



CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

COMBINED MANAGEMENT REPORT

03	Fundamental Information about the Group
05	Business Review
14	Events after the Reporting Period
14	Report on Opportunities and Risks
17	Report on Expected Developments
18	Other Information

GROUP FINANCIAL STATEMENTS

23	Group Income Statement
24	Group Statement of Comprehensive Income
25	Group Statement of Financial Position
26	Group Statement of Cash Flows
27	Group Statement of Changes in Equity
28	Notes to Consolidated Financial Statements
65	Details of Shareholdings
66	Reproduction of the Auditor's Report
67	Other Information

OTHER DETAILS

68	Key Financials SIMONA Group
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COMBINED MANAGEMENT REPORT FOR THE 2015 FINANCIAL YEAR

PRELIMINARY NOTE

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

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1 Group business model

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

Key sales markets

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

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

- Europe
- Americas
- Asia and Pacific

The secondary classification is based on product areas:

- Semi-finished and finished parts
- Pipes and fittings

Production and sales locations

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

Management and supervision at SIMONA AG

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

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

1.2 Objectives and strategies

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

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

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

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

1.3 Internal management system

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

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

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

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

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

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

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

1.4 Research and development

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

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

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

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

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

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

2. BUSINESS REVIEW

2.1 Macroeconomic and sector-specific environment

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

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

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

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

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

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

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

2.2 Course of business – SIMONA Group

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

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

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

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

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

Europe

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

Americas

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

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

Asia and Pacific

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

Sales revenue by product group

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

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

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

2.3 Financial performance

Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Financial position

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

Changes to assets

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

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

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

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

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

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

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

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

Changes to equity and liabilities

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

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

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

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

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

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

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

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

Capital expenditure

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

2.5 Financial management and cash flows

Principles and aims of financial management

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

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

Financing analysis

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

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

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

Cash flows

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

Cash and cash equivalents

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

Financial obligations

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

Net finance cost

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

2.6 Course of business – SIMONA AG

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

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

Germany

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

Rest of Europe & Africa

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

Americas

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

Asia & Pacific

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

Sales revenue by product group

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

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

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

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

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

Earnings performance

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

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

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

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

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

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

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

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

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

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

Assets

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

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

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

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

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

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

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

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

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

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

Equity and liabilities

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

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

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

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

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

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

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

Investments

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

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

Analysis of liquidity

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

2.8 Non-financial indicators

Customer satisfaction

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

Employees

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

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

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

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

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

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

Quality, environment and energy

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

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

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

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

Information technology

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

3. EVENTS AFTER THE REPORTING PERIOD

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

4. REPORT ON OPPORTUNITIES AND RISKS

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

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

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

Significant elements of the internal control and management system

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

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

Risk report

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

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

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

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

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

Business environment and sector-specific risks

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

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

Business strategy risks

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

Financial risks

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

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

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

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

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

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

Risks attributable to procurement and purchasing

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

Information technology risks

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

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

5. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

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

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

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

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

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

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

Sector-specific conditions

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

Future performance of the SIMONA Group

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

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

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

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

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

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

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

Future performance of SIMONA AG

Despite significant uncertainties within the economic and

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

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

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

6. OTHER INFORMATION

6.1 Declaration on corporate governance

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

6.2 Compensation report

Management Board compensation

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

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

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

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

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

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

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

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

Supervisory Board compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forward-looking statements and forecasts

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

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

Responsibility Statement

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

Kirn, 30 March 2016
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

GROUP FINANCIAL STATEMENTS

OF SIMONA AG FOR THE FINANCIAL YEAR 2015

CONTENTS

23	Group Income Statement
24	Group Statement of Comprehensive Income
25	Group Statement of Financial Position
26	Group Statement of Cash Flows
27	Group Statement of Changes in Equity
28	Notes to Consolidated Financial Statements
65	Details of Shareholdings
66	Reproduction of the Auditor's Report
67	Other Information

GROUP INCOME STATEMENT

OF SIMONA AG FOR THE FINANCIAL YEAR 2015

in € '000	Notes	01/01/ - 31/12/2015	01/01/ - 31/12/2014*
Revenue	[7]	360,332	336,558
Other income	[8]	11,109	10,964
Changes in inventories of finished goods and work in progress		1,733	87
Cost of materials	[9]	202,215	195,146
Staff costs	[10]	70,801	64,212
Depreciation of property, plant and equipment and amortisation of intangible assets	[17, 18]	13,419	13,146
Other expenses	[12]	60,034	57,285
Income from investments accounted for using the equity method	[19]	130	0
Finance income	[13]	153	225
Finance cost	[13]	2,195	2,441
Earnings before taxes (EBT)		24,793	15,604
Income tax expense	[14]	7,486	4,402
Profit for the period		17,307	11,202
of which attributable to:			
Owners of the parent company		17,270	11,180
Non-controlling interests		37	22

EARNINGS PER SHARE:

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	28.78	18.63
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	28.78	18.63

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

GROUP STATEMENT OF COMPREHENSIVE INCOME OF SIMONA AG FOR THE FINANCIAL YEAR 2015

in € '000	01/01. – 31/12/2015	01/01/ – 31/12/2014*
Profit for the period	17,307	11,202
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligations	6,079	-32,163
Deferred taxes on remeasurement of defined benefit obligations	-1,792	9,482
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	6,815	7,320
Deferred taxes from currency translation	-509	-562
Other comprehensive income recognised directly in equity	10,593	-15,923
Total comprehensive income	27,900	-4,721
of which attributable to:		
Owners of the parent company	27,881	-4,695
Non-controlling interests	19	-26

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

GROUP STATEMENT OF FINANCIAL POSITION OF SIMONA AG FOR THE FINANCIAL YEAR 2015

ASSETS

in € '000	Notes	31/12/2015	31/12/2014*
Intangible assets	[17]	33,930	31,531
Property, plant and equipment	[18]	113,833	107,285
Financial assets	[34]	340	339
Investments accounted for using the equity method	[19]	205	76
Non-current tax assets	[22]	670	1,335
Deferred tax assets	[14]	4,391	9,749
Non-current assets		153,369	150,315
Inventories	[20]	66,877	63,296
Trade receivables	[21]	51,140	55,916
Other assets	[22]	4,610	5,170
Income tax assets	[22]	1,020	792
Other financial assets	[34]	4,831	709
Cash and cash equivalents	[24, 31]	31,892	21,313
Current assets held for sale	[23]	4,696	3,706
Current assets		165,066	150,902
Total assets		318,435	301,217

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2015	31/12/2014*
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserve		15,274	15,274
Revenue reserves		140,390	123,633
Other reserves		11,167	4,843
		182,331	159,250
Non-controlling interests		270	251
Total equity	[25]	182,601	159,501
Financial liabilities	[26]	3,851	4,271
Provisions for pensions	[27, 28]	89,729	90,958
Other provisions	[29]	2,734	4,013
Other financial liabilities	[26]	2,187	3,814
Deferred tax liabilities	[14]	199	188
Non-current liabilities		98,700	103,244
Financial liabilities	[26]	2,936	3,229
Provisions for pensions	[27]	1,664	1,571
Other provisions	[29]	1,950	1,458
Trade payables		11,722	13,054
Income tax liabilities		1,911	2,185
Other financial liabilities	[26]	3,364	3,320
Other liabilities	[30]	13,587	13,640
Derivative financial instruments	[33, 34]	0	15
Current liabilities		37,134	38,472
Total equity and liabilities		318,435	301,217

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

GROUP STATEMENT OF CASH FLOWS

OF SIMONA AG FOR THE FINANCIAL YEAR 2015

in € '000	Notes	01/01/ - 31/12/2015	01/01/ - 31/12/2014*
Profit before tax		24,793	15,604
Income taxes paid		-4,798	-3,762
Finance income and finance cost (excl. interest expense relating to pensions)	[13]	71	203
Depreciation of property, plant and equipment and amortisation of intangible assets	[17, 18]	13,419	13,146
Other non-cash expenses and income		117	1,767
Change in pensions	[27, 28]	4,943	-667
Result from disposal of non-current assets		52	942
Change in inventories	[20]	-2,593	3,183
Change in trade receivables	[21]	5,159	-1,064
Change in other assets	[22]	438	760
Change in liabilities and other provisions	[29, 30]	-4,274	816
Net cash from operating activities		37,327	30,928
Investments in intangible assets and property, plant and equipment	[17, 18]	-16,187	-22,811
Investments in financial assets		0	-76
Acquisition of subsidiaries and other business units less net cash acquired		0	-42,525
Payments relating to acquisition of subsidiaries and other business units (from prior years)		-2,091	0
Proceeds from the disposal of assets		160	45
Proceeds relating to the short-term financial management of cash investments		0	4,000
Payments relating to the short-term financial management of cash investments	[34]	-4,000	0
Interest received		44	213
Net cash used in investing activities		-22,074	-61,154
Proceeds from financial liabilities	[26]	0	7,453
Repayment of financial liabilities	[26]	-718	-23
Payment of prior-year dividend	[16]	-4,800	-3,600
Interest paid and similar expenses		-225	-428
Net cash used in/(from) financing activities		-5,743	3,402
Effect of foreign exchange rate changes on liquidity	[31]	1,069	660
Change in cash and cash equivalents		10,579	-26,164
Cash and cash equivalents at 1 January	[24, 31]	21,313	47,477
Cash and cash equivalents at 31 December	[24, 31]	31,892	21,313
Change in cash and cash equivalents		10,579	-26,164

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

GROUP STATEMENT OF CHANGES IN EQUITY OF SIMONA AG FOR THE FINANCIAL YEAR 2015

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY					NON- CONTROLLING INTERESTS	TOTAL EQUITY
		Issued capital	Capital reserve	Revenue reserves	Other reserves	Total		
in € '000					Currency translation differences			
	Notes	[25]	[25]		[25]		[25]	
Balance at 01/01/2014		15,500	15,274	138,734	-1,963	167,545	277	167,822
Amount recognised directly in equity as part of the Statement of Comprehensive Income (adjusted)*		0	0	-22,681	6,806	-15,875	-48	-15,923
Profit for the period		0	0	11,180	0	11,180	22	11,202
Total comprehensive income for the period (adjusted)*		0	0	-11,501	6,806	-4,695	-26	-4,721
Dividend payment	[16]	0	0	-3,600	0	-3,600	0	-3,600
Balance at 31/12/2014 (adjusted)*		15,500	15,274	123,633	4,843	159,250	251	159,501
Balance at 01/01/2015 (adjusted)*		15,500	15,274	123,633	4,843	159,250	251	159,501
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	4,287	6,324	10,611	-18	10,593
Profit for the period		0	0	17,270	0	17,270	37	17,307
Total comprehensive income for the period		0	0	21,557	6,324	27,881	19	27,900
Dividend payment	[16]	0	0	-4,800	0	-4,800	0	-4,800
Balance at 31/12/2015		15,500	15,274	140,390	11,167	182,331	270	182,601

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF SIMONA AG FOR THE FINANCIAL YEAR 2015

[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 2015 were released by the Management Board on the basis of a resolution of 30 March 2016 for the purpose of forwarding them to the Supervisory Board.

The activities of the SIMONA Group mainly include the production and sale of semi-finished parts 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 operates a sales office in Möhlin, Switzerland, and is the ultimate controlling parent of the Group.

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, Cologno Monzese (MI), 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).

The implications of prior-year acquisitions are presented in Note [35] under the heading “Corporate acquisitions”.

[2] ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, unless otherwise specified in Note [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 2015 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 2015 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.

Adjustment to prior-year disclosures

The following items relating to the Group income statement 2014, the Group statement of comprehensive income 2014, the Group statement of financial position as at 31 December 2014 and the Group statement of cash flows 2014 were adjusted retrospectively in accordance with IAS 8.42 and IFRS 3.49. These adjustments are attributable to the final purchase price allocation in respect of Boltaron Inc., USA, an entity acquired in 2014; they relate to aspects presented in the following section. This had no impact on the Group statement of financial position as at 1 January 2014. For the purpose of enhancing the clarity of the report, other financial assets and liabilities have been presented separately in the Group statement of financial position. The prior-year figures have been adjusted accordingly.

GROUP INCOME STATEMENT

in € '000	2014		
	before adjustment	adjustment	after adjustment
Other income ²	7,570	3,394	10,964
Staff costs ^{1,2}	61,818	2,394	64,212
Depreciation of property, plant and equipment and amortisation of intangible assets ³	12,864	282	13,146
Income from equity investments ¹	1,000	-1,000	0
Profit before tax	15,886	-282	15,604
Income tax expense ³	4,659	-257	4,402
Profit for the period	11,227	-25	11,202
of which attributable to:			
Owners of the parent company	11,205	-25	11,180
Earnings per share	18.68	-0.05	18.63

GROUP STATEMENT OF COMPREHENSIVE INCOME

	2014		
Profit for the period	11,227	-25	11,202
Exchange differences on translating foreign operations ⁴	3,548	3,772	7,320
Deferred taxes from foreign currency translation	0	-562	-562
Other comprehensive income recognised directly in equity	-19,133	3,210	-15,923
Total comprehensive income	-7,906	3,185	-4,721
of which attributable to:			
Owners of the parent company	-7,880	3,185	-4,695

GROUP STATEMENT OF FINANCIAL POSITION

31/12/2014

in € '000	before adjustment	adjustment	after adjustment
Total non-current assets	147,130	3,185	150,315
of which intangible assets ⁴	28,628	2,903	31,531
of which deferred tax assets ³	9,467	282	9,749
Total equity	156,316	3,185	159,501
of which revenue reserves ³	123,658	-25	123,633
of which other reserves ⁴	1,633	3,210	4,843
Total assets/total equity and liabilities	298,032	3,185	301,217

GROUP STATEMENT OF CASH FLOWS

2014

Profit before tax ³	15,886	-282	15,604
Depreciation of property, plant and equipment and amortisation of intangible assets ³	12,864	282	13,146
Other non-cash expenses and income ⁵	-22,340	24,107	1,767
Change in pensions ⁵	31,496	-32,163	-667
Change in inventories ⁵	-6,008	9,191	3,183
Change in trade receivables ⁵	-7,819	6,755	-1,064
Change in assets held for sale ⁵	-3,706	3,706	0
Change in liabilities and other provisions ⁵	12,673	-11,857	816
Net cash from operating activities	31,189	-261	30,928
Effect of foreign exchange rate changes on liquidity	399	261	660

¹ The distribution of €1,000 thousand for use in respect of plan assets, previously recognised as investment income and higher staff costs, is presented as a transaction within plan assets without affecting profit or loss.

² The income from the plan-related settlement of SIMONA AG covering €879 thousand and of SIMONA Sozialwerk GmbH covering €2,515 thousand is presented as other income rather than a reduction in staff costs.

³ This change relates to the write-down of €282 thousand from the higher valued customer base subsequent to the final purchase price allocation of Boltaron Inc. The thus resulting change to deferred tax liabilities (or their offset with deferred tax assets) is €257 thousand.

⁴ This change relates to the effect from the presentation of foreign currency translation of goodwill at the exchange rate applicable at the date of purchase compared to the exchange rate applicable at the end of the reporting period; of which SIMONA AMERICA Inc./Laminations Inc. (€228 thousand) and Boltaron Inc. (€2,982 thousand). In the past, contrary to IAS 21.47 goodwill from US acquisitions was not carried in foreign currency and contrary to IAS 21.39(a) was not translated at the closing rate.

⁵ These changes relate to the systematic presentation of the statement of cash flows in accordance with IAS 7. In the past, changes to financial position items attributable to acquisitions or foreign currencies were not eliminated when determining cash flow from operating activities. Similarly, in the case of changes to pensions the component attributable to other comprehensive income was not eliminated in the change of this financial position item. Correspondingly, the presentation of other non-cash expenses and income has changed.

[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 2015 to 31 December 2015. The accounting standards to be applied for the first time in the financial year 2015 have no impact on the presentation of the consolidated financial statements.

IFRIC 21

This Interpretation addresses the accounting for levies other than those that constitute income taxes within the meaning of IAS 12 or amounts collected “on behalf of governments” (such as value-added taxes) and clarifies when obligations regarding the payment of such levies shall be recognised in the financial statements as liabilities or provisions.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (IFRSs 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.

3.2 Standards and Interpretations not yet applicable in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations 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 (“endorsement”) remains outstanding at this time for some of them, or because their application is not yet mandatory.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (IFRSs 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 changes have no material impact on the consolidated financial statements.

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 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. SIMONA does not have defined benefit plans with employee contributions.

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 been adopted by the EU into European law. They will have no 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 been adopted by the EU into European law. The implications for SIMONA's consolidated financial statements have not yet been fully reviewed.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (IFRSs 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. The implications for SIMONA's consolidated financial statements have not yet been fully reviewed.

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 been adopted by the EU into European law. They will have no 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 been adopted by the EU into European law. They will have no 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 been adopted by the EU into European law. They will have no impact on the consolidated financial statements of SIMONA.

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. SIMONA considers it possible that the future application of this standard may have a considerable impact on the presentation of financial assets and financial liabilities of the Group. However, a detailed analysis has yet to be conducted for the purpose of providing a reliable assessment of the implications.

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.

IFRS 15 “Revenue from Contracts with Customers”

In May and September 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 2018. Earlier application is permitted. The standard has not yet been adopted by the EU into European law. The implications for SIMONA’s consolidated financial statements have not yet been fully reviewed.

IFRS 16 “Leases”

On 13 January 2016, the IASB published the new standard IFRS 16 “Leases”. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 “Revenue from Contracts with Customers” at or before the date of initial application of IFRS 16. As regards lessees, the new regulations stipulate that all leases shall be accounted for in the statement of financial position as a right-of-use asset and a corresponding liability representing its obligation to make lease payments. Presentation in the income statement is always on the basis of a financing transaction, i.e. the right-of-use asset is generally subject to straightline depreciation while the effective interest method is to be applied to the lease liability. Essentially, initial application of IFRS 16 is likely to produce an increase in non-current assets and liabilities with a corresponding impact on total assets/total equity and liabilities, debt and the equity ratio. The precise implications for the consolidated financial statements are being reviewed.

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. It will have no 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. It will have no 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 specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond four years.

Deferred tax assets

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

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [29]. In determining the level of provisions,

the management is required to make significant judgements as to the timing and the amounts of future out-flow 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 [27] and [28].

[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:

Company	Registered office, country	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	Chinese renminbi yuan
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.	Jiangmen, China	Chinese renminbi yuan
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 straightline 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 [23]. 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 2015, 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 straightline 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 development expenses arising after the product has been made marketable is negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely 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.

Investments accounted for using the equity method

Associates are accounted for using the equity method, an associate being an entity over which the investor has significant influence. On initial recognition the investment in an associate is recognised at cost. On initial recognition any differences between the cost of the investment and the entity's share of equity has to be determined. This then has to be analysed as to whether it is attributable to hidden reserves or liabilities. Any

excess, i.e. positive difference, remaining after the allocation of hidden reserves and assets is to be treated as goodwill and presented in the carrying amount of the investment. Any negative difference is accounted for in profit and loss by increasing the assigned value of the investment.

Based on the cost of purchase, the carrying amount of the investment is increased or decreased in the subsequent periods by the share of annual profit. Further adjustments to the carrying amount of the investment are required if the equity of the investee has changed due to circumstances accounted for in the other components of profit/loss.

A part of subsequent measurement, write-downs relating to hidden reserves realised in the context of initial measurement have to be accounted for accordingly and deducted from the share of annual profit. To avoid double recognition, dividends received are to be deducted from the carrying amount.

If there are circumstances indicating that the investment may be impaired, an impairment test is to be conducted in respect of this investment. No separate review of prorata goodwill is conducted as part of this process. The assessment applies to the total carrying amount of the investment.

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 statement of financial position such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft

mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. The fair value of the plan assets is based on information regarding the market price; in the case of securities traded on public exchanges, it corresponds to the published 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 prorated on service or as the benefit/years of service method) (IAS 19, 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 19, 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 19, 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 obligation less the fair value of plan assets out of which the obligations are to be settled directly.

Government grants

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented as part of profit or loss under the heading

of “other income” and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Revenue recognition

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

a) Sale of goods

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

b) Interest

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

Taxes

a) Current tax assets and current tax liabilities

Current tax assets and current tax liabilities for current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly assesses individual tax issues as to whether there is any room for interpretation on the basis of applicable tax regulations. Where required, tax liabilities 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 profit for the period 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 income/cost.

[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

As was the case in 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.

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts. The segment categorised as “Europe” encompasses the production and sale of semi-finished and finished thermoplastics, profiles, pipes and fittings. The segment categorised as “Americas” mainly covers the production and sale of extruded thermoplastic sheets, the emphasis being on aircraft interiors. The segment categorised as “Asia and Pacific” includes the production and sale of semi-finished thermoplastics.

Management assesses earnings before interest and taxes (EBIT) 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 comprise assets 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 table includes information relating to segment revenues, income and expenses as well as segment results. The differences in respect of the consolidated financial statements are presented in the reconciliation.

SEGMENT INFORMATION BY REGION

	Europe		Americas		Asia and Pacific		Total segments		Reconciliation		Group	
in € '000	2015	2014*	2015	2014*	2015	2014	2015	2014	2015	2014*	2015	2014*
Sales revenue from external customers	261,293	258,502	81,705	60,752	17,334	17,304	360,332	336,558			360,332	336,558
Sales revenue from other segments	5,402	6,111	0	0	0	0	5,402	6,111	-5,402	-6,111	0	0
Segment revenue	266,695	264,613	81,705	60,752	17,334	17,304	365,734	342,669	-5,402	-6,111	360,332	336,558
Other income	8,390	10,627	1,121	453	2,707	1,689	12,218	12,769	-1,109	-1,805	11,109	10,964
Cost of materials	153,877	145,221	42,258	42,862	11,482	13,174	207,617	201,257	-5,402	-6,111	202,215	195,146
Staff costs	54,337	50,814	14,110	11,504	2,354	1,894	70,801	64,212			70,801	64,212
Depreciation/amortisation and write-downs ¹	9,160	8,711	2,938	3,187	1,321	1,248	13,419	13,146			13,419	13,146
Other expenses	41,212	40,908	15,035	14,416	4,560	3,557	60,807	58,881	-773	-1,596	60,034	57,285
Earnings before interest and taxes (EBIT)	18,295	21,287	9,067	-2,947	-299	-520	27,063	17,820	-358	0	26,705	17,820
Earnings before taxes (EBT)	16,953	19,866	8,671	-3,483	-469	-840	25,155	15,543	-362	61	24,793	15,604
Segment capital expenditure	11,505	15,905	3,648	6,345	1,034	561	16,187	22,811			16,187	22,811
Non-current assets	79,824	78,271	57,314	50,947	11,295	10,933	148,433	140,151			148,433	140,151

¹ Depreciation/amortisation and write-downs within the „Americas“ segment include impairment losses of €1,573 thousand in the prior-year figure; please refer to Note [23].

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

GERMANY

in € '000	2015	2014
Domestic revenue	100,609	92,939
Non-current assets	66,009	63,921

SEGMENT INFORMATION RELATING TO PRODUCT GROUPS

in € '000	2015	2014
Semi-finished and finished parts	276,884	259,523
Pipes and fittings	83,448	77,035
Sales revenue from external customers	360,332	336,558

NOTES TO GROUP INCOME STATEMENT**[7] SALES REVENUE**

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

[8] OTHER INCOME

Other income comprises the following items:

in € '000	2015	2014 (adjusted)
Income from currency translation	8,283	6,406
Reversal of provisions	1,616	29
Income from disposal of assets	56	640
Service and commission income	255	81
Income from letting and leasing	189	89
Income from plan settlements of pensions	—	3,394
Other	710	325
Other income	11,109	10,964

[9] COST OF MATERIALS

The cost of materials includes the following items:

in € '000	2015	2014
Raw materials and consumables used	200,678	191,602
Cost of purchased services	1,537	3,544
Cost of materials	202,215	195,146

[10] STAFF COSTS

Staff costs include the following items:

in € '000	2015	2014 (adjusted)
Wages and salaries	54,633	50,333
of which from long-term employee benefits	235	103
Expenses relating to social security	11,249	10,585
Expenses relating to old-age provision and pensions	4,919	3,294
Staff costs	70,801	64,212

Staff costs include employment termination indemnities of SIMONA AG totalling €37 thousand (prev. year: €473 thousand). Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €2,861 thousand and attributable to SIMONA AG (prev. year: €2,987 thousand). As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €24 thousand (prev. year: €19 thousand) in the period under review.

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €3,608 thousand in the period under review (prev. year: €2,362 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. No development costs were capitalised in the financial year under review.

[12] OTHER EXPENSES

Other expenses include the following items:

in € '000	2015	2014
Outward freight	15,142	13,929
Other selling expenses	8,318	9,990
Maintenance expenses	10,438	9,804
Administrative expenses	8,235	7,696
Expenses for packaging material	7,233	7,016
Other operating costs	2,332	2,455
Rental and lease expenses	2,400	2,377
Losses from disposal of assets	108	1,582
Expenses from foreign currency translation	3,567	1,186
Other	2,261	1,250
Other expenses	60,034	57,285

The rental and lease expenses are mainly attributable to rental agreements for dispatch warehouses and the property for the production facility in the United States. 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. As at 31 December 2015, no finance leases existed within the Group.

[13] NET FINANCE INCOME/COST

in € '000	2015	2014
Finance income	153	225
of which from the measurement of derivatives	16	26
of which from loans and receivables	60	199
of which others	77	0

in € '000	2015	2014
Finance cost	2,195	2,441
of which interest expenses from termination benefits	1,970	2,013
of which from borrowings and financial liabilities	225	428

These items relate solely to interest income and interest expenses.

[14] INCOME TAXES

The principal elements of income tax expense for the 2015 and 2014 financial years are as follows:

GROUP INCOME STATEMENT

in € '000	2015	2014 (adjusted)
Current tax		
Current tax expense	5,045	4,463
Adjustments of current tax attributable to previous periods	-10	197
Deferred tax		
Origination and reversal of temporary differences	1,564	2,085
Change of capitalized losses carried forward and tax credits	887	-2,343
Income tax expense reported in Group income statement	7,486	4,402

With the exception of the entity in Spain, all tax rates of the consolidated subsidiaries were unchanged year on year.

At 31 December 2015, the potential credit for the reduction of corporation tax, which results from the provisions set out in Section 37 and 38 KStG, was €1,478 thousand (prev. year: €2,218 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value to €1,410 thousand (prev. year: €2,075 thousand). Payouts in connection with the corporation tax credits will be made in two remaining annual instalments of €739 thousand p.a. in 2016 and 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.

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 2015 and 2014 financial years is as follows:

in € '000	2015	2014 (adjusted)
Earnings before taxes (EBT)	24,793	15,604
Income tax expense at German tax rate of 29.48% (prev. year: 29.48%)	7,309	4,600
Adjustments of current tax attributable to previous periods	-10	197
Unrecognised deferred tax assets relating to tax losses	370	2,681
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	-419	-27
Capitalisation of deferred tax assets relating to tax losses	-2,529	-2,555
Tax effect of non-deductible expenses	289	-153
Tax rate differences	159	-633
Tax-free dividend income	22	0
Other tax-free income	-118	-333
Tax effects of permanent differences	565	402
Adjustments to carrying amount for loss carryforwards and tax credits	553	-24
Other tax effects not attributable to the period	953	0
Other	342	247
Income tax expense at effective tax rate of 30.2% (prev. year: 28.2%)	7,486	4,402
Income tax expense reported in the Group income statement	7,486	4,402

Deferred tax

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

GROUP STATEMENT OF FINANCIAL POSITION

in € '000	31/12/2015	31/12/2014 (adjusted)
Deferred tax liabilities		
Goodwill	1,011	389
Other intangible assets	-114	88
Non-current assets	7,701	7,495
Inventories	3,380	3,366
Receivables and other assets	2,712	1,399
Other provisions and liabilities	19	19
Other items	1	22
	14,710	12,778

Deferred tax assets		
Provisions for pensions	15,011	17,264
Other provisions and liabilities	207	174
Inventories	309	242
Receivables and other assets	11	46
Loss carryforwards and tax credits	3,327	4,568
Non-current assets	29	33
Other items	8	12
	18,902	22,339
Set-off	-14,511	-12,590
Deferred tax assets	4,391	9,749
Deferred tax liabilities	199	188
Net balance sheet position	4,192	9,561

The net balance sheet position of deferred taxes changed as follows:

in € '000	2015	2014
Beginning of period (1 January)	9,561	2,075
Income tax expense (prev. year: income)	-2,451	258
Amount recognised directly in equity (total comprehensive income)	-2,301	8,920
Currency translation	96	18
Additions from corporate acquisitions	0	-1,710
Other adjustments	-713	0
End of period (31 December)	4,192	9,561

At the end of the reporting period, loss carryforwards amounted to €8,227 thousand (prev. year: €16,047 thousand). Deferred tax assets of €3,054 thousand (prev. year: €2,856 thousand) were recognised for €6,545 thousand (prev. year: €14,259 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, with the exception of the US 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	2015	2014
Between 3 and 20 years	8,227	16,047
Indefinite carryforward	0	0
	8,227	16,047

Deferred tax assets of around €2.2 million are expected to be realised in the subsequent financial year.

[15] EARNINGS PER SHARE

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the 2015 financial year or prior-year reporting period.

The following table presents the amounts relevant to the calculation of basic and diluted earnings per share:

in € '000 or units of 1,000	2015	2014 (adjusted)
Profit or loss attributable to ordinary equity holders of the parent company	17,270	11,180
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share	600	600
Dilutive effects	0	0
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share	600	600
Basic earnings per share (in euro)	28.78	18.63
Diluted earnings per share (in euro)	28.78	18.63

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

[16] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €8.00 (prev. year: €6.00) per share was declared and distributed. The total

payment made in the financial year under review amounted to €4,800 thousand (prev. year: €3,600 thousand).

A dividend proposal of €10.00 per share (prev. year: €8.00 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 €6,000 thousand (prev. year: €4,800 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,362	5,826	24,343	31,531
Additions	142	0	0	142
Transfer	-444	0	716	272
Depreciation/amortisation during the financial year	-447	-931	0	-1,378
Transfer depreciation/amortisation	716	0	-716	0
Effects of changes in foreign currency exchange rates	-13	654	2,722	3,363
Balance at 31 December 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,316	5,549	27,065	33,930
Balance at 1 January 2015				
Cost of purchase/conversion (gross carrying amount)	8,655	6,164	24,343	39,162
Accumulated depreciation/amortisation	-7,293	-338	0	-7,631
Carrying amount	1,362	5,826	24,343	31,531
Balance at 31 December 2015				
Cost of purchase/conversion (gross carrying amount)	8,354	7,305	27,781	43,440

Accumulated depreciation/ amortisation	-7,038	-1,756	-716	-9,510
Carrying amount	1,316	5,549	27,065	33,930

Goodwill is as follows:

in € '000	31/12/2014 (adjusted)	Addi- tions/ Dispo- sals	Depre- ciation/ amortiza- tion	Currency transla- tion	31/12/2015
Boltaron Inc., USA	22,070	0	0	2,477	24,547
SIMONA AMERICA Inc./ Laminations Inc., USA	2,130	0	0	245	2,375
Others	143	0	0	0	143
	24,343	0	0	2,722	27,065

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 straightline method; customer relationships are amortised over an economic life of five to ten years by using the straightline method. The residual book value of customer relationships resulting from acquisitions is as follows:

31/12/2015	Residual book value in € '000	Remaining period of amortisation
Boltaron Inc., USA	4,923	5 years
SIMONA AMERICA Inc./ Laminations Inc., USA	626	8 years
Total	5,549	

Impairment of goodwill

The Group conducts the mandatory annual impairment test for significant 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 (CGU), the recoverable amounts on the basis of the value in use were estimated to be higher than the carrying amounts. No impairment losses were required as part of the goodwill impairment test conducted for the financial year under review.

The fundamental assumptions made in connection with the impairment test are based primarily on projected market growth rates as well as Group estimates/assessments provided by the respective

sales and purchasing departments. The assumptions in the financial year under review are based on the parameters presented in the following table. Projections relating to cash flows are based on a period of 4 years, subsequently transitioning into perpetuity.

GOODWILL IMPAIRMENT TEST

		31/12/2015	31/12/2014
Boltaron Inc.			
Revenue growth forecasting period	%	3.0	5.0
EBITDA margin forecasting period	%	26 – 27	24 – 25
Duration forecasting period	years	4	4
Revenue growth at end of forecasting period	%	1.5	2.5
EBITDA margin at end of forecasting period	%	26.3	25.6
Discount rate at end of forecasting period	%	9.3	4.4
Carrying amount goodwill	€ '000	24,547	22,070
Recoverable amount (value in use of CGU)	€ '000	78,677	79,712
Required reduction in carrying amount	€ '000	–	–

An increase or decrease in the discount rate by plus 0.5 per cent or minus 0.5 per cent does not result in an impairment of goodwill. No reduction in the carrying amount would be required even in the event of a significant and unexpected deterioration in the assumptions made.

		31/12/2015	31/12/2014
SIMONA AMERICA Inc./ Laminations Inc.			
Revenue growth forecasting period	%	1.8 – 5.3	3.0 – 6.0
EBITDA margin forecasting period	%	4.6 – 6.8	6.7 – 7.2
Duration forecasting period	years	4	4
Revenue growth at end of forecasting period	%	1.5	2.0
EBITDA margin at end of forecasting period	%	6.8	7.2
Discount rate at end of forecasting period	%	8.8	4.4
Carrying amount goodwill	€ '000	2,375	2,130
Recoverable amount (value in use of CGU)	€ '000	33,720	11,684
Required reduction in carrying amount	€ '000	–	–

The value in use of CGU SIMONA AMERICA Inc. / Laminations Inc. would each correspond to the carrying amounts if the key assumptions listed below were to be changed as follows:

		from	to
Revenue growth forecasting period	%	1.8 – 5.3	1.9 – 4.3
EBITDA margin forecasting period	%	4.6 – 6.8	4.3 – 6.4
Revenue growth at end of forecasting period	%	1.5	1.0

31 DECEMBER 2014 (adjusted)

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	291	0	0	291
Additions from business combinations	213	6,164	20,817	27,194
Transfer	99	0	0	99
Disposals	-18	0	0	-18
Depreciation/amortisation during the financial year	-258	-661	0	-919
Effects of changes in foreign currency exchange rates	-9	323	3,383	3,697
Balance at 31 December 2014 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,362	5,826	24,343	31,531
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
Carrying amount	1,044	0	143	1,187

Balance at 31 December 2014				
Cost of purchase/conversion (gross carrying amount)	8,655	6,164	24,343	39,162
Accumulated depreciation/amortisation	-7,293	-338	0	-7,631
Carrying amount	1,362	5,826	24,343	31,531

As part of the final purchase price allocation in respect of Boltaron Inc., a retrospective adjustment was made to the carrying amount for the customer base. The final amount recognised was €5,161 thousand (preliminary figure: €2,621 thousand).

[18] PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2015

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	37,307	60,517	9,461	107,285
Additions	1,525	7,258	7,262	16,045
Transfer	868	3,385	-4,525	-272
Reclassification to disposal group classified as held for sale	-563	0	0	-563
Disposals	0	5	-121	-116
Depreciation/amortisation during the financial year	-2,043	-9,997	0	-12,040
Effects of changes in foreign currency exchange rates	1,606	1,620	268	3,494
Balance at 31 December 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	38,700	62,788	12,345	113,833

Balance at 1 January 2015				
Cost of purchase or conversion	76,054	228,224	9,461	313,739
Accumulated depreciation/amortisation and impairments	-38,747	-167,707	0	-206,454
Carrying amount	37,307	60,517	9,461	107,285
Balance at 31 December 2015				
Cost of purchase or conversion	75,652	239,860	12,345	327,857
Accumulated depreciation/amortisation and impairments	-36,952	-177,072	0	-214,024
Carrying amount	38,700	62,788	12,345	113,833

Prepayments and assets under construction relate mainly to the construction of the Technology Centre at the Group's headquarters in Kirn as well as capital expenditure projects at the sites in Newcomerstown, USA, and Jiangmen, China.

31 DECEMBER 2014

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 01 January 2014 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	32,531	52,252	4,049	88,832
Additions	2,359	11,930	8,230	22,519
Additions from business combinations	8,676	7,341	132	16,149
Transfer	155	2,741	-2,994	-98
Reclassification to disposal group classified as held for sale	-3,706	0	0	-3,706
Disposals	-741	-5,120	0	-5,861
Depreciation/amortisation during the financial year	-2,507	-9,720	0	-12,227
Effects of changes in foreign currency exchange rates	540	1,093	44	1,677

Balance at 31 December 2014 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	37,307	60,517	9,461	107,285
Balance at 1 January 2014				
Cost of purchase/conversion	66,486	211,966	4,049	282,501
Accumulated depreciation/amortisation and impairments	-33,955	-159,714	0	-193,669
Carrying amount	32,531	52,252	4,049	88,832
Balance at 31 December 2014				
Cost of purchase/conversion	76,054	228,224	9,461	313,739
Accumulated depreciation/amortisation and impairments	-38,747	-167,707	0	-206,454
Carrying amount	37,307	60,517	9,461	107,285

The useful life of the assets was estimated as follows:

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

[19] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes entities accounted for as associates that sell products of the US subsidiaries in the United States in their capacity as sales representatives. The investment recognised is €205 thousand. As part of first-time consolidation in 2014, the entities were accounted for at cost. The profit from investments accounted for using the equity method was €130 thousand.

ASSOCIATES

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

[20] INVENTORIES

in € '000	31/12/2015	31/12/2014
Raw material and consumables used	25,994	24,422
Work in progress	781	690
Finished goods and merchandise	40,102	38,184
Inventories	66,877	63,296

The amount relating to inventory impairments recognised in cost of materials rose by €512 thousand year on year to €4,093 thousand in the period under review; of this amount, write-downs relating to the net realisable value of finished goods totalled €363 thousand (prev. year: €433 thousand).

[21] TRADE RECEIVABLES

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

in € '000	31/12/2015	31/12/2014
Carrying amount	51,140	55,916
Neither impaired nor past due at the end of the reporting period	37,486	41,053
Not impaired at the reporting date and past due within the following time ranges		
up to 30 days	5,120	5,124
between 31 and 60 days	1,718	1,718
between 61 and 90 days	878	1,119
between 91 and 120 days	428	584
more than 120 days	1,956	1,833

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	31/12/2015	31/12/2014
Balance of specific allowances at 1 January	1,956	1,652
Exchange differences	+27	+2
Allocated	+296	+353
Utilised	-285	-16
Reversed	-33	-35
Balance of specific allowances at 31 December	1,961	1,956

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	2015	2014
Expenses attributable to the derecognition of trade receivables	140	28
Income attributable to amounts received in connection with derecognised trade receivables	80	11

[22] OTHER ASSETS AND TAX ASSETS

OTHER ASSETS	31/12/2015	31/12/2014
in € '000		
Receivables from value-added tax	1,853	1,495
Prepayments	1,290	388
Advance payments for future periods	762	633
Receivables from energy tax	66	711
Other receivables	639	1,943
Other assets	4,610	5,170

At the end of the reporting period, other assets were neither impaired nor past due.

Total tax assets of €1,690 thousand (prev. year: €2,127 thousand) include a reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG.

[23] ASSETS HELD FOR SALE

Assets held for sale include property, plant and equipment of €4,696 thousand (prev. year: €3,706 thousand). This relates to the amalgamation of production sites in the Americas segment. Within the Europe segment it also includes a building used by the sales entity in France. The effect of currency translation with regard to assets relating to the production site in the United States was equivalent to €427 thousand. Several interested parties have viewed the production facility attributable to the Americas segment and others have stated that they were considering the option of a purchase. In each case, the sale is expected to be transacted over the course of the 2016 financial year.

[24] CASH AND CASH EQUIVALENTS

in € '000	31/12/2015	31/12/2014
Bank balances and cash on hand	31,892	21,313
Cash and cash equivalents	31,892	21,313

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand. No restraints are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €2,715 thousand.

As at 31 December 2015, the Group had undrawn borrowing facilities of €42,775 thousand (prev. year: €41,931 thousand).

[25] EQUITY

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

Issued capital

As at 31/12/2015, 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	31/12/2015	31/12/2014
Share capital	15,500	15,500
Issued capital	15,500	15,500

As was the case in the previous financial year, SIMONA AG has no treasury shares.

Capital reserve

in € '000	31/12/2015	31/12/2014
Share premium from the issuance of stock	15,274	15,274
Capital reserve	15,274	15,274

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

Other reserves

in € '000	31/12/2015	31/12/2014 (adjusted)
Currency translation effects	11,167	4,843
Other reserves	11,167	4,843

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. The retrospective change to this item under IAS 8 relates to the presentation of currency translation in respect of goodwill acquired in 2014 and amounting to €3,210 thousand in total.

Non-controlling interests

This item relates solely to non-controlling interests in DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland. The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. There are no restraints in place as regards the right of SIMONA AG to access or use assets of this subsidiary and to meet contractual obligations. Revenue generated by this entity amounted to €2,012 thousand (prev. year: €1,791 thousand).

[26] FINANCIAL LIABILITIES

in € '000	Due date	31/12/2015	31/12/2014
Non-current financial liabilities			
Pro-rata bank loan of €4,249 thousand (nominal amount), principal repayments due after 31/12/2016	2024	3,851	4,249
Pro-rata loan of US\$210 thousand (nominal amount), principal repayments due after 31/12/2015	01/2015 -12/2015	0	22
		3,851	4,271
Current financial liabilities			
Bank overdrafts	Immediately	2,538	3,204
Pro-rata bank loan of €4,249 thousand (nominal amount), principal repayments due by 31/12/2016	06/2015 -12/2016	398	0
Pro-rata loan of US\$210 thousand (nominal amount), principal repayments due by 31/12/2015	01/2015 -12/2015	0	25
		2,936	3,229

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 amount of the loan or the remaining amount of the loan. The overdraft facility is subject to floating interest rates based on EONIA (Euro Over Night Index Average rate).

in € '000	Due date	31/12/2015	31/12/2014
Non-current other financial liabilities			
Liabilities due to purchase price obligations	04-2017	2,060	3,814
Other		127	0
		2,187	3,814
Current other financial liabilities			
Liabilities due to purchase price obligations	04-2016	2,096	2,134
Accounts receivable with credit balances	Immediately	1,268	1,186
		3,364	3,320

[27] 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 [28].

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	31/12/2015	31/12/2014
DBO at beginning of reporting period	60,790	48,135
Service cost	1,801	1,266
Income from plan settlements	0	-879
Interest cost	1,288	1,705
Remeasurement	-1,430	12,967
Actuarial gains/losses due to changes in financial assumptions	-1,693	14,356
Actuarial gains/losses from changes in the entitlement base	263	-1,389
Benefits paid	-1,641	-1,494
Plan settlements	0	-910
DBO at end of reporting period	60,808	60,790
of which non-current liability	59,144	59,219
of which current liability	1,664	1,571

No direct pension obligations were settled in cash during the period under review (prev. year: €910 thousand).

The Group anticipates benefit payments of €1,664 thousand (prev. year: €1,571 thousand) in connection with defined benefit pension plans for the 2016 financial year.

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

Parameters	31/12/2015	31/12/2014
Discount rate	2.30 %	2.15 %
Salary increase	2.50 %	2.50 %
Pension increase	1.87 %	1.87 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2005 G	2005 G

A change of half a percentage point each in the abovementioned basic assumptions used for the purpose of determining the DBO as at 31 December 2015 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:

Parameters	Change in DBO if parameters are changed by half a percentage point as at 31/12/2015 in € '000 (prev. year)	
	Increase	Decrease
Discount rate	-5,164 (-5,286)	5,935 (6,130)
Salary increase	1,263 (1,352)	-1,192 (-1,240)
Pension increase	4,304 (4,385)	-3,885 (-3,921)

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 2015 would increase by €2,019 thousand (prev. year: €2,056 thousand) following a reduction in the mortality rate by 10% and would decrease by €-1,802 thousand (prev. year: €-1,800 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 18.2 years (prev. year: 18.6 years).

[28] 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.

in € '000	31/12/2015	31/12/2014
DBO at beginning of reporting period	66,647	52,920
Service cost	2,813	1,853
Income from plan settlements	0	-2,515
Interest cost	1,420	1,770
Remeasurement	-2,903	17,973
Actuarial gains/losses due to changes in financial assumptions	-2,215	18,206
Actuarial gains/losses from changes in the entitlement base	-688	-233
Benefits paid	-1,123	-1,012
Plan settlements	0	-4,342
DBO at end of reporting period	66.854	66.647

Fair value of plan assets at beginning of year	34,908	40,022
Returns on plan assets	738	1,462
Remeasurement	1,747	-1,222
Benefits paid	-1,123	-1,012
Plan settlements	0	-4,342
Fair value of plan assets at end of year	36,270	34,908
Deficit of plan assets	-30,584	-31,739

No indirect pension obligations were settled in cash (prev. year: €4,342 thousand).

The Group anticipates benefit payments of €1,214 thousand (prev. year: €1,129 thousand) in connection with indirect defined benefit pension plans for the 2016 financial year.

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [27].

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 2015 is attributable primarily to 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 December 2015 would increase or decrease the DBO as follows (cf. also Note [27]):

Parameters	Change in DBO if parameters are changed by half a percentage point as at 31/12/2015 in €'000 (prev. year)	
	Increase	Decrease
Discount rate	-6,684 (-6,827)	7,810 (7,998)
Salary increase	2,498 (2,559)	-2,298 (-2,350)
Pension increase	4,617 (4,663)	-4,197 (-4,235)

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 2015 would increase by €2,327

thousand (prev. year: €2,364 thousand) following a reduction in the mortality rate by 10% and would decrease by €-2,085 thousand (prev. year: €-2,115 thousand) following a 10% increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT		
in € '000	31/12/2015	31/12/2014
Category of assets		
Shares in SIMONA AG	21,900	19,440
Bonded loans	3,010	3,016
Time deposits	2,499	2,499
Investment funds	5,658	0
Cash and cash equivalents	3,203	9,635
Other plan assets	0	318
Total plan assets	36,270	34,908

The shares in SIMONA AG and the interests in investment funds are quoted in an active market.

The weighted average duration of the DBO relating to defined benefit pension plans of Sozialwerk GmbH is 21.6 years (prev. year: 22.1 years).

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

in € '000	31/12/2015	31/12/2014
Liability at beginning of reporting period	31,739	12,898
Service cost	2,813	1,853
Income from plan settlements	0	-2,515
Net interest expense	681	308
Remeasurement	-4,649	19,195
Actuarial gains/losses due to changes in financial assumptions	-2,215	18,206
Actuarial gains/losses from changes in the entitlement base	-688	-233
Remeasurement from plan assets	-1,746	1,222
Liability at end of reporting period	30,584	31,739

[29] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at 1 January 2015	1,829	3,479	163	5,471
Allocated	78	1,203	9	1,290
Used	395	350	62	807
Reversed	278	1,237	101	1,616
Exchange differences	0	+13	0	+13
Effect of time value of money	18	315	0	333
Balance at 31 December 2015	1,252	3,423	9	4,684
Current provisions	418	1,523	9	1,950
Non-current provisions	834	1,900	0	2,734
Balance at 31 December 2015	1,252	3,423	9	4,684

in € '000	Personnel-related obligations	Guarantees/warranties	Other	Total
Balance at 1 January 2014	2,656	3,321	19	5,996
Allocated	197	147	155	499
Used	1,024	0	11	1,035
Reversed	29	0	0	29
Exchange differences	+5	0	0	+5
Effect of time value of money	24	11	0	35
Balance at 31 December 2014	1,829	3,479	163	5,471
Current provisions	653	805	0	1,458
Non-current provisions	1,176	2,674	163	4,013
Balance at 31 December 2014	1,829	3,479	163	5,471

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 €260 thousand (prev. year: €712 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. The calculation of provisions was adjusted in the reporting period to reflect updated historical claims from guarantees and warranties. As a result of this adjustment, SIMONA AG saw a reversal of provisions previously recognised by an amount of €805 thousand. Guarantee-related provisions at SIMONA AG are recognised for ongoing, regularly occurring warranty cases as well as for individual cases that occur on an irregular basis and are associated with the risk of aboveaverage 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.

[30] OTHER LIABILITIES

Other current liabilities comprises the following items:

in € '000	31/12/2015	31/12/2014
Payables to workforce	7,578	5,028
Payables relating to social security	1,455	1,106
Payables relating to credit notes and commission	1,334	414
Tax payables	817	1,623
Payables relating to outstanding invoices	502	337
Other	1,901	5,132
Other current liabilities	13,587	13,640

[31] 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	31/12/2015	31/12/2014
Cash and cash equivalents	31,892	21,313
Total cash and cash equivalents	31,892	21,313

The effects of changes to cash and cash equivalents attributable to exchange rates were €1,069 thousand (prev. year: €660 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 operating items in the Group statement of financial position, having eliminated changes relating to acquisitions and currency translation.

[32] RELATED PARTY DISCLOSURES

Entities and persons with control over the SIMONA Group or who are

exposed to the significant influence of SIMONA AG, 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. The Management Board and the Supervisory Board are considered to be management in key positions.

Management Board

- Wolfgang Moyses, Chairman, Kirn
- Dirk Möller, Deputy Chairman, Kirn
- Fredy Hiltmann, Kirn

Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim
Diplom-Kaufmann
Chairman of the Supervisory Board
 - Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen
Deputy Chairman
 - Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main (until 25 February 2016)
 - Chairman of the Advisory Board of Saxonia Holding-Gesellschaft mbH & Co. KG, Wolfsburg
 - Member of the Management Board of GBK Beteiligungen AG, Hannover (since 20 May 2015)
- Dr. Roland Reber, Stuttgart
 - Managing Director of Ensinger GmbH, Nufringen
- Joachim Trapp, Biberach, Qualified Lawyer
 - Member of the Management Board of Kreissparkasse Biberach, Biberach
 - Managing Director of Sparkasse-Immobilien BC GmbH, Biberach
 - Managing Director of Sparkasse-Immobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach
- Gerhard Flohr, Bergen
Employee Representative
- Jörg Hoseus, Monzingen
Employee Representative

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

- Customer Advisory Board member LBBW Rheinland-Pfalz Bank
- Advisory Board member CW Brabender Instruments Inc., South Hackensack/USA

- Supervisory Board member SURTECO SE, Bittenwiesen-Pfaffenhofen

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and Member of the Management Board of SIMONA AG. Additionally, Dirk Möller performs executive or controlling duties within the following 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. In the financial year under review, product sales amounting to €1,867 thousand (prev. year: €1,386 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

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 (revenues less than €10 thousand in total). This also applies to close family members of the aforementioned persons.

Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG for the 2015 financial year and amount to €109 thousand.

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.

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €2,654 thousand (prev. year: €1,808 thousand).

The supply and business relations between the respective persons and companies are conducted on arm's length terms.

Compensation of members of the Management Board and Supervisory Board

Total compensation for the Management Board amounted to €2,062 thousand in the financial year under review (prev. year: €1,647 thousand). Total compensation comprised €1,012 thousand (prev. year: €1,030 thousand) in fixed-level compensation and €1,050 thousand (prev. year: €617 thousand) in bonus payments. The fixed component of compensation is due in the short term and is paid as a salary on a monthly basis. Variable Management Board compensation is based on earnings performance at Group level as well as a longterm incentive programme centred around SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the years 2013 to 2015. Members of the Management Board do not receive grants in respect of statemanaged defined contribution plans, nor do they receive share-based payments or loans.

Post-employment benefits of €16,333 thousand (prev. year: €16,105 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was €454 thousand (prev. year: €2,927 thousand). Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2015, these amounted to €7,706 thousand (prev. year: €7,932 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €486 thousand (prev. year: €476 thousand).

Supervisory Board compensation for 2015 amounted to €131 thousand (prev. year: €133 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the 2015 financial year, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

[33] FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principles of risk management

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

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

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

Interest-rate risk

The company's short-term bank overdraft is the only financial instrument generally exposed to interest-rate risk. The balance of the overdraft was cleared in full at the beginning of the 2016 financial year. Therefore, the sensitivity analysis of interest rates was of no relevance. The interest rate swap used for the purpose of hedging the risk of interest rate changes in respect of a loan extinguished prior to maturity expired as scheduled on 30 September 2015. In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. As the interest rate derivatives (interest rate swaps) are not part of a hedging relationship as described in IAS 39, changes are recognised directly in finance income or cost.

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 2015, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,595 thousand lower (€5,616 thousand higher).

The hypothetical effect on profit of minus €4,595 thousand (plus €5,616 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	-2,956	(3,613)
EUR/GBP	-110	(134)
EUR/CHF	-309	(377)
EUR/CZK	434	(-530)
EUR/PLN	-84	(103)
EUR/HKD	-961	(1,175)
EUR/CNY	-522	(638)
EUR/RUB	-86	(105)
	-4,595	(5,616)

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:

in € '000	Effect on profit before taxes	
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)
	-5,181	(6,330)

Credit risk

SIMONA AG is exposed to credit risk as part of its operating activities. Financial assets outstanding – principally trade receivables – are monitored on a decentralised basis, i.e. by each legally separate company within the Group, and reports are issued as part of monthly statements. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated with the help of trade credit insurance. On average, around 60 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safe-guarded 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. Impairments are mainly determined on the basis of past-due receivables (>90 days) as well as information available with regard to financial difficulties of specific business partners. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. Given the scope of sales markets and the wide range of customers, there was no evidence of significant concentrations of risk in the reporting period.

Liquidity risk

In order to ensure solvency and maintain financial flexibility, the Group continuously monitors liquidity levels associated with operating activities as well as anticipated payments attributable to commitments arising from capital investment orders of the respective companies. The state of liquidity is monitored and reported daily within SIMONA AG and once a week within the Group.

Alongside cash and cash equivalents amounting to €31.9 million (prev. year: €21.3 million), the SIMONA Group has undrawn borrowing facilities of €42.8 million (prev. year: €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.

Credit risk relating to cash exists solely as a result of business relationships with banks, which have the following long-term issuer rating:

ISSUER RATING CASH

in € '000	31/12/2015
A1	639
Aa2	6,436
Aa3	3,569
Baa1	13,464
No rating	7,784
Total cash	31,892

As at 31 December 2015, 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	2,936	2,125	1,726	6,787
Other financial liabilities	3,364	2,187	0	5,551
Trade payables	11,722	0	0	11,722
Liabilities	18,022	4,312	1,726	24,060

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
Other financial liabilities	3,320	3,814	0	7,134
Trade payables	13,054	0	0	13,054
Liabilities	19,603	5,828	2,257	27,688

As in the previous financial year, at 31 December 2015, there were no foreign exchange forward contracts and no currency options that would result in amounts due to the entity or payment obligations.

Capital management

As at 31 December 2015, the equity ratio was 57 per cent (prev. year: 53 per cent). The level of debt stood at 72 per cent (prev. year: 85 per cent). Among the key financial goals of the SIMONA

Group are objectives to raise enterprise value in a sustainable manner, ensure solvency at all times and achieve an equity ratio of at least 50 per cent. At the same time, safeguarding sufficient cash reserves is considered particularly important. The Group manages its capital structure mainly on the basis of its equity ratio and makes adjustments in response to changing economic conditions where such action is deemed appropriate.

[34] FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS		CARRYING AMOUNT		FAIR VALUE	
in € '000		31/12/2015	31/12/2014	31/12/2015	31/12/2014
Non-current financial assets					
Financial assets	AfS	340	339	340	339
Investments accounted for using the equity method	AfS	205	76	n/a	n/a
Current financial assets					
Other financial assets	LaR	4,831	709	4,831	709
Cash and cash equivalents	LaR	31,892	21,313	31,892	21,313
Trade receivables	LaR	51,140	55,916	51,140	55,916
Non-current financial liabilities and other financial liabilities					
Loans	FLAC	-3,851	-4,271	-3,851	-4,271
Other financial liabilities	FLAC	-2,187	-3,814	-2,187	-3,814
Current financial liabilities and other financial liabilities					
Bank overdrafts	FLAC	-2,538	-3,229	-2,538	-3,229
Loans	FLAC	-398	0	-398	0
Trade payables	FLAC	-11,722	-13,054	-11,722	-13,054
Other financial liabilities	FLAC	-3,364	-3,320	-3,364	-3,320
Interest-rate swap	FLHFT	0	-15	0	-15
Total by measurement category					
AfS		545	415	340	339
LaR		87,863	77,938	87,863	77,938
FLAC		-24,060	-27,688	-24,060	-27,688
FLHFT		0	-15	0	-15

(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 loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

Short-term deposits held as Loans and Receivables (LaR) include time deposits with a maturity of six months.

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.

2015: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	Total
AfS	0	0	0	0	0
LaR	61	0	-222	-51	-212
HfT	0	16	0	0	16
FLAC	-85	0	755	-152	518
Total	-24	16	533	-203	322

2014: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/Disposal	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
Total	185	29	-661	-320	-767

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
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

With the exception of derivative financial instruments, no fair value hierarchy is disclosed for financial assets and liabilities, as the carrying amount is a reasonable approximation of fair value.

The fair values of financial assets and liabilities measured at (amortised) cost are as follows:

in € '000	31/12/2015	Level 1	Level 2	Level 3
Derivative financial instruments				
Interest-rate swap	0	0	0	0
	0	0	0	0

in € '000	31/12/2014	Level 1	Level 2	Level 3
Derivative financial instruments				
Interest-rate swap	-15	0	-15	0
	-15	0	-15	0

Hedging transactions

Cash flow hedging instruments

As at 31 December 2015, as was the case in the previous financial year, the Group held no forward currency contracts or currency options.

[35] 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, Cologno Monzese (MI), 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
DANOH LLC, Akron, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0
SIMONA ASIA Ltd., Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
OOO SIMONA RUS, Moscow, Russian Federation	100.0

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

Financial assets

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

	Ownership Interest	Equity 31/12/2014	Profit/loss 2014
	in %	in € '000	in € '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	12,445	-4,440
SIMONA Vermögensverwaltungs-gesellschaft der Belegschaft mbH, Kirn, Germany	50.0	3,987	301

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. The loss for the period was due to the funding of pensions in the 2014 financial year.

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

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 preliminary purchase price allocation for this acquisition was completed in the first quarter of 2015. The changes resulting therefrom are presented in Note [2]. The final purchase price allocation is as follows:

The consideration is €34,808 thousand in total. The consideration comprises as yet unpaid purchase price obligations that have been recognised at a fair value of €4,899 thousand; the amount payable corresponds to the fair value. The following information pertaining to final purchase price allocation details the values of the principal groups of assets and liabilities acquired at the date of purchase: intangible assets €5,233 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). Compared to the preliminary purchase price allocation (€2,621 thousand), the final fair value of customer relationships was accounted for as €5,161 thousand. The change is primarily due to a revised assessment and risk appraisal of revenues achievable in the long term as part of business dealings with “valuable customers”. Goodwill amounting to €19,460 thousand includes non-separable intangible assets such as expertise relating to personnel as well as anticipated synergy effects from the product portfolio and sales.

The acquired business contributed revenue of €33,223 thousand (9 months 2014: €19,572 thousand) and profit (including the effects of purchase price allocation) of €6,239 thousand (9 months 2014: €2,242 thousand) to the Group in the 2015 financial year.

Average number of staff employed in the financial year:

GROUP	2015	2014
Industrial staff	734	774
Clerical staff	505	510
Employees	1,239	1,284
School-leaver trainees (apprentices)	40	41
Total headcount	1,279	1,325

Contingent liabilities and other financial commitments

Contingent liabilities relate in particular to extended warranty periods regarding the sale of plastic products. No information on the financial implications and uncertainties relating to the amount or timing of any outflow has been disclosed as it is not practicable to do so. At present, SIMONA does not expect any outflow from contingent liabilities.

OTHER FINANCIAL COMMITMENTS

in € '000	31/12/2015	31/12/2014
Commitments from operating rental and lease agreements		
Due within:		
1 year	611	777
2 – 5 years	298	355
after 5 years	42	47
	951	1,179
Purchase commitments arising from investment projects	10,741	5,223

The share of intangible assets in total commitments is negligible.

Declaration of Conformity regarding the German Corporate Governance Code

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

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

As at 12 June 2015 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,860 shares; this corresponds to approx. 11.81 per cent of the share capital of SIMONA AG.

As at 12 June 2015 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 1,300 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

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

Audit fees

The total fees invoiced by the independent auditor of SIMONA AG were €242 thousand. These fees were attributable to the following items: year-end audit €155 thousand, tax consulting services €11 thousand and other services €76 thousand.

Events after the reporting period

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

Kirn, 30 March 2016

SIMONA Aktiengesellschaft

The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

DETAILS OF SHAREHOLDINGS OF SIMONA AG

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

* Preliminary financial results

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

REPRODUCTION OF THE AUDITOR'S REPORT

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 of SIMONA Aktiengesellschaft, Kirn, which has been combined with the management report of the Company, for the financial year from 1 January to 31 December 2015. The Management Board of the Company is responsible for the preparation of the consolidated financial statements and the combined 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 combined 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 combined 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 combined management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the 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 combined 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, 6 April 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian Kwasni
German Public Auditor

ppa. Christopher Schlig
German Public Auditor

OTHER INFORMATION

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

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

Kirn, 30 March 2016
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

KEY FINANCIALS

SIMONA GROUP

SIMONA GROUP

		2015	2014	2013
Revenue	€m	360.3	336.6	287.9**
Year-on-year change	%	7.1	16.9	-1.8**
Staff costs	€m	70.8	64.2*	56.2
Earnings before taxes (EBT)	€m	24.8	15.6*	7.2
Profit for the year	€m	17.3	11.2*	4.8
Net cash from operating activities	€m	37.3	30.9*	14.2
EBIT	€m	26.7	17.8*	8.2
EBIT	%	7.4	5.3*	2.9
EBITDA	€m	40.1	31.0*	19.6
EBITDA	%	11.1	9.2*	6.9
Total assets	€m	318.4	301.2*	257.7
Equity	€m	182.6	159.5*	167.8
Property, plant and equipment	€m	113.8	107.3	88.8
Investments in property, plant and equipment	€m	16.0	22.4	11.9
Employees (annual average)		1,279	1,325	1,192

On IFRS basis

* Prior-year figures adjusted in accordance with IAS 8 and IFRS 3, cf. Note [2].

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

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

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