMENT OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

	Notes	01/01/ - 31/12/2014	01/01/ - 31/12/2013
in € '000			
Revenue	[7]	336,558	287,893*
Other income		7,570	3,708*
Changes in inventories of finished goods and work in progress		87	1,025
Cost of materials	[17]	195,146	168,008
Staff costs	[8]	61,818	56,240
Depreciation of property, plant and equipment, and amortisation of intangible assets	[15, 16]	12,864	11,428
Other expenses	[10]	57,285	48,767
Income from equity investments		1,000	1,000
Finance income	[11]	225	436
Finance cost	[11]	2,441	2,431
<b>Profit before tax</b>		<b>15,886</b>	<b>7,188</b>
Income tax expense	[12]	4,659	2,424
<b>Profit for the period</b>		<b>11,227</b>	<b>4,764</b>
of which attributable to:			
Owners of the parent company		11,205	4,686
Non-controlling interests		22	78
<b>EARNINGS PER SHARE:</b>			
in €			
- basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	18.68	7.81
- diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	18.68	7.81

\* Figures adjusted due to first-time presentation of freight and packaging revenues in sales revenue (€1,653 thousand).

## GROUP STATEMENT OF COMPREHENSIVE INCOME OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

	01/01/ - 31/12/2014	01/01/ - 31/12/2013
in € '000		
<b>Profit for the period</b>	<b>11,227</b>	<b>4,764</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurement of defined benefit obligations	-32,163	4,691
Deferred taxes on remeasurement of defined benefit obligations	9,482	-1,383
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	3,548	-2,227
<b>Other comprehensive income recognised directly in equity</b>	<b>-19,133</b>	<b>1,081</b>
<b>Total comprehensive income</b>	<b>-7,906</b>	<b>5,845</b>
Total comprehensive income attributable to:		
Owners of the parent company	-7,880	5,807
Non-controlling interests	-26	38

## GROUP STATEMENT OF FINANCIAL POSITION OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

### ASSETS

	Notes	31/12/2014	31/12/2013
in € '000			
Intangible assets	[15]	28,628	1,187
Property, plant and equipment	[16]	107,285	88,832
Financial assets	[29, 30]	415	23
Income tax assets	[19]	1,335	1,975
Deferred tax assets	[12]	9,467	2,075
<b>Non-current assets</b>		<b>147,130</b>	<b>94,092</b>
Inventories	[17]	63,296	57,288
Trade receivables	[18]	55,916	48,097
Other assets	[19]	5,879	5,888
Income tax assets	[19]	792	903
Other financial assets	[29]	0	4,000
Cash and cash equivalents	[20, 26]	21,313	47,477
Assets held for sale	[19]	3,706	0
<b>Current assets</b>		<b>150,902</b>	<b>163,653</b>
<b>Total assets</b>		<b>298,032</b>	<b>257,745</b>

### EQUITY AND LIABILITIES

	Notes	31/12/2014	31/12/2013
in € '000			
<b>Equity attributable to owners of the parent company</b>			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		123,658	138,734
Other reserves		1,633	-1,963
		<b>156,065</b>	<b>167,545</b>
<b>Non-controlling interests</b>		251	277
<b>Total equity</b>	[21]	<b>156,316</b>	<b>167,822</b>
Financial liabilities	[22]	4,271	41
Provisions for pensions	[23, 24]	90,958	59,524
Other provisions	[25]	4,013	4,247
Other liabilities		3,814	59
Deferred tax liabilities	[12]	188	0
<b>Non-current liabilities</b>		<b>103,244</b>	<b>63,871</b>
Financial liabilities	[22]	3,229	23
Provisions for pensions	[23]	1,571	1,509
Other provisions	[25]	1,458	1,749
Trade payables		13,054	12,430
Income tax liabilities		2,185	1,938
Other liabilities		16,960	8,365
Derivative financial instruments	[28, 29]	15	38
<b>Current liabilities</b>		<b>38,472</b>	<b>26,052</b>
<b>Total equity and liabilities</b>		<b>298,032</b>	<b>257,745</b>



## GROUP STATEMENT OF CASH FLOWS OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

in € '000	Notes	01/01/ - 31/12/2014	01/01/ - 31/12/2013
Profit before tax		15,886	7,188
Income taxes paid		-3,762	-2,473
Finance income and finance cost		203	-160
Depreciation of property, plant and equipment, and amortisation of intangible assets	[15, 16]	12,864	11,428
Other non-cash expenses and income		-22,340	4,165
Change in pensions	[23, 24]	31,496	-798
Result from disposal of non-current assets	[16]	942	59
Change in inventories	[17]	-6,008	-356
Change in trade receivables	[18]	-7,819	-4,814
Change in other assets		760	885
Change in assets held for sale	[19]	-3,706	0
Change in liabilities and other provisions		12,673	-891
<b>Net cash from operating activities</b>		<b>31,189</b>	<b>14,233</b>
Investments in intangible assets and property, plant and equipment	[15, 16]	-22,811	-12,067
Investments in financial assets		-76	0
Acquisition of subsidiaries and other business units less net cash acquired	[30]	-42,525	0
Proceeds from the disposal of assets		45	92
Proceeds relating to the short-term financial management of cash investments	[29]	4,000	20,994
Payments relating to the short-term financial management of cash investments		0	-4,000
Interest received		213	398
<b>Net cash (used in)/from investing activities</b>		<b>-61,154</b>	<b>5,417</b>
Proceeds from financial liabilities taken on by the Group	[22]	7,453	0
Repayment of financial liabilities	[22]	-23	-3,877
Payment of prior-year dividend	[14]	-3,600	-4,500
Interest paid and similar expenses		-428	-276
<b>Net cash from/(used in) financing activities</b>		<b>3,402</b>	<b>-8,653</b>
<b>Effect of foreign exchange rate changes on liquidity</b>	[26]	<b>399</b>	<b>-454</b>
<b>Change in cash and cash equivalents</b>		<b>-26,164</b>	<b>10,543</b>
Cash and cash equivalents at 1 January	[20, 26]	47,477	36,934
Cash and cash equivalents at 31 December	[20, 26]	21,313	47,477
<b>Change in cash and cash equivalents</b>		<b>-26,164</b>	<b>10,543</b>

## GROUP STATEMENT OF CHANGES IN EQUITY OF SIMONA AG FOR THE 2014 FINANCIAL YEAR

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY					NON-CONTROL- LING INTERESTS	TOTAL EQUITY
		Issued capital	Capital reserves	Revenue reserves	Other reserves	Total		
in € '000					Currency translation differences			
	NOTES	[21]	[21]					
<b>Balance at 01/01/2013 (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>
<b>Balance at 01/01/2014</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>
Amount recognised directly in equity		0	0	-22,681	3,596	-19,085	-48	-19,133
Profit for the period		0	0	11,205	0	11,205	22	11,227
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>-11,476</b>	<b>3,596</b>	<b>-7,880</b>	<b>-26</b>	<b>-7,906</b>
Dividend payment	[14]	0	0	-3,600	0	-3,600	0	-3,600
<b>Balance at 31/12/2014</b>		<b>15,500</b>	<b>15,274</b>	<b>123,658</b>	<b>1,633</b>	<b>156,065</b>	<b>251</b>	<b>156,316</b>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG FOR THE FINANCIAL YEAR 2014

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## [1] COMPANY INFORMATION

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2014 were scheduled to be released by the Management Board on the basis of a resolution of 10 April 2015 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 parts are manufactured at the plant in Kirn (Germany) as well as in Archbald and Newcomerstown (USA) and in 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), in France (SIMONA S.A.S., Domont, France), in Italy (SIMONA S.r.l. Società Unipersonale, Vimodrone, Italy), in Spain (SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain), in Poland (SIMONA POLSKA Sp. z o.o., Wrocław, Poland, DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland), in the Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic, SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic), in China (SIMONA FAR EAST Ltd., Hong Kong, China, SIMONA ENGINEERING PLASTICS TRADING Co. Ltd, Shanghai, China, SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China), in the United States (SIMONA AMERICA Inc., Hazleton, USA, Laminations Inc., Archbald, USA, and Boltaron Inc., Newcomerstown, USA) and in 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, unless otherwise specified under [5] Summary of significant accounting policies. 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 2014 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 2014 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 to be applied for the first time in the financial year

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) issued the following Standards and Interpretations that have been endorsed by the EU and incorporated into European law and must be applied with regard to the reporting period from 1 January 2014 to 31 December 2014. The accounting standards to be applied for the first time in the financial year 2014 had no material impact on the presentation of the financial statements.

##### **IFRS 10 “Consolidated Financial Statements”**

In May 2011, the IASB issued the new standard IFRS 10 “Consolidated Financial Statements” (IFRS 10). It supersedes the provisions on control and consolidation formerly included in IAS 27 “Consolidated and Separate Financial Statements” as well as SIC-12 “Consolidation – Special Purpose Entities”. IFRS 10 provides a consistent definition

of “control”, placing greater emphasis than before on commercial aspects. Thus, the new standard may generally result in an altered scope of consolidation. The standard has been adopted by the EU into European law. IFRS 10 is to be applied retrospectively for annual periods beginning on or after 1 January 2014.

##### **IFRS 11 “Joint Arrangements”**

In May 2011, the IASB issued the new standard IFRS 11 “Joint Arrangements” (IFRS 11). It supersedes IAS 31 “Interests in Joint Ventures” (IAS 31) and SIC-13 “Jointly Controlled Entities–Non-Monetary Contributions by Venturers”. The standard will in future distinguish between two types of joint arrangements: joint ventures and joint operations. The provisions set out in IFRS 10 form the basis for determining joint control. If after assessing the particular facts a joint venture is determined to exist, it is to be accounted for under the equity method. In the case of a joint operation, however, the attributable rights and obligations relating to assets and liabilities as well as expenses and income must be assigned directly to the joint operator. The standard has been adopted by the EU into European law. The new standard is to be applied retrospectively for annual periods beginning on or after 1 January 2014.

##### **IFRS 12 “Disclosure of Interests in Other Entities”**

IFRS 12 regulates the disclosure requirements for both IFRS 10 and for IFRS 11; it was issued by the IASB on 12 May 2011 in conjunction with these two standards. The standard requires an entity to disclose information on the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. These disclosures are required for subsidiaries, joint arrangements, associates and unconsolidated structured entities (special-purpose entities). An entity also has to disclose significant judgments and assumptions, including changes thereto, made in determining the nature of its interest in another entity or arrangement (i.e. control, joint control or significant influence), and in determining the type of joint arrangement in which it has an interest. The new standard was adopted by the EU into European law and is to be applied for annual periods beginning on or after 1 January 2014.

### **IAS 27 “Separate Financial Statements”**

In May 2011, the IASB issued a new version of IAS 27. The reissued version now only includes requirements relating to IFRS separate financial statements (previously consolidated and separate financial statements). The standard has been adopted by the EU into European law. The new standard is to be applied for annual periods beginning on or after 1 January 2014. The new standard will have no impact on the consolidated financial statements of SIMONA.

### **IAS 28 “Investments in Associates and Joint Ventures”**

In May 2011, the IASB issued a new version of IAS 28. The new version now stipulates that in planned partial disposals of interests in associates and joint ventures, the portion to be sold must, if it meets the criteria of IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” (IFRS 5), be classified as a non-current asset held for sale. The remaining investment shall continue to be accounted for under the equity method. If the sale results in the creation of an associate, that associate is to be accounted for under the equity method. Otherwise, the provisions set out in IFRS 9 shall be applied. The new standard incorporates the requirements of SIC-13 and eliminates exceptions formerly included in the scope of IAS 28. The standard has been adopted by the EU into European law. Its application is mandatory for annual periods beginning on or after 1 January 2014. The standard will not result in material changes to the consolidated financial statements of SIMONA.

### **Amendments to IFRS 10, IFRS 11 and IFRS 12: “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”**

In June 2012, the IASB published 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 11 and IFRS 12). The amendments clarify the transition guidance contained in IFRS 10, as well as providing additional transition relief relating to the first-time application of all three standards. In this context, for instance, adjusted comparative information is only required for the period im-

mediately preceding the date of initial application. Additional transition relief is provided by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. Coinciding with the effective date of IFRS 10, IFRS 11 and IFRS 12, the amendments shall be applied for annual periods beginning on or after 1 January 2014. The amendments have been adopted by the EU into European law. They will have no impact on the consolidated financial statements.

### **Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”**

In October 2012, the IASB published amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities” (amendments to IFRS 10, IFRS 12 and IAS 27). The amendments provide a definition of “investment entities” and remove them from the scope of IFRS 10. Instead of consolidating their investments in subsidiaries, parent investment entities shall now be required to recognise and measure them at fair value through profit or loss in accordance with IFRS 9 or IAS 39. In this context, new disclosure requirements have also arisen in IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”. The EU incorporated these amendments into European law in November 2013. The amendments are to be applied for annual periods beginning on or after 1 January 2014; earlier application is permitted. These amendments will not result in any material changes to the consolidated financial statements of SIMONA.

### **Amendments to IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures”**

In December 2011, the IASB published amendments to IAS 32 “Financial Instruments: Presentation” and IFRS 7 “Financial Instruments: Disclosures”. In future, an entity shall be required to disclose the gross and net amounts attributable to offsetting as well as amounts relating to existing rights of set-off that do not meet the accounting criteria for offsetting. In addition, inconsistencies in applying the existing rules for offsetting financial assets and financial liabilities have been eliminated. The amendments mentioned have different first-time application dates. The amend-

ments to IAS 32 are to be applied for annual periods beginning on or after 1 January 2014. The amendments have been adopted by the EU into European law. The amended standard will have no significant impact on the consolidated financial statements of SIMONA.

#### **Amendments to IAS 36 “Impairment of Assets”**

In May 2013, the IASB published amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”. IAS 36 was amended to clarify that disclosures are required only for impaired assets or for cash-generating units. The new standard was adopted by the EU into European law and is to be applied for annual periods beginning on or after 1 January 2014.

#### **Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”**

In June 2013, the IASB published narrow-scope amendments to IAS 39, “Financial Instruments”. The amendments provide that the requirement to discontinue hedge accounting shall not apply to the novation of a hedging instrument to a central counterparty if such novation is required by laws or regulations and if specific conditions are met. A hedging relationship is not discontinued if the novation is prescribed under a new legal or regulatory requirement or under a newly enacted law. In addition, the novation must result in the original counterparty being replaced by a central counterparty or by an entity acting as a counterparty (“clearing counterparty”). The only contractual changes permitted are those necessary to effect counterparty replacement. These include changes in the contractual collateral requirements, changes in rights to offset receivables and payables and changes in the charges levied. The amendments were adopted by the EU into European law and are applicable for the first time for annual periods beginning on or after 1 January 2014. The amendments will have no impact on the consolidated financial statements of SIMONA.

### **3.2 Standards and Interpretations not yet applicable in the financial year**

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpre-

tations Committee (IFRS IC) have issued additional Standards and Interpretations. These standards and interpretations are not being applied in the financial year under review, as adoption by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory.

#### **IFRS 9 “Financial Instruments”**

In November 2009 and October 2010, the IASB published in phases the new standard IFRS 9 “Financial Instruments” (IFRS 9). Under IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth generally be subdivided into only two classifications: financial instruments measured at amortised cost and financial instruments measured at fair value. As part of the amended requirements issued on 24 July 2014, an additional measurement category will be introduced for debt instruments. In future, these may be classified as fair value in other comprehensive income (FVOCI) if the conditions in respect of the business model and the contractual cash flows have been met. IFRS 9 is to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. In this context, the IASB has also published a discussion paper relating to additional requirements for macro hedge accounting that are unconnected to IFRS 9. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **IFRS 14 “Regulatory Deferral Accounts”**

In January 2014, the IASB issued the new standard IFRS 14 “Regulatory Deferral Accounts” (IFRS 14). IFRS 14 gives an entity the option to apply this standard in its first IFRS financial statements if it conducts rate-regulated activities and recognises regulatory deferrals under the accounting policies it had previously applied. The intention is to allow entities that are subject to rate regulation to avoid having to make changes to accounting policies relating to regulatory deferrals. IFRS 14 is to be applied for the first time for annual periods beginning on or after 1 January 2016. The standard has not yet been adopted by the EU into European law. The introduction of this standard will have no impact on the consolidated financial statements

of SIMONA, as they are already prepared on the basis of IFRS.

#### **IFRS 15 “Revenue from Contracts with Customers”**

In May 2014, the IASB issued the new standard IFRS 15 “Revenue from Contracts with Customers” (IFRS 15). IFRS 15 will replace IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – Barter Transactions Involving Advertising Services”. The standard defines when revenues should be recognized and in what amount. According to IFRS 15, revenues should be recognized in the amount that reflects the consideration expected for the performance obligations being undertaken. The standard is to be applied for the first time for annual periods beginning on or after 1 January 2017. Earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Omnibus Standard to Amend Multiple International Financial Reporting Standards (2010-2012 Cycle)**

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The EU has adopted these amendments into European law. They are to be applied for annual periods beginning on or after 1 February 2015. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Omnibus Standard to Amend Multiple International Financial Reporting Standards (2011-2013 Cycle)**

In the context of its Annual Improvements Process, the IASB revises existing standards. In December 2013, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. The EU has adopted these amendments into European law. They are to be applied for annual

periods beginning on or after 1 January 2015. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Omnibus Standard to Amend Multiple International Financial Reporting Standards (2012-2014 Cycle)**

In the context of its Annual Improvements Process, the IASB revises existing standards. In September 2014, the IASB published a corresponding omnibus standard. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments shall be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendment to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”**

In December 2014, the IASB published amendments to IFRS 10, IFRS 12 and IAS 28. The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method. The amendments are to be applied for annual periods beginning on or after 1 January 2016; earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendments to IAS 1 “Presentation of Financial Statements”**

In December 2014, the IASB published amendments to IAS 1. They are primarily intended to clarify disclosures of material information, and of the aggregation and disaggregation of line items in the statement of financial position and in the statement of comprehensive income. The amendments further provide that an entity’s share of the other

comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. The amendments are to be applied for annual periods beginning on or after 1 January 2016; earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”**

In September 2014, the IASB published amendments to IFRS 10 and IAS 28. The amendments provide that unrealised gains from transactions between an investor and an associated company or a joint venture should be recognised in full by the investor if the transaction involves a business. In transactions where only assets are being sold, the recognition of gains shall be partial. The amendments are to be applied for annual periods beginning on or after 1 January 2016; earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”**

In May 2014, the IASB published amendments to IFRS 11. The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” to have the exemption extended to business combinations. Accordingly, it now also includes past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. The amendments are to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The standard has not yet been adop-

ted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendments to IAS 16, IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”**

In May 2014, the IASB published amendments to IAS 16 and IAS 38. The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment and to amortise intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances. The amendments are to be applied for annual periods beginning on or after 1 January 2016; earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”**

In June 2014, the IASB published amendments to IAS 16 and IAS 41. They provide that bearer plants shall be accounted for in the same way as property, plant and equipment, in accordance with IAS 16. IAS 41 shall continue to apply for the produce they bear. As a result of the amendments, bearer plants will in future no longer be measured at fair value less estimated costs to sell, but rather in accordance with IAS 16, using either a cost model or a revaluation model. The amendments are to be applied for annual periods beginning on or after 1 January 2016; earlier application is permitted. The standard has not yet been adopted by the EU into European law.

#### **Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”**

In November 2013, the IASB published amendments to IAS 19. This pronouncement amends IAS 19 in respect of the accounting for defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) to a defined benefit



plan are independent of the number of years of service, their nominal amount can still be deducted from the service cost. If, however, employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. The amendments are to be applied for annual periods beginning on or after 01 July 2014; earlier application is permitted. The standard has been adopted by the EU into European law. The amendments are to be applied prospectively for annual periods beginning on or after 1 February 2015. They are not expected to have a significant impact on the consolidated financial statements of SIMONA.

#### **Amendments to IAS 27 “Equity Method in Separate Financial Statements”**

In August 2014, the IASB published amendments to IAS 27 “Separate Financial Statements”. The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments shall be applied retrospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The standard has not yet been adopted by the EU into European law. These amendments are not expected to have an impact on the consolidated financial statements of SIMONA.

#### **IFRIC 21 “Levies”**

In May 2013, the IASB published IFRIC 21 “Levies”, interpreting IAS 37, which sets out criteria for the recognition of a liability for provisions, contingent liabilities and contingent assets. IFRIC 21 addresses when and how a levy that is not within the scope of another IFRS should be recognised as a liability. The amendments are to be applied for annual periods beginning on or after 1 January 2014. The standard has been adopted by the EU into European law. The amendments are to be applied prospectively for annual periods beginning on or after 17 June 2014. They are not expected to have a significant impact on the consolidated financial statements of SIMONA.

## **[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.

### **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 spe-

cific 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 developments 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 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
- Laminations Inc., Archbald, USA – US Dollar
- Boltaron Inc., Newcomerstown, USA – US Dollar
- DANOH LLC, Akron, 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.

#### **Non-current assets held for sale**

SIMONA classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction or a distribution to shareholders rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale/distribution in its present condition subject only to terms that are usual and customary for sale/distribution of such assets (or disposal groups) and its sale/distribution must be highly probable. Insofar as they refer to the Group statement of financial position, the disclosures made in the notes to the consolidated financial statements relate to assets not held for sale. SIMONA reports non-current assets held for sale (or disposal groups) separately in Note [19]. Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless the items presented in the disposal group do not fall under the provisions set out in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

#### **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 2014, 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 ten 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 develop-

ment 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 affect 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.

### **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.

### **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.

### **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 state-

ment 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 purchase 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 19R, Projected Unit Credit Method). 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.

In accordance with IAS 19R, interest expenses and the expected return on plan assets are replaced 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 return on plan assets is included in the remeasurement of defined benefit obligations in other comprehensive income for the Group. In accordance with IAS 19R, the return on plan assets is calculated on the basis of the discount rate.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obli-

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

- Europe
- Americas
- Asia and Pacific

The reportable segments have been redefined compared to the previous financial year. The segments have been allocated on the basis of the region in which the revenue-generating business unit has its registered office. The Americas are presented as a separate segment alongside Asia and Pacific. The prior-year figures have been adjusted accordingly.

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 registered office of the revenue-generating business unit. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets and segment liabilities comprise assets and liabilities that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to both intangible assets and property, plant and equipment.

The following tables include information relating to revenues and profit or loss as well as specific information regarding assets and liabilities of the segments. The differences in respect of the consolidated financial statements are presented in the reconciliation.

#### SEGMENT INFORMATION BY REGION

in € '000	Europe		Americas		Asia and Pacific		Eliminations		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from sales to external customers	258,502	252,495	60,752	18,262	17,304	17,136			336,558	287,893
Revenue from sales to other segments	64,824	67,583	4,927	19,158	2,745	7,517	-72,496	-94,258	0	0
<b>Segment revenue</b>									<b>336,558</b>	<b>287,893</b>
Segment result	20,287	10,945	-2,665	-1,259	-520	-1,503			17,102	8,183
Segment assets <sup>1</sup>	164,003	162,200	78,059	16,833	22,648	22,259			264,710	201,292
of which non-current	73,940	69,859	51,040	9,572	10,933	10,588			135,913	90,019
Segment liabilities	139,046	103,037	97,202	18,595	37,519	35,735	-141,939	-69,484	131,828	87,883
Segment capital expenditure	15,905	10,799	6,345	890	561	378			22,811	12,067
Depreciation/ amortisation <sup>2</sup>	8,711	9,195	2,905	1,002	1,248	1,231			12,864	11,428

<sup>1</sup> The segment comprising the Americas includes assets held for sale amounting to €3,706 thousand; please refer to Note [16].

<sup>2</sup> Depreciation/amortisation within the Americas segment includes impairment losses of €1,573 thousand; please refer to Note [16].

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	31/12/2014	31/12/2013
Segment assets	264,710	201,292
Other financial assets	0	4,000
Cash and cash equivalents	21,313	47,477
Non-current income tax assets	1,335	1,975
Current income tax assets	792	903
Deferred tax assets	9,467	2,075
Financial assets	415	23
<b>Current and non-current assets</b>	<b>298,032</b>	<b>257,745</b>

in € '000	31/12/2014	31/12/2013
Segment liabilities	131,828	87,883
Deferred tax liabilities	188	0
Income tax liabilities	2,185	1,938
Non-current financial liabilities	4,271	41
Current financial liabilities	3,229	23
Derivative financial instruments	15	38
<b>Current and non-current liabilities</b>	<b>141,716</b>	<b>89,923</b>

in € '000	2014	2013
Segment result	17,102	8,183
Income from equity investments	1,000	1,000
Finance income	225	436
Finance cost	2,441	2,431
<b>Profit before taxes</b>	<b>15,886</b>	<b>7,188</b>

#### SEGMENT INFORMATION RELATING TO PRODUCT GROUPS

in € '000	2014	2013
Semi-finished and finished parts	259,523	211,643
Pipes and fittings	77,035	76,250
<b>Sales revenue from external customers</b>	<b>336,558</b>	<b>287,893</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. In the 2014 financial year, freight and packaging revenue totalling €1,738 thousand, formerly included in other income, has been accounted for in sales revenue for the first time. The prior-year figure has been adjusted accordingly by €1,653 thousand. The classification of sales revenue by region and product segment is outlined in segment reporting – Note [6].

### [8] STAFF COSTS

in € '000	2014	2013
Wages and salaries	50,333	43,419
Expenses relating to social security	12,648	9,611
Expenses relating to pensions	-1,163	3,210
<b>Total</b>	<b>61,818</b>	<b>56,240</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 €2,377 thousand in the financial year under review (prev. year: €1,797 thousand). The expenses are attributable mainly to the rental of dispatch warehouses and production facilities. The rental agreements have various contractual maturities (3 to 30 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; thus, as at 31 December 2014, the Group had no finance lease arrangements.

Additionally, other expenses include expenses for outward freight amounting to €13,929 thousand (prev. year: €12,685 thousand), maintenance expenses of €9,804 thousand (prev. year: €7,977 thousand) and expenses for packaging material amounting to €7,016 thousand (prev. year: €6,543 thousand).

**[11] NET FINANCE INCOME/COST**

in € '000	2014	2013
<b>Finance income</b>	<b>225</b>	<b>436</b>
of which from the measurement of derivatives	26	38
of which from loans and receivables	199	398

in € '000	2014	2013
<b>Finance cost</b>	<b>2,441</b>	<b>2,431</b>
of which interest expenses from termination benefits	2,013	2,131
of which from borrowings and financial liabilities	428	300

**[12] INCOME TAXES**

The principal elements of income tax expense for the 2014 and 2013 financial years are as follows:

**GROUP INCOME STATEMENT**

in € '000	2014	2013
<b>Current tax</b>		
Current tax expense	4,463	3,756
Adjustments of current tax attributable to previous periods	197	27
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-1	-1,359
<b>Income tax expense reported in the Group income statement</b>	<b>4,659</b>	<b>2,424</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 2014 and 2013 financial years is as follows:

in € '000	2014	2013
<b>Profit before taxes</b>	<b>15,886</b>	<b>7,188</b>
Income tax expense at German tax rate of 29.48% (prev. year: 29.48%)	4,683	2,119
Adjustments of current tax attributable to previous periods	197	27
Unrecognised deferred tax assets relating to tax losses	2,681	879
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-27	0
Capitalisation of deferred tax assets relating to tax losses	-2,555	0
Tax effect of non-deductible expenses	-153	1,332
Tax rate differences	-616	-359
Tax-free dividend income	-326	-343
Other tax-free income	-333	-262
Capitalisation of deferred tax assets relating to foreign tax credits as well as use thereof	-24	-998
Other	1,132	29
<b>Income tax expense at effective tax rate of 29.33% (prev. year: 33.73%)</b>	<b>4,659</b>	<b>2,424</b>
<b>Income tax expense reported in the Group income statement</b>	<b>4,659</b>	<b>2,424</b>

At 31 December 2014, 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 €2,218 thousand (prev. year: €2,957 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value to €2,075 thousand (prev. year: €2,715 thousand). Payouts in connection with the corporation tax credits will be made in three remaining annual instalments of €739 thousand p.a. in the period from 2015 to 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the statement of financial position as non-current assets. Payments due within one year are carried as current assets.

### Deferred tax

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

in € '000	Group statement of financial position		Group income statement		Amount recognised directly in equity		Deferred taxes recognised directly in goodwill	
	31/12/2014	31/12/2013	2014	2013	2014	2013	2014	2013
<b>Deferred tax liabilities</b>								
Goodwill	2,355	0	645	0	0	0	1,710	0
Other intangible assets	81	0	81	0	0	0	0	0
Non-current assets	5,818	6,342	-525	-483	0	0	0	0
Inventories	3,366	3,999	-33	-88	0	0	0	0
Receivables and other assets	1,399	256	576	-6	567	0	0	0
Other provisions and liabilities	19	59	-40	-149	0	0	0	0
Other items	22	4	18	1	0	0	0	0
	<b>13,060</b>	<b>10,060</b>	<b>722</b>	<b>-725</b>	<b>567</b>	<b>0</b>	<b>1,710</b>	<b>0</b>
<b>Deferred tax assets</b>								
Provisions for pensions	17,264	9,301	1,518	-194	9,482	-1,383	0	0
Other provisions and liabilities	174	461	287	-232	0	0	0	0
Inventories	242	271	29	145	0	0	0	0
Receivables and other assets	46	48	2	-26	0	0	0	0
Loss carryforwards and tax credits	4,568	2,003	-2,565	-439	0	0	0	0
Non-current assets	33	26	-7	-1	0	0	0	0
Other items	12	25	13	113	0	0	0	0
	<b>22,339</b>	<b>12,135</b>	<b>-723</b>	<b>-634</b>	<b>9,482</b>	<b>-1,383</b>	<b>0</b>	<b>0</b>
after set-off:								
<b>Deferred tax assets</b>	<b>9,467</b>	<b>2,075</b>						
<b>Deferred tax liabilities</b>	<b>188</b>	<b>0</b>						
<b>Deferred tax income</b>			<b>-1</b>	<b>-1,359</b>				
<b>Amount recognised directly in equity relating to deferred taxes</b>					<b>8,915</b>	<b>-1,383</b>		
<b>Deferred taxes recognised directly in goodwill</b>							<b>1,710</b>	<b>0</b>

At the end of the reporting period, loss carryforwards amounted to €16,047 thousand (prev. year: €12,837 thousand). Deferred tax assets of €2,856 thousand (prev. year: €0 thousand) were recognised for €14,259 thousand (prev. year: €0 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	2014	2013
Between 3 and 20 years	16,047	12,837
Indefinite carryforward	0	0
	<b>16,047</b>	<b>12,837</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 2014 or 2013 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	2014	2013
Profit or loss attributable to ordinary equity holders of the parent company	11,205	4,686
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 €)	18.68	7.81
Diluted earnings per share (in €)	18.68	7.81

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 €6.00 (prev. year: €7.50) per share was declared and distributed. The total payment made in the financial year under review amounted to €3,600 thousand (prev. year: €4,500 thousand).

A dividend proposal of €8.00 per share (prev. year: €6.00 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €4,800 thousand (prev. year: €3,600 thousand).

## NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

### [15] INTANGIBLE ASSETS

31 DECEMBER 2014

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2014 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,044	0	143	1,187
Additions	390	0	0	390
Additions from business combinations	178	3,625	23,938	27,741
Disposals	-18	0	0	-18
Depreciation/amortisation during the financial year	-258	-379	0	-637
Effects of changes in foreign currency exchange rates	67	-36	-66	-35
<b>Balance at 31 December 2014</b> (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	<b>1,403</b>	<b>3,210</b>	<b>24,015</b>	<b>28,628</b>
Balance at 1 January 2014				
Cost of purchase/conversion (gross carrying amount)	7,982	0	143	8,125
Accumulated depreciation/amortisation	-6,938	0	0	-6,938
<b>Carrying amount</b>	<b>1,044</b>	<b>0</b>	<b>143</b>	<b>1,187</b>
Balance at 31 December 2014				
Cost of purchase/conversion (gross carrying amount)	8,656	3,589	24,015	36,260
Accumulated depreciation/amortisation	-7,253	-379	0	-7,632
<b>Carrying amount</b>	<b>1,403</b>	<b>3,210</b>	<b>24,015</b>	<b>28,628</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; customer relationships are amortised over an economic life of five to ten years by using the straight-line method.

#### Impairment of goodwill

The Group conducts the mandatory annual impairment test for goodwill in the fourth quarter of the financial year, applying the method outlined in Note [5] "Impairment of Assets". As part of the impairment test conducted in the financial year under review in respect of the cash-generating units, the recoverable amounts on the basis of the value in use were estimated to be higher than the carrying amounts. The preliminary carrying amount of goodwill in respect of Laminations, Inc. is €1,902 thousand, while the preliminary carrying amount of goodwill in respect of Boltaron Inc. is €22,036 thousand. No impairment losses were required as part of the goodwill impairment test conducted for the financial year under review. In the reporting year, the fundamental assumptions made in connection with the impairment test are based primarily on publicly available market data and include growth rates of up to 2.5 per cent as well as a discount rate of 4.4 per cent. Projections relating to cash flows are based on 5 years, subsequently transitioning into perpetuity. An increase or decrease in the discount factor by -0.5 per cent or +0.5 per cent does not result in an impairment of goodwill.

**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
Depreciation/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 depreciation/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 depreciation/amortisation	-6,938	0	-6,938
<b>Carrying amount</b>	<b>1,044</b>	<b>143</b>	<b>1,187</b>

**[16] PROPERTY, PLANT AND EQUIPMENT****31 DECEMBER 2014**

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2014 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	32,531	56,301	88,832
Additions	2,514	19,907	22,421
Additions from business combinations	8,676	7,473	16,149
Reclassification to disposal group classified as held for sale	-3,706	0	-3,706
Disposals	-741	-5,120	-5,861
Depreciation during the financial year	-2,507	-9,720	-12,227
Effects of changes in foreign currency exchange rates	540	1,137	1,677
<b>Balance at 31 December 2014</b> (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	<b>37,307</b>	<b>69,978</b>	<b>107,285</b>
Balance at 1 January 2014			
Cost of purchase or 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>
Balance at 31 December 2014			
Cost of purchase or conversion (gross carrying amount)	76,054	237,685	313,739
Accumulated depreciation and impairments	-38,747	-167,707	-206,454
<b>Carrying amount</b>	<b>37,307</b>	<b>69,978</b>	<b>107,285</b>

Write-downs of land and buildings include impairments of €1,573 thousand due to the amalgamation of production facilities in the United States; please refer to Note [6, 19]. The impairment loss is presented in the income statement



within the item classified as depreciation of property, plant and equipment, and amortisation of intangible assets.

The recoverable amount was determined on the basis of the estimated proceeds from disposal.

### 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 depreciation 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 depreciation and impairments)	<b>32,531</b>	<b>56,301</b>	<b>88,832</b>
Balance at 1 January 2013			
Cost of purchase or 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 or 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>

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 €640 thousand (prev. year: €92 thousand) from the disposal of property, plant and equipment; other expense includes losses of €1,582 thousand (prev. year: €151 thousand) from the disposal of property, plant and equipment.

### [17] INVENTORIES

in € '000	31/12/2014	31/12/2013
Raw materials and supplies	24,422	19,204
Work in progress	690	318
Finished goods and merchandise	38,184	37,766
<b>Inventories</b>	<b>63,296</b>	<b>57,288</b>

In the 2014 financial year inventory impairments fell by €81 thousand to €3,581 thousand compared to 31 December 2013. The cost of materials includes expenses relating to raw materials and supplies in the amount of €191,602 thousand (prev. year: €166,512 thousand).

### [18] TRADE RECEIVABLES

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

in € '000	31/12/2014	31/12/2013
<b>Carrying amount</b>	<b>55,916</b>	<b>48,097</b>
of which not impaired at the reporting date and past due within the following time ranges		
up to 30 days	5,124	3,497
between 31 and 60 days	1,718	1,866
between 61 and 90 days	1,119	942
between 91 and 120 days	584	753
more than 120 days	1,833	1,115

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	31/12/2014	31/12/2013
Balance of specific allowances at 1 January	1,652	1,676
Exchange differences	2	-27
Allocated	353	179
Utilised	-16	-54
Reversed	-35	-122
<b>Balance of specific allowances at 31 December</b>	<b>1,956</b>	<b>1,652</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	2014	2013
Expenses attributable to the derecognition of trade receivables	28	162
Income attributable to amounts received in connection with derecognised trade receivables	11	49

## [19] OTHER ASSETS, INCOME TAX ASSETS AND ASSETS HELD FOR SALE

### OTHER ASSETS

in € '000	31/12/2014	31/12/2013
Other receivables	5,040	5,071
Receivables from other long-term investees and investors	206	80
Prepaid expenses	633	737
<b>Other assets</b>	<b>5,879</b>	<b>5,888</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.

The income tax assets of €2,127 (prev. year: €2,878 thousand) in total include the reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG.

Following a management decision, the carrying amounts of property, plant and equipment amounting to €3,706 thousand have been presented as assets held for sale and relate to the amalgamation of production plants in the United States. The sale is expected to be transacted over the course of the 2015 financial year.

## [20] CASH AND CASH EQUIVALENTS

in € '000	31/12/2014	31/12/2013
Bank balances and cash on hand	21,313	47,477
<b>Cash and cash equivalents</b>	<b>21,313</b>	<b>47,477</b>

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

At 31 December 2014, the Group had undrawn borrowing facilities of €41,931 thousand (prev. year: €8,450 thousand).

## [21] EQUITY

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

### Issued capital

As at 31 December 2014, 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	31/12/2014	31/12/2013
Share capital	15,500	15,500
<b>Issued capital</b>	<b>15,500</b>	<b>15,500</b>

### Capital reserves

in € '000	31/12/2014	31/12/2013
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	31/12/2014	31/12/2013
Currency translation effects	1,633	-1,963
<b>Other reserves</b>	<b>1,633</b>	<b>-1,963</b>

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries as well as the foreign exchange effects (accounted for in equity) of translating net investments in foreign subsidiaries.

## [22] FINANCIAL LIABILITIES

in € '000	Due date	31/12/2014	31/12/2013
<b>Current liabilities</b>			
Bank overdrafts	Immediately	3,204	0
Pro-rata loan of US\$210 thousand (nominal amount; principal repayments due by 31/12/2015)	01/2015 -12/2015	25	23
		<b>3,229</b>	<b>23</b>
<b>Non-current liabilities</b>			
Bank loan of €4,249 thousand (nominal amount)	06/2024	4,249	0
Pro-rata loan of US\$210 thousand (nominal amount; principal repayments due after 31/12/2015)	01/2016 -10/2016	22	41
		<b>4,271</b>	<b>41</b>

Fixed interest rates of between 1.5 per cent and 1.6 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.

## [23] PENSIONS

The majority of employees within 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 table includes a breakdown of the expense items recognised in the Group income statement in connection with retirement benefits as well as the amounts carried in the statement of financial position for the respective plans.

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

in € '000	31/12/2014	31/12/2013
DBO at beginning of reporting period	48,135	48,488
Service cost	1,266	1,381
Income from plan settlements	-879	0
Interest cost	1,705	1,667
Remeasurement	12,967	-1,795
Actuarial gains/losses due to changes in financial assumptions	14,356	-1,664
Actuarial gains/losses from changes in the entitlement base	-1,389	-131
Benefits paid	-1,494	-1,606
Plan settlements	-910	0
<b>DBO at end of reporting period</b>	<b>60,790</b>	<b>48,135</b>
of which non-current liability	59,219	46,626
of which current liability	1,571	1,509

In the period under review, direct pension obligations of €910 thousand were settled in cash.

The Group anticipates benefit payments of €1,571 thousand (prev. year: €1,509 thousand) in connection with defined benefit pension plans for the 2015 financial year.

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

	31/12/2014	31/12/2013
Discount rate	2.15%	3.70%
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 2014 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

in € '000	Change in DBO by half a percentage point as at 31/12/2014 (prev. year)	
	Increase	Decrease
Discount rate	-5,286 (-3,799)	6,130 (4,333)
Salary increases	1,352 (1,073)	-1,240 (-1,013)
Pension increases	4,385 (2,826)	-3,921 (-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 2014 would increase by €2,056 thousand (prev. year: €1,405 thousand) following a reduction in the mortality rate by 10% and would decrease by €-1,800 thousand (prev. year: €-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 18.6 years (prev. year: 17.1 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.

	31/12/2014	31/12/2013
in € '000		
DBO at beginning of reporting period	52,920	52,369
Service cost	1,853	1,986
Income from plan settlements	-2,515	0
Interest cost	1,770	1,814
Remeasurement	17,973	-2,330
Actuarial gains/losses due to changes in financial assumptions	18,206	-2,205
Actuarial gains/losses from changes in the entitlement base	-233	-125
Benefits paid	-1,012	-919
Plan settlements	-4,342	0
<b>DBO at end of reporting period</b>	<b>66,647</b>	<b>52,920</b>
Fair value of plan assets at beginning of year	40,022	39,024
Returns on plan assets	1,462	1,350
Remeasurement	-1,222	567
Benefits paid	-1,012	-919
Plan settlements	-4,342	0
<b>Fair value of plan assets at end of year</b>	<b>34,908</b>	<b>40,022</b>
<b>Deficit</b>	<b>-31,739</b>	<b>-12,898</b>

In the period under review, indirect pension obligations of €4,342 thousand were settled in cash.

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 change in the deficit as at 31 December 2014 is attributable primarily to the settlement of pension obligations during the financial year under review as well as the remeasurement implemented due to the change in financial assumptions.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31/12/2014 would increase or decrease the DBO as follows (cf. also Note [23]):

in € '000	Change in DBO by half a percentage point as at 31/12/2014 (prev. year)	
	Increase	Decrease
Discount rate	-6,827 (-4,979)	7,998 (5,770)
Salary increases	2,559 (2,034)	-2,350 (-1,874)
Pension increases	4,663 (3,315)	-4,235 (-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 2014 would increase by €2,364 thousand (prev. year: €1,606 thousand) following a 10% reduction in the mortality rate and would decrease by €-2,115 thousand (prev. year: €-1,455 thousand) following a 10% increase in the mortality rate.

The composition of plan assets is presented below:

	Fair value at	
	31/12/2014	31/12/2013
in € '000		
<b>Category of assets</b>		
Shares in SIMONA AG	19,440	19,640
Bonded loans	3,016	5,600
Time deposits	2,499	8,500
Cash and cash equivalents	9,635	5,945
Other plan assets	318	337
<b>Total plan assets</b>	<b>34,908</b>	<b>40,022</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 22.1 years (prev. year: 20.5 years).

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

	31/12/2014	31/12/2013
in € '000		
Liability at beginning of reporting period	12,898	13,345
Service cost	1,853	1,986
Income from plan settlements	-2,515	0
Net interest expense	308	464
Remeasurement	17,973	-2,330
Actuarial gains/losses due to changes in financial assumptions	18,206	-2,205
Actuarial gains/losses from changes in the entitlement base	-233	-125
Remeasurement from plan assets	1,222	-567
<b>Liability at end of reporting period</b>	<b>31,739</b>	<b>12,898</b>

## [25] OTHER PROVISIONS

	Personnel-related obligations	Guarantees/warranties	Other	Total
in € '000				
<b>Balance at 1 January 2014</b>	<b>2,656</b>	<b>3,321</b>	<b>19</b>	<b>5,996</b>
Allocated	197	147	155	499
Used	1,000	0	11	1,011
Reversed	29	0	0	29
Exchange differences	5	0	0	5
Compounding	0	11	0	11
<b>Balance at 31 December 2014</b>	<b>1,829</b>	<b>3,479</b>	<b>163</b>	<b>5,471</b>
Current provisions	653	805	0	1,458
Non-current provisions	1,176	2,674	163	4,013
<b>Balance at 31 December 2014</b>	<b>1,829</b>	<b>3,479</b>	<b>163</b>	<b>5,471</b>
Current provisions	1,002	736	11	1,749
Non-current 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>

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 €712 thousand (prev. year: €1,481 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 individu-

al 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	31/12/2014	31/12/2013
Cash and cash equivalents	21,313	47,477
	<b>21,313</b>	<b>47,477</b>

The effects of changes to cash and cash equivalents attributable to exchange rates were €399 thousand (prev. year: €-454 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 Frobel, Isernhagen, (Deputy Chairman)
  - Managing Director of Dirk Rossmann GmbH, Burgwedel (until 31 December 2014)
  - Managing Director of ROSSMANN CENTRAL EUROPE B.V., Renswoude, Netherlands
  - 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 Management Board of Kreissparkasse Biberach, Biberach
  - Managing Director of SparkasseImmobilien BC GmbH, Biberach

- Managing Director of Sparkassellimmobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach
- Gerhard Flohr, Bergen (Employee Representative), Maintenance Engineer/Fitter
- Andreas Bomm, Schmidthachenbach (Employee Representative until 28 March 2014), Maintenance Engineer/Fitter
- Jörg Hoseus, Monzingen (Employee Representative since 28 March 2014), Industrial Mechanic

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),

His executive duties are as follows:

- (1) Managing Director,
- (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 €1,386 thousand (prev. year: €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 €1,647 thousand in the financial year under review (prev. year: €1,322 thousand). Total compensation comprised €1,030 thousand (prev. year: €1,042 thousand) in fixed-level compensation and €617 thousand (prev. year: €280 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of €10,941 thousand (prev. year: €10,061 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB). The allocation to provisions for active members of the Management Board was €781 thousand (prev. year: €563 thousand). Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2014, these amounted to €6,089 thousand (prev. year: €6,035 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €476 thousand (prev. year: €502 thousand).

Supervisory Board compensation for 2014 amounted to €133 thousand (previous year: €131 thousand). Supervisory Board compensation encompasses no variable components.



## [28] FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Principles of risk management

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

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

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

### Interest-rate risks

The financial instruments exposed to interest-rate risks include short-term bank overdrafts as well as loans denominated in foreign currency. An interest swap agreement that matures on 30 September 2015 continues to exist for the purpose of hedging the original risk of interest-rate changes in respect of a loan extinguished in 2012 prior to maturity. 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 2014, the net finance result would have been €1 thousand higher and €1 thousand lower respectively.

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.

### Currency risks

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

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 2014, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €5,181 thousand lower (€6,330 thousand higher).

The hypothetical effect on profit of minus €5,181 thousand (plus €6,330 thousand) is attributable to the following sensitivity to exchange rates:

	Effect on profit before taxes	
in € '000		
EUR/USD	-3,988	(4,875)
EUR/GBP	-96	(118)
EUR/CHF	-327	(399)
EUR/CZK	396	(-486)
EUR/PLN	-82	(100)
EUR/HKD	-979	(1,196)
EUR/CNY	-394	(481)
EUR/RUB	289	(-353)
	<b>-5,181</b>	<b>(6,330)</b>

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>

### Credit risks

SIMONA AG is exposed to credit risks 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% 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 risks

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 €21.3 million, the SIMONA Group has undrawn borrowing facilities of €41.9 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 2014, 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	3,229	2,014	2,257	7,500
Trade payables	13,054	0	0	13,054
Other liabilities	16,960	3,814	0	20,774
<b>Financial liabilities</b>	<b>33,243</b>	<b>5,828</b>	<b>2,257</b>	<b>41,328</b>

As at 31 December 2013, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	<b>Up to 1 year</b>	<b>2-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
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 in the previous financial year, at 31 December 2014, 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 €15 thousand (prev. year: €38 thousand).

As in the previous financial year, at 31 December 2014, 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.

in € '000		Carrying amount		Fair value	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>Non-current financial assets</b>					
Financial assets	HtM	415	23	415	23
<b>Current financial assets</b>					
Other financial assets	AfS	0	4,000	0	4,000
Cash and cash equivalents	LaR	21,313	47,477	21,313	47,477
Trade receivables	LaR	55,916	48,097	55,916	48,097
<b>Financial liabilities</b>					
Bank overdrafts	FLAC	-3,229	0	-3,229	0
Loans	FLAC	-4,271	-64	-4,271	-64
Interest-rate swap	FLHFT	-15	-38	-15	-38
Trade payables	FLAC	-13,054	-12,430	-13,054	-12,430
<b>Total by measurement category</b>					
HtM		415	23	415	23
AfS		0	4,000	0	4,000
LaR		77,229	95,574	77,229	95,574
FLAC		-20,554	-12,494	-20,554	-12,494
FLHFT		-15	-38	-15	-38

(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.

As was the case in the previous year, short-term deposits held as Loans and Receivables (LaR) include time deposits of €0 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.

#### 2014: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss / Dis- posal	Total
AfS	2	0	0	0	2
LaR	244	0	-661	-320	-737
HfT	0	29	0	0	29
FLAC	-61	0	0	0	-61
<b>Total</b>	<b>185</b>	<b>29</b>	<b>-661</b>	<b>-320</b>	<b>-767</b>

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

in € '000	Interest	Fair value	Currency translation	Impairment loss / Dis- posal	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>

#### Hedging transactions

##### Cash flow hedging instruments

As at 31 December 2014 and 31 December 2013, 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 2014 and 31 December 2013, 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 31/12/2014	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Bonded loans	0	0	0	0

The bonded loan totalling €4,000 thousand was cancelled by SIMONA AG prior to maturity in February 2014 and paid out.

in € '000	as at 31/12/2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Bonded loans	4,000	0	4,000	0

#### Liabilities measured at fair value:

in € '000	as at 31/12/2014	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	15	0	15	0

in € '000	as at 31/12/2014	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	38	0	38	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
Laminations Inc., Archbald, USA	100.0
Boltaron Inc., Newcomerstown, USA	100.0
DANOHL LLC, Akron, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co. 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

Laminations Inc. was fully consolidated and included in the consolidated financial statements for the first time as at 8 January 2014, while Boltaron Inc. and DANOHL LLC were fully consolidated and included in the consolidated financial statements for the first time as at 1 April 2014. There were no other changes to the ownership interests held in subsidiaries in the financial year under review.

#### Associates

CARTIERWILSON, LLC and West Coast Plastic Sales, LLC were accounted for as associates for the first time as at 1 April 2014. The interests are recognised in financial assets at the cost of purchase of €392 thousand. However, in keeping with the principle of materiality, the entities are not consolidated.

#### OWNERSHIP INTEREST

	in %
CARTIERWILSON, LLC, Marietta, USA	25.0
West Coast Plastic Sales, LLC, Washington, USA	25.0

#### Financial assets

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

	Ownership Interest	Equity 31.12.2013	Profit/loss 2013
	in %	in € '000	in € '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	16,885	348
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	4,686	358

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 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. Based on aggregated EBIT (earnings before interest, taxes and investment income) of the acquirer and acquiree relating to the financial years 2014 and 2015, the fair value of the contingent consideration at the date of acquisition was €0 thousand; at the end of the reporting period the projected amount payable corresponds to the fair value. The following information pertaining to provisional purchase price allocation details the values of the principal groups of assets and liabilities acquired at the date of purchase: intangible assets of €701 thousand, property, plant and equipment of €7,392 thousand, inventories of €4,371 thousand, trade receivables and other assets of €2,638 thousand, trade payables and other liabilities of €2,501 thousand as well as deferred tax liabilities of €1,710 thousand. Intangible assets primarily encompass customer relationships (with a useful life of 5-10 years). Provisional goodwill amounting to €1,902 thousand includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Due to the combination of business activities of the acquiree with those of the acquirer subsequent to the date of acquisition, disclosures relating to the revenue and earnings of the acquired entity in accordance with IFRS 3.59 B64 are not possible.

Effective from 1 April 2014, the Group acquired the assets and business activities of Boltaron Performance Products, LLC, USA. The acquisition was made for the purpose of strengthening the Group's position within the US market for semi-finished plastics and unlocking new fields of application in the construction, chemical process, semiconductor and aerospace industries. The consideration is €34,808 thousand in total. The consideration comprises purchase price obligations yet to be paid, which have been recognised at a fair value of €5,076 thousand; the amount payable corresponds to the fair value. The following 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: intangible assets €2,657 thousand, property, plant and equipment as well as financial assets €6,419 thousand, inventories €2,874 thousand, trade receivables and other assets €2,892 thousand, trade payables and other liabilities €2,070 thousand. Intangible assets were attributable mainly to customer relationships (with a useful life of 7 years). Provisional goodwill amounting to €22,036 thousand includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales. Since the acquisition, the acquired business has contributed sales revenue of €19,572 thousand and profit of €2,267 thousand to the Group (including the effects of purchase price allocation). If the acquired business had been included in the consolidated financial statements since 1 January 2014, the effect on Group sales revenue would have been €25,718 thousand and the effect on profit would have been €3,646 thousand.

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

GROUP	2014	2013
Industrial staff	774	681
Clerical staff	510	469
	<b>1,284</b>	<b>1,150</b>
School-leaver trainees (apprentices)	41	42
<b>Total number of employees</b>	<b>1,325</b>	<b>1,192</b>

### Contingent liabilities and other financial commitments

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

#### OTHER FINANCIAL COMMITMENTS

in € '000	31/12/2014	31/12/2013
<b>Other financial commitments</b>		
Commitments from operating rental and lease agreements		
Due within:		
1 year	777	925
2 – 5 year	355	665
after 5 year	47	0
	<b>1,179</b>	<b>1,590</b>
<b>Purchase commitments arising from investment projects</b>	<b>5,223</b>	<b>8,457</b>

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

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2014 on 26 February 2015. 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 13 June 2014 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,810 shares; this corresponds to approx. 11.80 per cent of the share capital of SIMONA AG.

The members of the Supervisory Board reported no shareholdings as at the attendance date of the Annual General Meeting on 13 June 2014.

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, we were notified by members of the Management Board of transactions with a total volume of 50 SIMONA AG shares.

### Audit fees

The total fees invoiced by the independent auditor of SIMONA AG were €215 thousand. These fees were attributable to the following items: year-end audit €160 thousand, tax consulting services €34 thousand and other services €21 thousand.

### Events after the reporting period

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

Kirn, 31 March 2015  
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	3,203	11
SIMONA S.r.l. Società Unipersonale, Vimodrone, Italy	100.0	242	-22
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,918	168
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	211	38
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,203	-66
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	6,210	-605
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	3,003	0
Laminations Inc., Archbald, USA	100.0	13,037	-160
Boltaron Inc., Newcomerstown, USA	100.0	2,481	2,267
DANO, LLC, Akron, USA	100.0	76	69
CARTIERWILSON, LLC, Marietta, USA*	25.0	-	-
West Coast Plastic Sales, LLC, Washington, USA*	25.0	-	-
<b>Directly</b>			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	470	133
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	799	166
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,023	118
SIMONA Sozialwerk GmbH, Kirn (2013)	50.0	16,885	348
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2013)	50.0	4,686	358
SIMONA Beteiligungs-GmbH, Kirn**	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	31,703	-2,869
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	18,444	1,091
SIMONA ASIA Ltd., Hong Kong, China	100.0	5,565	1,020
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	512	45
OOO SIMONA RUS, Moscow, Russian Federation	100.0	-323	-598

\* The entities were acquired on a pro rata basis as part of the takeover of Boltaron Inc. effective from 1 April 2014. Figures relating to the 2014 financial year are not yet available.

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

## REPRODUCTION OF THE AUDITOR'S REPORT

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### Having concluded our audit, we issued the following unqualified audit opinion dated 10 April 2015:

“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 2014. 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 esti-

mates 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, 10 April 2015

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

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

## OTHER INFORMATION

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### **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 net assets, financial position and results of operations of the SIMONA Group, and 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 SIMONA Group.”

Kirn, 31 March 2015  
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. Società Unipersonale</b>	
	Vimodrone, Italy	100.0%
	<b>SIMONA UK Ltd.</b>	
	Stafford, United Kingdom	100.0%
	<b>SIMONA IBERICA 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>Laminations Inc.</b>	
	Archbald, USA	100.0%
	<b>Boltaron Inc.</b>	
	Newcomerstown, USA	100.0%
	<b>DANO, LLC</b>	
	Akron, USA	100.0%
	<b>CARTIERWILSON, LLC</b>	
	Marietta, USA	25.0%
	<b>West Coast Plastic Sales, LLC</b>	
	Washington, USA	25.0%
<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%

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

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