Financial Statements of SIMONA AG 2011

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Management Report of SIMONA AG

1. BUSINESS REVIEW

General economic situation

Economic recovery showed signs of faltering in the second half of 2011. Having already undergone a slowdown over the course of the second half of 2010, the economy as a whole was buffeted by further uncertainties following a surge in the price of oil at the beginning of 2011 and a severe earthquake in Japan in March. The sovereign debt crisis to have engulfed the eurozone led to a significant downturn in economic output throughout the established markets over the course of the second half of 2011. In parallel, the developing and emerging countries saw a slowdown in their rate of expansion due to less dynamic export business and a slight loss of impetus from the domestic economy. Economic growth in the United States, meanwhile, picked up slightly over the course of the year, but without actually producing significant forward momentum. According to data published by the International Monetary Fund (IMF), the global economy grew by 3.8 per cent in 2011. The IMF's latest forecast, issued in January, points to global economic growth of 3.25 per cent in 2012. Thus, its forecast published in September 2011 has been revised downwards significantly by 0.75 percentage points.

Germany continued on a path to recovery, with the domestic economy generating substantial growth in 2011. Adjusted for prices and working days, the gross domestic product (GDP) rose by 3.0 per cent (prev. year: 3.5 per cent). Having said that, the second half of 2011 saw a noticeable loss in momentum. The fourth quarter produced a decline of 0.2 per cent compared to the preceding quarter. However, compared with the fourth quarter of 2010, the German economy still grew by 1.5 per cent in the final three months of 2011.

In contrast to the situation in 2010, the principal stimuli for growth in the year under review came from the domestic markets. Private consumer spending rose by 1.5 per cent, the most pronounced increase in the last five years. Although foreign trade contributed less to economic growth than domestic demand in 2011, the volume of goods and services exported nevertheless grew by 8.2 per cent compared to 2010. Year-on-year growth recorded in 2010, by contrast, had stood at 15.9 per cent. Economic growth also benefited from a substantial increase in investment spending. Capital expenditure on machinery and equipment, for instance, rose by 8.3 per cent (prev. year: 9.4 per cent).

The macroeconomic climate in Europe, which constitutes the largest sales market of SIMONA, was dominated by the sovereign debt crisis. The economies in this region displayed divergent trends, with Germany again proving to be the driving force behind growth in 2011. The eurozone saw its gross domestic product rise by 1.5 per cent (prev. year: 1.7 per cent), while the EU27 registered growth of 1.6 per cent (prev. year: 1.8 per cent). Compared to the preceding quarter, both the eurozone and the EU27 were faced with a contraction in their economies of 0.3 per cent in the fourth quarter. Economic growth in the Middle East and North Africa also slowed down in the period under review – to 3.1 per cent (prev. year: 3.9 per cent).

SIMONA's key customer markets developed as follows: Production output in the German chemical industry rose by around 4 per cent in 2011, on the back of an 11 per cent increase in the previous year. For the first time, revenue generated by the industry as a whole moved beyond the threshold of € 180 billion, buoyed in particular by the effects of rising commodity prices. The second half of the year saw a significant slowdown in growth, with order intake being adversely affected by growing uncertainty within the market.

Germany's mechanical and plant engineering industry recorded further growth in 2011, thus maintaining its forward momentum from the previous year. Production rose by 14 per cent on the back of growth of 8.8 per cent in 2010. Non-European exports in particular provided significant stimulus in the year under review, with China, Russia, Brazil, India and the United States leading the way. Had it not been for a contraction in business of 1.9 per cent in December 2011, the sector as a whole would have recorded even stronger growth. Capacity utilisation continued to grow, up from 79.8 per cent in 2010 to 88.1 per cent in 2011.

After two difficult years, the exhibition and trade fair industry managed to generate growth over the course of 2011. In total, the 135 national trade fairs staged in Germany saw a 4 per cent increase in visitors. At the same time, the number of exhibitors rose by 3 per cent to approx. 159,000. Within this context, the overall number of foreign exhibitors increased by an above-average 4 per cent. Rented exhibition space increased by 2 per cent compared with the previous year.

The principal construction industry has projected nominal revenue growth of 12.5 per cent for 2011, which would represent its best performance since the beginning of the 1990s. Benefiting from the growing trend towards investments in property as a result of inflationary fears, the residential construction sector saw its business expand significantly (+14 per cent). The commercial construction sector also recorded considerable growth (+11 per cent). By contrast, the public-sector construction industry had to contend with a decline in orders by 3.9 per cent.

The plastics processing industry in Germany can look back on a record year. Revenue generated by this sector as a whole rose by 8.8 per cent on top of the buoyant year recorded in 2010. The volume of materials processed also expanded, up 10 per cent to 13.5 million tonnes. In contrast to the previous years, exports were not the principal growth driver within this industry. Although overseas trade in plastics again expanded significantly year on year (7.1 per cent), revenue generated from domestic sales rose by a more pronounced rate of 10 per cent. The export ratio contracted slightly to 35.0 per cent (prev. year: 35.7 per cent). All areas of the plastics processing industry recorded growth during the year under review. Revenue from plastic packaging rose by 9.0 per cent year on year to € 13.3 billion, while volume output was up 5 per cent to 4.3 million tonnes. Revenue from the sale of goods used for construction purposes increased by 4.6 per cent to € 11.3 billion, with the volume of goods supplied rising slightly to 3.2 million tonnes (prev. year: 3.0 million tonnes). Within the category of technical plastics, revenue increased by 10.8 per cent, with volumes processed rising by 27 per cent to 2.8 million tonnes. As regards the area of consumer and other plastic goods, total revenue increased by 9.8 per cent to € 18 billion.

Revenues and orders at SIMONA AG

Sales revenue generated by SIMONA AG rose by 14.0 per cent to € 265.1 million in the 2011 financial year (prev. year: € 232.5 million). This was driven mainly by the continued dynamism seen within the area on investment spending and buoyant export business with regard to customers operating in the chemical industry and in the mechanical engineering sector.

SIMONA has divided its market activities into three sales regions:

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

Business development in Germany

As a region, Germany accounted for a disproportionately large increase in sales revenue in the year under review. Customers within the chemical and mechanical engineering industries continued to invest in new equipment and machinery, as well as benefiting from solid exports, which had a positive impact on the company's business during the reporting period. Sales revenue rose by 15.6 per cent to € 104.6 million (prev. year: € 90.5 million).

Business development in Rest of Europe and Africa

Operating in an increasingly difficult economic arena, SIMONA was able to drive revenue forward yet again in Europe and Africa, taking the figure to € 140.3 million (prev. year: € 123.3 million). This corresponds to year-on-year growth of 13.8 per cent. Eastern Europe, in particular, produced above-average gains over the course of the year.

Business development in Asia, Americas and Australia

The region comprising Asia, Americas and Australia saw revenue increase by 8.0 per cent to € 20.2 million (prev. year: € 18.7 million).

Production

SIMONA develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts. 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 equipment and 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. In 2011, semi-finished parts (sheets, rods, welding rods) were manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts were produced at a facility in Ringsheim (Baden-Wuerttemberg).

Procurement

The first half of 2011 was dominated by a surge in prices for the full range of polymers. Within this context, polypropylene bore the brunt of price rises, reaching historic highs in May 2011. Growing anxiety within the financial markets had a dampening effect on the economy as a whole over of the course of the second half of the year. This was also particularly evident in the plastics sector and was reflected in commodity prices within this area. By the end of the period under review, they had retreated to below the levels seen at the beginning of the year. However, the raw materials markets as a whole remain nervous, which is reflected in more sudden and pronounced volatility in terms of commodity prices. By contrast, supply-side conditions stabilised over the course of 2011, with regard to both raw materials and additives. Benefiting from lower demand, many manufacturers took advantage of the favourable situation and built up inventories, thus improving their overall availability of stock.

Capital expenditure

Investments in intangible assets were attributable to software licences. Capital expenditure on property, plant and equipment totalling € 5.9 million was mainly directed at machinery and equipment (extruder, milling system) as well as IT equipment, a new telephone system at the headquarters in Kirn and vehicles. Investments in financial assets related to the increase in interests held in the production company SIMONA Plast-Technik s.r.o., Litvinov (Czech Republic) as well as loans granted to SIMONA AMERICA Inc., Hazelton (USA) and SIMONA ASIA Ltd., Hong Kong (China).

Employees

The overall headcount at SIMONA AG itself fell slightly to 899 (prev. year: 910), mainly as a result of staff downsizing at the underutilised Ringsheim plant. The average number of employees stood at 900 (prev. year: 912).

At the end of 2011, 54 young people – unchanged on the previous year – were enrolled in vocational programmes relating to one of seven technical and commercial training courses. Ten vocational trainees – of the 18 who completed their training in 2011 – were taken on as employees. Two vocational trainees opted for an integrated degree course offered by SIMONA in cooperation with the University of Applied Sciences Ludwigshafen. At 31 December 2011, six female members of staff were on parental leave.

SIMONA further extended its partnership with colleges in 2011, as well as stepping up its efforts to promote next-generation talent. The company introduced sponsorships with schools in the region for the purpose of raising the number of qualified applications for its vocational training programme. SIMONA also established its Talent Promotion Circle responsible for preparing high-calibre candidates for managerial roles in technical and administrative areas. This programme is supervised by senior management. Individual measures for advanced learning were defined as part of the annual staff appraisal meetings.

Within the area of information technology, the focus in 2011 was on an SAP release upgrade for the purpose of keeping the system up to date, the replacement and expansion of all security components, the installation of a new telephone system at the headquarters in Kirn and improvements to the failure safety of the company's servers by means of virtualisation.

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 can be prepared in accordance with statutory requirements despite possible risks. The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions 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 financial reporting process
- Monitoring of financial reporting process and any findings therefrom at Management Board level
- Preventative measures of control with regard to accounting
- 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

Quality is of essential relevance not only to our entire product range but also to our business processes. With this in mind, the key objective of SIMONA's quality management system is to safeguard and optimise the company's product and process quality on a continual and sustainable basis with the aim of meeting its customers' exacting requirements. 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 2011 financial year, the effective implementation of these management standards was again confirmed by successful re-certifications. The focal points during 2011 included an interdisciplinary quality circle and product audits, as well as various sampling and approval measures within the context of existing and new projects for the automotive industry.

Within the area of pipes and fittings, we again saw a number of country-specific product registrations in response to specific 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.

Alongside quality management and environmental management, we also fully incorporated the aspect of energy management within the integrated management system in the second half of 2011, the aim being to utilise existing synergies of these management standards to the best effect within the company. We introduced an energy management system in accordance with DIN EN ISO 50001 and appointed a dedicated Energy Management Officer to oversee these activities. 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. In 2012, a key target for the company will be to reduce energy consumption per manufactured kg. 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.

2. REVIEW OF FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS

Earnings performance

Gross profit rose from € 90.2 million to € 103.5 million. The gross profit margin stood at 39.1 per cent, slightly up on the previous year's figure (38.8 per cent).

Inventories of raw materials and finished goods were higher at the end of the year under review, not only in terms of volume but also with regard to value following the rise in commodity prices. In total, inventories expanded by € 3.7 million, despite higher valuation allowances relating to raw materials and finished goods.

Other operating income contracted by € 1.1 million to € 4.9 million.

Owing primarily to provisions for earnings-dependent bonuses as well as allocations to pension provisions, staff costs rose by a total of € 4.9 million to € 47.8 million.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled € 7.1 million, down € 0.8 million on the previous year.

At € 37.6 million, other operating expenses were slightly up on last year's figure (€ 36.2 million). As a result of more expansive business, the company recorded higher costs primarily within the area of outward freight, packaging and commissions. By contrast, expenses relating to maintenance, advertising, consulting and exchange rate fluctuations were lower in the period under review.

Result from ordinary activities rose by approx. 47 per cent, or € 4.3 million, to € 13.5 million. The EBT margin increased to 5.1 per cent (prev. year: 4.0 per cent).

Assets

Compared to the previous financial year, total assets reported by SIMONA AG rose by € 12 million, up from € 192 million to € 204 million.

Non-current assets totalled € 75.5 million, up on the figure recorded in the previous financial year (€ 73.4 million).

Property, plant and equipment declined by € 1.2 million to € 33.7 million, as additions to property, plant and equipment were more than offset by depreciation and write-downs.

Financial assets include an adjustment by € 4.3 million to the fair value at the end of the reporting period in connection with the investment in the US subsidiary.

In view of the continued expansion of business activities abroad, financial assets of € 9.0 million were made available to the Group companies in the United States and Asia. As regards the Czech production company, loans of € 4.7 million were converted as part of a capital increase and a total of € 1.5 million was extinguished in the period under review. In total, loans to subsidiaries rose by € 2.8 million.

Following the capital increase in the Czech Republic and the fair value adjustment in the US, interests in affiliated companies were up from € 20.0 million to € 20.4 million.

Inventories increased by € 3.7 million to € 29.7 million. They include raw materials totalling € 11.2 million and finished goods amounting to € 18.5 million.

Buoyed by revenue growth, trade receivables rose to € 23.6 million (prev. year: € 20.9 million). Receivables from affiliated companies declined in the period under review, mainly as a result of the reclassification from trade receivables to loans. In total, receivables and other assets stood at € 48.5 million at the end of the year, a year-on-year decline of € 3.0 million.

The company's cash resources of € 40.1 million (prev. year: € 30.7 million) mainly consist of bank deposits totalling € 20.2 million with a maturity between three months and one year.

Equity and liabilities

SIMONA AG's equity rose from € 136.5 million a year ago to € 141.0 million as at the end of the 2011 financial year. Standing at 69 per cent, the equity ratio was slightly down compared with the previous year as a result of the higher balance sheet total (prev. year: 71 per cent).

Total provisions rose from € 44.7 million to € 49.9 million. Allocations to provisions for pensions increased by € 2.5 million compared to the previous year and stood at € 35.3 million at the end of the reporting period. Other provisions totalled € 13.5 million. The year-on-year increase of € 1.6 million was attributable mainly to the recognition of additional staff-related provisions.

Total liabilities amounted to € 13.4 million (prev. year: € 10.6 million). Of this amount, € 6.0 million was attributable to trade payables, € 5.1 million to liabilities towards affiliated companies, which relate to goods deliveries concerning the subsidiary in Litvinov.

At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of € 6.0 million.

3. EXPECTED DEVELOPMENTS

Global economy with significant uncertainties

The growing uncertainties to have enveloped the economy since the second half of 2011 are likely to prove restrictive to global growth in 2012. The most severe risks currently emanate from the weaker economies within the eurozone. At the same time, loan restraint on the part of banks and the significant slowdown to have hit the Chinese construction sector are giving cause for concern. Although the majority of the forecasts seem to suggest that the global economy will manage to avoid recession, it appears that growth within this area will be sluggish. The International Monetary Fund anticipates global economic growth of 3.25 per cent, while the World Bank has published a figure of 3.6 per cent. The outlook for the euro area as a whole points to zero growth. For Germany, which returned to growth in the first quarter, the forecasts range from 0.5 per cent to 1.2 per cent. Economic growth in the United States is again likely to be relatively subdued at an estimated 1.8 per cent in 2012. The Asia/Pacific region as a whole is also expected to grow at a weaker rate. One of the major risks is that associated with a downward spiral prompted by a possible bursting of the Chinese property bubble. More than one-eighth of China's GDP was invested in real estate in 2011. China is preparing itself for a slowdown in economic growth and has set itself a target of 7.5 per cent for 2012, the lowest growth target in eight years.

The plastics processing industry expects business to even out at a high level. In total, 86 per cent of companies anticipate growing or at least stable sales revenues. At the beginning of the year, however, order reach calculated in weeks and capacity utilisation were still well down on last year's figures. As a result of elevated commodity prices, there is also a much higher proportion of companies anticipating a decline in earnings.

Faced with a much more challenging market environment in 2012, SIMONA AG will be looking to generate revenue in excess of € 260 million. Within this context, the main impetus is likely to come from sales regions outside Europe. Latin America, Asia/Pacific, India and Russia have been targeted as regions that are to generate above-average growth. Demand for plastics remains high in these regions, particularly with regard to chemical tank and apparatus engineering and environmental technology. Having established a subsidiary in Russia and occupied market-focused positions, SIMONA has managed to extend its market presence in these regions. However, growth within these regions will depend to a large extent on the prevailing economic climate, which as yet remains plagued by uncertainty. At the same time, investment activities by export-oriented customers operating in the mechanical engineering and chemical industry throughout Europe will be a key factor when it comes to achieving the Group's growth targets. The piping systems division is expected to make gains mainly within the area of high-end applications for industrial processes, while business relating to classic civil engineering applications is likely to be more restrained.

Commodity prices are expected to rise significantly up until mid-2012. SIMONA has already been forced to announce price rises for specific product groups. SIMONA AG is looking to achieve an EBIT margin of 5 per cent in 2012.

Owing to the uncertainties associated with the sovereign debt crisis in Europe and thus also the unpredictability of the global economy, together with the significant volatility seen within the commodity markets, it is extremely difficult to predict the likely direction for 2013. Given the favourable growth opportunities in the defined markets outside Europe and the strategy of generating forward momentum in the core market of Europe by means of new applications, SIMONA is of the fundamental belief that it will also be able to chart a positive course beyond 2012.

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 IT-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. 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.

Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. In 2011, the focus of risk management was mainly on commodity price risks. Over the course of the first half of the year the market as a whole was dominated by significant volatility as a result of short-term contracts and spiralling prices. Benefiting from a refined price management system, SIMONA is better placed to pass on commodity price increases, insofar as this is practicable within the market. Commodity price risk will continue to be a key factor in earnings performance over the course of 2012. Sector-specific risks are likely to remain a focal point of risk management during 2012.

As regards receivables, the risk of default is mitigated by means of extensive credit rating checks in the case of new accounts and ongoing assessments of the credit ratings of existing customers. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of overdue 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.

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.

At the end of the 2011 financial year, we are of the opinion that the overall risk situation for the company remains unchanged from that of the previous year.

4. OTHER INFORMATION

Research and development

SIMONA pursues product development at various levels. Our Technical Service Centre is responsible for reviewing customer requirements and refining existing products by making well-judged alterations to polymer properties, e.g. by changing the basic formula. The New Products & Applications unit works in close collaboration with our product management to test new materials and develop plastics for new fields of application. The area will take on an even more active role within the context of our new "Safety and Environment" strategy.

Over the course of 2011, we extended our product range of SIMONA® hollow rods to include new sizes and dimensions. Black hollow rods made of PE 100 are now available in a length of 2,000 mm with an outer diameter of between 110 and 810 mm. The company is also able to supply customised sizes within this area. Owing to their geometry, SIMONA® hollow pipes are particularly suited to machining on CNC lathes and provide significant material and cost savings compared to solid rods. They combine excellent chemical resistance with high strength and rigidity, as well as being very easy to process. In view of their UV stability, they are suitable for permanent use in outdoor applications.

In the area of polyolefins, the colour of foamed sheets made of polypropylene (PP-FOAM) was modified and the density reduced in order to make this product suitable for peripheral applications in the area of plant engineering.

The company conducted initial tests for the manufacture of pressed sheets made of E-CTFE. Providing a USP for SIMONA, this solution is to be developed to serial production level and rolled out within a market segment focusing on challenging applications in the chemical tank and plant engineering industry.

The piping systems division extended its SIMOFUSE® range, a joining method initially developed for wastewater management in non-pressurised systems, to include pressurised wastewater applications and industrial piping systems. The product portfolio has an inspection certificate issued by MPA Darmstadt. In the period under review, SIMONA also developed a multilayer pipe with a coextruded, wear-resistant interior skin that meets the strength requirements specified under DIN 8075. Designed for the transport of substances containing solids, the new multilayer pipe is ready for market launch.

Research and development expenses are mainly comprised of staff costs, material costs and depreciation/amortisation 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.

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 Hans-Werner Marx, Chairman of the Supervisory Board, as well as the Supervisory Board members Dr. Rolf Gößler and Roland Frobel. 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.

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. Total compensation for the Management Board amounted to € 1,512 thousand (prev. year: € 1,553 thousand). Total compensation comprises € 839 thousand (prev. year: € 1,034 thousand) in fixed-level compensation and € 673 thousand (prev. year: € 519 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. 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 € 406 thousand (prev. year: € 592 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 8,164 thousand as at 31 December 2011 (prev. year: € 7,756 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 1 July 2011 no such resolution for variable compensation components was passed for the 2011 financial year. Supervisory Board compensation for 2011 amounted to € 95 thousand (prev. year: € 102 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.

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.

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

As at 31 December 2011, 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 2011 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.

A 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), a 15.0 per cent interest by Kreissparkasse Biberach (Biberach), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 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 1 July 2011, members of the Management Board reported a total holding of 69,826 own shares; this corresponds to 11.64 per cent of the share capital of SIMONA AG. According to the notification of 1 July 2011, members of the Supervisory Board held a total of 1,689 shares. This corresponds to 0.28 per cent of total 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 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.

Events after the reporting period

There were no events of material significance to the state of affairs of SIMONA AG in the period between the end of the 2011 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.

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 SIMONA AG.

Kirn, 30 March 2012
SIMONA Aktiengesellschaft

The Management Board

Financial Statements

Income Statement of SIMONA AG

in € '000		01/01 - 31/12/2011	01/01 - 31/12/2010
1. Revenue		265,089	232,465
2. Increase (prev. year: decrease) in finished goods inventories		1,683	–1,470
3. Other operating income of which from currency translation €1,030 thousand (prev. year: €1,767 thousand)		4,943	6,042
		271,715	**237,037**
4. Cost of materials			
a) Cost of raw materials and supplies	–161,001		–141,800
b) Cost of services purchased	–558		–472
		–161,559	**–142,272**
5. Staff costs			
a) Wages and salaries	–37,499		–35,237
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions €2,932 thousand (prev. year: €755 thousand)	–10,306		–7,715
		–47,805	**–42,952**
6. Depreciation, amortisation and write-downs of property, plant and equipment as well as intangible assets		–7,077	–7,897
7. Other operating expenses of which from currency translation €531 thousand (prev. year: €892 thousand)		–37,571	–36,167
8. Income from long-term equity investments of which from affiliated companies €950 thousand (prev. year: €748 thousand)		950	748
9. Other interest and similar income of which from affiliated companies €560 thousand (prev. year: €422 thousand)		1,168	745
10. Write-downs of financial assets		–4,300	0
11. Interest and similar expenses of which from discounting €1,892 thousand (prev. year: €0)		–1,978	–44
12. Result from ordinary activities		**13,543**	**9,198**
13. Extraordinary income		0	121
14. Extraordinary expenses		0	–8,419
15. Extraordinary result		**0**	**–8,298**
16. Taxes on income of which income/expense from changes in recognised deferred taxes €0 (prev. year: €0)		–4,945	–2,268
17. Other taxes		–190	–299
18. Net profit for the year (prev. year: net loss)		**8,408**	**–1,667**
19. Unappropriated retained earnings brought forward		10,282	15,549
20. Dividend distribution		–3,900	–3,600
21. Allocation to other revenue reserves		–4,204	0
22. Unappropriated surplus		**10,586**	**10,282**

Balance Sheet of SIMONA AG

ASSETS

in € '000		31/12/2011	31/12/2010
A. Non-current assets			
I. Intangible assets			
Purchased industrial property rights and similar rights		377	378
II. Property, plant and equipment			
1. Land, land rights and buildings	13,184		14,230
2. Technical equipment and machinery	12,119		13,816
3. Other equipment, operating and office equipment	4,900		4,987
4. Prepayments and assets under construction	3,459		1,793
		33,662	**34,826**
III. Financial assets			
1. Investments in affiliated companies	20,417		20,019
2. Loans to affiliated companies	20,980		18,138
3. Other long-term equity investments	23		23
		41,420	**38,180**
		75,459	**73,384**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	11,166		8,663
2. Finished goods and merchandise	18,527		17,294
		29,693	**25,957**
II. Receivables and other assets			
1. Trade receivables	23,605		20,882
2. Receivables from affiliated companies	18,418		21,184
3. Receivables from other long-term investees and investors	69		62
4. Other current assets	6,427		9,423
		48,519	**51,551**
III. Securities		10,000	10,000
IV. Cash in hand and bank balances		40,055	30,673
C. Prepaid expenses		559	268
Total assets		**204,285**	**191,833**

EQUITY AND LIABILITIES

in € '000		31/12/2011	31/12/2010
A. Equity			
I. Subscribed capital		15,500	15,500
II. Capital reserves		15,032	15,032
III. Revenue reserves			
1. Legal reserve	397		397
2. Statutory reserves	2,847		2,847
3. Other revenue reserves	96,621		92,417
		99,865	**95,661**
IV. Unappropriated surplus		10,586	10,282
		140,983	**136,475**
B. Provisions			
1. Provisions for pensions	35,348		32,843
2. Provisions for taxes	1,124		72
3. Other provisions	13,476		11,827
		49,948	**44,742**
C. Liabilities			
1. Trade payables	6,019		5,487
2. Liabilities to affiliated companies	5,148		0
3. Liabilities to other long-term investees and investors	0		3
4. Other liabilities	2,187		5,126
of which taxes €329 thousand (prev. year: €2,055 thousand)			
of which relating to social security €746 thousand (prev. year: €1,087 thousand)			
		13,354	**10,616**
Total equity and liabilities		**204,285**	**191,833**

Notes to Financial Statements of SIMONA AG

GENERAL INFORMATION

These financial statements have been prepared in accordance with Section 242 et seq. and Section 264 et seq. of the German Commercial Code (Handelsgesetzbuch – HGB) as well as on the basis of the relevant provisions set out in the Stock Corporation Act (Aktiengesetz – AktG) and the supplementary accounting requirements of the Articles of Association. In this case, regulations governing large corporations apply.

The income statement has been prepared on the basis of the nature of expense method.

ACCOUNTING POLICIES

The following accounting policies, which remain largely unchanged compared with the previous year, have been used in preparing the annual financial statements:

Purchased **intangible assets** are recorded at their cost of acquisition and, to the extent that their useful lives are finite, their carrying amount is appropriately reduced by systematic amortisation.

Property, plant and equipment are initially recorded at cost of purchase or cost of conversion and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic depreciation. Assets relating to property, plant and equipment are written down according to their estimated useful lives. Depreciation on additions to property, plant and equipment is performed pro rata temporis.

In the case of **financial assets**, equity interests are carried at the lower of cost or fair value, while loans are recognised at their nominal value.

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

Inventories have been capitalised at the lower of average historical cost or current cost at the reporting date.

Raw materials and finished goods were measured on the basis of the LIFO method. The differences in these amounts to those resulting from measurement on the basis of the exchange price or the market price at the balance sheet date have been presented as part of the explanatory notes.

The inventories associated with consumables have been capitalised at the lower of average historical cost or current cost at the balance sheet date.

Finished goods have been 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, direct labour and special production costs, this item also includes production and material overheads as well as depreciation.

As in the previous year, all other items held in inventories are stated at the lower of purchase or replacement cost at the balance sheet date.

All identifiable risks associated with **inventories**, relating to holding periods in excess of average duration, diminished usability and lower replacement costs, are recognised by an appropriate write-down.

Receivables and other assets are carried at their nominal values. All items subject to risk are written down on an item-by-item basis; where items are subject to a general credit risk, a general allowance is recognised. Non-interest-bearing other assets with a term of more than one year have been discounted.

Securities held as current assets are recognised at cost or, where applicable under Section 253(4) HGB, at the lower carrying amount on the basis of the exchange price or the market price at the reporting date.

The **provisions for pensions and similar obligations** are determined by means of the projected unit credit method on the basis of “Richttafeln 2005 G” (actuarial mortality assumptions). As regards the discount rate, an average market interest rate of 5.14 per cent was applied on the basis of a remaining term of 15 years in accordance with the Ordinance on the Discounting of Provisions (Rückstellungsabzinsungsverordnung) of 18 November 2009. Expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling was accounted for with an interest rate of 2.00 per cent and expected pension increases with 1.87 per cent.

Tax and other provisions were created with reference to liabilities, the timing or amount of which were uncertain at the end of the reporting period or in consideration of future losses on pending transactions. They were recognised at the settlement amount deemed appropriate following a reasonable commercial assessment (i.e. including future cost and price increases). Provisions with a remaining term of more than one year were discounted.

Liabilities are stated at their settlement amount; to the extent that they are non-current and non-interest-bearing, they are recognised as liabilities at their present value.

For the purpose of determining **deferred taxes** arising from temporary or quasi-permanent differences between the accounting carrying amounts of the assets, liabilities and accruals/deferrals and the equivalent tax base, the amounts of resulting tax burden or benefit are measured, and not discounted, using the company-specific tax rates at the date of the reduction in differences. Deferred tax assets and deferred tax liabilities are netted. In accordance with the right to exercise the option in respect of recognition, deferred taxes are not capitalised.

CURRENCY TRANSLATION

In the financial statements of SIMONA AG, receivables and liabilities denominated in foreign currencies are translated using the mean spot exchange rate at the end of the reporting period. In the case of a remaining term of more than one year, the Realisation Principle (Section 252(1) no. 4 half sentence 2 HGB) and the Historical Cost Principle (Section 253(1) sentence 1 HGB) were observed accordingly.

NOTES TO BALANCE SHEET

Non-current assets

Changes to individual items classified as non-current assets have been presented in the statement of changes in fixed assets (page 25) together with details of depreciation and amortisation for the full financial year.

Non-scheduled write-downs apply to the carrying amount of the investment in SIMONA AMERICA Inc., Hazleton, USA.

Details of shareholdings

Please refer to page 26 for further details of shareholdings.

Loans to affiliated companies

This item includes loans to SIMONA ASIA Ltd. (€11,488 thousand), SIMONA AMERICA Inc. (€8,592 thousand) and SIMONA Plast-Technik s.r.o. (€900 thousand). The loans bear interest based on standard market terms.

Inventories

Inventories of raw materials and finished goods are measured on the basis of the LIFO method. The LIFO measurement of inventories entails the classification of inventories into appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method amounted to €11,829 thousand.

Receivables and other assets

All receivables and other assets have maturities of under one year.

The receivables from affiliated companies relate to trade receivables as well as financial loans. The total amount of loans with a remaining term of more than one year was €1,988 thousand (prev. year: €4,098 thousand).

In connection with the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG), the company capitalised its entitlement to the payment of the corporation tax credit (€3,923 thousand) and reported this item under other assets. The respective instalments are due between 2012 and 2017. Additionally, other assets primarily include sales tax receivables amounting to €648 thousand as well as receivables in respect of energy tax totalling €714 thousand. Furthermore, reimbursement rights (€267 thousand) have been recognised as assets in relation to the ”Bundesagentur für Arbeit“, as the conditions for reimbursement have been met under AltTZG and have been documented on the basis of an Official Notice. The total amount of other assets with a remaining term of more than one year was €3,313 thousand (prev. year: €3,852 thousand).

Securities

The securities disclosed above are a bonded loan. A bonded loan was taken out on 10 May 2010 and 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 points at the end of maturity. The securities are recognised at fair value in an amount of €10,000 thousand.

Other provisions

Other provisions mainly relate to warranty obligations, obligations regarding partial employment for staff approaching retirement, anniversary emoluments, holiday pay, flexitime surpluses, management and staff bonus payments, maintenance outstanding, outstanding invoices as well as trade association fees.

Liabilities

With the exception of the following “other liabilities” detailed below, all liabilities are due within one year.

At the reporting date the company had an obligation arising from the increase in premiums for insolvency insurance relating to occupational pension provision. The remaining present value of the obligation is €134 thousand and is payable in two equal annual instalments between 2012 and 2013.

The total amount of liabilities due after one and prior to five years is €66 thousand.

All liabilities are unsecured.

Deferred taxes

Deferred taxes are not presented in the balance sheet, as the option provided under Section 274 HGB specifies that the excess of assets remaining after netting of deferred tax assets and deferred tax liabilities need not be recognised. Deferred tax liabilities result from valuation differences in the case of trade receivables due to unrealised foreign exchange gains. Deferred tax assets result mainly from differences in valuation and recognition relating to provisions for pensions and similar obligations as well as other provisions and non-current assets.

The amounts were computed on the basis of a tax rate of 29.13 per cent.

Contingencies

SIMONA AG, Kirn, issued absolute suretyships for the benefit of its subsidiaries SIMONA AMERICA Inc., Hazleton, USA, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2011, they amounted to €4,895 thousand in total.

SIMONA AG, Kirn, issued one guarantee each in respect of its subsidiaries SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China, SIMONA FAR EAST Ltd., Hong Kong, China, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2011, they amounted to €5,590 thousand in total.

SIMONA AG, Kirn, issued a Letter of Comfort for the subsidiary SIMONA UK Ltd., Stafford, United Kingdom, and for the subsidiary SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China. In accordance with these Letters of Comfort, the company is obliged to furnish the respective subsidiaries with sufficient financial resources so that they are in a position to meet their obligations.

SIMONA AG, Kirn, issued payment guarantees towards third parties concerning deliveries made to subsidiaries.

The risk of a contractual obligation arising from the suretyships and guarantees in respect of liabilities of affiliated companies as well as from the Letters of Comfort is considered to be improbable given the financial situation of the subsidiaries in question at the date of preparing the financial statements.

Other financial commitments

in € '000	
Commitments from rental and lease agreements	
Due 2012	552
Due 2013 – 2016	1,356
	1,908
Order commitments arising from investment orders	**5,677**

Related party transactions

SIMONA AG renders services to related-party entities in the normal course of business. These business transactions relating to the supply of goods and the rendering of services are always made at market prices.

NOTES TO INCOME STATEMENT

Revenue

	2011		2010	
	€ '000	%	€ '000	%
Domestic	104,576	39.4	90,475	38.9
Non-domestic	160,513	60.6	141,990	61.1
	265,089	**100.0**	**232,465**	**100.0**

	2011		2010	
	€ '000	%	€ '000	%
Semi-finished and finished parts	189,446	71.5	164,768	70.9
Pipes and fittings	75,643	28.5	67,697	29.1
	265,089	**100.0**	**232,465**	**100.0**

Other operating income

Other operating income includes income not attributable to the accounting period in connection with the reversal of provisions (€740 thousand), income from the disposal of property, plant and equipment (€42 thousand) as well as income from incoming payments attributable to receivables previously written off (€16 thousand).

Other operating expenses

Other operating expenses relate mainly to outward freight charges (€9,222 thousand), maintenance expenses (€7,933 thousand), expenses for packaging material (€5,641 thousand), legal and consulting costs (€1,309 thousand), cost of premises (€1,249 thousand), allocations to general allowances (€108 thousand) as well as losses from the disposal of assets (€116 thousand). Expenses not attributable to the accounting period relate mainly to the derecognition of receivables (€316 thousand).

Other interest and similar income

Other interest and similar income include interest income of €132 thousand attributable to prior financial years.

Taxes on income

Income taxes are attributable to earnings from ordinary activities in the financial year under review. Taxes on income include tax income of €6 thousand that relates to previous financial years.

OTHER INFORMATION

Governing bodies and compensation

Management Board

- Wolfgang Moyses, MBA, Diplom-Betriebswirt (Chairman)
- Dirk Möller, Diplom-Ingenieur (Deputy Chairman)
- Detlef Becker, Diplom-Kaufmann (until 9 December 2011)
- Fredy Hiltmann, Betriebsökonom (since 1 January 2012)

Supervisory Board

- Hans-Werner Marx, Kirn, Kaufmann (Chairman)
- Dr. Rolf Gößler, Bad Dürkheim
  Diplom-Kaufmann (Deputy Chairman)
  Other supervisory board mandates:
  Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen
  Managing Director of Dirk Rossmann GmbH, Burgwedel
  Other supervisory board mandates:
  Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main (since 23 March 2011)
  Member of the Advisory Board of Saxonia Holding GmbH, Wolfsburg (since 11 November 2011)
- Dr. Roland Reber, Stuttgart
  Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler, Maintenance Engineer/Fitter (Employee Representative, until 28 February 2012)
- Gerhard Flohr, Bergen, Maintenance Engineer/Fitter (Employee Representative, since 28 February 2012)
- Andreas Bomm, Schmidthachenbach, Maintenance Engineer/Fitter (Employee Representative, since 28 February 2012)

Total Management Board compensation

Total Management Board compensation for the 2011 financial year amounted to €1,512 thousand, of which €673 thousand was attributable to variable components.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€65 thousand) and remuneration for committee work performed by Supervisory Board members (€30 thousand). Total Supervisory Board compensation amounted to €95 thousand, itemised as follows:

in € '000	**2011**
Hans-Werner Marx	30.0
Dr. Rolf Gößler	25.0
Roland Frobel	20.0
Dr. Roland Reber	10.0
Bernd Meurer	10.0
	95.0

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to € 406 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2011, these amounted to € 5,011 thousand.

Employees

Average number of staff employed in the financial year:

	2011	2010
Industrial staff	550	556
Clerical staff	300	305
	850	**861**
School-leaver trainees (apprentices)	50	51
	900	**912**

Appropriation of profits

The Management Board proposes that the unappropriated surplus (“Bilanzgewinn”, i.e. the distributable profit) be appropriated as follows:

in € ’000	2011
Net profit for the year	8,408
Unappropriated retained earnings brought forward	6,382
Allocation to other revenue reserves in accordance with the Articles of Association	–4,204
Unappropriated surplus	**10,586**
Dividend (€9.50 per share)	–5,700
Carried forward to new account	**4,886**

The share capital amounts to €15,500,000 and consists of 600,000 bearer shares. Share capital is in the form of no-par-value shares (“Stückaktien”).

Corporate Governance Code Declaration pursuant to Section 161 of the Stock Corporation Act

In accordance with Section 161 AktG, the Company filed a Declaration of Conformity for 2011 on 9 March 2012. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Shareholdings pursuant to Section 21(1) WpHG

On 1 July 2011, the company disclosed in accordance with Section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that it had received notification of the following interests held in the company. The ownership interests are outlined below:

Voting rights in respect of SIMONA AG

in %	
Dr. Wolfgang und Anita Bürkle Stiftung, Kirn	30.79
Kreissparkasse Biberach, Biberach	15.00
Dirk Möller, Kirn	11.64
Regine Tegtmeyer, Seelze	11.41
Rossmann Beteiligungs GmbH, Burgwedel	10.10
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn	10.00

On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, notified the company in accordance with Section 21(1) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting rights in respect of SIMONA AG had exceeded the threshold of 15 per cent, 20 per cent, 25 per cent and 30 per cent of the voting rights on 13 May 2010 and that at this date its interest was 30.79 per cent (corresponding to 184,739 voting rights).

On 22 April 2010, Landkreis Biberach, Biberach, notified the company in accordance with Section 21(1) WpHG that its voting rights in respect of SIMONA AG had exceeded the threshold of 3 per cent, 5 per cent and 10 per cent on 29 November 2006 and that at this date its interest was 10.67 per cent (64,000 voting rights). Of these voting rights, 10.67 per cent (64,000 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entities under its control whose voting rights in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach.

On 22 April 2010, Landkreis Biberach, Biberach, notified the company in accordance with Section 21(1) WpHG that its voting rights in respect of SIMONA AG had exceeded the threshold of 15 per cent on 2 March 2010 and that at this date its interest was 15.0038 per cent (90,023 voting rights). Of these voting rights, 15.0038 per cent (90,023 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entities under its control whose voting rights in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach.

On 3 March 2010, Kreissparkasse Biberach, Biberach, notified the company in accordance with Section 21(1) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting rights in respect of SIMONA AG had exceeded the threshold of 15 per cent of voting rights on 2 March 2010 and that at this date its interest was 15.0038 per cent (corresponding to 90,023 voting rights).

On 20 June 2008, Rossmann Beteiligungs GmbH, Burgwedel, notified the company in accordance with Section 21(1) WpHG that its voting rights in respect of SIMONA AG had exceeded the threshold of 10 per cent on 16 June 2008 and that at this date its interest was 10.10 per cent (corresponding to 60,584 voting rights).

Group relationship

The separate financial statements are included in the consolidated financial statements of SIMONA AG, Kirn. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Audit and consulting fees

Professional fees accounted for as an expense in connection with the year-end financial audit amounted to €127 thousand, while fees attributable to tax consulting services amounted to €25 thousand and other services totalled €41 thousand.

Kirn, 30 March 2012
SIMONA Aktiengesellschaft

The Management Board

Statement of Changes in Fixed Assets of SIMONA AG

	Cost of purchase or conversion					Accumulated depreciation/amortisation				Net carrying amounts	
in € '000	01/01/ 2011	Additions	Disposals	Reclassi-fications	31/12/ 2011	01/01/ 2011	Additions	Disposals	31/12/ 2011	31/12/ 2011	31/12/ 2010
I. Intangible assets											
Purchased industrial property rights and similar rights	**7,451**	**145**	**662**	**27**	**6,961**	**7,073**	**159**	**648**	**6,584**	**377**	**378**
II. Property, plant and equipment											
1. Land, land rights and buildings	46,497	12	100	2	46,411	32,267	1,045	85	33,227	13,184	14,230
2. Technical equipment and machinery	119,093	1,613	3,601	1,032	118,137	105,277	4,301	3,560	106,018	12,119	13,816
3. Other equipment, operating and office equipment	65,739	1,579	4,550	–9	62,759	60,752	1,572	4,465	57,859	4,900	4,987
4. Prepayments and assets under construction	1,793	2,718	0	–1,052	3,459	0	0	0	0	3,459	1,793
	233,122	**5,922**	**8,251**	**-27**	**230,766**	**198,296**	**6,918**	**8,110**	**197,104**	**33,662**	**34,826**
III. Financial assets											
1. Investments in affiliated companies	29,251	4,698	0	0	33,949	9,232	4,300	0	13,532	20,417	20,019
2. Loans to affiliated companies	18,138	2,842	0	0	20,980	0	0	0	0	20,980	18,138
3. Other long-term equity investments	23	0	0	0	23	0	0	0	0	23	23
	47,412	**7,540**	**0**	**0**	**54,952**	**9,232**	**4,300**	**0**	**13,532**	**41,420**	**38,180**
	287,985	**13,607**	**8,913**	**0**	**292,679**	**214,601**	**11,377**	**8,758**	**217,220**	**75,459**	**73,384**

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	2,548	35
SIMONA S.r.l., Vimodrone, Italy	100.0	389	–28
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,188	241
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	104	78
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,143	289
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China	100.0	7,711	–1,128
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,818	0
Directly			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	362	–10
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	1,180	58
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	832	139
SIMONA Sozialwerk GmbH, Kirn (2010)	50.0	14,142	–135
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2010)	50.0	7,678	374
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	3,006	–632
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	15,885	4,120
SIMONA ASIA Ltd., Hong Kong, China	100.0	5,021	–293
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	411	127
OOO SIMONA RUS, Moscow, Russian Federation	100.0	–41	–66

Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, income statement and notes to the financial statements – in conjunction with the accounting records and management report of SIMONA Aktiengesellschaft, Kirn, for the financial year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law as well as supplementary accounting requirements set out in the Articles of Association are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements – having referred to the accounting records – and the management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code and in compliance with generally accepted German auditing standards 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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. An audit includes assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the accounting records, annual financial statements and management report. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 5 April 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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