

The background of the entire page is a photograph of a large, modern architectural structure with a blue, grid-like facade. The structure is curved and viewed from a low angle, looking up towards a blue sky with white clouds. The grid pattern of the facade is a key visual element.

SIMONA

Group Interim Report

for the first half of 2018

GLOBAL THERMOPLASTIC SOLUTIONS

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Group Interim Management Report for the first half of 2018

1. BUSINESS REVIEW

1.1 Macroeconomic and sector-specific environment

The upturn in the world economy showed signs of waning at the beginning of the year, particularly in the established economic regions of Europe. The eurozone saw its gross domestic product (GDP) rise by 2.5 per cent in the first quarter compared to the same quarter a year ago, contrasting with 2.8 per cent growth in the fourth quarter of 2017. Germany's economy expanded by 1.6 per cent year on year, which was markedly lower than the figure of 2.3 per cent recorded for the fourth quarter of 2017. France, Spain and Italy also experienced a slight dip in growth in the first quarter. The US economy was comparatively robust in the first three months, expanding by 2.8 per cent year on year. China's economy put in a solid performance at the beginning of the year, with sustained growth of 6.8 per cent in the first quarter. The emerging economies as a whole continued to expand at a rate of growth that was just marginally lower.

Germany's plastics processing industry recorded revenue growth of 5.8 per cent, taking the figure to €21.9 billion. According to the industry federation VCI, the domestic chemical industry made a solid start to 2018 and managed to expand total revenue by 5.7 per cent. The industry association VDMA points to year-on-year growth of 4.2 per cent in the period from January to April in terms of production output in the mechanical engineering industry. Revenues generated by the principal construction sector rose by 8.2 per cent year on year in the period from January to April 2018 according to Hauptverband der Deutschen Bauindustrie, Germany's central federation of the construction industry.

1.2 Course of business

In the first six months of 2018, the SIMONA Group generated sales revenue of €204.9 million in total. Compared to the first half of 2017 (€200.3 million), this represents growth of 2.3 per cent.

The rate of growth recorded in the second quarter of 2018 was substantially higher than in the first quarter, with sales revenue totalling €106.2 million – up 4.8 per cent on the figure posted in the same quarter last year (€101.3 million).

Europe

In Europe, sales revenue rose by 1.4 per cent to €138.7 million (prev. year: €136.7 million). This region accounted for 67.7 per cent of total revenue (prev. year: 68.3 per cent). Sales revenue in Germany rose by 1.4 per cent to €48.9 million (prev. year: €48.2 million).

Americas

Revenue generated from sales in the Americas grew by 2.3 per cent in the first half of 2018. Total revenue for this region amounted to €51.0 million (prev. year: €49.9 million). Adjusted for currencies, revenue growth stood at 11.6 per cent. As in the previous year, the region accounted for 24.9 per cent of total revenue.

Asia and Pacific

The region covering Asia and Pacific recorded sales revenue of €15.2 million (prev. year: €13.7 million), a significant growth rate of 10.9 per cent. Eliminating currency effects, revenue was up by 17.5 per cent. The region as a whole accounted for 7.4 per cent of total sales revenue, up from 6.8 per cent a year ago.

The product area covering Finished and Semi-Finished Products generated revenue of €165.2 million (prev. year: €161.1 million), which represents year-on-year growth of 2.5 per cent.

Revenue from sales in the product area encompassing Pipes and Fittings totalled €39.7 million (prev. year: €39.2 million). Due to a weak first quarter, growth in this line of business was just 1.3 per cent.

1.3 Financial performance

Earnings

Preliminary note

In the past, the SIMONA Group presented income and expenses from foreign currency translation in other income and expenses. As from the 2018 financial year, these effects will be accounted for in net finance cost/income for the purpose of improving the presentation of operating profit. Therefore, the prior-year figures presented in the interim report for the 2017 financial year cannot be used for year-on-year comparative purposes; they have been adjusted accordingly (cf. Note [2] in the Notes to Condensed Consolidated Interim Financial Statements).

Operating profit, i.e. earnings before interest and taxes (EBIT), at Group level totalled €18.8 million in the first half of 2018, compared with €17.1 million in the previous year. The EBIT margin thus rose from 8.5 per cent in 2017 to 9.2 per cent in the period under review. EBITDA improved from €24.2 million a year ago to €26.0 million. The EBITDA margin stood at 12.7 per cent, compared to 12.1 per cent at the end of June 2017.

The quality of SIMONA's performance is also reflected in earnings before taxes (EBT), which increased from €12.5 million a year ago to €18.7 million in the period under review.

At 6.5 per cent, Group ROCE was up slightly on the prior-year figure of 6.4 per cent.

Earnings performance in the first half of 2018 was dominated mainly by a substantial contribution to profits made by the US, a visible improvement in earnings in Asia and satisfactory business in Europe.

Prices for raw materials increased markedly in the first six months of the year. Energy costs in Germany were up year on year at €6.0 million for SIMONA AG (prev. year: €5.5 million).

Staff costs fell slightly from €39.0 million a year ago to €38.6 million in the period under review.

Depreciation of property, plant and equipment and amortisation of intangible assets, including write-downs, amounted to €7.2 million (prev. year: €7.1 million).

Other expenses totalled €33.6 million, up €1.7 million on the prior-year figure of €31.9 million. Selling expenses, primarily expenses for packaging, increased at a faster rate in relation to revenue growth.

The sales companies in Europe recorded positive operating results in the period under review. While the subsidiaries in Eastern Europe and Italy saw earnings increase substantially year on year, the companies in France and the United Kingdom posted lower profits.

The plant in the Czech Republic recorded improved earnings in the first half of the year. The US companies achieved further revenue growth compared to the previous year. Benefiting from an encouraging business performance, the production company in Asia saw a further improvement in its positive earnings during the first half.

1.4. Financial position

Compared to 31 December 2017, total assets were up by €30.5 million to €394.0 million as at 30 June 2018.

Changes to assets

Intangible assets totalled €29.5 million (31 Dec. 2017: €29.4 million), mainly consisting of goodwill from the US acquisitions.

Property, plant and equipment totalled €116.1 million (31 Dec. 2017: €114.4 million). Investments in property, plant and equipment amounted to €7.7 million within the Group. Depreciation and write-downs of property, plant and equipment stood at €6.5 million.

Inventories of raw materials and consumables (€29.9 million) as well as finished goods, work in progress and merchandise (€56.9 million) were higher compared to the figures recorded at the end of 2017. This was the result of higher stock volumes, but was also influenced by commodity prices.

Compared to the end of 2017, trade receivables rose by €18.5 million to €74.9 million due to factors relating to the end of the reporting period and more expansive business.

Other assets and income tax receivables decreased from €5.5 million at the end of 2017 to €4.5 million in the period under review.

Cash and cash equivalents stood at €65.7 million at the end of the reporting period (31 Dec. 2017: €68.0 million).

Changes to equity and liabilities

The Group saw an increase in current and non-current liabilities in the period under review, while equity also continued to expand.

At the end of the reporting period, Group equity was up at €209.4 million (31 Dec. 2017: €202.3 million). The main contributing factors were profit of €13.7 million for the period, positive effects from currency translation of €1.7 million as well as a dividend payment of €-7.2 million for the 2017 financial year. The revaluation of pension provisions as at 30 June 2018 diluted Group equity by €1.8 million in total. Compared to the end of 2017, the Group's equity ratio as at 30 June 2018 fell to 53 per cent, which was mainly due to the higher balance sheet total.

At €22.6 million, trade payables rose by €11.5 million compared to the end of 2017 as a result of business operations.

Current and non-current provisions for pensions amounted to €104.1 million (31 Dec. 2017: €99.2 million). This fall was attributable primarily to the remeasurement of plan assets while the IFRS discount rate (1.8 per cent) remained unchanged.

Current and non-current other provisions totalled €5.1 million (31. Dec. 2017: €5.4 million).

Current and non-current liabilities stood at €184.6 million in total, up €23.4 million on the figure recorded on 31 December 2017.

Investments

Group capital expenditure on property, plant and equipment amounted to €7.7 million in the period under review (prev. year: €7.0 million). This relates primarily to investments in plant and machinery within the segments covering Europe and the Americas. As in the previous year, the Group made net investments of €0.7 million in property, plant and equipment.

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 €13.8 million (prev. year: €4.3 million). The cash outflow from investing activities was €-7.3 million (prev. year: €-8.4 million). The cash outflow attributable to financing activities was €-9.0 million (prev. year: €-9.1 million) and mainly included the dividend payout in respect of the 2017 financial year.

Cash and cash equivalents

Cash and cash equivalents fell by €2.3 million compared to 31 December 2017 and mainly consist of short-term bank deposits totalling €65.7 million (31 Dec. 2017: €68.0 million). These changes are presented in the statement of cash flows in the notes.

Net finance cost

Based on finance income of €2.5 million and finance cost of €-2.7 million, net finance cost amounted to €-0.2 million in the first half of 2018 (prev. year €-4.6 million).

1.6 Non-financial indicators

Employees

Since the beginning of the year, the SIMONA Group's total headcount has risen by 13 to 1,302 (31 Dec. 2017: 1,289), primarily as a result of an expansion of the personnel base in the United States. At 778, the number of staff employed at SIMONA AG was unchanged from the headcount recorded at the end of 2017.

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 2018 and the preparation of this Group interim management report.

3. REPORT ON OPPORTUNITIES AND RISKS

3.1 Report on opportunities

Worldwide demand for plastics remains strong and is being fuelled further by a more buoyant global economy. However, the short-term trend has to be viewed against the backdrop of more pronounced economic and geopolitical risks.

The medium- and long-term forecast points to average annual growth of 5.3 per cent in the period up to 2020 (source: Grand View Research). Demand continues to be driven by the Asia-Pacific region. Growth within the relatively mature markets of North America and Europe is likely to come mainly from new 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 focus is on enhancing the company's abilities in the field of innovation, which includes an expansion in the product portfolio of high-performance plastics. Given the company's extended production capabilities at its new Technology Centre, SIMONA is confident that it can increase revenue through new products and applications, in addition to serving customers faster with prototypes and small-batch series. The prospects for further growth in the Americas with regard to industrial and aviation prod-

ucts are considered to be good, particularly through the expansion of trading partnerships and the provision of services, such as technical consulting and training programmes. As regards the Asia-Pacific region, SIMONA sees good opportunities to profit from growth in markets that have a strong focus on environmental and safety-critical issues, the emphasis being on premium products. In this context, the gradual expansion of production capabilities at the Jiangmen site and the new organisational structure for the region are considered to be key factors.

3.2 Risk report

Risk management system

In view of their global business activities, both SIMONA AG and the SIMONA Group are exposed to a wide range of risks. In this context, risk is defined as an event, an action and/or the failure to act with the potential for adverse effects on the company. Risk strategy is an integral part of the corporate strategy of SIMONA and coexists alongside the business strategy. The risk culture of SIMONA is characterised by risk awareness in respect of decision-making processes and embraces the principles of diligent action based on prudence. In identifying opportunities at an early stage and applying diligence with regard to the exposure to corporate or business risks, SIMONA endeavours to safeguard its existence as a going concern and protect its enterprise value. Risk controlling is aimed at avoiding, mitigating or transferring risks. All remaining risks are managed accordingly by SIMONA. Risks are communicated as part of half-yearly risk reports to the Management Board and the Supervisory Board.

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

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
- Risks attributable to information technology

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.

Geopolitical risks remain high. In the segment encompassing Europe, uncertainty surrounding the outcome of Brexit negotiations, fiscal volatility and concerns over political stability within the region are dominant factors when it comes to business environment and industry-specific risks. In the Americas, meanwhile, risk exposure is being influenced by protectionist trade policies as well as by the fundamental political stance taken by the United States, productivity gains and developments relating to the US dollar exchange rate. Within the Asia and Pacific segment, the economic performance of China within the industrial sector as well as the direction taken by the property market 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 to 10.0 million with a probability of occurrence of 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 through recent acquisitions and the expansion of manufacturing operations within the US market. At the same time, currency risk relating to US dollar transactions has become more pronounced for SIMONA. In the medium term, the probability of occurrence of a positive/negative effect on earnings equivalent to €3.0 to 6.0 million is estimated at over 50 per cent. The global economy is still expected to see solid growth in 2018. However, the risks with regard to a slowdown have become more pronounced and some economic research institutes have revised their forecasts downwards slightly. The potential of a waning economy and, in turn, a dip in investment spending within the industrial sector continues to be the most significant of all economic risks.

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, risks exist with regard

to voidability of insolvency. 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 elevated. Interest payable in connection with KfW loans is based on fixed interest rates. Therefore, there are no risks associated with interest rate changes in this area. The overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (euro overnight 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 around €3 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years.

Risks attributable to procurement and purchasing

As was the case in previous years, these risks are related primarily to possible disruptions or outages with regard to suppliers of raw materials and additives as well as volatile commodity price trends. The raw materials used by SIMONA are influenced by price trends and the supply-side availability of direct input products (naphtha, ethylene or propylene), and to a lesser extent on prevailing oil prices. There were no significant raw material shortages in the first half of 2018 and prices for basic commodities trended higher – in line with prices for input products. Prices for key additives, primarily for the manufacture of PVC products continued to rise, influenced by strong demand and limited availability. We expect prices to develop along similar lines in the second half of 2018 as in the first half, while the supply of raw materials is likely to remain stable.

Risks attributable to information technology

Ongoing monitoring and optimisation of existing information technology is essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are consid-

ered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in firewall and antivirus systems as well as other software systems. The probability of occurrence of external attacks on IT systems, in particular, is considered high.

At the end of the first half of 2018, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that applicable at the end of 2017. 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

In July, the International Monetary Fund (IMF) confirmed its outlook of the spring of 2018, projecting global economic growth of 3.9 per cent for 2018. At the same time, the IMF points to a significant increase in downside risks compared to April and is of the opinion that many of the economies have reached or, indeed, have exceeded an apex in terms of growth rates.

Sector-specific conditions

According to industry association GKV, the plastics processing sector in Germany will enjoy sustained growth in the year ahead. Based on an assessment of the figures for the first four months, the industry is above the target of 4 per cent revenue growth set for 2018 as a whole. In a recent GKV survey, 60 per cent of the association members said that they anticipated higher revenues in 2018. Expectations with regard to earnings performance are also positive on the whole. 41 per cent predict growth in profits, while 51 per cent believe earnings will remain stable. Based on the expectations of the majority of companies surveyed, exports will continue to rise, which is also reflected in the direction taken by business during the first four months. 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

The SIMONA Group managed to increase sales revenue by a figure within the range projected for the first half of the year. The revenue guidance of €405 – 410 million for the financial year as a whole is ambitious, as revenue tends to be lower in the second half due to seasonal factors. However, this target can still be met. Based on its earnings performance to date, the SIMONA Group anticipates that it will also be in a position to achieve its targeted EBIT margin of 7 – 9 per cent, provided that no unexpected events occur.

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 2018
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses

Dirk Möller

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Group Income Statement of SIMONA AG for the first half of 2018

in € '000	Notes	01/01/ - 30/06/2018	01/01/ - 30/06/2017*
Revenue		204,891	200,266
Changes in inventories of finished goods and work in progress		921	5,508
Other income		795	1,866*
Cost of materials		108,443	112,585
Staff costs		38,561	39,018
Depreciation/write-downs of property, plant and equipment and amortisation/write-downs of intangible assets		7,243	7,090
Other expenses		33,559	31,853*
Earnings before interest and taxes (EBIT)		18,801	17,094*
Income from investments accounted for using the equity method		88	101
Finance income		2,498	937*
Finance cost		2,739	5,652*
Earnings before taxes (EBT)		18,648	12,480
Income tax expense	[5]	4,921	4,629
Profit for the period		13,727	7,851
of which attributable to:			
Owners of the parent company		13,671	7,820
Non-controlling interests		56	31

EARNINGS PER SHARE

in €			
- basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		22.79	13.03
- diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		22.79	13.03

* Prior-year figures adjusted in accordance with IAS 1,41 and IAS 8, cf, Note [2].

Group Statement of Comprehensive Income of SIMONA AG for the first half of 2018

in € '000	01/01/- 30/06/2018	01/01/- 30/06/2017
Profit for the period	13,727	7,851
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations	-2,506	10,026
Deferred taxes on remeasurement of defined benefit obligations	739	-2,925
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating financial statements of subsidiaries	1,618	-3,823
Exchange differences on translating net investments	5	-828
Deferred taxes from currency translation	40	244
Other comprehensive income recognised directly in equity	-104	2,694
Total comprehensive income	13,623	10,545
Total comprehensive income attributable to:		
Owners of the parent company	13,586	10,501
Non-controlling interests	37	44

Group Statement of Financial Position of SIMONA AG for the first half of 2018

ASSETS

in € '000	Notes	30/06/2018	31/12/2017
Intangible assets		29,541	29,384
Property, plant and equipment	[8]	116,067	114,439
Financial assets		340	340
Investments accounted for using the equity method		460	483
Deferred tax assets		12,664	10,203
Non-current assets		159,072	154,849
Inventories	[9]	88,553	77,956
Trade receivables		74,946	56,461
Other assets		2,740	4,204
Income tax assets		1,719	1,259
Other financial assets		1,218	692
Cash and cash equivalents	[7]	65,719	68,022
Current assets		234,895	208,594
Total assets		393,967	363,443

EQUITY AND LIABILITIES

in € '000	Notes	30/06/2018	31/12/2017
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserve		15,274	15,274
Revenue reserves		170,889	165,498
Other reserves		7,340	5,677
		209,003	201,949
Non-controlling interests		354	317
Total equity		209,357	202,266
Financial liabilities		16,992	18,705
Provisions for pensions		102,495	97,573
Other provisions		3,637	3,774
Other liabilities		214	231
Deferred tax liabilities		7,135	6,323
Non-current liabilities		130,473	126,606
Financial liabilities		3,425	3,425
Provisions for pensions		1,595	1,595
Other provisions		1,480	1,616
Trade payables		22,602	11,116
Income tax liabilities		2,010	451
Other financial liabilities		331	1,764
Other liabilities		22,694	14,604
Current liabilities		54,137	34,571
Total equity and liabilities		393,967	363,443

Group Statement of Cash Flows of SIMONA AG for the first half of 2018

in € '000	Notes	01/01/ - 30/06/2018	01/01/ - 30/06/2017
Earnings before taxes (EBT)		18,648	12,480
Income taxes paid		-4,118	-4,753
Finance income and finance cost (excl. interest expense relating to pensions)		45	15
Depreciation/write-downs of property, plant and equipment and amortisation/write-downs of intangible assets		7,243	7,090
Other non-cash expenses and income		-3,104	-556
Result from disposal of assets	[8]	-150	2
Change in inventories		-10,118	-9,206
Change in trade receivables		-18,036	-12,532
Change in other assets		940	-2,357
Change in provisions for pensions		4,921	2,198
Change in liabilities and other provisions		17,546	11,952
Net cash from operating activities		13,817	4,333
Investments in intangible assets and property, plant and equipment		-7,807	-7,293
Payments relating to acquisition of subsidiaries and other business units (from prior years)		0	-2,118
Proceeds from the disposal of assets		324	691
Proceeds relating to the short-term financial management of cash investments		115	0
Payments relating to the short-term financial management of cash investments		1	200
Interest received		88	150
Net cash used in investing activities		-7,279	-8,370
Repayment of financial liabilities		-1,713	-1,694
Payment of prior-year dividend	[6]	-7,200	-7,200
Payment of dividend to non-controlling interests		0	-41
Interest paid and similar expenses		-133	-165
Net cash used in financing activities		-9,046	-9,100
Effect of foreign exchange rate changes on liquidity		205	-97
Change in cash and cash equivalents		-2,303	-13,234
Cash and cash equivalents at 1 January		68,022	74,759
Cash and cash equivalents at 30 June	[7]	65,719	61,525
Change in cash and cash equivalents		-2,303	-13,234

Group Statement of Changes in Equity of SIMONA AG for the first half of 2018

		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY					NON-CONTROLLING INTERESTS	TOTAL EQUITY
		Issued capital	Capital reserve	Revenue reserves	Other reserves	Total		
in € '000	Notes				Currency translation differences			
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
Stand am 01/01/2018		15,500	15,274	165,498	5,677	201,949	317	202,266
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	-1,767	1,682	-85	-19	-104
Profit for the period		0	0	13,671	0	13,671	56	13,727
Total comprehensive income for the period		0	0	11,904	1,682	13,586	37	13,623
Dividend payment	[6]	0	0	-7,200	0	-7,200	0	-7,200
Other changes		0	0	687	-19	668	0	668
Balance at 30/06/2018		15,500	15,274	170,889	7,340	209,003	354	209,357

Notes to the condensed consolidated interim financial statements of SIMONA AG for the first half of 2018

[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 2018 were released for publication on 20 July 2018, 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 2018 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 2018 to 30 June 2018. The consolidated annual financial statements as at 31 December 2017 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 2017.

Applying IAS 1.41 in conjunction with IAS 8, income and expenses from foreign currency translation were recognised in finance income and finance cost for the first time effective from the consolidated interim financial statements for the first half of 2018. The decision to reclassify these items is due to the fact that income and expenses from foreign currency translation, as reported in the Group income statement, are attributable primarily to

financing rather than operating activities of the SIMONA Group. These effects will be accounted for in net finance cost/income for the purpose of improving the presentation of operating profit. The prior-year figures relating to other income, other expenses, earnings before interest and taxes (EBIT), finance income and finance costs have been adjusted accordingly in the Group income statement.

Group Income Statement

01/01/- 30/06/2017

in € '000	Before adjustment	Adjustment	After adjustment
Other income	2,753	-887	1,866
Other expenses	36,627	-4,774	31,853
Earnings before interest and taxes (EBIT)	13,207	3,887	17,094
Finance income	151	887	1,038
Finance costs	878	4,774	5,652
Earnings before taxes (EBT)	12,480	0	12,480

Scope of consolidated financial statements

There were no changes in the consolidated group compared with 31 December 2017. As at 30 June 2018, alongside the parent company the consolidated interim financial statements comprised 28 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.

The prior-year figures relating to other income, other expenses and earnings before interest and taxes (EBIT) have been adjusted in line with the Group income statement; cf. Note [2].

SEGMENT INFORMATION BY REGION FOR THE FIRST HALF OF 2018

	Europe		Americas		Asia and Pacific		Total	Reconciliation		Group		
in € '000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from external customers	138,703	136,697	51,022	49,854	15,166	13,715	204,891	200,266	0	0	204,891	200,266
Revenues from other segments	4,965	3,892	72	0	0	0	5,037	3,892	-5,037	-3,892	0	0
Segment revenues	143,668	140,589	51,094	49,854	15,166	13,715	209,928	204,158	-5,037	-3,892	204,891	200,266
Other income	873	1,529	78	165	377	600	1,328	2,294	-533	-428	795	1,866
Cost of materials	79,962	83,923	22,372	22,097	11,146	10,457	113,480	116,477	-5,037	-3,892	108,443	112,585
Staff costs	28,373	28,509	8,530	9,090	1,658	1,419	38,561	39,018			38,561	39,018
Depreciation, amortisation and write-downs	4,842	4,678	1,669	1,709	732	703	7,243	7,090			7,243	7,090
Other expenses	23,761	21,525	8,484	8,779	1,890	1,904	34,135	32,208	-576	-355	33,559	31,853
Earnings before interest and taxes (EBIT)	8,415	8,378	10,159	8,425	470	298	19,044	17,101	-243	-7	18,801	17,094
Earnings before taxes (EBT)	8,403	4,937	10,074	8,220	423	-675	18,900	12,482	-252	-2	18,648	12,480
Segment capital expenditure	4,295	3,108	2,636	3,572	762	613	7,693	7,293			7,693	7,293
Non-current assets	77,607	80,311	57,613	57,000	10,388	10,126	145,608	147,437			145,608	147,437

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/- 30/06/2018	01/01/- 30/06/2017
Current tax		
Current tax expense	5,153	4,980
Adjustments of current tax attributable to previous periods	55	4
Deferred tax		
Origination and reversal of temporary differences	413	-509
Change in loss carry forwards and tax credits recognised	-700	154
Income tax expense reported in Group income statement	4,921	4,629

[6] DIVIDEND PAID

During the first half-year the Annual General Meeting of Shareholders passed a resolution on 8 June 2018 for a dividend of €12.00 per share (prev. year: €12.00 per share) for all ordinary shares attributable to the parent company. The amount was paid out on 13 June 2018. The total dividend distribution amounted to €7,200 thousand (prev. year: €7,200 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	30/06/2018	30/06/2017
Cash and cash equivalents	65,719	61,525
	65,719	61,525

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2018, the Group purchased property, plant and equipment at a cost amounting to €7,693 thousand (prev. year: €7,019 thousand), of which, as in the previous year, €0 was attributable to first-time consolidation.

Other income includes gains of €164 thousand (prev. year: €65 thousand) from the disposal of property, plant and equipment; other expense includes losses of €14 thousand (prev. year: €67 thousand) from the disposal of property, plant and equipment.

[9] INVENTORIES

Compared to 31 December 2017, the amount attributable to inventory impairments fell by €705 thousand to €6,245 thousand in the first half of 2018.

OTHER INFORMATION

[10] OTHER FINANCIAL COMMITMENTS

As at 30 June 2018, purchase commitments arising from investment projects amounted to €8,825 thousand (prev. year: €4,582 thousand), while commitments relating to raw material orders totalled €15,708 thousand (prev. year: €11,567 thousand).

[11] RELATED-PARTY DISCLOSURES

Compared to the financial year ended 31 December 2017, the entities and persons with whom the SIMONA Group had a related-party relationship changed within the Supervisory Board. Mr. Joachim Trapp has retired from the Supervisory Board, effective from 31 May 2018. At the Annual General Meeting of 8 June 2018 Mr. Martin Bücher, Biberach, Chairman of the Management Board of Kreissparkasse Biberach, was elected onto the Supervisory Board of SIMONA AG. There were no significant changes to the scope and nature of related-party transactions within the Management Board and Supervisory Board compared to 31 December 2017.

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 2018
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses

Dirk Möller

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

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