SIMONA

Discover Future Solutions

Annual Report 2012

Contents

In touch with the future

SIMONA is recognised as one of the world's leading manufacturers of semi-finished thermoplastics, piping systems and finished parts. Our team of more than 1,200 employees brings together best-in-class expertise and an unrivalled passion for customer service, while our portfolio of 35,000 items represents one of the most extensive and diverse product ranges worldwide.

In our quest to become a market leader in plastics processing, we will continue to hone our skills as an innovator and take product development forward to the next level. This will include the use of new materials and material combinations aimed at further improving the properties of our plastic products. For more safety, efficiency and sustainability.

Discover Future Solutions!

Key Financials

SIMONA GROUP*

		2012	2011	2010
Revenue	€m	293.2	308.5	267.4
Year-on-year change	%	–5.0	15.4	24.3
of which abroad	€m	200.1	203.9	176.8
of which abroad	%	68.2	66.1	66.1
Staff costs	€m	57.6	58.6	55.9
Profit before taxes (EBT)	€m	14.8	20.7	10.5
Profit for the year	€m	11.5	16.2	7.2
Net cash from operating activities	€m	21.3	23.4	3.1
EBIT	€m	13.8	19.8	10.1
EBIT	%	4.7	6.4	3.8
EBITDA	€m	25.3	31.7	22.7
EBITDA	%	8.6	10.3	8.5
Total assets	€m	260.1	257.1	245.0
Equity	€m	180.7	174.6	162.2
Non-current assets	€m	92.1	90.5	89.4
Investments in property, plant and equipment	€m	13.5	12.5	6.5
Employees (annual average)		1,247	1,248	1,218

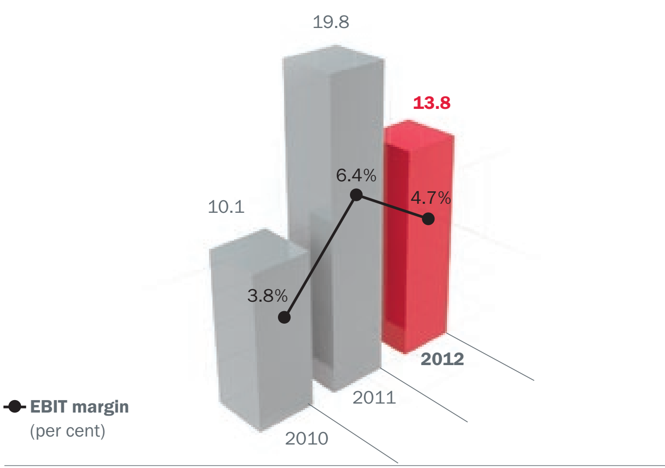
* Based on IFRS

STOCK DATA

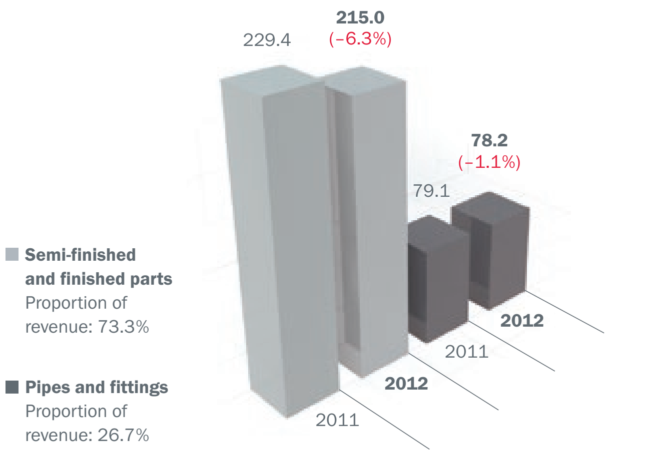
		2012	2011	2010
Earnings per share	€	19.07	26.96	12.00
Dividend	€	7.50	9.50	6.50
Dividend yield	%	2.4	2.9	2.1
P/E ratio*		16.1	12.2	26.3
Market capitalisation-over-equity ratio*		1.02	1.13	1.17
Share price as at Dec. 31	€	307.00	327.69	315.00

* Each calculated on Group basis

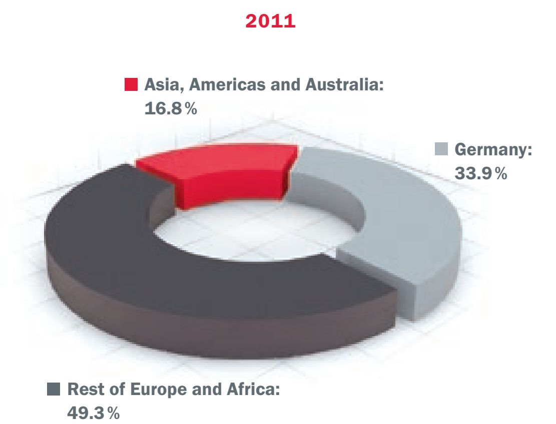
EBIT PERFORMANCE SIMONA GROUP (in €m)

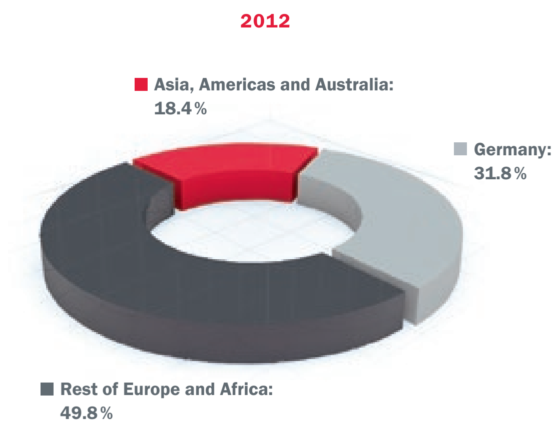


REVENUE BY PRODUCT GROUP SIMONA GROUP (in €m)



REVENUE BY REGION SIMONA GROUP (in per cent)





"We aim to increase our revenue share in the emerging markets to at least 25 per cent in the medium term and are currently directing our investment spending at growth regions in Asia, Eastern Europe and Latin America."

WOLFGANG MOYSES
CEO, Chairman of the Management Board

Dear Shareholders,

The financial year just ended produced a number of challenges for SIMONA. The economic climate was plagued by uncertainty, with the unresolved sovereign debt crisis in Europe adversely affecting confidence levels within the global business arena. Against this backdrop, the market saw a significant downturn in capital expenditure on machinery and equipment. A low propensity to invest tends to have a severe impact on SIMONA's core business. In Central and Western Europe, we saw a decline in the overall volume of sales relating to plastic sheets used in chemical tank and equipment construction as well as in the field of mechanical engineering. Additionally, sales generated within the solar energy and photovoltaics industry, which had produced a boom in 2011, slumped almost completely in the period under review.

By contrast, business development proved more favourable in the emerging markets. Compared to the previous year, we succeeded in increasing our revenue in the sales regions of Asia. This was attributable partly to an automotive contract secured by the company in China during the year under review. Meanwhile, our subsidiary in North America managed to turn around its business over the course of 2012. Our new subsidiary in Russia commenced operations in the year just ended, the objective being to better exploit the significant growth potential in this region through our local presence. We aim to increase our revenue share outside Europe to at least 25 per cent and are currently directing our investment spending at growth regions in Asia, Eastern Europe and Latin America.

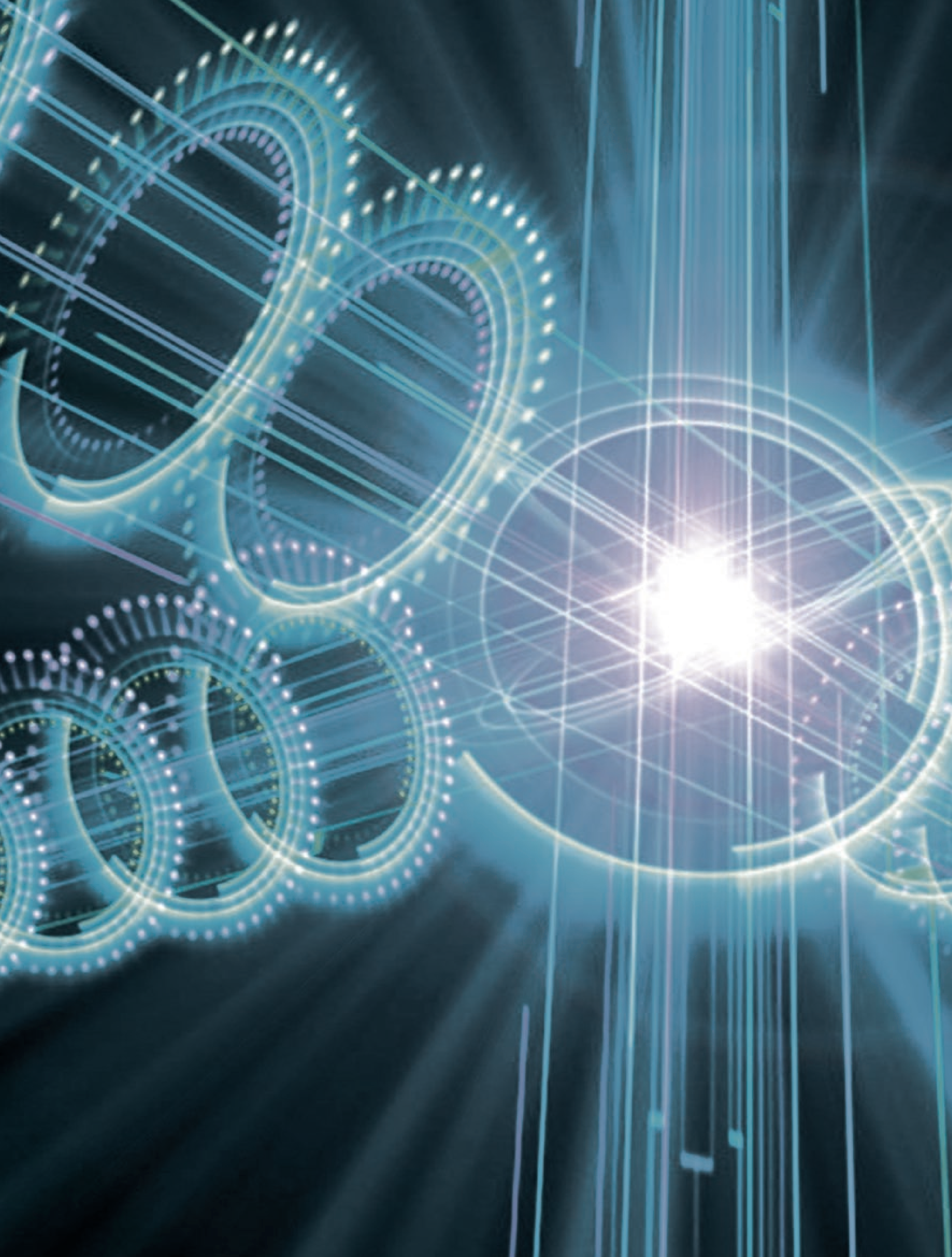
Overall, we fell just short of achieving our revenue target of € 300 million within the Group. As for earnings, we can only be partially satisfied with our performance in the year under review. At 4.7 per cent, our EBIT margin is slightly below the figure of 5 per cent targeted for 2012. This was attributable primarily to the contraction in sales revenue.

Despite the above-mentioned challenges, the year under review also saw a number of positive developments. We came up with a new concept aimed at further improving our operational processes. This applies to the efficiency of materials usage as well as energy consumption and production output. A new extrusion machine for PVC products will help to improve our cost structures in this segment. We also made four key managerial appointments in the areas of Development, Technology and Sales during the period under review. In establishing the SIMONA Sales Academy, we have expanded our global training and educational programme. Last but not least, the high scores achieved as part of our staff satisfaction survey have reaffirmed the appeal of our company as an employer.

Looking forward, 2013 is unlikely to see any fundamental changes within the wider business environment. We will place our processes and structures under close scrutiny and leverage cost savings in Europe wherever possible. One of our main priorities will be to expand our business beyond Europe.

2013 is a "K" year. The world's largest plastics trade fair is a particularly important event for our company. Presenting itself as an innovative, future-oriented company, SIMONA will unveil a number of new product developments. To whet your appetite, this report includes an overview of various exciting projects implemented in cooperation with our customers over the course of the year.

WOLFGANG MOYSES
CEO, Chairman of the Management Board



More Safety

Safety plays a pivotal role at SIMONA. Used in industrial applications, SIMONA® products have to withstand extreme conditions and aggressive substances.

SIMONA is committed to setting new standards in this area, with the express purpose of making the transportation and storage of chemical media even safer and more efficient.

In future, for example, SIMONA® Multilayer Pipes with reinforced coextruded layers could be deployed in new oil and gas pipelines.

Report by the Supervisory Board

DR. ROLF GOESSLER
Chairman of the Supervisory Board

SIMONA's business performance in 2012 was adversely affected by the difficult economic conditions witnessed throughout Europe, as a result of which the company failed to meet its revenue and earnings targets. After the tremendous success of 2011, the company was unable to buck the general trend and generate growth over the course of the year under review. Sluggish investment spending on the part of companies operating in Europe's mechanical engineering and chemical industry proved particularly detrimental to business. By contrast, SIMONA succeeded in further cementing and extending its position beyond the borders of Europe. The company's turnaround in the United States is particularly encouraging. Elsewhere, SIMONA recorded a significant year-on-year increase in revenue within the sales region of Asia. The new subsidiary in Russia successfully commenced operations. In summary, the action plan for international expansion agreed by the Management Board and the Supervisory Board points in a clear direction and is bearing fruit.

Against the backdrop of lower revenue, SIMONA can only be partially satisfied with its earnings performance. The Management Board has initiated measures for a structural improvement in earnings, the aim being to bring down the break-even point. The Supervisory Board endorses these measures and will monitor their implementation.

From the Supervisory Board's perspective, the overall outlook for the financial year 2013 is subdued. The economic climate may at least improve slightly for Germany and some of the other eurozone countries. SIMONA has set itself ambitious goals. Maintaining a close dialogue with the Management Board, the Supervisory Board will focus its activities in particular on achieving a satisfactory bottom-line result. We believe that the medium-term growth prospects for polymer applications, a market served by SIMONA with an extensive product range, are promising. Pursuing a strategy that includes stepping up its product development, SIMONA is well placed to exploit this potential at an international level.

COOPERATION WITH THE MANAGEMENT BOARD

Over the course of the 2012 financial year, the Supervisory Board discharged its duties under statutory provisions and the company's Articles of Association, advised the Management Board and senior staff on a regular basis and evaluated and monitored management's activities. It also conducted an assessment of the company's risk management and compliance procedures and came to the conclusion that the system implemented meets the requirements to the fullest extent.

The Management Board and Supervisory Board engaged in dialogue concerning the strategic direction of the company and regularly discussed the status of strategy implementation. The Supervisory Board was directly involved in all decision-making processes of fundamental importance to the company. The Management Board informed the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. The reports focused in particular on issues relating to corporate planning, the strategy, the course of business and the position of SIMONA AG and its subsidiaries, including the risk situation, risk management, compliance and transactions of significant importance to the company. At the same time, the Management Board outlined any deviations between specified targets and the actual course of business, elucidated them in full and explained any countermeasures taken to rectify the situation. The content and scope of reports furnished by the Management Board met the requirements set out by the Supervisory Board. In addition to the above-mentioned reports, the Supervisory Board asked the Management Board to provide supplementary information relating to certain issues. In particular, the Management Board was available at Supervisory Board meetings for the purpose of discussing specific points and answering any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were discussed and examined thoroughly in cooperation with the Management Board, focusing particularly on the benefits and effects of these transactions. Where required, the Supervisory Board also convened without the Management Board being present.

The Chairman of the Supervisory Board was also kept fully informed in between meetings convened by the Supervisory Board and its committees. For example, the CEO and the Chairman of the Supervisory Board met regularly to discuss SIMONA's strategy, current progress in business and risk management, as well as other key topics and decisions that arose. Additionally, the Chairman of the Supervisory Board conducted one-to-one meetings with the other members of the Management Board for the purpose of discussing specific issues relating to their departments. The CEO informed the Chairman of the Supervisory Board without delay of all important events that were significant in the assessment of SIMONA's state of affairs and progress or for the management of the company.

SUPERVISORY BOARD MEETINGS

The Supervisory Board convened four scheduled meetings over the course of 2012 and one constitutive meeting following the new appointment of the Supervisory Board members to be elected by the shareholders at the Annual General Meeting of 22 June 2012.

At the meeting held on 6 March 2012, the Supervisory Board focused mainly on the annual report 2011, the progression of business during the first two months of 2012 and the outlook provided for the financial year as a whole. Additionally, the Supervisory Board informed itself of the development of business in Asia – specifically about the situation relating to negotiations with a key account for the Chinese market – as well as of the reorganisation of the company's business model in the United States. Beyond this, the Supervisory Board requested information on various development projects and benchmarking activities regarding the production sites around the globe. The Supervisory Board also discussed the dividend proposed to the Annual General Meeting of Shareholders. At this meeting, the Supervisory Board also informed itself of the current status of efforts to restructure the company's occupational pension provision.

At its meeting of 19 April 2012, the Supervisory Board dealt with the consolidated financial statements, the annual financial statements of the parent as well as the Group management report and the management report of SIMONA AG for the financial year 2011, the proposal by the Management Board for the appropriation of distributable profit generated in the financial year 2011 and the result of the year-end audit conducted by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft. The meeting was attended by the auditor, who reported in detail on the results of the audit. The Supervisory Board was thus able to satisfy itself that the audit had been conducted in a proper manner. At the same meeting, the Supervisory Board approved the results of the audit. Having concluded its examination in full, the Supervisory Board raised no objections to the annual financial statements of the parent and the consolidated financial statements or the management report and Group management report for the 2011 financial year; the accounts were thus approved by the Supervisory Board;

the report by the Supervisory Board was passed. It assessed and endorsed the Management Board's proposal for the appropriation of profits. At this meeting, the Supervisory Board also passed the proposals in respect of the election to be held for the Supervisory Board as well as the agenda for the 2012 Annual General Meeting. Additionally, it informed itself of the company's business performance during the first quarter of 2012. Other items on the agenda were the operational stability of the plant in the United States as well as the company's positioning within the North American market and progress made by the plant in China. At this meeting, the Supervisory Board also discussed the restructuring of the company's occupational pension provision. Following the unanimous appointment of the Supervisory Board members to be elected by the shareholders at the Annual General Meeting of SIMONA AG on 22 June 2012, the new Supervisory Board held its constitutive meeting on the same day. At this meeting, the newly elected employee representatives, Mr. Andreas Bomm and Mr. Gerhard Flohr, were also in attendance for the first time.

At the same meeting, the Supervisory Board unanimously elected Dr. Rolf Goessler as its Chairman and Mr. Roland Frobel as its Deputy Chairman. Additionally, the Supervisory Board elected the members of the Personnel Committee and Audit Committee at this meeting.

At the Supervisory Board meeting of 2 August 2012, the Supervisory Board initially convened without the Management Board being present for the purpose of discussing, among other things, staff-related issues. Subsequently, the Management Board reported on the company's business performance over the course of the first six months of 2012 and provided its outlook for the year as a whole. Furthermore, the Supervisory Board informed itself of the business performance and earnings of the US subsidiary in the first half of 2012 as well as the situation regarding process stability at the site in the United States. Another item on the agenda related to earnings performance in the Asia/Pacific region, complemented by an outlook for the annual period as a whole in this region.

At the meeting on 29 November 2012, the Supervisory Board discussed contractual matters relating to the members of the Management Board and passed a resolution on the introduction of a long-term incentive plan for a variable component of Management Board compensation. The Supervisory Board also informed itself of the company's business performance in the third quarter and discussed the budget and investment plan presented by the Management Board in respect of the financial years 2013 to 2016. Other topics discussed at this meeting included business performance in the United States and in China as well as progress made at the newly established subsidiary in Russia.

COMMITTEE WORK

The Supervisory Board is assisted by the Audit Committee and Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The Audit Committee is responsible primarily for issues relating to the supervision of the accounting process, the efficacy of the internal control system and the internal auditing system, year-end auditing, with a particular focus on the independence of the auditor, the additional services provided by the independent auditor, the determination of auditing focal points and arrangements relating to fees as well as compliance and acquisitions. The principal duties of the Personnel Committee are centred around compensation as well as the conclusion, amendment and termination of Management Board members' employment contracts.

The Audit Committee convened on four occasions during 2012. The focus of its work was on raising the enterprise value of SIMONA AG. In addition, it dealt with cost structures and cost comparisons in respect of the foreign production sites, various acquisition projects as well as the focal points of the year-end audit. The Audit Committee reviewed the half-yearly and quarterly results and prepared the proposal by the Supervisory Board for the appointment of the independent auditor for the 2012 financial year, to be put forward to the Annual General Meeting of Shareholders.

The Personnel Committee also met on four occasions over the course of 2012. On behalf of the Supervisory Board, it drew up a proposal for a long-term incentive programme with variable compensation components for the Management

Board and discussed in particular restructuring measures relating to the company's scheme for occupational pension provision. Additionally, the Personnel Committee prepared candidate proposals for the Supervisory Board election.

ANNUAL FINANCIAL AND CONSOLIDATED FINANCIAL STATEMENTS

The accounts of SIMONA GmbH for the 2012 financial year were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt, appointed as auditor by the Annual General Meeting of Shareholders on 22 June 2012. Before proposing Ernst & Young GmbH as auditor to the Annual General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from Ernst & Young GmbH that there were no circumstances which might prejudice its independence as an auditor. The independent auditor conducted an audit of the annual financial statements as well as the management report of SIMONA AG and the consolidated financial statements as well as the Group management report, in conjunction with the accounting records, and issued an unqualified audit opinion. The financial statements mentioned above, the audit reports and the Management Board's proposal for the appropriation of the unappropriated surplus were submitted to all Audit Committee and Supervisory Board members in good time. At the Supervisory Board meeting on 11 April 2013, the independent auditor furnished detailed information about all material conclusions of the audit and answered all questions put forward by the Supervisory Board in a detailed and comprehensive manner.

The Supervisory Board independently examined the financial statements and management report of SIMONA AG as well as the consolidated financial statements and the Group management report, as prepared by the Management Board, in addition to the audit reports issued by the independent auditor and the proposal put forward by the Management Board with regard to the appropriation of profit. The Supervisory Board raised no objections upon conclusion of this final examination. The Supervisory Board concurs with the findings of the audit conducted by the independent auditor and approved the company's financial statements, which are thereby adopted pursuant to Section 172 sentence 1 AktG, as well as the consolidated financial statements at its meeting on 11 April 2013. Furthermore, the Supervisory Board concurs with the Management Board's proposal for the appropriation of profit, which stipulates that the reported unappropriated surplus of € 10,602,233.16 be appropriated as follows:

a) Payment of a dividend of € 7.50 per share, payable on 10 June 2013: € 4,500,000.00
b) Amount to be carried forward to new account: € 6,102,233.16

Dr. Horst Heidsieck resigned from the Supervisory Board effective from 30 November 2012 due to personal reasons. The Supervisory Board wishes to thank Dr. Heidsieck for his committed contribution. Under the provisions of Section 13 of the Articles of Association, a new member of the Supervisory Board is to be elected as his successor at the Annual General Meeting of Shareholders on 7 June 2013. The election proposal will be announced as part of the invitation to the Annual General Meeting of Shareholders.

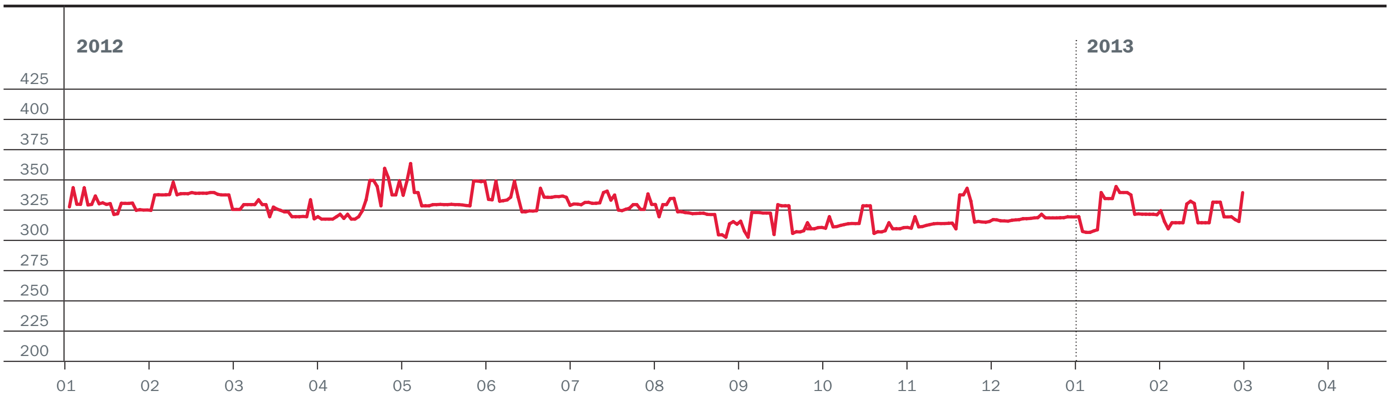
The Supervisory Board would like to thank the Management Board as well as all members of staff. They displayed a considerable level of commitment over the course of a year that was challenging and arduous. Finally, the Supervisory Board would like to express its gratitude to all customers and business partners for the solid working relationship and the immense trust placed in SIMONA.

Kirn, 11 April 2013

THE SUPERVISORY BOARD
Dr. Rolf Goessler, Chairman

Stock Performance and Capital Markets

SIMONA AG SHARE PERFORMANCE (daily highs in €)



Germany's blue chip index DAX performed considerably better in 2012 than originally anticipated by the majority of experts. At the beginning of the year, estimates pointed to a target of 6,400 to 6,600 points for the DAX. In actual fact, the index stood at over 7,670 points at the end of 2012, thus gaining more than 26 per cent over the course of the annual period. From its base of 6,075 points at the beginning of the year, the DAX got off to a dynamic start. Supported by favourable job market data from the US, the index rose to almost 7,200 points by mid-March. In the ensuing period, market sentiment was again dominated by the European debt crisis. Against this backdrop, the DAX fell to an annual low of around 5,900 points in June. After uneventful trading during the summer months of July and August, the steady flow of capital away from bonds towards stocks was one of the key factors behind turnaround and the more bullish performance of equity markets. Towards the end of the year the DAX reached an annual high of over 7,670 points. At the end of March 2013, Germany's blue chip index stood at approx. 7,800 points.

PERFORMANCE OF SIMONA SHARES

In 2012, trading was dominated almost entirely by heavyweight stocks, with small- and mid-caps being largely ignored. Against this background, SIMONA shares delivered an inconsistent performance over the course of the year. In May, the stock edged up to an annual high of € 364. It subsequently dipped to € 307 at the end of the year, which was attributable partly to the somewhat unfavourable outlook presented by SIMONA for the year as a whole. At the end of March 2013 the company's share price stood at € 320.

DIVIDEND

The Management Board of SIMONA AG will submit to the Annual General Meeting of Shareholders a dividend proposal of € 7.50 per share. SIMONA thus remains committed to its long-term policy of offering its shareholders an adequate return on investment and a dividend payout that suitably reflects the company's performance during the financial year.

SIMONA STOCK

WKN	723940
ISIN	DE0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Share capital	€ 15.5 million
Stock exchange	Frankfurt am Main, General Standard Berlin

Governing Bodies at SIMONA AG

MEMBERS OF THE MANAGEMENT BOARD

Wolfgang Moyses	Dirk Möller	Fredy Hiltmann
Chairman Chief Executive Officer Member of the Management Board since 1999	Deputy Chairman Chief Operating Officer Member of the Management Board since 1993	Chief Financial Officer Member of the Management Board since 1 January 2012
Areas of responsibility Strategic Business Development Global HR & Legal Investor Relations Sales Marketing & Communications	**Areas of responsibility** Production Real Estate/Construction & Occupational Safety Technical Service Centre Logistics	**Areas of responsibility** Accounting Controlling Purchasing IT & Organisation Quality Management

MEMBERS OF THE SUPERVISORY BOARD

Hans-Werner Marx Kirn, Kaufmann	Chairman (until 22 June 2012)
Dr. Rolf Goessler Bad Dürkheim, Diplom-Kaufmann	Deputy Chairman (until 22 June 2012) Chairman (since 22 June 2012)
Roland Frobel Isernhagen, Managing Director of Dirk Rossmann GmbH, Burgwedel	Deputy Chairman (since 22 June 2012)
Dr. sc. techn. Roland Reber Stuttgart, Managing Director of Ensinger GmbH, Nufringen	
Dr. rer. nat. Horst Heidsieck Managing Partner of Value Consult Management- und Unternehmensberatungsgesellschaft mbH and DOMINO GmbH, Büdingen	(member from 22 June 2012 to 30 November 2012)
Bernd Meurer Hennweiler, Maintenance Fitter	Employee Representative (until 28 February 2012)
Andreas Bomm Schmidthachenbach, Maintenance Fitter	Employee Representative (since 28 February 2012)
Gerhard Flohr Bergen, Maintenance Fitter	Employee Representative (since 28 February 2012)

SUPERVISORY BOARD COMMITTEES

Audit Committee
Hans-Werner Marx, Chairman (until 22 June 2012)
Roland Frobel, Chairman (Chairman since 22 June 2012)
Dr. Rolf Goessler
Dr. sc. techn. Roland Reber (member since 22 June 2012)

Personnel Committee
Hans-Werner Marx, Chairman (until 22 June 2012)
Dr. Rolf Goessler, Chairman (Chairman since 22 June 2012)
Roland Frobel
Dr. rer. nat. Horst Heidsieck (member 22 June 2012 to 30 November 2012)
Dr. sc. techn. Roland Reber (member since 1 December 2012)

More Sustainability

Plastics offer a number of benefits in terms sustainability compared to traditional materials such as glass and metal. SIMONA products, for example, require no corrosion protection and are associated with much lower operating costs.

With the help of new polymer solutions, SIMONA is looking to enter market segments that are dependent on resource-efficient applications.

Using photobioreactors made of UV-stabilised SIMONA® PVC-GLAS, for the first time algae biomass can be produced on an industrial scale. These microalgae are key ingredients used in the chemical, pharmaceutical and food industry.

Milestones

01 – SIMONA RUS – KEEPING CLOSE TO CUSTOMERS IN EASTERN EUROPE
SIMONA is fully committed to its policy of becoming increasingly international in its outlook. The new Russian subsidiary in Moscow has now commenced operations. It's key objectives include promoting the SIMONA product range in a highly focused manner and establishing a network of sales partners in Russia. In January 2013, the SIMONA exhibition stand at Interplastica, Russia's largest trade fair for plastics, provided the perfect platform to pursue these goals.

GREEN SOLUTIONS – NEW BIOGAS FILTER FOR LANDFILL ENGINEERING
SIMONA has developed a biofilter for the passive degassing of landfill sites. This new method is aimed at the eco-friendly treatment of gases produced in landfills. SIMONA's biogas filter is the perfect solution for this field of application. The filter system is installed within the landfill body, and the lean gas produced by the site is subsequently discharged through this filter. The interior of the gas filter is filled with bark mulch, which is biologically active.

02 – NEW SILOS FOR SIMONA PLANT IN KIRN
SIMONA will increase its storage capacity at Plant II in Kirn by installing eight new silos. This investment was essential in view of the more demanding requirements with regard to supply chain planning and the more international nature of commodities procurement. The eight silos, each with a capacity of 100 tonnes, are to be integrated into the existing mix/weighing system over the course of two construction stages.

03 – IFAT ENTSORGA 2012 – SIMONA UNVEILS NEW PRODUCTS
SIMONA showcased its range of pipes and fittings at the world's leading trade fair for Water, Sewage, Waste and Raw Materials management in Munich. Introducing a new exhibition stand concept with a prominent three-dimension "S", the company focused on several new products, among them a multilayer pipe with an abrasion-resistant interior skin as well as the next generation of its SIMOFUSE joining technology.

SIMCHEM ONLINE PRESENTED AT ACHEMA
At the world's largest Exhibition-Congress on Chemical Engineering, Environmental Protection and Biotechnology, SIMONA unveiled the online version of its chemical database SIMCHEM for the first time – comprising more than 4,000 substances and proprietary products. Acknowledged as a standard source of reference, SIMCHEM is a reliable and comprehensive guide when it comes to determining the chemical resistance of materials used in SIMONA products.

NEW WEBSITE AND PRODUCT CATALOGUE FOR SIMONA AMERICA
The IAPD Conference in Chicago, an annual event that brings together representatives of the US plastics industry, was the perfect platform for SIMONA AMERICA to premiere its new product catalogue and completely redesigned website.

04 – THE SIMONA SALES ACADEMY
SIMONA spearheaded its new training campaign with a seminar held in Kirn for twenty of it's customers from the Czech Republic. The SIMONA Sales Academy brings together the company's global training activities for customers and business partners. Additionally, the concept introduced by SIMONA includes advanced training and education programmes for company employees working in the areas of marketing and sales.
> www.simona-salesacademy.com

SIMONA IBERICA SHOWCASES RANGE OF PIPES AND FITTINGS AT SMAGUA
As an exhibitor at SMAGUA, the focus for SIMONA IBERICA was on establishing new contacts and intensifying customer relations. Held in Zaragoza once every two years, SMAGUA is a trade fair dedicated to the water and environmental industry.

PLASTINDIA – PRODUCT RANGE FOR SAFETY AND THE ENVIRONMENT
SIMONA presented solutions for industrial applications at the largest trade fair for India's rapidly growing plastics market.The emphasis was on backed sheets and pipes used primarily in the area of chemical tank and equipment construction.

SIMONA FRANCE AT POLLUTEC HORIZONS
Staged in Lyon, Pollutec Horizons is France's premier trade fair for environmental technology, energy and sustainable development. Serving this key foreign market, SIMONA FRANCE presented in particular piping systems used in industrial applications as well as in the field of sewage treatment and water supply.


SIMONA
GLOBAL
THERMOPLASTIC
SOLUTIONS
Sicher mit System
System meets Safety
03


SIMONA
04

Commitment

NEW INTEGRATED DEGREE PROGRAMME FOR PLASTICS ENGINEERING
Alongside its integrated degree course in Business Administration, SIMONA launched a new integrated degree programme for Plastics Engineering in the summer semester of 2012, working in cooperation with the University of Applied Sciences Darmstadt. This is yet another component of the SIMONA Corporate Academy, which stands for excellence in training and education.

TALENT PROMOTION CIRCLE
The first-year members of the Talent Promotion Circle established in 2011 are being trained in various subjects, one of them being "results-oriented and authentic leadership". The SIMONA Talent Promotion Circle is aimed at preparing young staff members with high potential for specialist and managerial duties.

01 – SIMONA® ECO-ICE®-CUP
The SIMONA® Eco-Ice® Cup is super cool. Staged for the second time in Kirn, the ice hockey tournament played entirely on plastic sheets supplied by SIMONA was another resounding success. For the first time, cup matches were also played in Lahr-Mietersheim. In Litvinov (Czech Republic), meanwhile, the professional ice hockey team HC Verva Litvinov also tried out the Eco-Ice® sheets.

02 – SIMONA EURO 2012 TIPPING COMPETITION
The tipping competition organised for the UEFA Euro 2012 Football Championship proved immensely popular. Almost 400 members of staff put their footballing knowledge to the test in a hard-fought contest for attractive prizes.

ELISABETH-STIFTUNG CORPORATE RUN
Together with 600 other runners, 15 members of the SIMONA workforce took part in the corporate run in Birkenfeld organised by the Elisabeth-Stiftung charitable trust.

03 – NEW-LOOK KIT AND VICTORY FOR COMPANY TEAM
The company football team of SIMONA AG achieved an emphatic 5:3 victory over the team representing Johann Hay GmbH und Co. KG Automobiltechnik at a sports event held in Merxheim.

SIMO FIT! HEALTH DAYS AT SIMONA
SIMONA's company health management programme "SIMOFIT. Mach mit!" kicked off with two Health Days. In cooperation with the health insurer AOK and various local service providers, the company organised workshops on health-conscious behaviour as well as vein screenings, lung function tests and much more besides.

TYPING CAMPAIGN BY THE GERMAN BONE MARROW DONOR CENTER
In many cases, a stem cell donation is the only glimmer of hope for people suffering from leukaemia. Together with the German Bone Marrow Donor Center (DKMS), SIMONA launched a bone marrow typing campaign for employees at the Kirn site, with all expenses being covered by the company. As a result, many new stem cell donors are now registered with the DKMS. The stem cells of two members of the SIMONA staff have been confirmed as a match for leukaemia patients, thus highlighting the importance of bone marrow typing.

04 – INTERNATIONAL TRAINING
Customers served by SIMONA ITALIA attended the newly established Sales Academy for training centred around the SIMONA product range as well as various processing methods. At the annual Sales Meeting in Kirn, meanwhile, our sales team from Latin America presented its goals for the coming year. Customers from Latin America took part in product and applications seminars staged in Kirn.

SIMONA PLAST-TECHNIK S.R.O. SUPPORTS CULTURAL AND ENVIRONMENTAL PROJECTS
The Environment Team at SIMONA Plast-Technik, Litvinov, was determined to make an active contribution to nature and the environment. From the various suggestions put forward the team chose a project to tidy up the site of an old Baroque chapel in Sinutec by removing overgrown plants and rubbish. This is just one example of the many community projects undertaken by SIMONA staff around the globe on a voluntary basis.


SIMONA
03


04

Projects

01

02

03

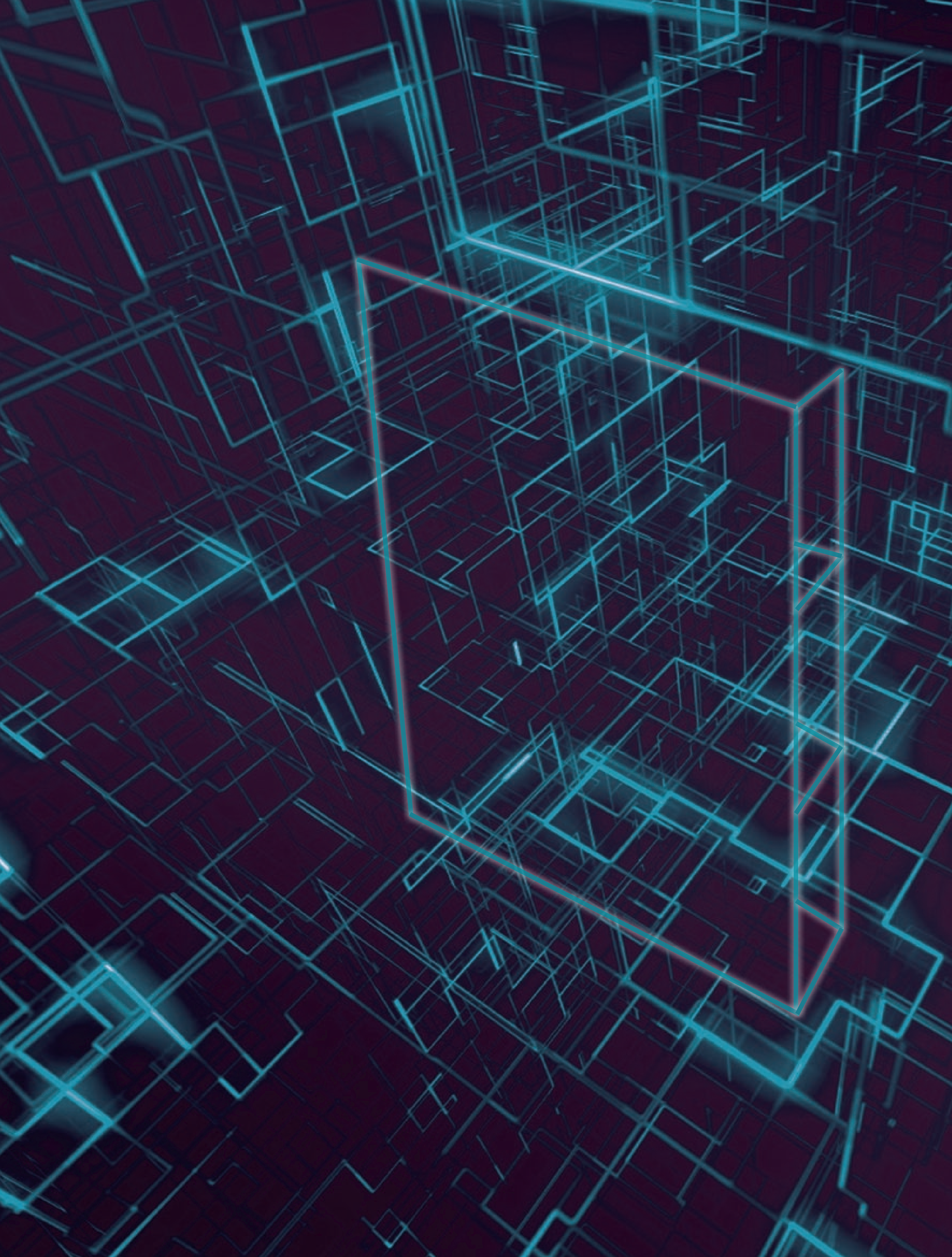
01 – SPC RC- AND RC-LINE PRESSURE PIPES USED IN NATURAL GAS PIPELINES FOR STÄDTISCHE WERKE GRENCHEN (SWG)
As part of a construction project for a new natural gas pipeline in the Swiss cantons of Solothurn and Bern, utility company SWG Grenchen required robust, pressure-resistant plastic pipes. They had to be suitable both for trenchless and for sandbedless pipelaying. The choices made were SIMONA® SPC RC-Line Protective-Jacket Pipes and SIMONA® RC-Line Pressure Pipes. They display excellent bond and shear strength properties between the inner pipe and protective jacket, in addition to offering a high level of protection against physical damage.

02 – PE SHEETS FOR WAKEBOARD OBSTACLES FOR UNIT PARKTECH AG
UNIT Parktech AG is the global market leader in the development, production and marketing of wakeboard obstacles. The company has put its trust in SIMONA® PE sheets for components used in the production of these obstacles. Superior processability and high UV resistance proved to be key factors when it came to selecting the SIMONA material. The latter will also feature in the "O'Neill Wake The Line" event, a major wakeboard and wakeskate competition organised by UNIT Parktech.

03 – SIMOLIFE – NEW PRODUCT LINE FOR ORTHOPAEDIC DEVICES
The newly developed SIMONA® SIMOLIFE line is an extensive product range specially tailored to the requirements of the orthopaedics technology sector. The range of semi-finished parts featuring the materials PE, PP and PETG has been extended to include sheets engineered from ethylene-vinyl acetate (EVA). SIMONA® SIMOLIFE EVA has been specially designed for the manufacture of inner sheaths used in arm and leg prosthetics. The two product types EVA flex and EVA superflex are designed to meet a wide range of requirements with regard to flexibility of the specific material. SIMONA® SIMOLIFE EVA Sheets have excellent hot-forming properties. Displaying minimal material shrinkage during cool-down, they also offer the advantage of high dimensional stability with uniform wall thickness distribution. The material is biocompatible in accordance with DIN EN ISO 10993-5/-10, thus guaranteeing excellent safety and extreme durability.

04 – TWIN-WALL SHEETS FOR THE CONSTRUCTION OF DOUBLE-CONTAINMENT TANKS FOR ROOS & CO KUNSTSTOFF - UND METALL-VERARBEITUNGS GMBH
Roos & Co Kunststoff- und Metallverarbeitungs GmbH secured a contract from BakerCorp GmbH & Co. KG for the construction of double-containment tanks for liquids hazardous to water. BakerCorp is the market leader for high-end applications in the area of storage, filtration and pumps. The tanks are used wherever liquids that are hazardous to water have to be stored on a temporary basis, e.g. in the case of accidents or as part of installation and servicing projects. Mobile deployment and superior leakage monitoring were among the key determinants in choosing SIMONA® twin-wall sheets for the construction of tanks with a capacity of 28,000 litres. SIMONA's Technical Service Centre provided assistance during the design and construction stages. The roof of the tank, with entry points for cleaning, was engineered from slip-resistant, walk-on SIMONA® PE 100 AR sheets.

05 – WHITE PP SHEETS FOR THE DESIGN OF A WET PROCESS LINE FOR ATP GMBH
atp GmbH develops and implements supply and disposal systems for substances used in the semiconductor and photovoltaics industry as well as in the field of polymer plant and equipment engineering. The company uses SIMONA®products made of PVC, PP and PVDF. The materials deployed in media-carrying pipes are selected according the specific area of application. SIMONA supplied white PP sheets for the construction of a wet process line by atp. This material combines high chemical resistance with excellent corrosion resistance. White PP sheets are predestined for interior applications in which a high-quality visual appearance is of particular importance.



More Efficiency

R&D within the field of new designs and applications has seen the emergence of a trend towards more efficient, resource-friendly materials and process engineering.

SIMONA products will form an integral part of lightweight construction solutions of the future.

Thanks to the low weight and high stability of SIMONA® twin-wall sheets, for example, swimming pools can be manufactured as complete ready-to-install units.

Group Management Report of SIMONA AG for the 2012 Financial Year

1. BUSINESS ACTIVITIES AND GENERAL CONDITIONS

1.1 Organisation and legal structure of the SIMONA Group

The SIMONA Group develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts and profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics workshop for the production of customised fittings. Semi-finished products are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automotive industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry. Finished parts are destined in particular for the mechanical engineering and transport technology sectors.

The SIMONA Group markets its products worldwide. The sales structure is primarily based on the following three sales regions:
- Germany
- Rest of Europe and Africa
- Asia, Americas and Australia

The secondary classification is based on product areas:
- Semi-finished and finished parts
- Pipes and fittings

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China and the United States, both directly and via trading partners. Beyond this, the AG (i.e. the parent company) operates a sales office in Moehlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three facilities in Germany and three plants located abroad.

Semi-finished products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts are produced at a facility in Ringsheim (Baden-Wuerttemberg). The facility based in Hazleton (Pennsylvania, USA) primarily manufactures extruded semifinished parts for the American market. The plant in Litvinov (Czech Republic) produces sheets and pipes, mainly for the Eastern European market, while the site in Jiangmen (China) manufactures extruded sheets.

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman/COO) and Fredy Hiltmann (Board member Finance and Administration/CFO). At the Annual General Meeting on 22 June 2012 scheduled elections were held for the Supervisory Board members to be newly appointed by the company‘s shareholders. The Supervisory Board members to be newly appointed by staff representatives were elected in February 2012. As a result, the Supervisory Board comprised the following members in the financial year under review:
- Hans-Werner Marx (Chairman until 22 June 2012)
- Dr. Rolf Goessler (Deputy Chairman until 22 June 2012, Chairman since 22 June 2012)
- Roland Frobel (Deputy Chairman since 22 June 2012)
- Dr. Roland Reber
- Dr. Horst Heidsieck (from 22 June 2012 to 30 November 2012)
- Bernd Meurer, Staff Representative (until 28 February 2012)
- Andreas Bomm, Staff Representative (since 28 February 2012)
- Gerhard Flohr, Staff Representative (since 28 February 2012)

1.2 Business Review

Revenue growth dampened by sluggish investment spending – Expansion in emerging markets

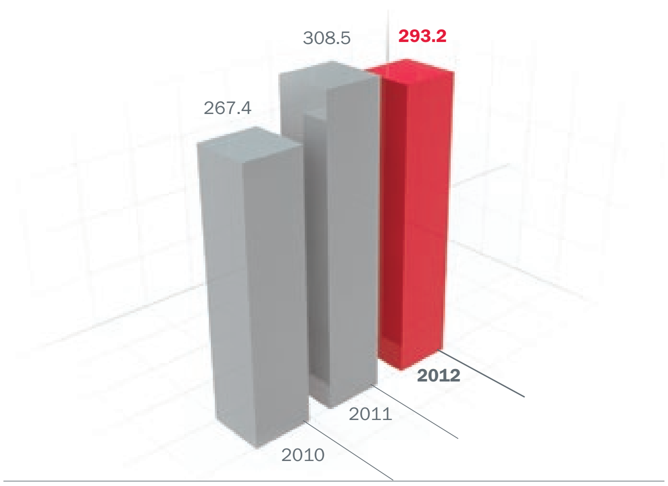
The overall performance of the global economy in 2012 was adversely affected by the euro crisis. According to data published by the International Monetary Fund (IMF), growth stood at 3.2 per cent, down from the figure of 3.9 per cent recorded in 2011. Bucking this trend, the only regions to achieve above-average growth rates were the emerging markets of Asia – albeit with much less momentum than in 2011 – as well as the Middle East and North Africa. In Europe, meanwhile, the situation was dominated by budget deficits in the public sector, lack of demand and rampant unemployment. The United States saw its economy expand at a slightly more pronounced rate in the second half of the year, although it continues to be held back by high levels of unemployment. In its latest outlook issued in January, the IMF anticipates that the global economy will grow by 3.5 per cent in 2013.

The economic conditions outlined above had a detrimental effect on the SIMONA Group's revenue performance. Although business remained stable over the course of the period under review, it failed to reach the level recorded in the previous year. The Group fell just short of achieving its revenue target of € 300 million. Sales revenue for the financial year 2012 as a whole contracted by 5.0 per cent to € 293.2 million (prev. year: € 308.5 million). Sales revenue generated by the parent company, SIMONA AG, fell by 8.2 per cent, down from € 265.1 million to € 243.4 million.

Germany

The German economy remained robust despite having to operate against the backdrop of challenging economic conditions in Europe. Adjusted for working days, the domestic economy grew by 0.9 per cent (prev. year: 3.0 per cent). Having said that, the German market as a whole showed visible signs of slowdown from as early as the second quarter of 2012 onwards. The fourth quarter actually produced a decline of 0.6 per cent compared to the preceding three months. Foreign trade proved to be a more dynamic growth driver than consumer spending. Capital expenditure on machinery and equipment, which is of particular importance to SIMONA's business, was significantly lower than in 2011. Investments within this area fell by 4.8 per cent compared to the previous year. In 2011, by contrast, capital expenditure on machinery and equipment had increased by 8.3 per cent year on year.

REVENUE SIMONA GROUP (in €m)



Review of the principal sales segments and plastics processing industry

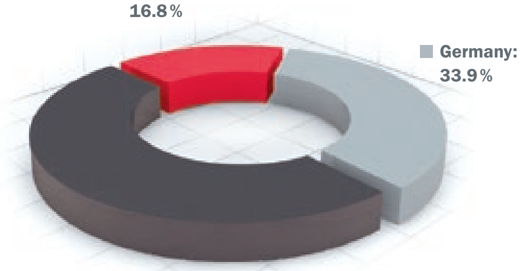
Buoyed by solid exports to non-European countries, the German chemical industry succeeded in matching last year's revenue levels in 2012. In this context, pricing was a contributory factor. Owing to the overall decline in demand, production fell by around 3 per cent.

Between January and November 2012 Germany's production output of machinery and equipment increased by 1.8 per cent. The industry association VDMA has forecast growth of 2 per cent for the mechanical and plant engineering sector in the year as a whole. In specific areas, however, the situation in terms on incoming orders proved difficult. For the period from January to November, order intake was down 4 per cent on the previous year's figure. This was attributable in particular to the situation faced by manufacturers of components, machines and systems in the solar power industry, with order intake having already plunged by more than half towards the end of 2011. Capacity utilisation levels declined again. At 84.6 per cent, the figure recorded in October 2012 was down on the long-term average of 86.2 per cent.

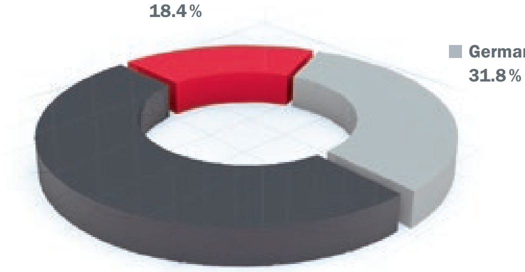
The exhibition and trade fair industry again managed to produce slight growth in 2012. In total, the number of exhibitors at

REVENUE BY REGION SIMONA GROUP (in per cent)

2011



2012



the 161 national trade fairs throughout Germany rose by 1.5 per cent. At 2.5 per cent, attendance by foreign exhibitors increased at an above-average rate, whereas total visitor numbers fell by 1 per cent.

The overall performance of the principal construction industry in Germany fell short of expectations. Revenue generated in this industry rose by 0.5 per cent compared to the previous year; the forecast had stood at 1.5 per cent. The construction industry as a whole was supported by the housing sector, which saw growth of 4.7 per cent. The commercial building sector expanded by 1.4 per cent, whereas the public-sector construction industry recorded a decline in revenue by 5.5 per cent.

After a record year in 2011, Germany's plastics processing industry was much more restrained in the period under review. At € 56.2 billion, sales revenue edged up by just 0.5 per cent. Almost all of the plastics processing companies had to contend with a significant downturn in business from the spring of 2012 onwards, as a result of which earnings came under increasing pressure. At plus 0.5 per cent, exports were slightly weaker than imports (plus 0.6 per cent). The industry as a whole was faced with more intense competitive pressure from imports, with companies located in the crisis regions of Europe increasingly trying to sell their products in Germany.

The significant fall in investment spending had a disproportionately large impact on revenue performance in Germany. Furthermore, business relating to sheets destined for the photovoltaics and solar energy industry, which had produced a boom in 2011, contracted to almost zero. Sales revenue fell by 11.0 per cent to € 93.1 million (prev. year: € 104.6 million). As a sales region, Germany accounted for 31.8 per cent of total revenue, down from 33.9 per cent a year ago.

Rest of Europe and Africa

The eurozone economy dipped into recession in 2012, with the overall situation being dominated by the unresolved sovereign debt crisis and high levels of unemployment. In total, the gross domestic product of the euro member states fell by 0.6 per cent. Conditions deteriorated over the course of the year. After a decline of 0.4 per cent in the first quarter, economic output contracted by 0.9 per cent in the fourth quarter of 2012. Italy, Spain and Portugal bore the brunt of the downturn in economic output. Meanwhile, among the large economies within the eurozone only Germany managed to increase its GDP. In 2012, gross capital investments fell by 1.1 per cent in the eurozone as a whole.

At 5.2 per cent, the Middle East and North Africa recorded stronger economic growth than in 2011 (3.5 per cent). However, the proportion of revenue generated by the SIMONA Group in this region is insignificant. With economic conditions remaining difficult, SIMONA recorded sales revenue of € 146.1 million (prev. year € 152.0 million) in the region covering Rest of Europe and Africa. This was 3.9 per cent less than in 2011.

Asia, Americas and Australia

After an above-average performance in the final quarter the US economy grew at a more pronounced rate than originally anticipated. The International Monetary Fund has projected GDP growth of 2.3 per cent, on the back of 1.8 per cent in the previous year. Having said that, the domestic economy as a whole continues to be dominated by low capacity utilisation and high unemployment together with the unresolved questions about the US budget. The major economies in Asia, meanwhile, were faced with a significant slowdown in growth. Indeed, at 7.8 per cent, China recorded its lowest growth rate since the crisis in 2009. Being heavily dependent on exports, the Chinese industry was adversely affected in particular by the global downturn in demand. India's economy grew at a rate of just 4.5 per cent, having previously expanded by 7.9 per cent in 2011. Latin America also had to contend with much more subdued economic activity. In Brazil, the region's largest economy, GDP rose by a mere 1.0 per cent, compared to 2.7 per cent in the previous year.

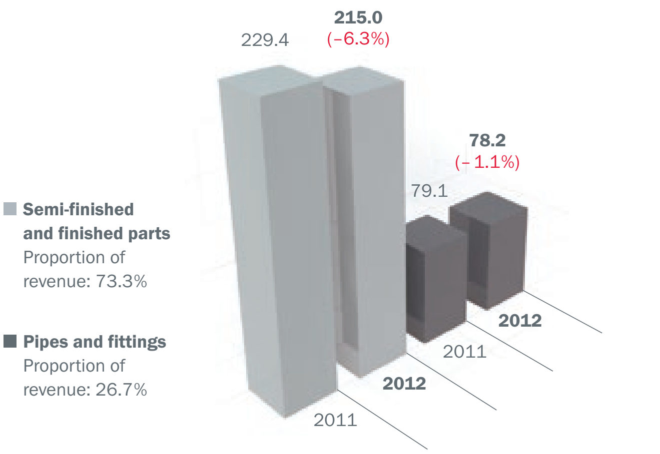
The SIMONA Group managed to maintain its forward momentum in Asia over the course of 2012. In North America, by contrast, sales revenue was down slightly following a realignment of the company's business model. In total, the region comprising Asia, Americas and Australia saw revenue increase by 4.1 per cent to € 54.0 million (prev. year: € 51.9 million). This region accounted for 18.4 per cent (prev. year: 16.8 per cent) of total sales revenue, a further increase compared to the previous year.

Reduction in revenue from finished and semi-finished parts – Stable business performance in the area of pipes and fittings

The product category comprising finished and semi-finished parts saw a significant decline in revenue relating to extruded sheets made of PP and fluoroplastics. Revenue from the sale of extruded PE sheets remained stable. The Group recorded a slight increase in sales revenue from PVC foam sheets used in the field of advertising technology, exhibition design and structural engineering. In total, finished and semi-finished parts accounted for sales revenue of € 215.0 million (prev. year: € 229.4 million). This corresponds to a year-on-year decline of 6.3 per cent.

Within the product area of pipes and fittings, the Group managed to generate further growth in the market segment of PE pipes and fittings for civil engineering applications. SIMONA was chosen for several interesting projects in this market, particularly in Central and Eastern Europe as well as in the area of power generation in the eastern region of Germany. Business relating to industrial piping systems (PP, PVDF) proved more challenging in Central and Western Europe, primarily due to the lack of investment within the photovoltaics segment. In Asia, by contrast, the Group succeeded in expanding the proportion of revenue generated within this market segment by stepping up its sales activities, as a result of which PP piping business almost matched the level achieved in the previous year. In total, sales revenue in the pipes and fittings product area stood at € 78.2 million, a year-on-year decline of 1.1 per cent.

REVENUE BY PRODUCT GROUP SIMONA GROUP (in €m)



Restructuring of product development

Product development underwent restructuring in 2012, including two new appointments in key areas – the Head of Applications Development and the Head of Global Process Development. At SIMONA, product development encompasses the improvement of properties relating to existing plastic products, usually in response to new customer requirements (customising), as well as the testing of new materials and the development of new applications for plastics.

In 2012, one of the focal points for product development was the expansion of the overall range of materials. For instance, the material ethylene-vinyl acetate (EVA) was used to develop sheets specially designed for applications in the area of orthopaedics technology. The newly developed sheets were launched onto the market at the beginning of 2013. SIMONA® SIMOLIFE EVA is deployed specifically in the manufacture of inner sheaths used in arm and leg prosthetics. In the area of environmental technology, meanwhile, SIMONA developed a variant of its PVC-Glass product. It meets more demanding requirements in various fields of application, e.g. for the use in bioreactors. The Group's product range in the area of fluoroplastics was extended to include the partially fluorinated material ETFE, whose chemical resistance is superior to that of E-CTFE. Additionally, a new type of backing was developed for liner material and added to the product range. Committed to eco-driven product development aimed at reducing greenhouse emissions in landfills, the piping systems unit came up with a standardised landfill gas filter. A newly developed push-in socket connection, with the socket integrated within the pipe wall, is now being used in pipes for the drainage of railway structures operated by Deutsche Bahn AG (approval by German Federal Railway Authority and DB AG).

Research and development expenses are mainly comprised of staff costs, material costs and amortisation/depreciation of non-current assets. Owing to the interrelationship between customer-specific manufacturing procedures, optimisation measures within the area of process engineering and formulae as well as product development itself, the above-mentioned expenses cannot be clearly segregated from production costs.

2. FINANCIAL PERFORMANCE

Earnings

Against the backdrop of a downturn in business, Group earnings before interest and taxes (EBIT) declined from € 19.8 million to € 13.8 million. At 4.7 per cent, the EBIT margin was lower than in the previous year (6.4 per cent). Group earnings before taxes (EBT) fell from € 20.7 million to € 14.8 million. The EBT margin stood at 5.1 per cent (prev. year: 6.7 per cent).

Following the contraction in revenue, the Group's gross profit declined by € 10.0 million to € 130.0 million in 2012, which represents 44.3 per cent of revenue (prev. year: 45.4 per cent).

Owing to a slight reduction in stock levels, the change in inventories, as presented in the income statement, amounted to minus € 0.5 million.

Other operating income totalled € 6.6 million (prev. year: € 6.5 million).

On the whole, raw materials became slightly more expensive over the course of 2012. However, to a large extent the rise in raw material costs was offset by adjustments to the sales prices. The cost of raw materials and consumables used fell by 7.3 per cent, i. e. at a slightly more pronounced rate relative to the decline in revenue. In total, the cost of materials decreased to € 169.3 million year on year (prev. year: € 177.5 million). At € 10.0 million, energy costs attributable to SIMONA AG were slightly down on last year's figure of € 10.2 million.

As a result of the lower headcount, staff costs fell by € 1.0 million to € 57.6 million.

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to € 11.4 million (prev. year: € 11.9 million).

Other operating expenses fell by € 2.5 million to € 47.2 million. Owing to the downturn in business, the Group saw a reduction, in particular, in the costs attributable to outward freight, packaging and distribution as well as temporary staff. By contrast, expenses relating to exchange rate fluctuations increased in the period under review.

On the whole, the performances of the individual sales companies were favourable. The subsidiaries in Poland, the United Kingdom and France, in particular, made larger earnings contributions when compared to the previous year. Established in 2011, the sales company based in the Russian Federation was not yet in a position to post a profit in the 2012 financial year.

The production company in the Czech Republic raised its profitability levels slightly in 2012.

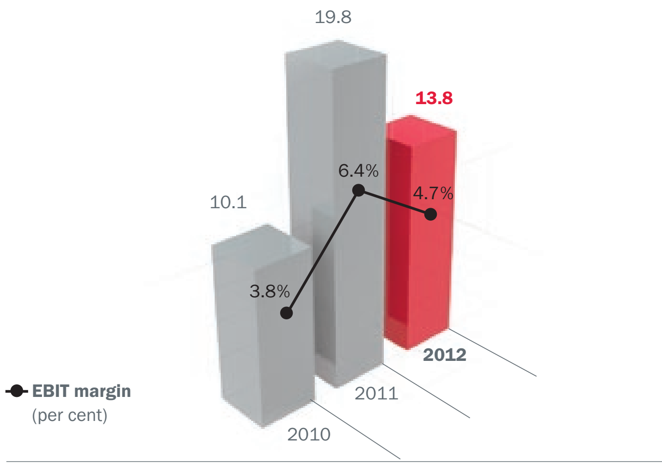
The US subsidiary saw its earnings move into positive territory in 2012.

The sales companies in Asia managed to improve their earnings performance compared to the previous year. The plant in China is still in the start-up phase and has yet to advance beyond the break-even threshold.

EBIT margin
The analysis and assessment of earnings performance by SIMONA is based primarily on EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortisation). EBIT represents the operating result before interest and taxes as well as the effects of equity investments. EBITDA represents an approximation for cash flow from operating activities, as non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are added to the EBIT figure.

With EBIT standing at € 13.8 million, the Group achieved an EBIT margin of 4.7 per cent (prev. year: € 19.8 million, 6.4 per cent). EBITDA at Group level fell to € 25.3 million (prev. year: € 31.7 million), with amortisation of intangible assets and depreciation of property, plant and equipment slightly lower than in the preceding year. At 8.6 per cent, the EBITDA margin was down on the figure of 10.3 per cent recorded in the previous financial year.

EBIT PERFORMANCE SIMONA GROUP (in €m)



3. FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents mainly comprise short-term bank deposits of € 36.9 million (prev. year: € 26.1 million).

Other financial assets amounting to € 21.0 million (prev. year: € 30.2 million) encompass an investment made in 2010 in bonded loans issued by Deutsche Pfandbriefbank as well as fixed-term deposits created in 2012.

Non-current financial liabilities were scaled back by € 4.6 million to € 0.1 million in the financial year under review. The current financial liabilities amounting to € 3.8 million (prev. year: € 0.3 million) now include a US dollar loan due at the end of 2013, which in the previous year was presented in non-current financial liabilities. The Group's derivative financial instruments include an interest rate swap of € 0.1 million (prev. year: € 0.1 million) for the purpose of hedging the risk associated with a US dollar loan.

Other financial obligations totalling € 2.2 million (prev. year: € 3.7 million) were attributable to operating rental and lease agreements. Of this total, an amount of € 1.0 million is due within one year. Contracts already awarded in connection with investment projects gave rise to current obligations of € 10.5 million (prev. year: € 5.7 million).

Based on finance income of € 1.2 million and finance cost of € 0.3 million, net finance income amounted to € 0.9 million in 2012 (prev. year € 0.9 million).

4. FINANCIAL POSITION

As at 31 December 2012, total assets were up € 3.0 million to € 260.1 million.

Property, plant and equipment rose to € 90.9 million (prev. year: € 89.2 million), in particular due to the purchase of a warehouse as well as investments made at the site in Kirn. Investments in property, plant and equipment at Group level amounted to € 13.5 million, outpacing depreciation and write-downs by € 2.3 million.

Inventories of raw materials and consumables rose by € 0.1 million year on year, while finished goods and merchandise were down by € 0.5 million at the end of the reporting period.

Trade receivables increased by € 0.7 million to € 43.3 million due to factors relating to the reporting date.

Other assets decreased from € 6.1 million a year ago to € 5.7 million. This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of € 3.3 million (prev. year: € 3.9 million), the economic benefits of which will flow to the company after 31 December 2012.

Cash and cash equivalents rose by € 10.8 million. The year-on-year change is attributable mainly to the availability of funds under short-term financial arrangements. These changes are presented in the statement of cash flows in the notes to the consolidated financial statements.

Total equity and liabilities were dominated by an increase in equity by € 6.0 million, with a slight year-on-year reduction in liabilities.

At the end of the financial year, Group equity amounted to € 180.7 million (prev. year: € 174.6 million). This figure includes annual profit of € 11.5 million and a dividend payment of € 5.7 million in 2012. The equity ratio for the Group was 69 per cent at the end of the reporting period (prev. year: 68 per cent).

At € 11.3 million, trade payables remained unchanged year on year.

Other current and non-current provisions declined slightly, mainly due to the utilisation of provisions in connection with staff-related obligations.

5. 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 2012 financial year and the preparation of this management report. Beyond this and in accordance with statutory provisions, interim announcements will be issued, outlining the development of the entity and any events that are subject to disclosure requirements.

6. RISK REPORT

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 information technology 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 as well as 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 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. The most significant risk with regard to business development in 2012 was again attributable to the unresolved sovereign debt crisis within the eurozone. High and extremely volatile commodity prices constitute another key risk to the Group's earnings performance. We expect to see a further structural upturn in commodity prices over the medium to long term. Additionally, the risk of default has increased as a result of the difficult economic climate. 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. In our opinion, the company's overall risk situation in 2012 has not changed materially in relation to the previous financial year.

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. Risks attributable to information technology 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 risk management system was further refined in 2012 and adapted to current requirements. In particular, the risk management guideline was reviewed and a risk map was introduced with the help of which areas of risk can be assessed in respect of their financial implications and the probability of their occurrence. At the same time, appropriate measures can be initiated where required.

At the end of the 2012 financial year, we are of the opinion that the overall risk situation for the company remains unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise the company's existence as a going concern.

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

7. REPORT ON EXPECTED DEVELOPMENTS

Global economy set for slight recovery
According to forecasts issued by the International Monetary Fund (IMF), the global economy looks set to grow at a faster rate in 2013 compared to 2012. In its economic outlook published in January, the IMF pointed to growth of 3.5 per cent. The so-called advanced economies are likely to expand by just 1.4 per cent in total. Within this group, the United States is expected to see its economy expand by 2.0 per cent, while the IMF predicts a contraction of 0.2 per cent in the eurozone. Growth will be driven in particular by the emerging markets of Asia, led by China with 8.2 per cent. However, the global

economy continues to be overshadowed by a number of uncertainties. The crisis engulfing the euro area has now also adversely affected growth within the emerging economies. In the US, meanwhile, the national budget remains a source of uncertainty.

The plastics processing industry is expected to trend sideways in the first half of 2013, followed by an upturn in business in the second six months of the year.

Against the backdrop of persistent uncertainties in the global economy, there appears to be little chance of a fundamental improvement in business confidence in 2013. In view of this, SIMONA anticipates that the economic situation will remain challenging, with a subdued propensity to invest within the corporate sector. The polymer markets in Asia, Latin America and Eastern Europe will offer opportunities for growth. In Europe, meanwhile, any potential for growth is likely to come from product development targeted at new applications and industries.

Operating against this background, the SIMONA Group has set itself ambitious goals and will be targeting sales revenue of just over € 300 million in 2013, with an EBIT margin slightly above 5 per cent. In this context, the proportion of revenue generated outside Europe is to be further expanded. In the medium term, investments are also to be directed to a larger extent at growth regions beyond Europe. In filling the key positions of Head of Sales Area Overseas and Head of Global Process Development, SIMONA has already taken an important step forward. In the area of piping systems we expect to see a slight increase in sales volumes and revenues over the course of 2013. This is to be achieved primarily by stepping up the company's sales activities in Central and Eastern Europe as well as in the Asian market.

Earnings performance in 2013 will be dominated by intense competition for major projects and the continued volatility of commodity prices. Commodity exchange prices for the majority of raw materials used by SIMONA trended higher again at the beginning of 2013. Given the intense competitive forces, passing any price increases on to the market will prove difficult. In view of the Group's weaker business performance in the first quarter of 2013, compared to both the previous year and corporate forecasting, we currently believe that achieving our targets for 2013 will be immensely challenging. At present, we anticipate that revenue of between € 280 and 290 million will be achievable in the financial year as a whole, with an EBIT margin on 3 to 4 per cent. Should the economic climate improve significantly in the second half of the year, the original targets forecast will be achievable.

In view of the as yet unresolved sovereign debt crisis in Europe and the uncertainties surrounding the global economy, business performance in 2014 is difficult to predict. The medium-term prospects for the market of polymer applications, as served by SIMONA, are favourable – at a global level. SIMONA will be targeting revenue in excess of € 300 million in 2014. Fundamentally, in the medium term SIMONA believes that the markets outside Europe offer more favourable growth opportunities, as the potential for development in these markets is more pronounced.

8. OTHER INFORMATION

Employees

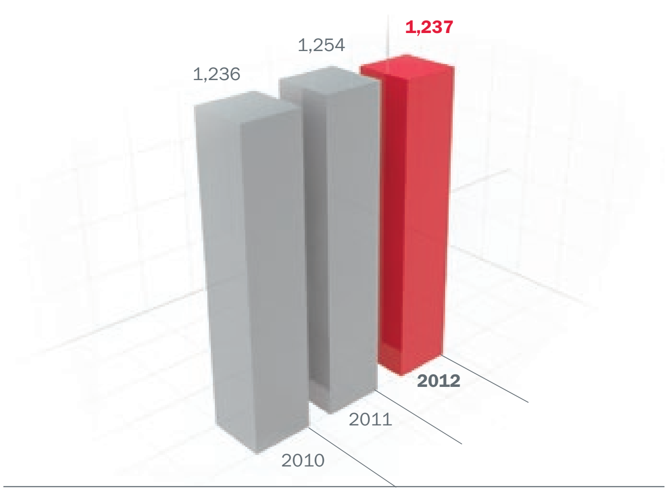
In response to more restrained business, the SIMONA Group slightly reduced its workforce over the course of the year. At the end of 2012, the SIMONA Group employed 1,237 people in total, 17 fewer than at the end of 2011. The site in Kirn saw a reduction in staffing levels, as did the site in the US following changes to our business model and the site in Poland. By contrast, the production site in China, which is still in the start-up phase, took on new members of staff.

The overall headcount at SIMONA AG itself fell to 876 (prev. year: 899), mainly as a result of staff downsizing at the plants in Kirn. The average number of employees within the Group stood at 1,247 (prev. year: 1,248).

At the end of the year, 48 young people were enrolled in vocational programmes relating to one of seven technical and commercial training courses offered by SIMONA. The number of vocational trainees who were offered an employment contract upon successful completion of their apprenticeship programme rose significantly from 10 to 15. Two vocational trainees are enrolled in integrated degree courses which SIMONA offers in cooperation with various colleges and universities. At 31 December 2012, 7 female members of staff were on parental leave.

In 2012, SIMONA added a new integrated degree course – Plastics Engineering – to its educational programme, working in cooperation with the University of Applied Sciences Darmstadt. Furthermore, the company established SIMONA Academy, thus bringing together and expanding SIMONA's international HR development measures and training programmes for sales and marketing staff. The company's German sites saw the introduction of an occupational health management scheme. The company also organised two Health Days for staff at the corporate headquarters in Kirn. A staff survey conducted in November 2012 revealed an above-average level of employee satisfaction – also in an industry-wide comparison – with regard to key issues. The areas in which staff satisfaction was below average were assessed together with the works council and addressed accordingly by cross-departmental teams. We continued to pursue our "SIMONA geht in Führung" (SIMONA takes the Lead) initiative with newsletters on related topics as well as special events. The members of the Talent Promotion Circle, established in 2011, took part in three further modules for the purpose of preparing them for specialist and managerial duties. SIMONA also introduced a new model aimed at bringing greater flexibility to working hours for operations personnel. The Group newly created or filled key management positions in the area of operations and sales during the financial year under review. At the same time, SIMONA remained fully committed to its extensive training and HR development activities. In the last three years, external staff development costs have risen not only as a percentage of sales revenue but also on a per capita basis.

EMPLOYEES WITHIN THE GROUP (year-end)



In 2012, the focus of IT was on further extending server virtualisation, stepping up network security and standardising hardware and software deployment throughout the various companies in the Group. All major sites now have access to video conferencing systems for more effective meetings. Additionally, the company facility in Switzerland was included in the SAP system in 2012 and international processes were further consolidated.

Significant elements of the internal control and management system

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

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks. The risk management system includes the full range of guide-

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

- Identification of significant areas of risk and control with an influence over the group-wide financial reporting process
- Monitoring of group-wide financial reporting process and any findings therefrom at Management Board level
- Preventative measures of control with regard to group accounting as well as subsidiaries included in the consolidated group
- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

Quality, environment and energy

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. Compliance with the provisions set out in DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is considered to be the basis for achieving this goal. In the 2012 financial year, the implementation of these management standards was again confirmed by the successful completion of external monitoring audits. After initial certification of the quality management system at the production plant in Jiangmen (China) in December 2011, a follow-up audit was carried out by an external certification company in 2012. The site passed this audit too. SIMONA again conducted interdisciplinary quality circle meetings and product audits in 2012, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

Following the introduction and full-scale incorporation of a new energy management system within the existing Integrated Quality and Environmental Management System in the second half of 2011, initial certification of the energy management system took place as early as the first half of 2012 in line with the internationally accepted DIN EN ISO 50001 standard. Thus, for the first time the company will be able to exploit fully and efficiently the existing synergies associated with these three management systems. The objective is to ensure reliable energy supply at cost-effective prices as well as the provision of sufficient volumes in accordance with requirements. Higher energy efficiency levels provide a solid foundation for the reduction of manufacturing costs, as well as promoting innovation within the company and extending the life cycles of operating systems.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. With regard to products and applications, SIMONA's "Safety and Environment" strategy is aimed at delivering effective solutions in response to market challenges in the area of environmental engineering or utilities.

Compensation Report

Management Board compensation

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

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. Both of the aforementioned components are assessed on an annual basis. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. In 2012, the Supervisory Board passed a long-term incentive plan for variable Management Board compensation. Calculated on the basis of SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the period from 2012 to 2014, the first payment can be made effective from 2015.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are calculated on the basis of the company's earnings performance (EBIT). Total compensation for the Management Board amounted to € 1,853 thousand (prev. year: € 1,512 thousand). Total compensation comprises € 1,118 thousand (prev. year: € 839 thousand) in fixed-level compensation and € 735 thousand (prev. year: € 673 thousand) in bonus payments. The company does not grant loans to members of the Management Board. There are no share option plans or other share-based compensation programmes in place for members of the Management Board. On 1 July 2011, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid until the end of 2015. Therefore, no disclosures are made under Section 285 no. 9 a) sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

The company's Articles of Association contain no provisions that are non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the company's Articles of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act (Aktiengesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounted to € 440 thousand (prev. year: € 406 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 9,081 thousand as at 31 December 2012 (prev. year: € 8,328 thousand).

Supervisory Board compensation

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

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

In addition to fixed compensation, the General Meeting shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 22 June 2012 no such resolution for variable compensation components was passed for the 2012 financial year.

Supervisory Board compensation for 2012 amounted to € 136 thousand (prev. year: € 118 thousand). The company does not grant loans to members of the Supervisory Board. There are no share option plans or other share-based compensation programmes in place for members of the Supervisory Board.

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

As at 31 December 2012, the share capital of SIMONA AG was € 15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). Thus, it remained unchanged in the 2012 financial year. The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. We shall no longer issue effective share certificates. As far as the Management Board is aware, there are no restrictions affecting voting rights or the transfer of shares.

An 30.79 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.41 per cent interest by Regine Tegtmeyer (Seelze), an 15.0 per cent interest by Kreissparkasse Biberach (Biberach), an 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and an 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 11.06 per cent of shares in the company were in free float.

As at 22 June 2012, members of the Management Board reported a total holding of 70,860 own shares; this corresponds to 11.81 per cent of the share capital of SIMONA AG. According to the notification of 22 June 2012, members of the Supervisory Board held a total of 1,495 shares. This corresponds to 0.25 per cent of the share capital.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights of control associated with their shareholdings.

The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) as well as by Section 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board generally has a chairman to be appointed by the Supervisory Board. The Supervisory Board is entitled to transfer to a Supervisory Board committee the duties relating to the conclusion, amendment and termination of Management Board employment contracts. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

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

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

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

Forward-looking statements and forecasts

This Group 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.

Closing statement

We hereby declare that to the best of our knowledge the management report conveys the course of business, the financial performance and the material opportunities and risks associated with the expected development of the SIMONA Group.

Kirn, 28 March 2013
SIMONA Aktiengesellschaft

The Management Board

Group Financial Statements 2012

Group Income Statement of SIMONA AG for the 2012 Financial Year

in € '000	Notes	01/01 – 31/12/2012	01/01 – 31/12/2011
Revenue	[7]	293,230	308,499
Other operating income		6,567	6,539
Changes in inventories of finished goods		–486	2,517
Cost of materials		169,275	177,519
Staff costs	[8]	57,612	58,620
Amortisation of intangible assets and depreciation of property, plant and equipment	[15], [16]	11,436	11,931
Other operating expenses	[10]	47,168	49,681
Income from equity investments		600	650
Interest income	[11]	630	659
Interest expense	[11]	284	392
Profit before taxes		**14,766**	**20,721**
Income tax expense	[12]	3,267	4,482
Profit for the period		**11,499**	**16,239**
of which attributable to:			
Owners of the parent company		11,442	16,177
Non-controlling interests		57	62

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	19.07	26.96
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[13]	19.07	26.96

Group Statement of Comprehensive Income of SIMONA AG for the 2012 Financial Year

in € '000	01/01 – 31/12/2012	01/01 – 31/12/2011
Profit for the period	**11,499**	**16,239**
Exchange differences on translating foreign operations during the year	250	191
Amount recognised directly in equity	250	191
Total comprehensive income	**11,749**	**16,430**
of which attributable to:		
Owners of the parent company	11,711	16,392
Non-controlling interests	38	38

Group Statement of Financial Position of SIMONA AG for the 2012 Financial Year

ASSETS

in € '000	Notes	31/12/2012	31/12/2011
Intangible assets	[15]	1,175	1,280
Property, plant and equipment	[16]	90,879	89,229
Financial assets	[29]	23	23
Non-current tax assets	[19]	2,612	3,205
Deferred tax assets	[12]	372	174
Non-current assets		**95,061**	**93,911**
Inventories	[17]	56,932	57,283
Trade receivables	[18]	43,283	42,606
Other assets and prepaid expenses	[19]	6,916	6,914
Other financial assets	[29]	20,994	30,227
Cash and cash equivalents	[20]	36,934	26,139
Current assets		**165,059**	**163,169**
Total assets		**260,120**	**257,080**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2012	31/12/2011
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		149,444	143,702
Other reserves		224	–45
		180,442	**174,431**
Non-controlling interests		239	201
Total equity	[21]	**180,681**	**174,632**
Financial liabilities	[22]	66	4,728
Provisions for pensions	[23]	40,231	39,311
Other provisions	[25]	4,994	5,450
Other liabilities		118	172
Deferred tax liabilities	[12]	4,134	5,187
Non-current liabilities		**49,543**	**54,848**
Financial liabilities	[22]	3,812	312
Provisions for pensions	[23]	1,457	1,327
Other provisions	[25]	2,024	2,245
Trade payables		11,266	11,223
Income tax liabilities		1,960	1,153
Other liabilities and deferred income		9,299	11,217
Derivative financial instruments	[28], [29]	78	123
Current liabilities		**29,896**	**27,600**
Total equity and liabilities		**260,120**	**257,080**

Notes to Group Financial Statements of SIMONA AG for the 2012 Financial Year

[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 Group Financial Statements of SIMONA AG for the financial year ended 31 December 2012 were scheduled to be released by the Management Board on the basis of a resolution of 2 April 2013 for the purpose of forwarding them to the Supervisory Board.

The activities of SIMONA AG mainly include the production and sale of semi-finished products in the form of sheets, rods, welding rods and profiles as well as pipes, fittings and finished parts made of thermoplastics.

The semi-finished products are manufactured at the plant in Kirn (Germany) as well as in Hazleton (USA) and Jiangmen (China). Pipes and fittings are produced at the plant in Ringsheim (Germany). The plant in Litvinov (Czech Republic) manufactures semi-finished products, pipes and fittings. The products are marketed under the joint SIMONA brand as well as a range of separate brands.

SIMONA AG maintains a sales office in Moehlin, Switzerland.

In addition, distribution is conducted via subsidiaries in the United Kingdom (SIMONA UK Ltd., Stafford, United Kingdom), France (SIMONA S.A.S., Domont, France), Italy (SIMONA S.r.l., Vimodrone, Italy), Spain (SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain), Poland (SIMONA POLSKA Sp. z o.o., Wrocław, Poland, DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland), Czech Republic (SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic, SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic), China (SIMONA FAR EAST Ltd. Hong Kong, China, SIMONA ENGINEERING PLASTICS TRADING Co. Ltd, Shanghai, China, SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China), the United States (SIMONA AMERICA Inc., Hazleton, USA) and the Russian Federation (OOO SIMONA RUS, Moscow, Russian Federation).

[2] ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, with the exception of derivative financial instruments and available-for-sale financial assets, which are measured at fair value. The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € ’000.

Statement of compliance with IFRS

The Group Financial Statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term “IFRS” comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date. Additionally, all interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2012 financial year.

The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at 31 December of each financial year (hereinafter also referred to as “Group” or “SIMONA Group”).

The Group statement of financial position conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the statement of financial position have been aggregated for the purpose of improving the overall clarity of presentation. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements comprise the accounts of SIMONA AG and its subsidiaries for each financial year ended 31 December. The financial statements of SIMONA AG and the subsidiaries are prepared using uniform accounting policies for the same reporting period.

All intragroup balances (receivables, liabilities, provisions), transactions, income and expenses as well as profits and losses from transactions between consolidated entities ("intercompany profits/losses") are eliminated as part of consolidation.

Subsidiaries are fully consolidated effective from the acquisition date, which is the date on which the Group effectively obtains control. Inclusion in the consolidated financial statements ends as soon as the parent ceases to control the subsidiary. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

[3] NEW FINANCIAL REPORTING STANDARDS

3.1 Accounting standards applicable for the first time in the financial year

The accounting standards to be applied for the first time in the financial year 2012 had no material impact on the presentation of the financial position, financial performance and cash flows.

3.2 Issued standards and interpretations which have not yet been applied (EU endorsement completed)

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) issued the following Standards and Interpretations which have already been adopted by the European Union as part of the comitology procedure but whose application was not yet mandatory in the 2012 financial year. The Group will not apply these Standards and Interpretations for an earlier period.

- IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"
- IFRS 7 "Disclosures: Offsetting Financial Assets and Financial Liabilities"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IAS 1 "Presentation of Items of Other Comprehensive Income"
- IAS 12 "Deferred Tax: Recovery of Underlying Assets"
- IAS 19 "Employee Benefits"
- IAS 27 "Separate Financial Statements"
- IAS 28R "Investments in Associates and Joint Ventures"
- IAS 32 "Offsetting Financial Assets and Financial Liabilities"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

The standards IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" were issued in May 2011 and are to be applied for annual periods beginning on or after 1 January 2014. The implications of these standards with regard to the financial position, financial performance and cash flows of the Group are currently being analysed.

With the exception of IAS 19, application of the other standards and interpretations will have no significant implications for the future financial statements issued by the SIMONA Group. IAS 19 (amended) was issued in June 2011 and must be applied by entities for annual periods beginning on or after 1 January 2013. The amendments made range from fundamental changes, e.g. with regard to determining the return on plan assets and the elimination of the corridor method, which was aimed at distributing or smoothing the volatility resulting from pension obligations over a time period, to mere clarifications and rewordings as well as new and amended disclosures in the notes.

The SIMONA Group currently recognises actuarial gains and losses as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent of the fair value of any plan assets at that date.

On first-time application of the amended standard in the financial year 2013, based on our preliminary estimation, the amount recognised in provisions is likely to increase by € 18,935 thousand as at 31 December 2012. Group profit would decrease by € 1,263 thousand and other comprehensive income by € 22,151 thousand.

3.3 Issued standards and interpretations which have not yet been applied (EU endorsement pending)

The IASB and IFRS IC issued the following Standards and Interpretations that were not yet applicable in the 2012 financial year. These Standards and Interpretations have yet to be adopted by the European Union and are therefore not applied by the Group.

- IFRS 1 "Government Loans"
- IFRS 9 "Financial Instruments: Classification and Measurement"
- IFRS 7 and IFRS 9 "Disclosures: Effective Date and Transition"
- IFRS 10, IFRS 11 and IFRS 12 "Transition"
- IFRS 10, IFRS 12 and IAS 27 "Investment Entities"
- Improvements to IFRS (2009 – 2011)

Application of the aforementioned standards and interpretations is unlikely to have significant implications for the future financial statements issued by the SIMONA Group.

[4] MATERIAL JUDGEMENTS AND ESTIMATES

Judgements

When applying the accounting policies, the management made the following judgements with the most significant effect on the amounts recognised in the financial statements. Within this context, decisions containing estimates have not been taken into account. Among other aspects, significant estimates relate to the useful lives of assets.

Material judgements relate to the classification of leases, the recognition of provisions, the estimation or assessment of the recoverability or possible impairment of trade receivables, inventories and deferred tax assets, as well as the assessment of factors that may indicate an impairment of assets.

Uncertainties relating to estimates

The following section outlines the most important forward-looking assumptions as well as other material uncertainty regarding the use of estimates, applicable at the reporting date, as a result of which there is a significant risk that the carrying amounts of assets and liabilities may require material adjustments within the coming financial year.

Impairment of goodwill

The Group performs impairment tests for goodwill at least once per year. This requires estimates to be made with regard to the value in use of cash-generating units to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows. As at 31 December 2012, the carrying amount of goodwill was € 143 thousand (prev. year: € 143 thousand).

Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of five years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond five years.

Deferred tax assets

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The process of determining the level of deferred tax assets requires significant judgement by the management with regard to the timing and amount of future taxable profit as well as the future tax planning strategies. For further details, please refer to Note [12].

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [25]. In determining the level of provisions, the management is required to make significant judgements as to the timing and the amounts of future outflow of resources.

Pensions

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions in respect of discount rates, future salary increases, mortality and future pension increases. In view of the long-term orientation of such plans, these estimates are associated with significant uncertainty. For further details, please refer to Note [23].

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

a) Business combinations as from 1 January 2010

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as administration costs.

On first-time recognition, goodwill is measured at cost, being the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration transferred is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for in profit and loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, as from the date of acquisition goodwill acquired as part of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination. This method is applied regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

b) Business combinations prior to 1 January 2010

The method previously applied to the recognition and measurement of business combinations differed from the approach outlined above:

Business combinations were accounted for by applying the acquisition method. Transaction costs directly attributable to the acquisition represented part of the cost of the business combination. The non-controlling interest (previously referred to as minority interests) was measured at the corresponding pro-rata share of the identifiable net assets of the acquiree.

All business acquisitions of the Group were transacted prior to 1 January 2010.

Currency translation

Annual financial statements prepared by the consolidated Group entities in a foreign currency are translated on the basis of the functional currency method. The functional currency is the currency of the primary economic environment in which the entities operate, which in the case of the Group companies of SIMONA AG is the respective local currency. The consolidated financial statements are prepared in euro.

Those foreign entities whose functional currencies differ from the euro have been presented below, together with details of their functional currency:

- SIMONA UK Ltd., Stafford, United Kingdom – Pound Sterling
- SIMONA POLSKA Sp. z o.o., Wrocław/Poland – Polish Zloty
- DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland – Polish Zloty
- SIMONA-PLASTICS CZ, s.r.o, Prague, Czech Republic – Czech Koruna
- SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic – Czech Koruna
- SIMONA FAR EAST Ltd., Hong Kong, China – Hong Kong Dollar
- SIMONA ASIA Ltd., Hong Kong, China – Hong Kong Dollar
- SIMONA AMERICA Inc., Hazleton, USA – US Dollar
- 64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA – US Dollar
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China – Renminbi
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China – Renminbi
- OOO SIMONA RUS, Moscow, Russian Federation – Russian rouble

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. All exchange differences are recorded in profit or loss for the period. This does not include monetary items that have been designated as part of a hedge of a net investment by the Group in a foreign operation. They are recognised in other comprehensive income until disposal of the net investment; the cumulative amount is reclassified in profit and loss only upon disposal. Taxes arising from exchange differences relating to these monetary items are also recognised directly in other comprehensive income.

Non-monetary items that are measured at historical cost of purchase or conversion in a foreign currency are translated at the foreign exchange rate applicable on the day of the transaction. Non-monetary items that are measured at fair value in the foreign currency are translated at the rate that was prevailing at the time the fair value was determined.

In the consolidated financial statements expenses and income associated with financial statements of subsidiaries prepared in a foreign currency are translated on the basis of the year-average exchange rate, whereas assets and liabilities are translated on the basis of the closing rate. Exchange differences arising from the translation of equity as well as exchange differences arising from the use of exchange rates in the income statement that differ from those used for the translation of items presented in the statement of financial position are recognised in other reserves.

On the disposal of a foreign operation, the cumulative amount of the exchange differences accounted for in respect of the foreign operation is recognised in profit or loss.

Property, plant and equipment

All items classified as property, plant and equipment are used for operational purposes and are measured at cost less depreciation on a systematic basis. Depreciation of property, plant and equipment is performed on a straight-line basis in accordance with the pattern of use of such items. To the extent that depreciable assets of property, plant and equipment have different useful lives, the respective components of these assets are depreciated separately.

The carrying amounts of property, plant and equipment attributable to a cash-generating unit are tested for impairment as soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Items of property, plant and equipment are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

The residual values of assets as well as the useful lives and depreciation methods are assessed at the end of each financial year and are adjusted where necessary.

Leasing

Whether an agreement constitutes a lease is determined on the basis of the substance of the transaction detailed in the agreement at the time the agreement is concluded. This requires an assessment as to whether the fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset/assets even if this right is not specifically defined in the agreement.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset, are recognised as assets in the statement of financial position at the commencement of the lease term. As at 31 December 2012, no such finance leases existed within the Group.

Lease payments under an operating lease are recognised in the income statement as an expense on a straight-line basis and are presented as other operating expense.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, form part of the cost of that asset and are capitalised accordingly. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. No borrowing costs have been capitalised by the Group, as it does not possess qualifying assets.

Intangible assets

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if it is probable that the intangible asset will generate future economic benefits and the costs of the intangible asset can be reliably measured. They are measured at cost of purchase or conversion. Intangible assets with a finite useful life are amortised on the basis of the length of that useful life. Amortisation of intangible assets, with the exception of capitalised development costs, is performed over a useful life of between three and five years.

Research and development costs

The research and development activities conducted by SIMONA AG are directed principally at the optimisation of production and manufacturing processes (advancement within the area of process engineering), at changes and improvements to formulae, some of which have been in existence for an extensive period of time, or at fundamental improvements for the purpose of meeting specified quality and inspection requirements, including new testing procedures and new areas of application. Generally, these activities do not involve the development of an entirely new product that would sever the link with existing formulae and manufacturing processes.

To the extent that research and development activities provide the basis for a product that is technically feasible and from which the Group can generate future economic benefits, the period attributable to general research activities constitutes the major part thereof. The scale of development expenses arising after the product has been made marketable is negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely effect the true and fair view of the Group's state of affairs as regards financial performance, financial position and cash flows.

In addition, SIMONA AG does not capitalise development costs to the extent that costs (expenditure) cannot be reliably allocated to development projects. The costs are recognised as expense in the period in which they are incurred.

There were no development projects resulting in the capitalisation of intangible assets in 2012 or 2011.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset, or of all assets of a cash-generating unit, is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss.

Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. If such indications are present or if an annual impairment test of an asset of a group of assets is required, the Group makes an estimate of the recoverable amount of each asset or of the group of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Impairment losses are recognised in profit or loss within the expense category that corresponds to the function of the impaired asset.

For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment tests on detailed budget and forecasting calculations that are prepared separately for each of the Group’s cash-generating units to which individual assets are assigned. Such budget and forecasting calculations generally cover a period of five years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows subsequent to the fifth year.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. On initial recognition the financial assets are measured at fair value. Additionally, in the case of financial assets other than those classified as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are accounted for accordingly. The designation of financial assets to the respective measurement categories occurs upon initial recognition. To the extent that they are permitted and necessary, reclassifications are performed at the end of the financial year. No reclassifications have been performed to date.

All regular way purchases or sales of financial assets are accounted for at the date of settlement. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The group of financial assets at fair value through profit or loss comprises financial assets held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term. Derivatives, including embedded derivatives accounted for separately, are also classified as held for trading, with the exception of those derivatives that are designated and effective hedging instruments. Gains and losses on financial assets held for trading are recognised in profit or loss. The Group has not made use of the option to designate financial assets or liabilities as “measured at fair value through profit or loss”.

Derivatives embedded within a host contract are recognised separately at their fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading purposes or are not designated as “at fair value through profit or loss”. These embedded derivatives are measured at their fair value; changes to the fair value are recognised in profit or loss. A reassessment is performed only upon amendments to the contractual terms and conditions if this leads to a significant change to the cash flows that would otherwise have resulted from the contract.

Non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairments where applicable. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified within one of the three above-mentioned categories. After initial recognition available-for-sale financial assets are measured at fair value. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity. If an available-for-sale financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The fair value of financial instruments traded within organised and active markets is determined on the basis of the market price quoted at the end of the reporting period. The fair value of financial instruments for which no active market exists is determined on the basis of valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

Held-to-maturity investments as well as loans and receivables are measured at amortised cost. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, minus any reduction for impairments.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expire.

Impairment of financial assets

The Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, the new carrying amount must not exceed the amortised cost at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

If in the case of trade receivables there is objective evidence that not all due amounts will be received in accordance with the agreed invoicing terms and conditions (e.g. likelihood of an insolvency or significant financial difficulties of the obligor), the carrying amount is reduced through use of an allowance account. Receivables are derecognised when they are considered to be uncollectible.

As regards available-for-sale financial assets, the Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. When determining the impairment of debt instruments classified as available for sale, the same criteria are used as those applied to financial assets measured at amortised cost. The amount recognised for impairments, however, is the cumulative loss determined as the difference between the amortised cost and the current fair value less any impairment losses of this instrument recognised in profit or loss on an earlier occasion.

Inventories

Inventories are stated at the lower of purchase or conversion cost and current cost or net realisable value.

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the first-in, first-out (FIFO) method. Finished goods are measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material and units of production, this item also includes special production costs as well as production and material overheads, including depreciation. Financing costs are not accounted for in the cost of conversion. All identifiable risks associated with inventories, particularly relating to holding periods in excess of average duration, diminished usability and net realisable value, are recognised by an appropriate write-down.

The net realisable value is the estimated selling price achievable in the ordinary course of business, less the estimated costs incurred until completion and the estimated costs necessary to make the sale.

Financial liabilities

Financial liabilities within the meaning of IAS 39 are classified either as financial liabilities measured at fair value or as loans. The Group determines the classification of its financial liabilities upon initial recognition. All financial liabilities are measured at fair value upon initial recognition. The Group's financial liabilities comprise trade payables, other payables, bank overdrafts, loans and derivative financial instruments.

Interest-bearing borrowings

On initial recognition, loans are measured at the fair value of the consideration received, having deducted the transaction costs relating to the origination of the loan. After initial recognition interest-bearing borrowings are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or when it expires.

Cash and cash equivalents

Cash and cash equivalents recognised in the statement of financial position comprise cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the Group statement of cash flows, cash and cash equivalents comprise the aforementioned cash items in addition to overdrafts used by the Group and securities that are readily convertible to cash.

Other provisions

Other provisions are recognised when an obligation exists towards a third party, settlement of this obligation is probable and a reliable estimate can be made of the amount of the required provision. Other provisions are measured at aggregate costs. Long-term provisions with more than one year to maturity are recognised at their discounted settlement value as at the end of the reporting period.

Pensions

The Group has direct pension plans as well as one indirect pension plan. The indirect pension plan is serviced by SIMONA Sozialwerk GmbH, which manages the plan assets. The plan assets are accounted for in the Group statement of financial position such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. The fair value of the plan assets is based on information regarding the market price; in the case of public securities, it corresponds to the published purchase price. As the requirements for plan assets specified in IAS 19.7 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations.

Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) (IAS 19). As part of this process, besides pensions and benefits known as at the end of the reporting period, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data. Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10 per cent of the fair value of any plan assets at that date.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period plus any actuarial gains (less any actuarial losses) not recognised minus any past service cost not yet recognised minus the fair value at the end of the reporting period of plan assets out of which the obligations are to be settled directly. Past service cost not yet vested is recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past service cost is recognised as an expense to the extent that benefits become vested immediately following the introduction of, or changes to, a pension plan.

Government grants

A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented as part of profit or loss under the heading of “other operating income” and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Revenue recognition

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

a) Sale of goods

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

b) Interest

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

Taxes

a) Current tax assets and current tax liabilities

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

b) Deferred taxes

Applying the liability method, deferred taxes are recognised for all temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base as well as in connection with consolidation procedures. Additionally, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognised for all taxable and deductible temporary differences, with the exception of:

- Deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.
- Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

c) Value added tax
Sales revenues, expenses and assets are recognised after deduction of value added tax.

Derivative financial instruments and hedging instruments
Derivative financial instruments are used solely for hedging purposes in order to mitigate currency and interest rate risks arising from operating business. Under IAS 39, all derivative financial instruments, such as interest rate, currency and foreign exchange forward contracts as well as currency options, are to be carried at fair value, irrespective of the purpose such transactions have been entered into by the entity.

The derivative financial instruments do not fulfil the restrictive requirements of IAS 39 applying to the recognition of hedging relationships. Therefore, gains and losses arising from a change in the fair value of derivative financial instruments are recognised immediately in profit or loss.

The fair value of derivative financial instruments is calculated on the basis of market data and generally accepted valuation methodologies. The market changes associated with derivative financial instruments are reported in net finance cost/income.

[6] 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 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 country in which the customer is domiciled. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets and segment liabilities comprise assets and liabilities that contribute to the achievement of operating profit. Amortisation and depreciation of non-current assets relate to both intangible assets and property, plant and equipment.

The following tables include information relating to revenues and profit or loss as well as specific information regarding assets and liabilities of the segments. The differences in respect of the consolidated financial statements are presented in the reconciliation.

SEGMENT INFORMATION BY REGION

in € '000	Germany 2012	Germany 2011	Rest of Europe Europe and Africa 2012	Rest of Europe Europe and Africa 2011	Asia, Americas and Australia 2012	Asia, Americas and Australia 2011	Eliminations 2012	Eliminations 2011	Group 2012	Group 2011
Revenue from sales to external customers	93,122	104,624	146,059	151,978	54,049	51,897	0	0	293,230	308,499
Revenue from sales to other segments	18,516	20,560	46,695	51,754	12,879	13,230	–78,090	–85,544	0	0
Segment revenue									**293,230**	**308,499**
Segment result	6,749	11,069	7,400	8,981	–329	–246			13,820	19,804
Segment assets	124,567	124,174	34,935	32,091	38,933	40,295			198,435	196,560
of which non-current	55,727	55,857	14,367	11,203	21,960	23,449			92,053	90,509
Segment liabilities	57,105	62,112	8,665	3,780	3,619	5,053			69,389	70,945
Segment capital expenditure	8,571	6,035	4,102	970	1,002	5,684			13,675	12,689
Amortisation/depreciation	8,262	9,229	1,203	1,106	1,971	1,596			11,436	11,931

A reconciliation between segment assets, segment liabilities and segment profit/loss and current and non-current assets and liabilities as well as earnings before taxes is presented below:

RECONCILIATION

in € '000	31/12/2012	31/12/2011
Segment assets	198,435	196,560
Other financial assets	20,994	30,227
Cash and cash equivalents	36,934	26,139
Non-current tax assets	2,612	3,205
Current tax assets	750	752
Deferred tax assets	372	174
Financial assets	23	23
Current and non-current assets	**260,120**	**257,080**

in € '000	31/12/2012	31/12/2011
Segment liabilities	69,389	70,945
Deferred tax liabilities	4,134	5,187
Income tax liabilities	1,960	1,153
Non-current financial liabilities	66	4,728
Current financial liabilities	3,812	312
Derivative financial instruments	78	123
Current and non-current liabilities	**79,439**	**82,448**

in € '000	2012	2011
Segment result	13,820	19,804
Income from equity investments	600	650
Interest income	630	659
Interest expense	284	392
Profit before taxes	**14,766**	**20,721**

SEGMENT INFORMATION RELATING TO PRODUCT GROUPS

in € '000	2012	2011
Sales revenue from external customers		
Semi-finished and finished parts	215,009	229,422
Pipes and fittings	78,221	79,077
Total	**293,230**	**308,499**

NOTES TO GROUP INCOME STATEMENT

[7] SALES REVENUE

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

[8] STAFF COSTS

STAFF COSTS

in € '000	2012	2011
Salaries and wages	45,029	45,914
Expenses relating to social security	9,868	10,379
Expenses relating to pensions	2,715	2,327
Total	**57,612**	**58,620**

[9] RESEARCH AND DEVELOPMENT EXPENSES

The costs incurred as part of research and development activities vary in nature and are recognised in the respective items of the Group income statement. Delineation of research and development costs from costs incurred when implementing customised product properties is not possible on a systematic basis due to the same production processes applied in both areas. Research and development expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

[10] OTHER OPERATING EXPENSES

Other operating expenses include expenses relating to rental and lease agreements amounting to € 2,207 thousand in the financial year under review (prev. year: € 2,135 thousand). The expenses are attributable mainly to the rental of dispatch warehouses and production facilities. The rental agreements have various contractual maturities (usually 3 to 15 years); some of the rental agreements include options for the extension of rental periods. All rental and lease agreements are structured as operating leases within the meaning of IAS 17.

Additionally, other operating expenses include expenses for outward freight amounting to € 12,535 thousand (prev. year: € 12,629 thousand), maintenance expenses of € 9,679 thousand (prev. year: € 9,513 thousand) and expenses for packaging material amounting to € 6,067 thousand (prev. year: € 6,508 thousand).

[11] NET FINANCE INCOME

in € '000	2012	2011
Interest income	**630**	**659**
of which from the measurement of derivatives	44	35
of which from loans and receivables	586	624

in € '000	2012	2011
Interest expense	**284**	**392**
of which from borrowings and financial liabilities	284	392

[12] INCOME TAXES

The principal elements of income tax expense for the 2012 and 2011 financial years are as follows:

GROUP INCOME STATEMENT

in € '000	2012	2011
Current tax		
Current tax expense	4,659	5,425
Adjustments of current tax attributable to previous periods	6	–305
Income from measurement of credits for the reduction of corporation tax	–147	–170
Deferred tax		
Origination and reversal of temporary differences	–1,251	–468
Income tax expense reported in Group income statement	**3,267**	**4,482**

Reconciliation between income tax expense and the product of profit for the year carried in the statement of financial position and the tax rate applicable to the Group for the 2012 and 2011 financial years is as follows:

in € '000	2012	2011
Profit before taxes	**14,766**	**20,721**
Income tax expense at German tax rate of 29.48 % (prev. year: 29.13 %)	4,353	6,036
Adjustments of current tax attributable to previous periods	6	–305
Income from measurement of credits for the reduction of corporation tax	–147	–170
Unrecognised deferred tax assets relating to tax losses	425	582
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	–267	–102
Capitalisation of deferred tax assets relating to tax losses	–192	–65
Tax effect of non-deductible expenses	68	58
Tax rate differences	–154	–574
Tax-free dividend income	–122	–277
Other tax-free income	–6	0
Capitalisation of deferred tax assets relating to foreign tax credits as well as use thereof	–1,068	–833
Other	311	132
Income tax expense at effective tax rate of 22.13 % (prev. year: 21.63 %)	**3,267**	**4,482**
Income tax expense reported in the Group income statement	**3,267**	**4,482**

At 31 December 2012, the potential credit for the reduction of corporation tax, which results from the provisions set out in Section 37 and 38 KStG and is to be disclosed in accordance with IAS 12.82A, was € 3,696 thousand (prev. year: € 4,435 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value of € 3,331 thousand (prev. year: € 3,923 thousand). Payouts in connection with the corporation tax credit will be made in five remaining identical annual instalments of € 739 thousand p. a. in the period from 2013 to 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the statement of financial position as non-current assets. Payments due within one year are carried as current assets.

Deferred tax

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

	Group statement of financial position		**Group income statement**	
in € '000	**31/12/ 2012**	**31/12/ 2011**	**2012**	**2011**
Deferred tax liabilities				
Non-current assets	6,825	7,291	–466	–467
Inventories	3,487	3,446	41	415
Receivables and other assets	262	344	–82	83
Other provisions and liabilities	208	18	190	0
Other items	3	0	3	0
	10,785	**11,099**	**–314**	**31**
Deferred tax assets				
Provisions for pensions	4,629	4,692	63	–66
Other provisions and liabilities	229	266	37	127
Inventories	416	469	53	–14
Receivables and other assets	22	0	–22	0
Loss carryforwards and tax credits	1,564	537	–1,027	–490
Other items	138	122	–16	–56
Non-current assets	**25**	**0**	**–25**	**0**
	7,023	**6,086**	**–937**	**–499**
after set-off:				
Deferred tax assets	**372**	**174**		
Deferred tax liabilities	**–4,134**	**–5,187**		
Deferred tax income			**–1,251**	**–468**

At the end of the reporting period, loss carryforwards amounted to € 15,715 thousand (prev. year: € 15,906 thousand). Deferred tax assets of € 192 thousand (prev. year: € 65 thousand) were recognised for € 667 thousand (prev. year: € 261 thousand) of the loss carryforwards mentioned above. Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies. Furthermore, the loss carryforwards are attributable to subsidiaries that have incurred losses over a period of several years, and at present there is no reasonably reliable indication that the earnings situation of these entities will improve so significantly in the short term that future taxable profit will be available against which the unused tax losses can be utilised.

Expiry date of tax loss carryforwards:

in € '000	**2012**	**2011**
Between 3 and 20 years	15,400	14,874
Indefinite carryforward	315	1,032
	15,715	**15,906**

The distribution of dividends by the Group to shareholders has/had no implications relating to income taxes in 2012 or 2011.

[13] EARNINGS PER SHARE

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the 2012 or 2011 reporting periods.

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

in € '000 or units of 1,000	**2012**	**2011**
Profit or loss attributable to ordinary shareholders of the parent company	11,442	16,177
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share	600	600
Dilutive effects	0	0
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share	600	600
Basic earnings per share (in euro)	19.07	26.96
Diluted earnings per share (in euro)	19.07	26.96

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

[14] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of € 9.50 per share was declared and distributed. The total payment made in the financial year under review amounted to € 5,700 thousand (prev. year: € 3,900 thousand).

A dividend proposal of € 7.50 per share (prev. year: € 9.50 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total € 4,500 thousand (prev. year: € 5,700 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[15] INTANGIBLE ASSETS

31 DECEMBER 2012

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2012 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,137	143	1,280
Additions	136	0	136
Disposals	–14	0	–14
Amortisation during the financial year	–222	0	–222
Effects of changes in foreign currency exchange rates	-5	0	–5
Balance at 31 December 2012 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**1,032**	**143**	**1,175**
Balance at 1 January 2012			
Cost of purchase/conversion (gross carrying amount)	8,169	143	8,312
Accumulated amortisation	–7,032	0	–7,032
Carrying amount	**1,137**	**143**	**1,280**
Balance at 31 December 2012			
Cost of purchase/conversion (gross carrying amount)	7,895	143	8,038
Accumulated amortisation	–6,863	0	–6,863
Carrying amount	**1,032**	**143**	**1,175**

31 DECEMBER 2011

in € '000	Patents and licences	Goodwill	Total
Balance at 1 January 2011 (Cost of purchase/conversion taking into account accumulated amortisation and impairments)	1,151	143	1,294
Additions	173	0	173
Disposals	–11	0	–11
Amortisation during the financial year	–228	0	–228
Effects of changes in foreign currency exchange rates	52	0	52
Balance at 31 December 2011 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**1,137**	**143**	**1,280**
Balance at 1 January 2011			
Cost of purchase/conversion (gross carrying amount)	8,592	143	8,735
Accumulated amortisation	–7,441	0	–7,441
Carrying amount	**1,151**	**143**	**1,294**
Balance at 31 December 2011			
Cost of purchase/conversion (gross carrying amount)	8,169	143	8,312
Accumulated amortisation	–7,032	0	–7,032
Carrying amount	**1,137**	**143**	**1,280**

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of three to five years by using the straight-line method.

[16] PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2012

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2012 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	32,470	56,759	89,229
Additions	3,321	10,218	13,539
Disposals	0	–700	–700
Depreciation during the financial year	–1,731	–9,483	–11,214
Effects of changes in foreign currency exchange rates	–33	58	25
Balance at 31 December 2012 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	**34,027**	**56,852**	**90,879**
Balance at 1 January 2012			
Cost of purchase/conversion (gross carrying amount)	63,167	202,587	265,754
Accumulated depreciation and impairments	–30,697	–145,828	–176,525
Carrying amount	**32,470**	**56,759**	**89,229**
Balance at 31 December 2012			
Cost of purchase/conversion (gross carrying amount)	66,333	210,614	276,947
Accumulated depreciation and impairments	–32,306	–153,762	–186,068
Carrying amount	**34,027**	**56,852**	**90,879**

31 DECEMBER 2011

in € '000	Land and buildings	Plant and equipment	Total
Balance at 1 January 2011 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	33,387	54,739	88,126
Additions	485	12,031	12,516
Disposals	–28	–430	–458
Depreciation during the financial year	–1,721	–9,982	–11,703
Effects of changes in foreign currency exchange rates	347	401	748
Balance at 31 December 2011 (Cost of purchase/conversion, taking into account accumulated depreciation and impairments)	**32,470**	**56,759**	**89,229**
Balance at 1 January 2011			
Cost of purchase/conversion (gross carrying amount)	62,384	198,595	260,979
Accumulated depreciation and impairments	–28,997	–143,856	–172,853
Carrying amount	**33,387**	**54,739**	**88,126**
Balance at 31 December 2011			
Cost of purchase/conversion (gross carrying amount)	63,167	202,587	265,754
Accumulated depreciation and impairments	–30,697	–145,828	–176,525
Carrying amount	**32,470**	**56,759**	**89,229**

The useful life of the assets was estimated as follows:

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

Other operating income includes gains of € 148 thousand (prev. year: € 102 thousand) from the disposal of property, plant and equipment; other operating expense includes losses of € 49 thousand (prev. year: € 356 thousand) from the disposal of property, plant and equipment.

[17] INVENTORIES

in € '000	31/12/2012	31/12/2011
Raw material and supplies	19,129	19,004
Finished goods and merchandise	37,803	38,279
Inventories	**56,932**	**57,283**

In the 2012 financial year inventory impairments fell by € 53 thousand to € 3,253 thousand compared to 31 December 2011. The cost of materials includes expenses relating to raw materials and supplies in the amount of € 163,212 thousand (prev. year: € 176,137 thousand).

[18] TRADE RECEIVABLES

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

in € '000	31/12/2012	31/12/2011
Carrying amount	**43,283**	**42,606**
of which not impaired at the reporting date and past due within the following time ranges		
up to 30 days	4,066	4,080
between 31 and 60 days	1,813	1,026
between 61 and 90 days	431	420
between 91 and 120 days	129	559
more than 120 days	1,895	1,731

As regards the trade receivables that were neither impaired nor past due, there were no indications at the end of the reporting period that customers will fail to meet their payment obligations.

The changes to **valuation allowances for trade receivables** are outlined below:

in € '000	31/12/2012	31/12/2011
Balance of specific allowances at 1 January	1,568	1,151
Exchange differences	+10	+2
Allocated	+295	+481
Utilised	–5	+40
Reversed	–192	–106
Balance of specific allowances at 31 December	**1,676**	**1,568**

The following table includes expenses attributable to the derecognition of trade receivables as well as income from amounts received in connection with derecognised trade receivables. Expenses attributable to the derecognition of trade receivables are reported as other operating expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other operating income.

in € '000	2012	2011
Expenses attributable to the derecognition of trade receivables	94	37
Income attributable to amounts received in connection with derecognised trade receivables	52	24

[19] NON-CURRENT TAX ASSETS AS WELL AS OTHER ASSETS AND PREPAID EXPENSES

OTHER ASSETS AND PREPAID EXPENSES

in € '000	31/12/2012	31/12/2011
Other receivables	5,764	6,051
Receivables from other long-term investees and investors	300	69
Prepaid expenses	852	794
Other assets and prepaid expenses	**6,916**	**6,914**

Other receivables include reimbursement rights in respect of sales tax as well as receivables relating to energy tax. At the end of the reporting period, other assets were neither impaired nor past due.

Non-current tax assets include the due reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG that is not due within one year.

[20] CASH AND CASH EQUIVALENTS

in € '000	31/12/2012	31/12/2011
Bank balances and cash on hand	36,934	26,139
Cash and cash equivalents	**36,934**	**26,139**

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand.

At 31 December 2012, the Group had undrawn borrowing facilities of € 8,516 thousand (prev. year: € 8,546 thousand).

[21] EQUITY

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

Issued capital

As at 31 December 2012, the share capital of SIMONA AG was divided into 600,000 no-par-value shares. These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of € 25.83 in the company's share capital. The ordinary shares have been issued and fully paid in.

in € '000	31/12/2012	31/12/2011
Share capital	15,500	15,500
Issued capital	**15,500**	**15,500**

Other reserves

in € '000	31/12/2012	31/12/2011
Currency translation effects	224	–45
Other reserves	**224**	**–45**

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries.

[22] FINANCIAL LIABILITIES

in € '000	Due date	31/12/2012	31/12/2011
Current liabilities			
Loan of USD 5 million (nominal amount)	12/2013	3,789	0
Pro-rata loan of USD 3 million (principal repayments due by 31/12/2013)	09/2013	0	257
Pro-rata loan of USD 210 thousand (principal repayments due by 31/12/2013)	01/2013 – 12/2013	23	23
Liabilities from deferred interest attributable to USD loans (current liabilities)	03/2012 – 06/2012	0	32
Bank overdrafts	on demand	0	0
		3,812	**312**
Non-current liabilities			
Loan of USD 5 million (nominal amount)	12/2013	0	3,864
Pro-rata loan of USD 3 million (principal repayments due after 31/12/2013)	09/2014 – 09/2015	0	773
Pro-rata loan of USD 210 thousand (principal repayments due after 31/12/2013)	01/2014 – 10/2016	66	91
		66	**4,728**

Fixed or floating interest rates of between 4.9 per cent and 6.8 per cent have been agreed in respect of the interest-bearing loans. Interest is computed either on the basis of the nominal value of the loan or the remaining amount of the loan.

SIMONA AG, Kirn, issued absolute suretyships in respect of loans for the benefit of its subsidiaries.

[23] PENSIONS

The majority of employees within the SIMONA Group are entitled to post-employment benefits attributable to pension plan agreements. The aforementioned plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff, including members and former members of the Management Board. With the exception of payments to SIMONA Sozialwerk GmbH (cf. Note [24]), no contributions are made to funds.

The following table includes a breakdown of the expense items recognised in the Group income statement in connection with retirement benefits as well as the amounts carried in the statement of financial position for the respective plans.

Expenses included in staff costs for retirement benefits:

in € '000	2012	2011
Current service cost	997	863
Interest cost	1,769	1,655
Actuarial gain	–51	–191
Cost of retirement benefits	**2,715**	**2,327**

The changes in the liability of defined benefit obligations are as follows:

in € '000	31/12/2012	31/12/2011
Obligation at beginning of reporting period	40,638	39,570
Current service cost	997	863
Interest cost	1,769	1,655
Actuarial gain	–51	–191
Benefits paid	–1,663	–1,259
Obligations at end of reporting period	**41,688**	**40,638**
– of which non-current liability	40,231	39,311
– of which current liability	1,457	1,327

The Group anticipates expenses of € 3,055 thousand in connection with defined benefit pension plans for the 2013 financial year.

Actuarial gains and losses are offset in profit or loss to the extent that they exceed the 10 per cent corridor. As from the subsequent period, the portion of actuarial gains and losses exceeding this corridor is offset over the future average remaining working life of the employees.

LIABILITIES ATTRIBUTABLE TO DEFINED BENEFIT OBLIGATIONS

in € '000	31/12/2012	31/12/2011
Present value of defined benefit obligation	48,488	36,160
Unrecognised actuarial losses (prev. year: gains) attributable to the obligation	–6,800	4,478
Liabilities attributable to defined benefit obligations	**41,688**	**40,638**

The present values of the defined benefit obligations of the current and the previous four annual reporting periods are as follows:

in € '000	2012	2011	2010	2009	2008
Present value of defined benefit obligations	–48,488	–36,160	–32,946	–34,022	–32,826

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

	31/12/2012	31/12/2011
Discount rate	3.50 %	5.00 %
Salary increase	2.50 %	2.50 %
Pension adjustments	1.87 %	1.87 %
Mortality (mortality tables published by K. Heubeck)	2005 G	2005 G

[24] COMPANY WELFARE INSTITUTIONS

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.7. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employees of SIMONA AG as well as their dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. SIMONA AG has no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

The assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH.

in € '000	31/12/2012	31/12/2011
Present value of defined benefit plans at the beginning of the year	37,231	30,412
Current service cost	1,409	1,271
Actuarial gains/losses	12,755	4,670
Interest cost	1,838	1,627
Benefits paid	–864	–749
Present value of defined benefit plans at the end of the year	**52,369**	**37,231**
Market value of fund assets at the beginning of the year	41,139	39,208
Disposals of financial assets	–864	–749
Return on fund assets	–43	2,680
Market value of fund assets at the end of the year	40,232	41,139
Deficit/surplus	–12,137	3,908
Unrecognised actuarial (gains)/losses	17,371	4,670
(Liability)/asset from defined benefit plan	5,234	8,578

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [23].

The surplus relating to plan assets is not accounted for in the consolidated financial statements of SIMONA AG, as SIMONA AG has no control over these assets. In accordance with the provisions set out in IAS 19.7, the plan assets are available to be used only to pay or fund employee benefits. The deficit as at 31 December 2012 is attributable primarily to the decline in interest rates. Owing to the final application of the corridor method, the actuarial losses remain unrecognised, as a result of which no liability was recognised. As regards the transitional effects relating to the new application of IAS 19R "Employee Benefits", which will be seen on first-time application in the financial year 2013, please refer to section [3.2] of the notes.

The fair value of the plan assets includes shares in SIMONA AG with a fair value of € 18,420 thousand (prev. year: € 19,662 thousand) as at 31 December 2012.

The amounts of the defined benefit obligations and the plan assets relating to the current and the four previous annual reporting periods are as follows:

in € '000	2012	2011	2010	2009	2008
Present value of defined benefit obligations	–52,369	–37,231	–30,412	–28,500	–27,327
Fair value of plan assets	40,232	41,139	39,208	38,597	39,074
	–12,137	**3,908**	**8,796**	**10,097**	**11,747**

[25] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/warranties	Others	Total
Balance at 1 January 2012	**3,982**	**3,707**	**6**	**7,695**
Allocated	423	50	68	541
Used	774	29	0	803
Reversed	79	366	0	445
Compounding	0	30	0	30
Balance at 31 December 2012	**3,552**	**3,392**	**74**	**7,018**
Short-term provisions	1,210	748	66	2,024
Long-term provisions	2,342	2,644	8	4,994
Balance at 31 December 2012	**3,552**	**3,392**	**74**	**7,018**
Short-term provisions	1,430	815	0	2,245
Long-term provisions	2,552	2,892	6	5,450
Balance at 31 December 2011	**3,982**	**3,707**	**6**	**7,695**

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement and provisions relating to anniversaries. Personnel-related provisions are measured on the basis of actuarial figures.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to € 2,375 thousand (prev. year: € 3,099 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments.

Provisions for guarantees are recognised in connection with warranties for products sold in preceding years. Guarantee-related provisions at SIMONA AG are recognised for ongoing, regularly occurring warranty cases as well as for individual cases that occur on an irregular basis and are associated with the risk of above-average claims.

As regards regularly occurring warranty cases, a provision is calculated on the basis of experience over what is adjudged to be a probable average claim period of 5 years. For the purpose of measuring the provision, the expenses actually incurred in connection with customer credits/refunds from warranty obligations as well as the thus resulting direct costs of processing a complaint are analysed in detail. Within this context, the weighted average warranty expense of the past 5 years is used for calculation purposes.

The portion of warranty provisions calculated in respect of individual cases occurring on an irregular basis is recognised only when the utilisation of the provision is considered likely, a payment relating thereto is deemed probable and a reliable estimate can be made.

The portion of the warranty provision whose utilisation is not due within one year after the reporting date is discounted.

[26] STATEMENT OF CASH FLOWS

The statement of cash flows presents changes to cash and cash equivalents during the financial year by outlining cash inflows and outflows. In accordance with IAS 7, the statement of cash flows includes information relating to cash flows from operating activities, investing activities and financing activities.

As at 31 December, total cash and cash equivalents, together with current financial liabilities, were as follows:

in € '000	31/12/2012	31/12/2011
Cash and cash equivalents	36,934	26,139
Current financial liabilities (excluding liabilities attributable to loans)	0	–32
	36,934	**26,107**

The effects of changes to cash and cash equivalents attributable to exchange rates were € 287 thousand (prev. year: € 167 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i. e. via changes to the Group statement of financial position, having accounted for the effects of currency translation.

[27] RELATED PARTY DISCLOSURES

Entities and persons with control over the SIMONA Group, as well as associated entities and persons, including close members of the family and intermediate entities, with significant influence over the financial and operating policies of the SIMONA Group are to be disclosed in accordance with IAS 24.

Management Board

- Wolfgang Moyses, Chairman, Kirn
- Dirk Möller, Deputy Chairman, Kirn
- Fredy Hiltmann, Kirn (since 1 January 2012)

Supervisory Board

- Hans-Werner Marx, Kirn,
  Kaufmann
  Chairman (until 22 June 2012)
- Dr. Rolf Goessler, Bad Dürkheim
  Diplom-Kaufmann
  Chairman (since 22 June 2012)
  Deputy Chairman (until 22 June 2012)
  Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen,
  Managing Director of Dirk Rossmann GmbH, Burgwedel
  Deputy Chairman (since 22 June 2012)
  Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main
  Chairman of the Advisory Board of Saxonia Holding GmbH, Wolfsburg
- Dr. Roland Reber, Stuttgart
  Managing Director of Ensinger GmbH, Nufringen
- Dr. Horst Heidsieck, Büdingen
  (from 22 June 2012 to 30 November 2012)
  Managing Partner of Value Consult Management- und Unternehmensberatungsgesellschaft mbH, Büdingen
  Managing Partner of DOMINO GmbH, Büdingen
  Chairman of the Supervisory Board of Coperion GmbH, Stuttgart
  Member of the Supervisory Board of HOMAG AG, Schopfloch
- Bernd Meurer, Hennweiler,
  Employee Representative (until 28 February 2012)
- Gerhard Flohr, Bergen
  Employee Representative (since 28 February 2012)
- Andreas Bomm, Schmidthachenbach
  Employee Representative (since 28 February 2012)

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and a member of the Management Board of SIMONA AG. Additionally, Dirk Möller performs executive or controlling duties within the individual companies of the SIMONA Group.

- SIMONA Plast-Technik s.r.o., Litvinov, (1),
- SIMONA AMERICA Inc., Hazleton, (2),
- SIMONA FAR EAST Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, (2),
- SIMONA ASIA Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, (2)

The duties as an executive or controlling body are as follows:
(1) Managing Director/General Manager,
(2) Member of the Board of Directors

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH; Nufringen. The two entities maintain business relations with each other on arm's length terms. In the financial year under review, product sales amounting to € 900 thousand were transacted between SIMONA AG and the entities of the Ensinger Group.

Beyond this, companies of the SIMONA Group entered into no significant transactions with members of the Management Board or the Supervisory Board of SIMONA AG and/or entities to which these persons have been appointed in an executive or controlling capacity. This also applies to close family members of the aforementioned persons.

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

We received no mandatory notifications in the period under review.

Compensation of members of the Management Board and Supervisory Board

Total compensation for the Management Board amounted to € 1,853 thousand (prev. year: € 1,512 thousand). It comprised € 1,118 thousand (prev. year: € 839 thousand) in fixed-level compensation and € 735 thousand (prev. year: € 673 thousand) in bonus payments. The company does not grant loans to members of the Management Board.

Post-employment benefits of € 9,081 thousand (prev. year: € 8,328 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was € 2,214 thousand, of which € 1,634 thousand was attributable solely to the change in the applicable interest rate of 5.00 per cent as at 1 January 2012 to 3.50 per cent as at 1 January 2013; (prev. year: € 473 thousand). Compensation of former Management Board members and their surviving dependants amounted to € 440 thousand (prev. year: € 406 thousand).

Supervisory Board compensation for 2012 amounted to € 136 thousand (prev. year: € 118 thousand). Supervisory Board compensation encompasses no variable components.

[28] FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principles of risk management

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

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

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

Interest-rate risk

The financial instruments exposed to interest-rate risk include short-term bank overdrafts as well as a floating-rate US dollar loan. In the 2012 financial year, the interest-rate risk associated with these instruments was mitigated entirely by means of interest rate derivatives (interest rate swaps), as was the case in the previous financial year. In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. As the interest rate derivatives (interest rate swaps) are not part of a hedging relationship as described in IAS 39, changes are recognised directly in finance income or cost.

Had the market interest rate of the US dollar been 100 basis points higher or lower at 31 December 2012, the net finance result would have been € 12 thousand higher and € 13 thousand lower respectively.

Had the market interest rate of the US dollar been 100 basis points higher or lower at 31 December 2011, the net finance result would have been € 22 thousand higher and € 23 thousand lower respectively.

Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of investing and financing activities. Risks attributable to foreign currencies are hedged to the extent that they affect the cash flows of the Group. The risk of exchange rate fluctuations associated solely with the translation of assets and liabilities into the reporting currency of the consolidated financial statements (euros) remains unhedged.

Exchange rate risks attributable to the finance area exist with regard to the origination of a US dollar loan in December 2008 for the benefit of an Asian subsidiary that was assumed by SIMONA AG in the financial year under review and is due in December 2013. Intercompany receivables in US dollars exist in the corresponding amount. Therefore, the aggregate unhedged currency risk remains balanced.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company is responsible almost solely for managing transactions in foreign currencies and hedges these activities within specified parameters as part of treasury management. As at the reporting date, no foreign exchange forward contracts and currency options were used for the purpose of hedging currency risks associated with operating activities.

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

If, as at 31 December 2012, the euro had appreciated (depreciated) by 10 per cent against all other currencies, profit before taxes would have been € 3,998 thousand lower (€ 4,887 thousand higher).

The hypothetical effect on profit of minus € 3,998 thousand (plus € 4,887 thousand) is attributable to the following sensitivity to exchange rates:

€ '000	**Effect on profit before taxes**		**Effect on equity**	
EUR/USD	–2,501	(3,058)	–1,128	(1,379)
EUR/GBP	–219	(268)	0	0
EUR/CHF	–150	(183)	0	0
EUR/CZK	191	(–235)	0	0
EUR/PLN	–151	(185)	0	0
EUR/HKD	–899	(1,100)	0	0
EUR/CNY	–227	(277)	0	0
EUR/RUB	–42	(51)	0	0
	–3,998	**(4,887)**	**–1,128**	**(1,379)**

If, as at 31 December 2011, the euro had appreciated (depreciated) by 10 per cent against all other currencies, profit before taxes would have been € 1,335 thousand lower (€ 1,631 thousand higher).

The hypothetical effect on profit of minus € 1,335 thousand (plus € 1,631 thousand) is attributable to the following sensitivity to exchange rates:

€ '000	Effect on profit before taxes		Effect on equity	
EUR/USD	–675	(824)	–809	(989)
EUR/GBP	–307	(375)	0	0
EUR/CZK	326	(–399)	0	0
EUR/PLN	–118	(144)	0	0
EUR/HKD	–549	(671)	0	0
EUR/CNY	–2	(3)	0	0
EUR/RUB	–10	(13)	0	0
	–1,335	**(1,631)**	**–809**	**(989)**

Credit risk

SIMONA AG is exposed to credit risk as part of its operating activities. Financial assets outstanding – principally trade receivables – are monitored on a decentralised basis, i. e. by each legally separate company within the Group. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated with the help of trade credit insurance. On average, around 60 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy. Receivables exposed to probable credit risk are identified and monitored on a regular basis; credit risk relating to such items is accounted for by means of specific allowances on an item-by-item basis. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets.

Liquidity risk

In order to ensure solvency and maintain financial flexibility, the Group continuously monitors liquidity levels associated with operating activities as well as anticipated payments attributable to commitments arising from capital investment orders of the respective companies. Within this context, liquidity is identified and assessed with a separate tool.

Alongside cash and cash equivalents amounting to € 36.9 million, the SIMONA Group has undrawn borrowing facilities of € 8.5 million. The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of bank overdrafts and loans.

As at 31 December 2012, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	3,812	66	0	3,878
Trade payables	11,266	0	0	11,266
Other liabilities and deferred income	9,299	118	0	9,417
Financial liabilities	**24,377**	**184**	**0**	**24,561**

As at 31 December 2011, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows.

in € '000	Up to 1 year	2-5 years	More than 5 years	Total
Financial liabilities	547	5,031	0	5,578
Trade payables	11,223	0	0	11,223
Other liabilities and deferred income	11,217	0	0	11,217
Financial liabilities	**22,987**	**5,031**	**0**	**28,018**

As in the previous financial year, at 31 December 2012, there were no foreign exchange forward contracts that would result in amounts due to the entity or payment obligations.

The market valuation of interest rate swaps resulted in a net payment obligation of € 78 thousand (prev. year: € 123 thousand).

As in the previous financial year, at 31 December 2012, there were no currency options that would result in amounts due to the entity or payment obligations.

Capital management

The primary objective of capital management within the Group is to ensure a high credit rating and maintain a healthy equity ratio.

The Group manages its capital structure and makes adjustments in response to changing economic conditions where such action is deemed appropriate.

[29] FINANCIAL INSTRUMENTS

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

		Carrying amount		Fair value	
in € '000		**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
Non-current financial assets					
Financial assets	HtM	23	23	23	23
Current financial assets					
Other financial assets	AfS	10,000	10,000	10,000	10,000
Cash and short-term deposits	LaR	47,928	46,366	47,928	46,366
Trade receivables	LaR	43,283	42,606	43,283	42,606
Financial liabilities					
Bank overdrafts	FLAC	0	0	0	0
Other current financial liabilities	FLAC	0	–32	0	–32
Loans	FLAC	–3,878	–5,008	–3,878	–5,008
Interest-rate swap	FLHfT	–78	–123	–78	–123
Trade payables	FLAC	–11,266	–11,223	–11,266	–11,223
Total by measurement category					
HtM		23	23	23	23
AfS		10,000	10,000	10,000	10,000
LaR		91,211	88,972	91,211	88,972
FLAC		–15,144	–16,263	–15,144	–16,263
FLHfT		–78	–123	–78	–123

(HtM = Held to Maturity, AfS = Available for Sale, LaR = Loans and Receivables, FLAC = Financial Liabilities Measured at Amortised Cost, FLHfT = Financial Liabilities Held for Trading)

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

Short-term deposits held as Loans and Receivables (LaR) include fixed-term investments of € 10,994 thousand that are due between January and August 2013.

The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the statement of financial position, listed according to the respective measurement categories:

2012: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total
AfS	229	0	0	0	229
LaR	357	0	–486	–150	–279
HfT	0	44	0	0	44
FLAC	–312	0	0	0	–312
Total	**274**	**44**	**–486**	**–150**	**–318**

2011: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total
AfS	228	0	0	0	228
LaR	396	0	939	–430	905
HfT	0	35	0	0	35
FLAC	–368	0	0	0	–368
Total	**256**	**35**	**939**	**–430**	**800**

Hedging transactions

Cash flow hedging instruments

As at 31 December 2012 and 31 December 2011, the Group held no forward currency contracts.

At the reporting date, the Group had an interest-rate swap used for the purpose of hedging risk arising from changes in the cash flow of the floating-rate US dollar loan. The term is based on the underlying loan.

As at 31 December 2012 and 31 December 2011, the Group held no currency options.

The Group uses the following hierarchy for the purpose of determining and disclosing the fair values of financial instruments per measurement method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: methods for which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

Assets measured at fair value:

in € '000	as at 31 December 2012	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	10,000	0	10,000	0

The securities disclosed above are a bonded loan. The bonded loan is due on 10 May 2013 at the latest, but can be cancelled by the lender at any time. The bonded loan bears interest based on the six-month EURIBOR rate plus a floating premium. The floating premium amounted to 25 basis points and rises each half-year until it has reached 125 basis point at the end of maturity.

in € '000	as at 31 December 2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	10,000	0	10,000	0

Liabilities measured at fair value:

in € '000	as at 31 December 2012	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	78	0	78	0

in € '000	as at 31 December 2011	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss				
Interest-rate swap	123	0	123	0

[30] OTHER INFORMATION

Subsidiaries

Alongside SIMONA AG as the parent, the consolidated financial statements include the following entities. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

OWNERSHIP INTEREST

	in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom	100.0
SIMONA S.A.S., Domont, France	100.0
SIMONA S.r.l., Vimodrone, Italy	100.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0
SIMONA FAR EAST Ltd., Hong Kong, China	100.0
SIMONA AMERICA Inc., Hazleton, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd. Shanghai, China	100.0
SIMONA ASIA Ltd., Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0
DEHOPLAST POLSKA, Sp.z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
OOO SIMONA RUS, Moscow, Russian Federation	100.0

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

Financial assets

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

	Ownership interest	Equity 31/12/2011	Profit/loss 2011
Company	in %	€ '000	€ '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	14,969	348
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	6,906	528

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.7. SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH is not included in the consolidated financial statements because the assets of this entity may be utilised solely for funding purposes in respect of SIMONA Sozialwerk GmbH and thus remain outside SIMONA AG's scope of economic control.

The interests in SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are accounted for at book value, as the fair value is not reliably determinable. The book values of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are € 10 thousand and € 13 thousand respectively.

Average number of staff employed in the financial year:

GROUP

	2012	2011
Industrial staff	723	725
Clerical staff	478	473
	1,201	**1,198**
School-leaver trainees (apprentices)	46	50
Total number of employees	**1,247**	**1,248**

Contingent liabilities and other financial commitments

No provisions were recognised for the following contingent liabilities, carried at their nominal amounts, because the probability of the occurrence of risk is considered to be low.

in € '000	31/12/2012	31/12/2011
Other financial commitments		
Commitments from operating rental and lease agreements		
Due within:		
1 year	955	1,391
2 – 5 years	1,219	2,285
after 5 years	0	0
	2,174	**3,676**
Purchase commitments arising from investment projects	**10,453**	**5,677**

Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2012 on 8 March 2013.
It has been made permanently available to shareholders on its corporate website at www.simona.de.

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

As at 22 June 2012 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,860 shares; this corresponds to approx. 11.81 per cent of the share capital of SIMONA AG. The members of the Supervisory Board reported holdings of 1,495 shares, which corresponds to 0.25 per cent of share capital.

In accordance with Section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG. In the period under review, the company was notified of no such transaction.

Audit fees

The total fees invoiced by the independent auditor of SIMONA AG were € 278 thousand. These fees were attributable to the following items: year-end audit € 127 thousand, tax consulting services € 44 thousand and other services € 107 thousand.

Events after the reporting period

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

Kirn, 28 March 2013
SIMONA Aktiengesellschaft

The Management Board

Group Statement of Cash Flows of SIMONA AG for the 2012 Financial Year

in € '000	Notes	01/01 – 31/12/2012	01/01 – 31/12/2011
Profit before taxes		14,766	20,721
Income taxes paid		–4,022	–4,135
Interest expense/income	[11]	–346	–267
Amortisation of intangible assets and depreciation of property, plant and equipment	[15], [16]	11,436	11,931
Other non-cash expenses and income		95	–1,389
Change in pensions	[23]	1,050	1,068
Result from disposal of non-current assets	[16]	–99	254
Change in inventories	[17]	351	–6,768
Change in trade receivables	[18]	–677	–761
Change in other assets		591	3,601
Change in liabilities and other provisions		–1,844	–833
Net cash from operating activities		**21,301**	**23,422**
Investments in intangible assets and property, plant and equipment	[15], [16]	–13,675	–12,689
Payments for the acquisition of interests in subsidiaries		0	–94
Proceeds/payments relating to the short-term financial management of cash investments		9,233	–20,227
Proceeds from the disposal of non-current assets		113	215
Net cash used in investing activities		**–4,329**	**–32,795**
Repayment of financial liabilities		–1,034	–280
Dividend paid to owners of the parent company	[14]	–5,700	–3,900
Dividend paid to non-controlling interests		0	–15
Interest received		586	624
Interest paid		–284	–392
Net cash used in financing activities		**–6,432**	**–3,963**
Effect of foreign exchange rate changes on liquidity	[26]	287	167
Change in cash and cash equivalents	[26]	**10,827**	**–13,169**
Cash and cash equivalents at 1 January	[26]	26,107	39,276
Cash and cash equivalents at 31 December	[26]	36,934	26,107
Change in cash and cash equivalents	[26]	**10,827**	**–13,169**

Group Statement of Changes in Equity of SIMONA AG for the 2012 Financial Year

in € '000	Notes	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			
		Issued capital		Capital reserves	Revenue reserves
		Share capital	Total		Legal reserve
		[21]			
Balance at 01/01/2011		15,500	15,500	15,274	397
Amount recognised directly in equity		0	0	0	0
Profit for the period		0	0	0	0
Total comprehensive income for the period		**0**	**0**	**0**	**0**
Dividend payment	[14]	0	0	0	0
Distribution to non-Group parties		0	0	0	0
Other changes		0	0	0	0
Balance at 31/12/2011		**15,500**	**15,500**	**15,274**	**397**
Balance at 01/01/2012		15,500	15,500	15,274	397
Amount recognised directly in equity		0	0	0	0
Profit for the period		0	0	0	0
Total comprehensive income for the period		**0**	**0**	**0**	**0**
Appropriations to other revenue reserves		0	0	0	0
Dividend payment	[14]	0	0	0	0
Distribution to non-Group parties		0	0	0	0
Other changes		0	0	0	0
Balance at 31/12/2012		**15,500**	**15,500**	**15,274**	**397**

				Other reserves	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Statutory reserves	Other revenue reserves	Accumulated profit for the period	**Total**	Currency translation differences		
				[21]		
2,847	92,417	35,764	131,425	–260	272	162,211
0	0	0	0	215	–24	191
0	0	16,177	16,177	0	62	16,239
0	**0**	**16,177**	**16,177**	**215**	**38**	**16,430**
0	0	–3,900	–3,900	0	0	–3,900
0	0	0	0	0	–15	–15
0	0	0	0	0	–94	–94
2,847	**92,417**	**48,041**	**143,702**	**–45**	**201**	**174,632**
2,847	92,417	48,041	143,702	–45	201	174,632
0	0	0	0	269	–19	250
0	0	11,442	11,442	0	57	11,499
0	**0**	**11,442**	**11,442**	**269**	**38**	**11,749**
0	4,204	–4,204	0	0	0	0
0	0	–5,700	–5,700	0	0	–5,700
0	0	0	0	0	0	0
0	0	0	0	0	0	0
2,847	**96,621**	**49,579**	**149,444**	**224**	**239**	**180,681**

Details of Shareholdings of SIMONA AG

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	€ '000	€ '000
Indirectly			
SIMONA S.A.S., Domont, France	100.0	2,940	392
SIMONA S.r.l., Vimodrone, Italy	100.0	401	2
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,599	385
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	113	9
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,187	54
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	7,205	–1,056
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,764	0
Directly			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	317	–55
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	977	–187
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,061	243
SIMONA Sozialwerk GmbH, Kirn (2011)	50.0	14,969	348
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2011)	50.0	6,906	528
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	3,188	247
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	15,208	1,488
SIMONA ASIA Ltd., Hong Kong, China	100.0	4,487	–459
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	508	128
OOO SIMONA RUS, Moscow, Russian Federation	100.0	–81	–39

Auditor's Report

We have issued the following audit opinion relating to the consolidated financial statements and Group management report:

"We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements – together with the Group management report for the financial year from 1 January to 31 December 2012. The legal representatives of the Company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a(1) HGB and give a true and fair view of the net assets, financial position and results of operations in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 30 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Grotenrath
German Public Auditor	German Public Auditor

Other Information

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

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the SIMONA Group, and the 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 SIMONA Group."

Kirn, 28 March 2013
SIMONA Aktiengesellschaft

The Management Board

Shareholdings of SIMONA AG

SIMONA AG, KIRN

SIMONA Beteiligungs-GmbH	Kirn, Germany	100.0 %
– **SIMONA S.A.S.**	Domont, France	100.0 %
– **SIMONA S.r.l.**	Vimodrone, Italy	100.0 %
– **SIMONA UK Ltd.**	Stafford, United Kingdom	100.0 %
– **SIMONA IBERICA SEMIELABORADOS S.L.**	Barcelona, Spain	100.0 %
SIMONA Sozialwerk GmbH	Kirn, Germany	50.0 %
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH	Kirn, Germany	50.0 %
SIMONA-PLASTICS CZ, s.r.o.	Prag, Czech Republic	100.0 %
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic	100.0 %
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland	100.0 %
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland	51.0 %
SIMONA AMERICA Inc.	Hazleton, USA	100.0 %
– **64 NORTH CONAHAN DRIVE HOLDING LLC**	Hazleton, USA	100.0 %
SIMONA FAR EAST Ltd.	Hong Kong, China	100.0 %
– **SIMONA ENGINEERING PLASTICS TRADING Co. Ltd.**	Shanghai, China	100.0 %
SIMONA ASIA Ltd.	Hong Kong, China	100.0 %
– **SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.**	Jiangmen, China	100.0 %
OOO SIMONA RUS	Moscow, Russian Federation	100.0 %

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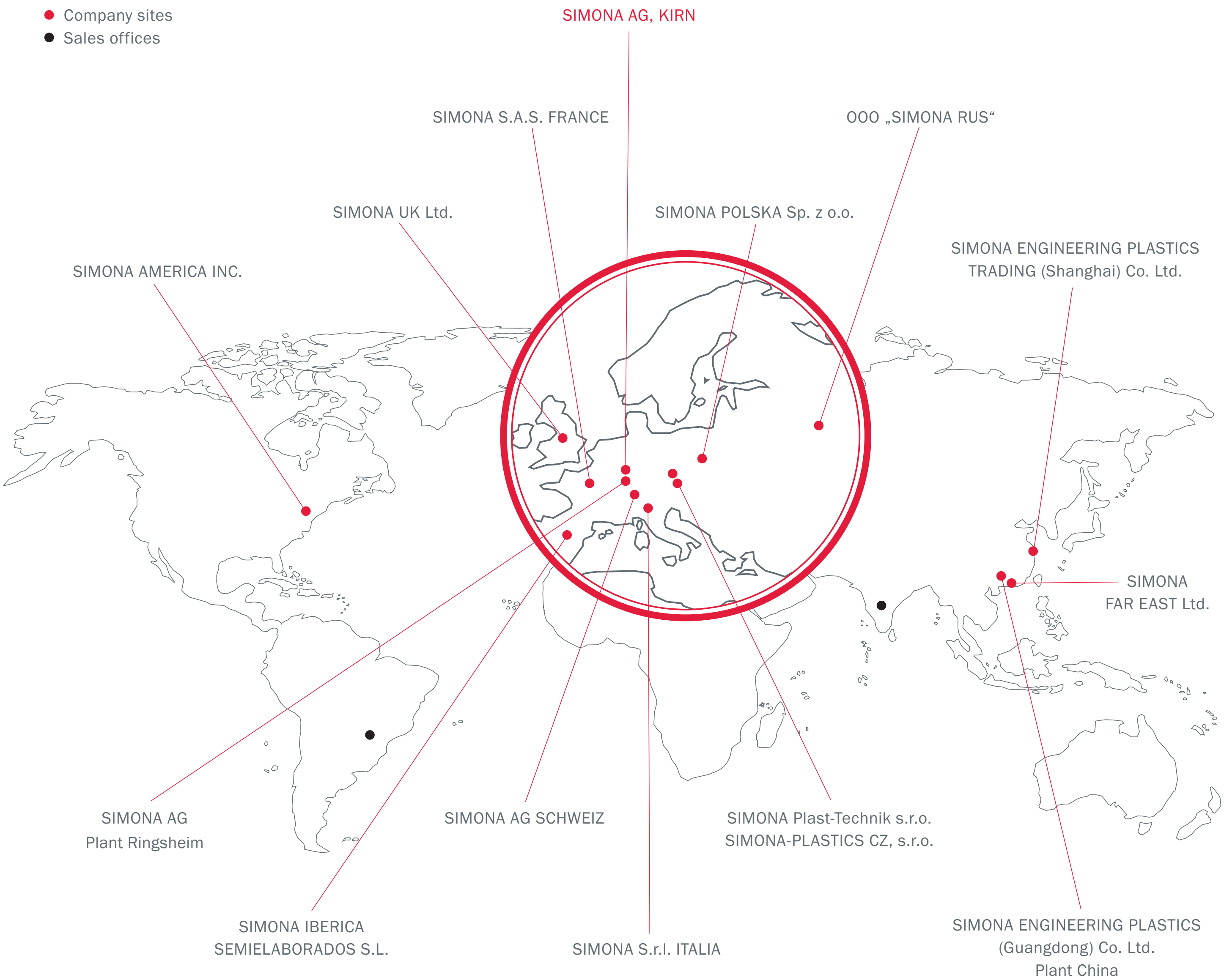
Financial Calendar 2013

SIMONA Group Consolidated Financial Statements and Financial Statements of SIMONA AG	24 April 2013
Annual Results Press Conference 2012 in Frankfurt	24 April 2013
Interim Announcement within the First Half of 2013	24 April 2013
Annual General Meeting in Kirn	7 June 2013
Group Interim Report for the First Half of 2013	7 August 2013
Interim Announcement within the Second Half of 2013	30 October 2013

SIMONA worldwide



SIMONA Product Categories

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