SIMONA

Group Interim Report of SIMONA AG for the First Half of 2014

Contents

Group Interim Management Report

1. BUSINESS REVIEW

1.1 Macroeconomic and sector-specific environment

Sustained economic weakness in the developing and emerging markets, the crisis in Ukraine and an unexpected downturn in the US economy acted as a decelerating force on the global economy in the first quarter of 2014. The eurozone, by contrast, continued to enjoy a period of modest economic recovery. After growth of 0.2 per cent in the first quarter, projections for the eurozone in the second quarter point to an expansion of 0.3 per cent compared to the previous three-month period. Compared to the same period a year ago, the economy grew by 0.9 per cent in the first quarter. Growth was driven to a large extent by the German economy, which expanded by 0.8 per cent in the first quarter compared to the previous three months and by 2.3 per cent year on year. In this context, capital expenditure on machinery and equipment, an area of the economy that is of particular importance to SIMONA‘s business, rose by 3.3 per cent in the first quarter when compared to the preceding three months.

Compared to the same period a year ago, industry-wide revenue within the German plastics processing sector grew by 5.9 per cent in the period from January to May 2014, taking the figure to € 22.3 billion. Of this figure, € 7.9 billion (+5.3 per cent) was attributable to the production of plastic sheet and film products. Earnings generated by the plastics processing industry remained under pressure, largely also as a result of expenses associated with EEG charges payable under the Renewable Energy Act. Thus, earnings have been growing at a much less pronounced rate than revenues.

SIMONA‘s key customer groups performed well in the respective markets over the course of the first six months. Despite lower prices, Germany‘s chemical industry managed to expand its revenues by 2 per cent in the first half, having benefited from a significant increase in production output. The mechanical engineering sector in Germany lifted its revenue by 5.2 per cent in the period from January to May 2014, with growth in domestic sales outstripping that generated by exports. After a particularly strong first quarter with double-digit revenue growth, the construction industry shifted down a gear in April but nevertheless remained on track for growth. Revenues generated by companies operating within the principal construction sector were up 20.2 per cent year on year in the first four months.

1.2 Course of business

Development of sales revenue in the first half of 2014 was influenced by the first-time inclusion of the two corporate acquisitions in the United States and a significant increase in sales in Germany. Laminations Inc. was acquired at the beginning of the year and included in the scope of consolidation for the full first six months of 2014. The business operations of Boltaron Performance Products LLC were purchased in April and have been included in the Group financial statements for a period of three months.

The Group generated sales revenue of € 163.9 million in the first half of the 2014 financial year. This represents an increase of 16.8 per cent compared to the previous year (€ 140.4 million). In the second quarter of 2014, sales revenue amounted to € 86.8 million, up 21.7 per cent on the figure posted in the second quarter of 2013 (€ 71.3 million).

Germany

Sales revenue in Germany grew by 14.3 per cent to € 48.6 million (prev. year: € 42.6 million), buoyed by favourable business trends in the core markets served by SIMONA. The region‘s share in total revenue fell from 30.3 to 29.7 per cent.

Rest of Europe and Africa

The region comprising the Rest of Europe & Africa saw sales revenue increase by 5.2 per cent to € 77.7 million in total (prev. year: € 73.8 million). This region‘s share in total revenue fell from 52.6 to 47.3 per cent.

Asia, Americas and Australia

As a result of the corporate acquisitions in the United States, the Group saw an increase in sales revenue generated in the region comprising Asia, the Americas and Australia. Total revenue for this region amounted to € 37.6 million (prev. year: € 24.0 million). This region accounted for 23.0 per cent of total sales revenue, up from 17.1 per cent.

In total, the product area encompassing finished and semi-finished parts accounted for sales revenue of € 124.7 million (prev. year: € 106.2 million). This corresponds to a year-on-year increase of 17.4 per cent.

The product area of pipes and fittings saw sales revenue increase to € 39.2 million (prev. year: € 34.2 million), which represents year-on-year growth of 14.7 per cent.

1.3 Financial performance

Earnings

Group earnings before interest and taxes (EBIT) were more than doubled in the first half of the financial year, taking the figure to € 5.6 million (prev. year: € 2.7 million; prior-year figure adjusted through reclassification of interest expense pensions). The EBIT margin was 3.4 per cent (prev. year: 2.0 per cent), which also represents a significant improvement. EBITDA rose from € 8.4 million a year ago to € 11.3 million at the end of the reporting period. The EBITDA margin stood at 6.9 per cent, compared to 6.0 per cent for the same period a year ago.

ROCE at Group level was 2.7 per cent, up from 1.5 per cent in the previous year.

Gross profit improved from € 60.3 million in the previous year to € 70.9 million in the period under review. This was mainly attributable to revenue growth, an expansion of inventories and a slight improvement in the profit margin.

Commodity prices for PVC and PE trended slightly lower during the first months of the year, before picking up again towards the end of the second quarter. Prices for polypropylene remained stable at the beginning of the year. As from March, however, prices rose again. Energy costs in Germany continued to surge during the period under review, with SIMONA AG recording a figure of € 6.4 million, which is 10.3 per cent up on the total of € 5.8 million reported a year ago.

Staff costs totalled € 31.8 million (prev. year: € 29.2 million).

Depreciation of property, plant and equipment and amortisation of intangible assets remained unchanged year on year at € 5.7 million.

Other expenses rose by € 5.1 million to € 27.7 million, which was attributable mainly to higher selling expenses relating to more expansive business as well as one-off costs associated with corporate acquisitions.

With the exception of the Russian subsidiary, the sales companies in Europe achieved positive results in the period under review. Business in Russia was adversely affected by the political uncertainties in this region.

Profitability at the production company in the Czech Republic remained solid.

Among the US-based entities, Boltaron Inc. recorded a high degree of profitability. Impacted by non-recurring acquisition costs as well as restructuring expenses from measures now initiated for the purpose of merging their operations, SIMONA AMERICA Inc. and Laminations Inc. failed to make a positive earnings contribution.

The companies operating in Asia had to contend with lower sales revenue and were thus unable to generate a profit in the period under review.

1.4 Financial position

Both total assets and liquidity of the Group changed significantly due to the acquisition and consolidation of Laminations Inc. and the acquisition of the business operations of Boltaron Performance Products LLC. As at 30 June 2014, total assets were up € 29 million to € 287 million.

Changes to assets

Following the acquisition of the two US entities, intangible assets rose to € 33.3 million.

Property, plant and equipment increased from € 88.8 million to € 96.6 million, primarily as a result of additions to assets from the corporate acquisitions. Investments in property, plant and equipment amounted to € 5.8 million within the Group. Depreciation of property, plant and equipment totalled € 5.7 million.

Inventories of raw materials and consumables (€ 23.1 million) and finished goods and merchandise (€ 44.4 million) increased as a result of stock-building and inventories taken over as part of the corporate acquisitions.

At the end of the reporting period trade receivables were up by € 15.2 million to € 63.3 million compared to 31 December 2013, which primarily is a reflection of improved business as well as acquired accounts receivable associated with the new subsidiaries.

Other assets and income tax assets rose from € 6.8 million as at 31 December 2013 to € 7.9 million in the period under review.

Other financial assets and cash fell by € 37.4 million due to the payment of purchase considerations for the acquired entities.

Changes to equity and liabilities

The Group saw current and non-current liabilities increase in the period under review.

At the end of the period under review, Group equity amounted to € 167.7 million (31 Dec. 2013: € 167.8 million). The main contributing factors were profit of € 2.7 million for the period as well as a dividend payment of € 3.6 million for the 2013 financial year.

The equity ratio for the Group was 59 per cent at the end of the reporting period (31 Dec. 2013: 65 per cent).

At € 16.3 million, trade payables rose by € 3.9 million compared to the end of 2013.

Non-current pension provisions amounted to € 59.4 million (31 Dec. 2013: € 59.5 million). In total, the partial cash settlement of pension obligations in respect of entitled retirees resulted in a reduction of the DBO (Defined Benefit Obligations) and plan assets. However, due to a lower market price of SIMONA shares contained in the plan assets at the end of the period under review, funding had an insignificant influence on DBL (Defined Benefit Liabilities) at Group level.

At € 6.8 million, current and non-current other provisions were slightly higher than the figure recorded at the end of the 2013 financial year.

Current and non-current liabilities rose by € 29.0 million as a result of the corporate acquisitions.

Capital expenditure

Group investments relating to property, plant and equipment amounted to € 5.8 million in the period under review (prev. year: € 6.9 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 headquarters in Kirn. In total, net investments amounted to € 0.2 million at Group level (prev. year: € 1.2 million).

1.5 Financial management and cash flows

At the end of the reporting period, the Group had borrowing facilities of € 18.5 million from German and foreign banks as well as pre-committed financial resources of € 26.5 million from funding programmes.

Cash flows

In the first half of the financial year, the inflow of cash from operating activities (gross cash flow) was € 0.7 million (prev. year: € –3.9 million). Net cash used in investing activities amounted to € –41.8 million (prev. year: € –7.2 million), which includes payments for the acquisition of business units amounting to € –40.6 million. The cash inflow attributable to financing activities was € 7.7 million (prev. year: € –4.6 million) and mainly included the use of bank loans as well as the dividend payout in respect of the 2013 financial year.

Cash and cash equivalents

Cash and cash equivalents mainly consist of short-term bank deposits totalling € 14.1 million (31 Dec. 2013: € 47.5 million). The change of € –33.4 million (prev. year: € –16.0 million) was attributable primarily to funding of the corporate acquisitions. These changes are presented in the statement of cash flows in the notes.

The other financial assets (31 Dec. 2013: € 4.0 million) were also used to fund the corporate acquisitions.

Net finance cost

Based on finance income (including investment income) of € 0.1 million and finance cost of € 0.7 million, net finance cost (including investment income) amounted to € –0.6 million in the first half of 2014 (prev. year € –0.2 million). Due to the change in the disclosure of interest expenses for pensions in the financial year 2013, which are now accounted for in net finance income/cost, a total of € 0.5 million (prev. year: € 0.3 million) in interest for pension obligations has been included in net finance income/cost, having previously been recognised in staff costs. The prior-year figure was adjusted accordingly.

1.6 Non-financial indicators

Employees

Since the beginning of the year, the SIMONA Group's total headcount has risen by 143 to 1,315 (31 Dec. 2013: 1,172). The corporate acquisitions in the United States added 176 employees to the workforce. By contrast, the headcount of SIMONA AG fell by 35 to 789 (31 Dec. 2013: 824).

2. EVENTS AFTER THE REPORTING PERIOD

There were no events of material significance to the state of affairs of the SIMONA Group after the end of the first half of 2014 up to the preparation of this Group interim report.

3. REPORT ON OPPORTUNITIES AND RISKS

Report on opportunities

The market for application areas in which plastics are used is growing at a global level. Since the 1950s, the average growth rates achieved within this sector have been around 9 per cent. This opens up a number of growth opportunities for German plastics companies operating at an international level. The trend within the spectrum of applications for SIMONA products is towards increasingly lightweight plastics with next-generation properties. In particular, alternative materials with advanced properties have become increasingly sought after in the field of medical technology, utilities, the construction industry and mobility. Another trend includes alternatives to plastics derived from crude oil resources.

SIMONA is proficient in the use of various methods to process plastics and is committed to steadily expanding its international presence. Operating with a diversified business model featuring various product/market combinations and pursuing a strategy of high-level innovation through more intensive research and development, SIMONA is well positioned for the future. Committed to developing hybrid materials and bioplastics, SIMONA is also able to deliver solutions aimed at meeting demands for plastics made from alternative raw materials.

Risk report

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

Business environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. These risks are mitigated by a diversified product portfolio, thorough monitoring of markets and structured procurement management. The production facilities in the United States, China and the Czech Republic provide greater flexibility when it comes to meeting new customer requirements in close proximity to their sites of operation.

Financial risks

They encompass, above all, currency risks, default risks, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. Commodity prices remain high and extremely volatile. At the same time, intense competition is exerting downward pressure on selling prices. Both aspects are considered to be key risks when it comes to the future direction taken by earnings within the SIMONA Group. We expect to see a further structural upturn in commodity prices over the medium to long term. The difficult economic climate, particularly in some of the emerging markets and the economies of the eurozone, has heightened the risk of default on receivables. 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 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.

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. They are controlled Group-wide by the company‘s own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis. The risks associated with external attacks on IT systems in particular could be considered elevated.

At the end of the first half of 2014, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise SIMONA AG‘s existence as a going concern.

4. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

The prospects for the global economy have deteriorated over the course of the year. While the World Bank had projected growth of 3.2 per cent in January, it reviewed downwards its forecast to 2.8 per cent in June. Among the contributing factors were the unresolved crisis in Ukraine, the persistent economic weakness of developing and emerging countries as well as a surprisingly sluggish first quarter for the US economy. The eurozone, by contrast, is expected to see its moderate upturn stabilise, with the World Bank having issued a growth forecast of 1.1 per cent for the year as a whole. Despite the fact that some of the economic indicators showed signs of deterioration in May, Germany remains the principal growth driver within the eurozone. We have yet to see how the Ukraine crisis will impact on market confidence and whether it will affect investment spending, which is of particular importance to SIMONA's business.

Sector-specific conditions

The German Association of the Plastics Processing Industry expects to see a less dynamic momentum of growth in the second half of the year. Owing to its performance in the first six months, however, the industry as a whole remains on track for a record year. Growth is likely to be 4–5 per cent in 2014.

Future performance

SIMONA is satisfied with the achievements made as regards the execution of its strategic reengineering programme, which are reflected in an upturn in revenue and earnings during the first half of the financial year. The SIMONA Group was targeting revenue of over € 310 million and a Group EBIT margin slightly in excess of 5 per cent (without accounting for acquisitions) for the financial year 2014 as a whole. The purchase of Laminations Inc., USA, and the acquisition of the business operations of Boltaron Performance Products LLC, USA, should lift revenue at Group level by around US$45–50 million in 2014. We continue to anticipate that revenue and earnings will increase in the region covering the Rest of Europe and Africa, as well as in Asia, Americas and Australia. The target for Germany is to achieve slight growth in both revenue and earnings contributions. In total, we are expecting to achieve Group revenue of between € 330 and 340 million at the end of 2014, with earnings up on the previous year. From today's perspective, the EBIT margin of 5 per cent targeted by the Group will not be attainable primarily as a result of non-recurring restructuring expenses attributable to the integration of the entities acquired in the United States and the execution of the strategic reengineering measures.

Forward-looking statements and forecasts

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

Responsibility Statement

We hereby declare that, to the best of our knowledge, the Group management report for the interim period includes a fair review of the development and performance of the business and the position of the SIMONA Group together with a description of the principal opportunities and risks associated with the expected development of the Group during the remainder of the financial year.

Kirn, 24 July 2014
SIMONA Aktiengesellschaft

Wolfgang Moyses   Dirk Möller   Fredy Hiltmann

Group Interim Financial Statements

Group Income Statement of SIMONA AG

in € '000	Notes	01/01/– 30/06/2014	01/01/– 30/06/2013
Sales Revenue		163,938	140,401
Other income		3,161	2,906
Changes in inventories of finished goods		3,602	646
Cost of materials		99,820	83,636
Staff costs		31,847	29,239
Depreciation of property, plant and equipment and amortisation of intangible assets		5,705	5,703
Other expenses		27,726	22,631
Finance income		108	212
Finance cost		687	435
Profit before tax		**5,024**	**2,521**
Income tax expense	[5]	2,344	1,325
Profit for the period		**2,680**	**1,196**
of which attributable to:			
Owners of the parent company		2,660	1,158
Non-controlling interests		20	38

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		4.43	1.93
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		4.43	1.93

Group Statement of Comprehensive Income of SIMONA AG

in € '000	01/01/–30/06/2014	01/01/–30/06/2013
Profit for the period	**2,680**	**1,196**
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	866	–726
Other comprehensive income recognised directly in equity	**866**	**–726**
Total comprehensive income	**3,546**	**470**
of which attributable to:		
Owners of the parent company	3,526	482
Non-controlling interests	20	–12

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	30/06/2014	31/12/2013
Intangible assets		33,270	1,187
Property, plant and equipment	[8]	96,638	88,832
Financial assets		308	23
Income tax assets		1,975	1,975
Deferred tax assets	[5]	1,622	2,075
Non-current assets		**133,813**	**94,092**
Inventories	[9]	67,460	57,288
Trade receivables		63,341	48,097
Other assets and prepaid expenses		7,823	5,888
Income tax assets		118	903
Other financial assets		0	4,000
Cash and cash equivalents	[7]	14,124	47,477
Current assets		**152,866**	**163,653**
Total assets		**286,679**	**257,745**

EQUITY AND LIABILITIES

in € '000	Notes	30/06/2014	31/12/2013
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		137,794	138,734
Other reserves		–1,097	–1,963
		167,471	**167,545**
Non-controlling interests		257	277
Total equity		**167,728**	**167,822**
Financial liabilities		4,279	41
Provisions for pensions		59,423	59,524
Other provisions		4,361	4,247
Other liabilities		3,405	59
Non-current liabilities		**71,468**	**63,871**
Financial liabilities		7,378	23
Provisions for pensions		1,509	1,509
Other provisions		2,394	1,749
Trade payables		16,318	12,430
Income tax liabilities		1,399	1,938
Other liabilities and deferred income		18,459	8,365
Derivative financial instruments		26	38
Current liabilities		**47,483**	**26,052**
Total equity and liabilities		**286,679**	**257,745**

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01/–30/06/2014	01/01/–30/06/2013
Profit before tax		5,024	2,521
Income taxes paid		–1,677	–839
Finance income and finance cost		129	–77
Depreciation of property, plant and equipment, and amortisation of intangible assets		5,705	5,703
Other non-cash expenses and income		693	–256
Change in pensions		–101	620
Result from disposal of assets	[8]	–118	–24
Change in inventories		–10,172	–2,140
Change in trade receivables		–15,244	–10,949
Change in other assets		–1,097	–80
Change in liabilities and other provisions		17,536	1,572
Net cash from/(used in) operating activities		**678**	**-3,949**
Investments in intangible assets and property, plant and equipment	[8]	–5,849	–6,885
Acquisition of business units		–40,604	0
Proceeds from the disposal of assets		519	28
Proceeds relating to the short-term financial management of cash investments		4,000	–606
Interest received		96	232
Net cash used in investing activities		**–41,838**	**–7,231**
Proceeds from financial liabilities		11,604	0
Repayment of financial liabilities		–11	–11
Dividend Payment	[6]	–3,600	–4,500
Distribution in respect of non-controlling interests		–40	0
Interest paid and similar expenses		–238	–135
Net cash from/(used in) financing activities		**7,715**	**–4,646**
Effect of foreign exchange rate changes on liquidity		92	–151
Change in cash and cash equivalents		**–33,353**	**–15,977**
Cash and cash equivalents at 1 January	[7]	47,477	36,934
Cash and cash equivalents at 30 June	[7]	14,124	20,957
Change in cash and cash equivalents		**–33,353**	**–15,977**

Group Statement of Changes in Equity of SIMONA AG

in € '000	Notes	Issued capital	Capital reserves	Revenue reserves	Other reserves – Currency translation differences	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
Balance at 01/01/2013		**15,500**	**15,274**	**135,240**	**224**	**166,238**	**239**	**166,477**
Amount recognised directly in equity		0	0	0	–676	–676	–50	–726
Profit for the period		0	0	1,158	0	1,158	38	1,196
Total comprehensive income for the period		**0**	**0**	**1,158**	**–676**	**482**	**–12**	**470**
Dividend payment	[6]	0	0	–4,500	0	–4,500	0	–4,500
Balance at 30/06/2013		**15,500**	**15,274**	**131,898**	**–452**	**162,220**	**227**	**162,447**
Balance at 01/01/2014		**15,500**	**15,274**	**138,734**	**–1,963**	**167,545**	**277**	**167,822**
Amount recognised directly in equity		0	0	0	866	866	0	866
Profit for the period		0	0	2,660	0	2,660	20	2,680
Total comprehensive income for the period		**0**	**0**	**2,660**	**866**	**3,526**	**20**	**3,546**
Dividend payment	[6]	0	0	–3,600	0	–3,600	0	–3,600
Distribution in respect of non-controlling interests		0	0	0	0	0	–40	–40
Balance at 30/06/2014		**15,500**	**15,274**	**137,794**	**–1,097**	**167,471**	**257**	**167,728**

Notes to the condensed Group interim financial statements of SIMONA AG

[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.

These condensed consolidated interim financial statements (consolidated interim financial statements) for the first half of 2014 were released for publication on 24 July 2014, following a resolution passed by the Management Board.

[2] STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated interim financial statements for the first half of 2014 have been prepared in accordance with the provisions of IAS 34 “Interim Financial Reporting” and, under Section 315a (1) HGB, pursuant to International Financial Reporting Standards (IFRS), to which they comply.

The consolidated interim financial statements have been prepared in euro. The reporting period covers the period from 1 January 2014 to 30 June 2014. The consolidated annual financial statements as at 31 December 2013 provide the basis for the consolidated interim financial statements, and reference shall be made to the aforementioned consolidated annual financial statements for further information.

Summary of significant accounting policies
The accounting policies applied to the consolidated interim financial statements are consistent with those applied to the consolidated financial statements for the annual period ended 31 December 2013.

Consolidated group
Changes to the consolidated group compared with 31 December 2013 were as follows: on 8 January 2014 Laminations Inc., Archbald, USA, was fully consolidated effective from 1 January 2014 and Boltaron Inc., Newcomerstown, USA, was fully consolidated effective from 1 April 2014. As at 30 June 2014, alongside the parent company the consolidated interim financial statements comprised 19 domestic and foreign entities.

[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] SEGMENT REPORTING

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

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

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

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

As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated interim financial statements. Revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the country in which the customer is domiciled.

SEGMENT INFORMATION BY REGION FOR THE FIRST HALF OF 2014

	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
in € '000	01/01/ – 30/06/14	01/01/ – 30/06/13	01/01/ – 30/06/14	01/01/ – 30/06/13	01/01/ – 30/06/14	01/01/ – 30/06/13	01/01/ – 30/06/14	01/01/ – 30/06/13	01/01/ – 30/06/14	01/01/ – 30/06/13
Revenue from sales to external customers	48,642	42,563	77,660	73,791	37,636	24,047	0	0	163,938	140,401
Revenue from sales to other segments	9,448	8,964	24,289	26,184	8,302	6,452	–42,039	–41,600	0	0
Segment revenue									**163,938**	**140,401**
Segment result	4,117	1,967	4,128	1,529	–2,642	–752	0	0	5,603	2,744

RECONCILIATION TO PROFIT BEFORE TAX

Finance income									108	212
Finance cost									687	435
Profit before tax									**5,024**	**2,521**

NOTES TO GROUP INCOME STATEMENT

[5] INCOME TAXES

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

in € ’000	01/01/ – 30/06/2014	01/01/ – 30/06/2013
Current tax		
Current income tax expense	1,880	881
Adjustments of current income tax attributable to previous periods	10	0
Income from measurement of credits for the reduction of corporation tax	0	-64
Deferred tax		
Origination and reversal of temporary differences	454	508
Income tax expense reported in the Group income statement	**2,344**	**1,325**

[6] DIVIDEND PAID

During the first half-year the Annual General Meeting of Shareholders passed a resolution on 13 June 2014 for a dividend of € 6.00 per share (prev. year: € 7.50 per share) for all ordinary shares attributable to the parent company. The total dividend distribution, which was effected on 16 June 2014, amounted to € 3,600 thousand (prev. year: € 4,500 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[7] CASH AND CASH EQUIVALENTS

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

in € ’000	30/06/2014	31/12/2013
Cash and cash equivalents	14,124	47,477
Total	**14,124**	**47,477**

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2014, the Group purchased property, plant and equipment at a cost amounting to € 13,882 thousand (prev. year: € 6,841 thousand), of which € 8,123 thousand (prev. year: € 0) was attributable to first-time consolidation.

Other income includes gains of € 142 thousand (prev. year: € 26 thousand) from the disposal of property, plant and equipment; other expense includes losses of € 24 thousand (prev. year: € 59 thousand) from the disposal of property, plant and equipment.

[9] INVENTORIES

Compared to 31 December 2013, the amount attributable to inventory impairments fell by € 1,199 thousand to € 2,463 thousand.

OTHER INFORMATION

[10] CONTINGENT LIABILITIES

Compared with 31 December 2013, contingent liabilities from investment projects already initiated (purchase commitment) decreased by € 3,234 thousand to € 5,223 thousand.

[11] RELATED-PARTY DISCLOSURES

Compared to the financial year ended 31 December 2013, 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 did not change.

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] 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 provisional consideration is € 33,841 thousand in total. The provisional consideration comprises liabilities assumed, which have been recognised at a fair value of € 3,384 thousand. The following information pertaining to provisional purchase price allocation details the expected values of the principal groups of assets and liabilities acquired at the date of purchase: financial assets and property, plant and equipment € 3,139 thousand, inventories € 2,641 thousand, receivables and other assets € 2,892 thousand as well as liabilities € 2,070 thousand. Provisional goodwill amounting to € 27,239 thousand includes non-separable intangible assets, unrecognised advantages relating to the acquiree's personnel base, synergy effects from the product portfolio and sales as well as other synergy effects.

[13] EVENTS AFTER THE REPORTING PERIOD

Between the end of the reporting period and the adoption of the Group interim report no events occurred that would necessitate a change to measurements or recognised amounts.

[14] 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.

[15] RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements, in accordance with German principles of proper accounting, 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 SIMONA Group for the remaining months of the financial year."

Kirn, 24 July 2014
SIMONA Aktiengesellschaft

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