SIMONA

2011

Group Interim Report of SIMONA AG, Kirn, for the First Half of 2011

Group Management Report

1. BUSINESS PERFORMANCE

The SIMONA Group again recorded solid growth in sales volumes and revenue over the second quarter of 2011. Revenue amounted to € 85.4 million, up € 15.4 million or 22 per cent on the figure reported for the same period a year ago. In the first half as a whole, revenue totalled € 162.3 million, which was € 32.6 million or 25.1 per cent more than in the first six months of 2010. The percentage increase in sales volumes was also in double digits. Growth was attributable primarily to the continued strength of exports among customers operating within the chemical industry and mechanical engineering sector.

Economic conditions

The economic climate remained stable in the first half, despite the fact that the rate of growth within the global economy showed signs of weakening towards the end of the second quarter.

Germany

This also applies to the German economy. In the second quarter, GDP increased by just 0.1 per cent compared to the previous quarter. By contrast, first-quarter growth had stood at 1.3 per cent. Having said that, economic output was still up by a significant margin year on year (+5.2 per cent in the first quarter/+2.7 per cent in the second quarter). Industrial order intake was up 10.6 per cent year on year in May/June, adjusted for working day variations. Within this context, buoyant exports were reinforced by domestic demand to drive growth forward. Capital expenditure on machinery and equipment, which is of particular importance to SIMONA's business, also developed well.

In Germany, the key target industries of SIMONA recorded a solid first half: production in the chemical industry expanded by 6.5 per cent. Revenue increased by even more, up 12 per cent, although this was driven largely by pricing factors. The mechanical and plant engineering industry saw production expand by 18 per cent in the months up to May 2011, with order intake rising by 28 per cent in the same period.

Eurozone

The economic performance of the eurozone as a whole also proved solid. Having said that, there was significant divergence in growth between the individual eurozone countries. At the same time, the economic climate was adversely affected by the national debt crisis in some countries. In the first quarter of 2011, GDP rose by 0.8 per cent compared to the fourth quarter of 2010 and by 2.5 per cent compared to the same quarter a year ago.

Asia and South America

The Asian economies showed visible signs of potential overheating in some regions. Over the course of the first half, fiscal measures were implemented in some economies, particularly in China, for the purpose of mitigating the risks associated with inflation. Despite these activities, China remained the principal driving force behind growth not only in Asia but worldwide. Having expanded by 9.7 per cent in the first quarter, the Chinese economy maintained its dynamic momentum in the second quarter with growth of 9.5 per cent. India's economy also continued to perform well in the period under review. Elevated commodity prices and strong demand for raw materials provided additional buoyancy for the South American economy.

United States

The US economy has yet to see any signs of a solid recovery. High levels of unemployment, the debt crisis, the significant federal deficit and new problems within the pro-perty market are key factors contributing to stagnant private consumption.

Plastics industry

The German plastics processing industry maintained its forward momentum over the course of the first half. According to preliminary estimates, industry turnover rose by approx. 12 per cent to € 27 billion, while capacity utilisation remained high at over 85 per cent.

Segment reporting

SIMONA's revenue increased markedly in all sales regions. In Germany, sales revenue rose by 24.8 per cent to € 55.4 million (prev. year: € 44.4 million). The Rest of Europe and Africa recorded an increase in sales revenue of 25.9 per cent to € 80.9 million (prev. year: € 64.3 million). On the back of expansive growth in 2010, the region of Asia, America and Australia continued to grow at an encouraging rate in the first half of 2011, with regional sales increasing by 23.3 per cent to € 25.9 million (prev. year: € 21.0 million).
As regards the individual product groups, both semi-finished products and pipes and fittings achieved double-digit growth in the first half of 2011. The rate of growth achieved within the area of semi-finished products was well above average, driven in particular by buoyant demand for extruded sheets used in tank and apparatus construction.

2. FINANCIAL PERFORMANCE

Benefiting from more expansive business, earnings before interest and taxes (EBIT) improved from € 6.1 million a year ago to € 10.6 million (+74,4 per cent) in the first half of 2011. The EBIT margin was 6.5 per cent (prev. year: 4.7 per cent).
Owing to higher revenues, gross profit rose by € 12.9 million to € 73.7 million.
As a result of surging commodity prices and the upturn in business, the cost of materials rose by 26 per cent to € 94.5 million. The profit margin continued to be impacted by substantial raw material prices. Having said that, these effects were counteracted to a certain extent by stringent price management.
Staff costs amounted to € 31 million (prev. year: € 28.8 million).
Other operating expenses rose from € 19.9 million a year ago to € 25.9 million in the period under review. Owing to larger sales volumes, the Group was faced with higher expenses for outward freight and packaging in particular. Additionally, volatile currency markets resulted in higher foreign exchange losses.
The majority of the operating subsidiaries improved their earnings year on year in the first half of 2011. SIMONA's plant in China is still in the start-up phase and has yet to generate a profit.
Profit for the first half stood at € 7.7 million, up 71.5 per cent compared to the same period a year ago (€ 4.5 million).

3. FINANCIAL ASSETS AND LIABILITIES

Financial assets mainly include cash and short-term bank deposits of € 32.9 million (31/12/10: € 39.3 million). Affected by exchange rates, non-current financial liabilities fell from € 4.8 million at the end of 2010 to € 4.5 million at the end of the reporting period.
Interest income from cash invested amounted to € 0.3 million in the first half of 2011 (prev. year: € 0.1 million). Interest expense, by contrast, amounted to € 0.2 million. This expense item was due to loans denominated in US dollars.

4. FINANCIAL POSITION

As at 30 June 2011, total assets increased to €262 million (31/12/10: €245 million).
In the first half of 2011, SIMONA made investments of €7.1 million (prev. year: €2.9 million).
Inventories rose by €8.1 million compared to the figure posted at 31 December 2010.
As a result of revenue growth, trade receivables increased by €17.6 million to €59.4 million.
Group equity totalled €169.5 million as at 30 June 2011, which translates into an equity ratio of 65 per cent.
Due to more expansive business, trade payables were up €8.1 million.

5. RISKS ASSOCIATED WITH FUTURE DEVELOPMENT

The risk management system of SIMONA AG focuses on the following material risks: risks relating to the general business environment and sector, financial risks and IT-specific risks. The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic development of customer segments served by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the raw material markets. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. Company-owned production facilities in key foreign markets help to improve the company's flexibility when it comes to meeting ever-changing customer requirements at a global level. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. The greatest risk to the economy as a whole currently emanates from the national debt crisis that has engulfed major industrialised countries, first and foremost Europe and the United States. Despite the fundamental strength of the economy, this situation may dampen demand for our products. High commodity prices continue to be a key risk with regard to the Group's earnings performance, although it should be noted that the overall risk has receded slightly after the first half of 2011. Nevertheless, we anticipate that procurement costs for raw materials will remain high in the annual period as a whole, while commodity prices are generally expected to trend upwards in the long term. Additionally, the risk of default has increased as a result of higher revenues. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories were assessed on a regular basis, and adjustments in the form of allowances were made for specific products. In our opinion, the company's overall risk situation in the first half of 2011 has not changed materially in relation to the previous financial year.

6. REPORT ON EXPECTED DEVELOPMENTS

Although fundamentally solid, Germany's economic prospects are being severely jeopardised by risks associated with the global economy. The national debt crisis has already produced significant uncertainty within the business arena and volatility within the international financial markets. As a result of this situation, global demand is likely to contract further, although the potential extent of deceleration is as yet unclear. In the first half of 2011, this year's annual growth forecast for the world economy stood at 3.3 per cent. Given the latest developments,

however, there is every chance that this figure will be revised downwards. Global economic growth continues to be dominated by the emerging economies of Asia – led by China – and South America. The United States is on the brink of recession, encumbered as it is by high unemployment and the spiralling financing costs associated with the recent downgrade of its credit rating.
SIMONA is bracing itself for much more challenging economic conditions in the second half of 2011. The noticeable deterioration in market sentiment, also evident in the German economy, may adversely affect capital expenditure on machinery and equipment. This aspect is of key importance to our business, and a downturn in investment spending might translate into lower demand. In view of the positive performance in the first half, we currently anticipate that we will be in a position to achieve our revenue target of € 290 million and profit before taxes of € 15 million.

Group Interim Financial Statements

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 - 30/06/11	01/01 - 30/06/10
Revenue		162,273	129,688
Other operating income		3,408	3,264
Changes in inventories of finished goods		2,540	2,887
Cost of materials		94,487	75,039
Staff costs		30,991	28,762
Amortisation of intangible assets and depreciation of property, plant and equipment		6,248	6,092
Other operating expenses		25,884	19,860
Interest income		321	72
Interest expense		153	221
Profit before tax		**10,779**	**5,937**
Income tax expense	[6]	3,115	1,467
Profit for the period		**7,664**	**4,470**
of which attributable to:			
Owners of the parent company		7,619	4,439
Non-controlling interests		45	31

EARNINGS PER SHARE

in €		
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	12.70	7.40
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	12.70	7.40

Group Statement of Comprehensive Income of SIMONA AG

in € ‘000	**01/01 – 30/06/11**	**01/01 – 30/06/10**
Profit for the period	**7,664**	**4,470**
Exchange differences on translating foreign operations during the year	–272	1,303
Amount recognised directly in equity	–272	1,303
Total comprehensive income	**7,392**	**5,773**
of which attributable to:		
Owners of the parent company	7,348	5,745
Non-controlling interests	44	28

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	30/06/11	31/12/10
Intangible assets		1,199	1,294
Property, plant and equipment	[8]	88,014	88,126
Financial assets		23	23
Non-current tax assets		3,849	3,773
Deferred tax assets	[6]	165	173
Non-current assets		**93,250**	**93,389**
Inventories	[9]	58,633	50,515
Trade receivables		59,438	41,845
Other assets and prepaid expenses		7,943	9,947
Other financial assets		10,000	10,000
Cash and cash equivalents	[4]	32,895	39,316
Current assets		**168,909**	**151,623**
Total assets		**262,159**	**245,012**

EQUITY AND LIABILITIES

in € '000	Notes	30/06/11	31/12/10
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		139,044	131,425
Other reserves		–531	–260
		169,287	**161,939**
Non-controlling interests		222	272
Total equity		**169,509**	**162,211**
Financial liabilities		4,472	4,848
Provisions for pensions		39,229	38,322
Other provisions		6,062	6,036
Other liabilities		200	211
Deferred tax liabilities	[6]	5,153	5,654
Non-current liabilities		**55,116**	**55,071**
Financial liabilities	[4]	298	313
Provisions for pensions		1,248	1,248
Other provisions		2,441	2,535
Trade payables		19,311	11,202
Income tax liabilities		2,031	1,607
Other liabilities and deferred income		12,077	10,670
Derivative financial instruments		128	155
Current liabilities		**37,534**	**27,730**
Total equity and liabilities		**262,159**	**245,012**

Selected notes to the first six months of the 2011 financial year – SIMONA AG, Kirn

[1] COMPANY INFORMATION

The condensed consolidated interim financial statements for the first half of 2011 were released for publication on 16 August 2011, following a resolution passed by the Management Board.
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.

[2] STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed consolidated interim financial statements for the first half of 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not comprise all information and disclosures required for consolidated annual financial statements and should thus be read in conjunction with the consolidated financial statements for the annual period ended 31 December 2010.

Summary of significant accounting policies

The accounting policies applied to the condensed consolidated interim financial statements are consistent with those applied to the consolidated financial statements for the annual period ended 31 December 2010.

The amended version of IAS 24 "Related Party Disclosures" was applied effective from 1 January 2011. The application of this amended standard had no implications as regards the presentation of the financial position, performance and cash flows of the Group.

Consolidated group

There were no changes in the consolidated group compared with 31 December 2010. As at 30 June 2011, the consolidated interim financial statements comprised 16 domestic and foreign entities.
In July 2011, a new subsidiary was founded: 000 SIMONA RUS, Moscow, Russia. This entity was included in the scope of consolidation effective from July 2011.

[3] SEASONAL EFFECTS ON BUSINESS ACTIVITIES

Owing to seasonal factors, all business segments are generally expected to generate lower revenue and lower operating results in the second half of the year than in the first six months. Lower revenue is mainly attributable to declining demand in the principal holiday months of July and August, as well as reduced customer inventory levels towards the end of the calendar year (December).

[4] CASH AND CASH EQUIVALENTS

For the purpose of preparing a cash flow statement, cash and cash equivalents shall be comprised of the following items:

in € '000	**30/06/11**	**31/12/10**
Cash and cash equivalents	32,895	39,316
Current financial liabilities (excluding liabilities attributable to loans)	–45	–40
	32,850	**39,276**

Cash and cash equivalents include a fixed-term deposit of € 4.3 million with Kreissparkasse Biberach (District Savings Bank Biberach), with a maturity period in excess of three months and based on regular way terms and conditions. The fixed-term deposit is redeemable on demand and is not subject to changes in value.

[5] PAID AND PROPOSED DIVIDEND

A dividend proposal of € 6.50 per share (prev. year: € 6.00 per share) was submitted to the Annual General Meeting of Shareholders. This corresponds to a payout of € 3,900 thousand (prev. year: € 3,600 thousand), which was not accounted for as a liability as at 30 June 2011. The proposed dividend was adopted by the Annual General Meeting on 1 July 2011 and paid out on 4 July 2011.
In the previous financial year payment of the dividend amounting to € 3,600 thousand was executed in the first half of the financial year.

[6] INCOME TAXES

The principal components of income tax expense reported in the consolidated income statement are as follows:

in € '000	01/01-30/06/11	01/01-30/06/10
Current tax		
Current tax expense	3,697	1,570
Income from measurement of credits for the reduction of corporation tax	–89	–100
Deferred tax		
Origination and reversal of temporary differences	–493	–3
	3,115	**1,467**

[7] SEGMENT REPORTING

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

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

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts.
Management assesses the operating results of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.
As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated interim financial statements. Revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Figures presented in the column entitled "Elimination" were adjusted compared to the previous year. Internal transfer pricing between the business segments is determined on the basis of standard market prices charged to unaffiliated third parties. External sales revenue relates to the country in which the customer is domiciled.

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2011, the Group purchased property, plant and equipment at a cost amounting to € 7,034 thousand (first half of 2010: € 2,913 thousand).
Other operating income includes gains of € 40 thousand (prev. year: € 60 thousand) from the disposal of property, plant and equipment; other operating expense includes losses of € 220 thousand (prev. year: € 4 thousand) from the disposal of property, plant and equipment.

SEGMENT INFORMATION FOR SIMONA GROUP

Segmentation by region	Germany		Rest of Europe and Africa		Asia, America and Australia		Eliminations		Group	
in € '000	01/01-30/06/11	01/01-30/06/10	01/01-30/06/11	01/01-30/06/10	01/01-30/06/11	01/01-30/06/10	01/01-30/06/11	01/01-30/06/10	01/01-30/06/11	01/01-30/06/10
Revenue from sales to external customers	55,409	44,402	80,935	64,261	25,929	21,025	0	0	162,273	129,688
Revenue from sales to other segments	11,383	6,982	24,003	21,880	7,493	5,675	–42,879	–34,537	0	0
Segment revenue									**162,273**	**129,688**
Segment result	6,076	2,559	5,056	3,884	–521	–357	0	0	10,611	6,086
Reconciliation to profit before tax:										
Interest income									321	72
Interest expense									153	221
Profit before tax									**10,779**	**5,937**

[9] INVENTORIES

In the first half of the 2011 financial year inventory impairments increased by € 277 thousand to € 3,105 thousand compared to 31 December 2010.

[10] CONTINGENT LIABILITIES

Compared with 31 December 2010, contingent liabilities from investment projects already initiated (obligation to purchase property/plant/equipment) rose by € 3,977 thousand to € 5,893 thousand at the end of the reporting period.

[11] RELATED-PARTY DISCLOSURES

The entities and persons with whom the SIMONA Group had a related-party relationship, as well as the scope and nature of related-party transactions, remained unchanged compared with the financial year ended 31 December 2010.

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

[12] EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE IN ACCORDANCE WITH SECTION 37W (5) WPHG

The consolidated interim financial statements and the Group interim management report have been neither reviewed nor audited in accordance with Section 317 HGB.

DISCLOSURE IN ACCORDANCE WITH SECTION 37Y WPHG IN CONJUNCTION WITH SECTION 37W (2) NO. 3 WPHG

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

SIMONA AG
Kirn, August 2011

The Management Board

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01-30/06/11	01/01-30/06/10
Profit before tax		10,779	5,937
Income taxes paid		2,061	–1,570
Interest income/expense		–168	149
Amortisation of intangible assets and depreciation of property, plant and equipment		6,248	6,092
Other non-cash expenses and income		591	–1,788
Change in provisions for pensions		907	657
Result from disposal of non-current assets	[8]	180	–56
Change in inventories		–8,118	–5,129
Change in trade receivables		–17,593	–18,414
Change in other assets		1,928	–833
Change in liabilities and other provisions		8,225	7,780
Net cash from/used in operating activities		**918**	**–7,175**
Investments in intangible assets and property, plant and equipment	[8]	–7,079	–2,919
Payments relating to the acquisition of interests in subsidiaries		–93	0
Proceeds from disposal of non-current assets		72	220
Payments relating to investments as part of short-term financial arrangements		0	–10,000
Net cash used in investing activities		**–7,100**	**–12,699**
Repayment of financial liabilities		–10	–12
Dividend paid to owners of the parent	[5]	0	–3,600
Interest received		305	10
Interest paid		–153	–221
Net cash from/used in financing activities		**142**	**–3,823**
Effect of foreign exchange rate changes on liquidity		–386	1,669
Change in cash and cash equivalents		**–6,426**	**–22,028**
Cash and cash equivalents at 1 January	[4]	39,276	61,379
Cash and cash equivalents at 30 June	[4]	32,850	39,351
Change in cash and cash equivalents		**–6,426**	**–22,028**

Group Statement of Changes in Equity of SIMONA AG

		Equity attributable to owners of the parent company									Non-controlling interests	Total equity
	Notes	Issued capital		Capital reserves	Revenue reserves					Other reserves		
in € '000		Share capital	**Total**		Legal reserves	Statutory reserves	Other revenue reserves	Accumulated profit for the period	**Total**	Currency translation differences		
Balance at 01/01/10		15,500	**15,500**	**15,274**	397	2,847	86,655	37,856	**127,755**	**–1,225**	**242**	**157,546**
Amount recognised directly in equity		0	**0**	**0**	0	0	0	0	**0**	**1,306**	**–3**	**1,303**
Profit for the period		0	**0**	**0**	0	0	0	4,439	**4,439**	0	**31**	**4,470**
Total comprehensive income for the period		0	**0**	**0**	0	0	0	4,439	**4,439**	1,306	**28**	**5,773**
Appropriations to other revenue reserves		0	**0**	**0**	0	0	5,762	–5,762	**0**	0	**0**	**0**
Dividend payment	[5]	0	**0**	**0**	0	0	0	–3,600	**–3,600**	0	**0**	**–3,600**
Balance at 30/06/10		15,500	**15,500**	**15,274**	397	2,847	92,417	32,933	**128,594**	**81**	**270**	**159,719**
Balance at 01/01/11		15,500	**15,500**	**15,274**	397	2,847	92,417	35,764	**131,425**	**–260**	**272**	**162,211**
Amount recognised directly in equity		0	**0**	**0**	0	0	0	0	**0**	**–271**	**–1**	**–272**
Profit for the period		0	**0**	**0**	0	0	0	7,619	**7,619**	0	**45**	**7,664**
Total comprehensive income for the period		0	**0**	**0**	0	0	0	7,619	**7,619**	–271	**44**	**7,392**
Other changes		0	**0**	**0**	0	0	0	0	**0**	0	**–94**	**–94**
Balance at 30/06/11		15,500	**15,500**	**15,274**	397	2,847	92,417	43,383	**139,044**	**–531**	**222**	**169,509**

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