

*Group Interim Report
for the first half of 2017*

SIMONA AG

Contents

GROUP INTERIM MANAGEMENT REPORT

- 03** Business Review

- 05** Events After the Reporting Period

- 05** Report on Opportunities and Risks

- 08** Report on Expected Developments

GROUP INTERIM FINANCIAL STATEMENTS

- 10** Group Income Statement

- 11** Group Statement of Comprehensive Income

- 12** Group Statement of Financial Position

- 13** Group Statement of Cash Flows

- 14** Group Statement of Changes in Equity

- 15** Notes to the Condensed Consolidated Interim Financial Statements

Group Interim Management Report for the first half of 2017

1. BUSINESS REVIEW

1.1 Macroeconomic and sector-specific environment

The global economy was in a robust state at the end of the first half of the year. Growth during the first quarter of 2017 was slightly weaker, primarily as a result of slower forward momentum in production output in the United States. At an international level, however, the economy benefited from a broad upturn, with world trade in particular continuing to expand in the first months of the year. Market sentiment within the established economies was good. Investment spending on machinery and equipment, an aspect of key importance to SIMONA's business, showed signs of greater dynamism in these regions, while private consumption was not as pronounced. Compared to the corresponding quarter in 2016, seasonally adjusted GDP within the euro area rose by 1.9 per cent in the first quarter of 2017. The positive performance was underpinned in particular by Germany (+1.7 per cent), Spain (+3.0 per cent) and Portugal (+2.8 per cent). The rate of growth in the United States was slightly weaker compared to the preceding quarter (+0.3 per cent). However, the US economy was up 2.0 per cent on the same three-month period a year ago. Benefiting from expansive economic policies, GDP in China expanded at a slightly faster rate in the first quarter, up by 6.9 per cent, compared to the prior-year period.

Germany's plastics processing industry put in a positive performance over the first five months of the year. Based on data presented by the industry federation GKV, sales revenue increased by 4.9 per cent to €26.3 billion. Revenue from domestic sales was up by 3.7 per cent, while revenue generated from foreign sales rose by 6.8 per cent. Manufacturers of sheets, foils and profiles recorded revenue growth of 5.9 per cent.

According to the industry federation VCI, Germany's chemical-pharmaceutical sector achieved encouraging growth in the first quarter of 2017. In the first three months production increased by 2.1 per cent compared to the preceding quarter. Compared to the buoyant first quarter of 2016, production output was up by 1.1 per cent. Capacity utilisation for the industry as a whole stood at 87.7 per cent. Compared to the previous quarter, sales revenue was up by 3.5 per cent, while year-on-year revenue growth amounted to 3.8 per cent. Business developed well at both a domestic and an international level. Production in Germany's machine and plant engineering sector expanded by 4.5 per cent according to the industry federation VDMA. The rate of utilisation with regard to production capacity rose to 85.6 per cent in April. Germany's construction sector continued to flourish in the period

under review. According to data presented by Hauptverband der Deutschen Bauindustrie, Germany's central federation of the construction industry, sales revenue in the first four months was up 8.9 per cent on the prior-year figure.

1.2 Course of business

Revenue performance in the first half of the year was dynamic. For the first time, Group revenue moved beyond the €200 million mark in a six-month period, fuelled in particular by significant growth in the area of Semi-Finished Parts as well as buoyant business in the United States and Asia.

In the first half of 2017, the Group recorded sales revenue of €200.3 million in total. This represents an increase of 6.7 per cent compared to the first six months of 2016 (€187.7 million). Growth was slower in the second quarter of 2017, with sales revenue totalling €101.3 million, which corresponds to an increase of 2.6 per cent compared to the same period a year ago (€98.7 million).

Europe

In Europe, sales revenue rose by 2.3 per cent to €136.7 million (prev. year: €133.6 million). This region accounted for 68.3 per cent (prev. year: 71.2 per cent) of Group revenue. Sales revenue in Germany increased by 3.3 per cent to €53.1 million (prev. year: €51.4 million).

Americas

Revenue generated from sales in the Americas grew by 9.2 per cent in the first half of 2017. Total revenue for this region amounted to €49.9 million (prev. year: €45.7 million). As a sales region, the Americas accounted for 24.9 per cent of total revenue, up from 24.3 per cent a year ago.

Asia and Pacific

The region covering Asia and Pacific recorded sales revenue of €13.7 million (prev. year: €8.4 million), a significant growth rate of 62.4 per cent. This region accounted for 6.8 per cent of total sales revenue, up from 4.5 per cent a year ago.

In total, Finished and Semi-Finished Parts generated sales revenue of €161.1 million (prev. year: €148.6 million). This represents a year-on-year increase of 8.4 per cent.

At €39.2 million (prev. year: €39.1 million), sales revenue within the product category of Pipes and Fittings remained largely unchanged.

1.3 Financial performance

Earnings

Earnings before interest and taxes (EBIT) at Group level totalled €13.2 million in the first half of the financial year (prev. year: €16.4 million). The EBIT margin thus fell from 8.7 per cent in 2016 to 6.6 per cent in the period under review. EBITDA fell from €23.2 million a year ago to €20.3 million at the end of the reporting period. The EBITDA margin stood at 10.1 per cent, compared to 12.4 per cent for the same period a year ago.

ROCE at Group level was 4.9 per cent, down from 6.1 per cent in the previous year.

Earnings in the first half of 2017 were driven mainly by another solid performance in the United States; they were also influenced by a foreign exchange loss of €–3.9 million (prev. year: foreign exchange loss of €–1.9 million) and a significant upturn in raw material prices at the beginning of the year.

The cost of materials rose by 6.0 per cent to €112.6 million. After an increase in the price of raw materials during the first five months of the year, commodity prices trended slightly lower again from June onwards. Energy costs in Germany remained stable for SIMONA AG at €5.5 million (prev. year: €5.4 million).

Staff costs rose from €36.3 million a year ago to €39.0 million in the period under review, an increase of 7.4 per cent.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €7.1 million (prev. year: €6.8 million).

Other expenses rose by €5.3 million to €36.6 million. Selling expenses rose in line with revenue growth. In addition, the direction taken by the US dollar prompted a significant increase in expenses attributable to foreign exchange losses.

The sales companies in Europe recorded positive operating results in the period under review. While earnings generated by the subsidiaries in France, Italy and Russia were down on the previous year, the performance of those in Spain, the United Kingdom and Poland improved year on year.

Earnings at the plant in the Czech Republic were slightly into negative territory in the first half. The US-based companies as a

whole saw earnings recede marginally year on year. Benefiting from an encouraging business performance, the production company in Asia recorded positive earnings for the first time during the period under review.

1.4 Financial position

Compared to 31 December 2016, total assets were up slightly by €2.3 million to €365.3 million as at 30 June 2017.

Changes to assets

Intangible assets totalled €30.9 million (31 Dec. 2016: €33.9 million), mainly consisting of goodwill from the US acquisitions. This reduction was attributable mainly to the direction taken by the US dollar.

Property, plant and equipment totalled €116.5 million (31 Dec. 2016: €116.7 million). Investments in property, plant and equipment amounted to €7.0 million within the Group. Depreciation and write-downs of property, plant and equipment stood at €6.3 million.

Inventories of raw materials and consumables (€28.6 million) as well as finished goods, work in progress and merchandise (€47.7 million) were higher at the end of the reporting period as a result of an expansion of stock levels compared to the year-end 2016.

Compared to the end of 2016, trade receivables rose by €11.2 million to €63.4 million due to factors relating to the end of the reporting period.

Other assets and income tax receivables increased from €3.4 million at the end of 2016 to €5.4 million in the period under review.

Cash and cash equivalents stood at €61.5 million at the end of the reporting period (31 Dec. 2016: €74.8 million).

Assets held for sale amounted to €3.5 million and relate to property, plant and equipment within the Americas segment.

Changes to equity and liabilities

The Group saw a reduction in non-current liabilities together with an increase in current liabilities as well as a slight expansion in equity.

At the end of the reporting period, Group equity was up at €194.8 million (31 Dec. 2016: €192.0 million). The main contributing factors were profit of €7.8 million for the period, negative effects from currency translation of €4.4 million as well as a dividend payment of €7.2 million for the 2016 financial year. Group equity increased by €7.1 million in total following the revaluation of pension provisions as at 30 June 2017. The Group's equity ratio was 53 per cent at the end of the reporting period, unchanged from the figure recorded at the end of 2016.

At €20.6 million, trade payables rose by €5.5 million compared to the end of 2016 as a result of business operations.

Current and non-current provisions for pensions amounted to €95.5 million (31 Dec. 2016: €103.3 million). This fall was attributable primarily to the revaluation of provisions due to the slight increase in the IFRS discount rate (30 June 2017: 1.9 per cent; 31 Dec. 2016: 1.8 per cent).

At €4.3 million, current and non-current other provisions correspond to the figure recorded at the end of the 2016 financial year.

Totalling €170.5 million, current and non-current liabilities were almost identical to the figure posted at the end of 2016.

Capital expenditure

Group capital expenditure on property, plant and equipment amounted to €7.0 million in the period under review (prev. year: €6.5 million). This relates primarily to investments in plant and machinery within the segments covering Europe and the Americas. In total, net investments in property, plant and equipment amounted to €0.6 million at Group level (prev. year: €0.4 million).

1.5 Financial management and cash flows

At the end of the reporting period, the Group had undrawn borrowing facilities of €18.7 million from German and foreign banks.

Cash flows

In the first half of the financial year, the inflow of cash from operating activities (gross cash flow) was €4.3 million (prev. year: €11.4 million). The cash outflow from investing activities was €-8.4 million (prev. year: €-4.6 million). The cash outflow attributable to financing activities was €-9.1 million (prev. year: €-4.9 million) and mainly included the dividend payout in respect of the 2016 financial year.

Cash and cash equivalents

Cash and cash equivalents fell by €13.2 million compared to 31 December 2016 and mainly consist of short-term bank deposits totalling €61.5 million (31 Dec. 2016: €74.8 million). These changes are presented in the statement of cash flows in the notes.

Net finance cost

Based on finance income (including investment income) of €0.2 million and finance cost of €0.9 million, net finance cost (including investment income) amounted to €-0.7 million in the first half of 2017 (prev. year: €-0.3 million).

1.6 Non-financial indicators

Employees

Since the beginning of the year, the SIMONA Group's total headcount has risen by 4 to 1,292 (31 Dec. 2016: 1,288). The number of people employed at SIMONA AG has fallen by 23 to 766 (31 Dec. 2016: 789).

2. EVENTS AFTER THE REPORTING PERIOD

There were no events of material significance to the state of affairs of the SIMONA Group in the period between the end of the first half of 2017 and the preparation of this Group interim management report.

3. REPORT ON OPPORTUNITIES AND RISKS

3.1 Report on opportunities

According to a study published by Grand View Research, global demand for plastics will expand by 5.3 per cent p. a. on average in the coming years, reaching approx. 335 million tons by the year 2020. Demand continues to be driven by the Asia-Pacific region. This is underpinned by more expansive investments in construction and infrastructure 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. 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 plastics. 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. Within the core segment covering the area of "Industry" the aim is for SIMONA to maintain and strengthen its market position in Europe. In the Americas, the prospects for growth within the Industrial Products division are considered good. Given the growing number of airline travellers and associated capital expenditure on aircraft, the business opportunities for Group company Boltaron Inc. continue to be good. In the Asia-Pacific region, meanwhile, SIMONA will be looking to benefit from more expansive infrastructure investments, having stepped up its sales activities in this region.

3.2 Risk report

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. SIMONA considers the following individual risks to be material:

- Market environment and sector-specific risks
- Business strategy risks
- Financial risks
- Risks attributable to procurement and purchasing

Market 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 Republic 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. In the segment covering the Americas the price of oil, the direction taken by the US dollar and uncertainty about the future political stance taken by the United States are key determinants affecting the wider business environment. There is a risk of a continued decline in 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. As regards the aspect of changes to sales markets the expected value for a decline in revenue, in the medium term, has been determined as being approx. €5.0 – 10.0 million with a probability of occurrence of well under 50 per cent at present. Overall, the probability of adverse effects 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. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks

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

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 individual risks by means of derivative financial instruments and non-derivative hedging instruments.

Dependence on the euro within the Group was scaled back significantly through recent acquisitions and the expansion of manufacturing operations within the US market. At the same, however, currency risk relating to US dollar transactions has now become more pronounced for SIMONA. In the medium term, the probability of occurrence of a dilutive or accretive effect on earnings equivalent to €2.0 to 4.0 million is estimated at over 50 per cent.

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. Additionally, the risk exposure relating to voidability of insolvency has increased. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

Risks associated with interest rate changes are currently considered to be low. Interest payable in connection with KfW loans is based on fixed interest rates. The overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (Euro Over Night Index Average), is not being utilized at present.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as risks relating to longevity, have been categorised as material. They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensionsversicherungsverein. The volatility of plan assets is estimated at €3 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in the last three years.

Risks attributable to procurement and purchasing

These risks relate in particular to the direction taken by commodity prices as well as supply-side disruptions. The prices of raw materials used by the company are mainly determined by the supply-side availability of direct input and end products, i.e. they are no longer dependent entirely on the price of crude oil. There were no major commodity shortfalls during the first half of 2017. The price of key additives used in the production of PVC rose significantly. In addition, there is a strain on the supply of specific additives such as titanium dioxide. In the medium- to long-term we expect to see a structural upturn in raw material prices.

Other risks relate to the area of information technology. Information technology risks mainly encompass the disruption of IT infrastructure, 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 very high.

At the end of the first half of 2017, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that applicable at the end of 2016. 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.

4. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

According to the outlook issued by the International Monetary Fund (IMF), the global economy will expand at a more pronounced rate in 2017, with growth estimated at 3.5 per cent (2016: 3.1 per cent). Conditions in the majority of the established economies, with the exception of the United Kingdom, are favourable. The emerging economies of Asia are expected to show dynamic growth. Based on this forecast, global trade will increase by a solid 3.8 per cent (2016: 2.2 per cent).

Sector-specific conditions

According to data available to the industry federation GKV, Germany's plastics processing companies are confident that sales will expand in 2017. Despite having experienced a record year in 2016 in terms of revenue and employment, 57 per cent of the companies surveyed anticipate growth in turnover for the year ahead. Expectations with regard to earnings performance are also positive on the whole. 38 per cent predict growth in profits, while 45 per cent believe earnings will remain stable. The majority of the companies surveyed are of the opinion that exports will continue to rise. On a less positive note, high energy costs due to EEG charges payable under the provisions of the Renewable Energy Act, political uncertainty in Europe and a growing shortage of qualified personnel are expected to exert downward pressure.

Future performance

Exploiting the favourable business climate, the SIMONA Group managed to further expand its sales revenue. The Group can confirm its revenue forecast of €370 – 380 million. Provided that business continues to develop solidly, the Group is expected to achieve the upper figure of this range. Due to its subdued earnings performance in the second quarter of 2017, SIMONA anticipates that its earnings forecast of €25 – 30 million will be met at the lower end of the target range.

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 interim management report includes a fair review of the development and performance of the business and the position of the SIMONA Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Kirn, July 2017
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

Contents

GROUP INTERIM FINANCIAL STATEMENTS

10	Group Income Statement	
11	Group Statement of Comprehensive Income	
12	Group Statement of Financial Position	
13	Group Statement of Cash Flows	
14	Group Statement of Changes in Equity	
15	Notes to the Condensed Consolidated Interim Financial Statements	

GROUP INCOME STATEMENT

OF SIMONA AG FOR THE FIRST HALF OF 2017

in € '000	Notes	01/01/ - 30/06/2017	01/01/ - 30/06/2016
Revenue		200,266	187,720
Other income		2,753	2,225
Changes in inventories of finished goods and work in progress		5,508	7,128
Cost of materials		112,585	106,204
Staff costs		39,018	36,323
Depreciation/write-downs of property, plant and equipment and amortisation/write-downs of intangible assets		7,090	6,759
Other expenses		36,627	31,362
Earnings before interest and taxes (EBIT)		13,207	16,425
Income from investments accounted for using the equity method		0	91
Finance income		151	80
Finance cost		878	497
Earnings before taxes (EBT)		12,480	16,099
Income tax expense	[5]	4,629	5,204
Profit for the period		7,851	10,895
of which attributable to:			
Owners of the parent company		7,820	10,871
Non-controlling interests		31	24
EARNINGS PER SHARE			
in €			
- basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		13.03	18.12
- diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		13.03	18.12

GROUP STATEMENT OF COMPREHENSIVE INCOME OF SIMONA AG FOR THE FIRST HALF OF 2017

in € '000	01/01/ - 30/06/2017	01/01/ - 30/06/2016
Profit for the period	7,851	10,895
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	10,026	-8,750
Deferred taxes from remeasurement of defined benefit obligations	-2,925	2,536
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	-4,652	-2,401
Deferred taxes from currency translation	244	181
Other comprehensive income recognised directly in equity	2,694	-8,434
Total comprehensive income	10,545	2,461
of which attributable to:		
Owners of the parent company	10,501	2,447
Non-controlling interests	44	14

GROUP STATEMENT OF FINANCIAL POSITION OF SIMONA AG FOR THE FIRST HALF OF 2017

ASSETS

in € '000	Notes	30/06/2017	31/12/2016
Intangible assets		30,943	33,877
Property, plant and equipment	[8]	116,493	116,690
Financial assets		268	340
Investments accounted for using the equity method		293	293
Deferred tax assets		5,660	7,641
Non-current assets		153,657	158,841
Inventories	[9]	76,995	69,203
Trade receivables		63,422	52,186
Other assets		4,433	2,630
Income tax assets		980	768
Other financial assets		834	836
Cash and cash equivalents	[7]	61,525	74,759
Current assets held for sale		3,496	3,785
Current assets		211,685	204,167
Total assets		365,342	363,008

EQUITY AND LIABILITIES

in € '000	Notes	30/06/2017	31/12/2016
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserve		15,274	15,274
Revenue reserves		155,795	148,661
Other reserves		7,947	12,354
		194,516	191,789
Non-controlling interests		285	254
Total equity		194,801	192,043
Financial liabilities		20,417	22,111
Provisions for pensions		93,765	101,623
Other provisions		2,868	2,705
Other financial liabilities		241	58
Deferred tax liabilities		3,303	3,150
Non-current liabilities		120,594	129,647
Financial liabilities		3,425	3,444
Provisions for pensions		1,710	1,710
Other provisions		1,408	1,563
Trade payables		20,635	15,152
Income tax liabilities		1,875	1,620
Other financial liabilities		555	3,358
Other liabilities		20,339	14,471
Current liabilities		49,947	41,318
Total equity and liabilities		365,342	363,008

GROUP STATEMENT OF CASH FLOWS

OF SIMONA AG FOR THE FIRST HALF OF 2017

in € '000	Notes	01/01/ - 30/06/2017	01/01/ - 30/06/2016
Earnings before taxes (EBT)		12,480	16,099
Income taxes paid		-4,753	-2,172
Finance income and finance cost (excl. interest expense relating to pensions)		15	8
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets		7,090	6,759
Other non-cash expenses and income		-556	-3,026
Result from disposal of assets	[8]	2	65
Change in inventories		-9,206	-9,978
Change in trade receivables		-12,532	-11,476
Change in other assets		-2,357	3,363
Change in provisions for pensions		2,198	3,832
Change in liabilities and other provisions		11,952	7,889
Net cash from operating activities		4,333	11,363
Investments in intangible assets and property, plant and equipment		-7,293	-6,708
Payments relating to acquisition of subsidiaries and other business units (from prior years)		-2,118	-2,070
Proceeds from the disposal of assets		691	190
Payments relating to the short-term financial management of cash investments		200	4,000
Interest received		150	52
Net cash used in investing activities		-8,370	-4,536
Proceeds from financial liabilities taken on by the Group		0	1,364
Repayment of financial liabilities		-1,694	-133
Payment of prior-year dividend	[6]	-7,200	-6,000
Payment of dividend to non-controlling interests		-41	-28
Interest paid and similar expenses		-165	-60
Net cash used in financing activities		-9,100	-4,857
Effect of foreign exchange rate changes on liquidity		-97	-295
Change in cash and cash equivalents		-13,234	1,675
Cash and cash equivalents at 1 January	[7]	74,759	31,892
Cash and cash equivalents at 30 June	[7]	61,525	33,567
Change in cash and cash equivalents		-13,234	1,675

GROUP STATEMENT OF CHANGES IN EQUITY OF SIMONA AG FOR THE FIRST HALF OF 2017

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY					NON-CON- TROLLING INTERESTS	TOTAL EQUITY
		Issued capital	Capital reserve	Revenue reserves	Other reserves	Total		
in € '000					Currency translation differences			
Balance at 01/01/2016		15,500	15,274	140,390	11,167	182,331	270	182,601
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	-6,214	-2,210	-8,424	-10	-8,434
Profit for the period		0	0	10,871	0	10,871	24	10,895
Total comprehensive income for the period		0	0	4,657	-2,210	2,447	14	2,461
Dividend payment	[6]	0	0	-6,000	0	-6,000	-28	-6,028
Balance at 30/06/2016		15,500	15,274	139,047	8,957	178,778	256	179,034
Balance at 01/01/2017		15,500	15,274	148,661	12,354	191,789	254	192,043
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	7,101	-4,421	2,681	13	2,694
Profit for the period		0	0	7,820	0	7,820	31	7,851
Total comprehensive income for the period		0	0	14,921	-4,421	10,501	44	10,545
Dividend payment	[6]	0	0	-7,200	0	-7,200	-41	-7,241
Other changes		0	0	-587	14	-574	28	-546
Balance at 30/06/2017		15,500	15,274	155,795	7,947	194,516	285	194,801

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OF SIMONA AG FOR THE FIRST HALF OF 2017

[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 company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390).

These condensed consolidated interim financial statements (consolidated interim financial statements) for the first half of 2017 were released for publication on 20 July 2017, 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 2017 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 2017 to 30 June 2017. The consolidated annual financial statements as at 31 December 2016 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 2016.

Scope of consolidated financial statements

Compared with 31 December 2016, the consolidated group was extended by one subsidiary. The newly established entity SIMONA ASIA PACIFIC PTE. LTD., Singapore, has been fully consolidated as at 30 June 2017. As at 30 June 2017, alongside the parent company the consolidated interim financial statements comprised 21 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:

- Europe
- Americas
- Asia and Pacific

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 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 interim 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/amortisation and write-downs 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 interim financial statements are presented in the reconciliation.

SEGMENT INFORMATION BY REGION FOR THE FIRST HALF OF 2017

in € '000	Europe		Americas		Asia and Pacific		Total	Reconciliation		Group		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from external customers	136,697	133,614	49,854	45,662	13,715	8,444	200,266	187,720	0	0	200,266	187,720
Revenues from other segments	3,892	2,113	0	9	0	0	3,892	2,122	-3,892	-2,122	0	0
Segment revenues	140,589	135,727	49,854	45,671	13,715	8,444	204,158	189,842	-3,892	-2,122	200,266	187,720
Other income	2,120	2,133	167	271	894	58	3,181	2,462	-428	-237	2,753	2,225
Cost of materials	83,923	81,453	22,097	21,096	10,457	5,777	116,477	108,326	-3,892	-2,122	112,585	106,204
Staff costs	28,509	27,814	9,090	7,354	1,419	1,155	39,018	36,323			39,018	36,323
Depreciation/ amortisation	4,678	4,457	1,709	1,583	703	719	7,090	6,759			7,090	6,759
Other expenses	25,093	22,087	8,821	7,805	3,068	1,869	36,982	31,761	-355	-399	36,627	31,362
Earnings before interest and taxes (EBIT)	5,403	8,624	8,383	8,510	-572	-865	13,214	16,269	-7	156	13,207	16,425
Earnings before taxes (EBT)	4,937	8,575	8,220	8,319	-675	-953	12,482	15,941	-2	158	12,480	16,099
Segment capital expenditure	3,108	4,189	3,572	1,688	613	831	7,293	6,708			7,293	6,708
Non-current assets	80,311	79,647	57,000	56,215	10,126	10,935	147,437	146,797			147,437	146,797

NOTES TO GROUP INCOME STATEMENT

[5] INCOME TAXES

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

GROUP INCOME STATEMENT		
in € '000	01/01/- 30/06/2017	01/01/- 30/06/2016
Current tax		
Current tax expense	4,980	2,716
Adjustments of current tax attributable to previous periods	4	0
Deferred tax		
Origination and reversal of temporary differences	-509	50
Change in loss carry forwards and tax credits recognised	154	2,438
Income tax expense reported in Group income statement	4,629	5,204

[6] DIVIDEND PAID

During the first half-year the Annual General Meeting of Shareholders passed a resolution on 9 June 2017 for a dividend of €12.00 per share (prev. year: €10.00 per share) for all ordinary shares attributable to the parent company. The amount was paid out on 14 June 2017. The total dividend distribution amounted to €7,200 thousand (prev. year: €6,000 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[7] 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	30/06/2017	31/12/2016
Cash and cash equivalents	61,525	74,759
	61,525	74,759

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2017, the Group purchased property, plant and equipment at a cost amounting to €7,019 thousand (prev. year: €6,454 thousand), of which, as in the previous year, €0 was attributable to first-time consolidation.

Other income includes gains of €65 thousand (prev. year: €83 thousand) from the disposal of property, plant and equipment; other expense includes losses of €67 thousand (prev. year: €160 thousand) from the disposal of property, plant and equipment.

[9] INVENTORIES

Compared to 31 December 2016, the amount attributable to inventory impairments fell by €472 thousand to €3,711 thousand in the first half of 2017.

OTHER INFORMATION

[10] OTHER FINANCIAL COMMITMENTS

As at 30 June 2017, purchase commitments arising from investment projects amounted to €4,582 thousand (prev. year: €4,380 thousand), while those relating to raw materials stood at €11,567 thousand.

[11] RELATED-PARTY DISCLOSURES

Compared to the financial year ended 31 December 2016, there were no material changes within the Management Board and Supervisory Board to the entities and persons with whom the SIMONA Group had a related-party relationship.

As part of its 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 period that would necessitate a change to measurements or recognised amounts.

[13] 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.

[14] 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 Group for the remaining months of the financial year.”

Kirn, July 2017
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

This document is published in German and as an English translation.
Only the German original shall be deemed authoritative.

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