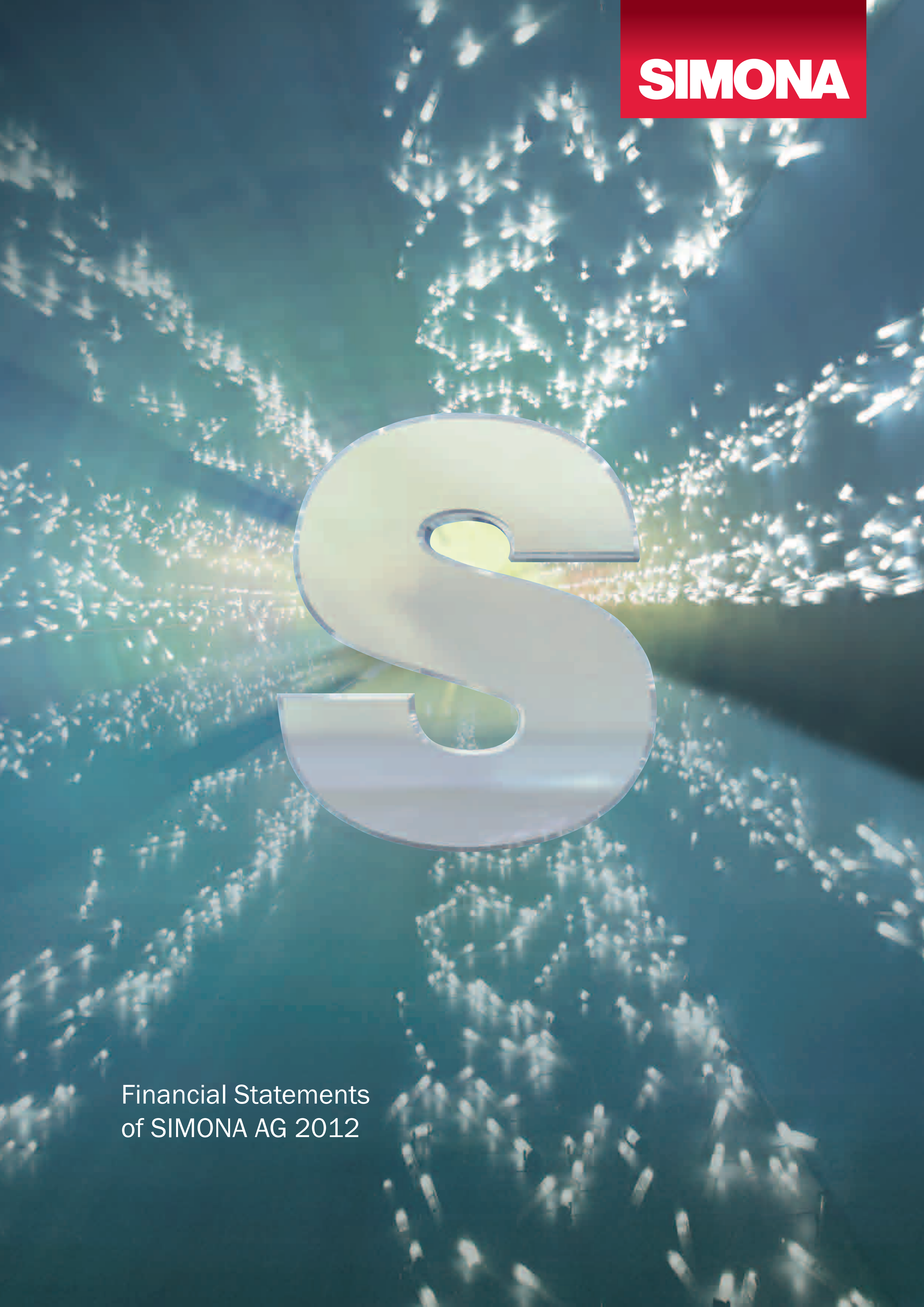

SIMONA

Financial Statements of SIMONA AG 2012

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1. BUSINESS REVIEW

General economic situation

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 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.

The key target markets in Germany developed as follows: the German chemical industry was buoyed by solid exports to non-European countries, as a result of which it succeeded in matching the previous 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 of 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 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 0.6 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 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 euro area as a whole.

Revenues and orders at SIMONA AG

Owing in particular to sluggish investment spending within the company's key sales markets, revenue generated by SIMONA AG in the financial year 2012 as a whole declined by 8.2 per cent to €243.4 million (prev. year: €265.1 million).

SIMONA has divided its market activities into three sales regions:

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

Business development in Germany

The region covering Germany saw a decline in sales revenue by 11.5 per cent to €92.6 million (prev. year: €104.6 million).

Business development in Rest of Europe and Africa

With economic conditions remaining difficult, SIMONA recorded sales revenue of €132.4 million (prev. year €140.3 million) in the region covering Rest of Europe and Africa. This was 5.6 per cent less than in 2011.

Business development in Asia, Americas and Australia

In total, the region comprising Asia, Americas and Australia saw revenue contract by 8.9 per cent to €18.4 million (prev. year: €20.2 million).

Production

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 parts are deployed mainly within the area of industrial 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. In 2012, semi-finished products (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

Raw material prices proved to be highly volatile in 2012. In fact, over the course of the first half of the year commodity prices edged up to the record levels seen in the previous year, having stabilised temporarily towards the end of 2011. Against the backdrop of a severe downturn in the economy after the first four months of 2012 and the collapse in May 2012 of a bullish market previously fuelled in particular by inflated prices for input products, the commodity markets were faced with a rapid plunge in prices. Indeed, polymer prices nosedived by up to 30 per cent over this period. Having bottomed out in August, prices spiralled upwards over a period of just three months to return to the highs seen in the first half. Trending just slightly weaker in the subsequent period, they remained at a high level until the end of the year. Despite a concomitant shortage in volumes within some areas, supplies were safeguarded throughout the year. This is also attributable to ever closer collaboration with manufacturers in the supply chain.

Capital expenditure

Investments in intangible assets were attributable to software licences. Capital expenditure on property, plant and equipment totalling €11.7 million was mainly directed at land and buildings (distribution warehouse), machinery and equipment (extruder, smoothing calender, silo system and tools) as well as vehicles and fork-lift trucks. Investments in financial assets were related to loans granted to SIMONA AMERICA Inc., Hazleton, USA, and SIMONA ASIA Ltd., Hong Kong, China.

Employees

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 stood at 878 (prev. year: 900).

At the end of 2012, 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, seven 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.

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 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

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.

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.

2. REVIEW OF FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS

Earnings performance

Gross profit fell from €103.5 million to €99.5 million. The gross profit margin stood at 40.9 per cent, which was higher than the figure of 39.1 per cent recorded a year ago, primarily as a result of the slightly more pronounced reduction in the cost of materials relative to the decline in revenue.

Inventories of raw materials remained largely unchanged year on year in terms of volume and only slightly higher with regard to value. At the end of the year under review, inventories of finished goods were lower both in respect of volume and value, falling by €1.1 million regardless of higher raw material prices. In total, inventories decreased by €0.7 million, which was attributable in part to higher valuation allowances relating to raw materials and finished goods.

Other operating income rose by €0.7 million to €5.6 million, primarily as a result of higher income from the reversal of provisions.

Due to the reduced headcount and lower allocations to provisions for earnings-dependent bonuses, staff costs fell by €2.3 million in total to €45.5 million.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled €6.0 million, down €1.0 million on the previous year.

At €35.3 million, other operating expenses were lower than the figure of €37.6 million recorded in the previous financial year. As a result of the downturn in business, the company saw a reduction in costs associated with outward freight, packaging and travel. By contrast, expenses attributable to maintenance, advertising and consulting as well as exchange rate fluctuations were higher in the period under review.

Earnings before taxes (EBT) rose by 17.5 per cent or €2.4 million to €15.9 million, primarily as a result of lower staff costs and other operating expenses in the period under review. Additionally, the previous year's figure had included a write-down attributable to financial assets. The EBT margin increased to 6.5 per cent (prev. year: 5.1 per cent).

Assets

Compared to the previous financial year, total assets reported by SIMONA AG rose by €9 million, up from €204 million to €213 million.

Non-current assets totalled €88.8 million (prev. year: €75.5 million).

Property, plant and equipment increased by €5.4 million to €39.0 million, which was mainly attributable to additions in the area of land and buildings as well as technical equipment and machinery.

Investments in affiliated companies remained unchanged year on year at €20.4 million.

For the purpose of financing the continued expansion of business activities abroad, financial assets of €9.0 million were made available to Group companies in the United States and Asia. In 2012, loans of €0.9 million granted to the subsidiary in Litvinov, Czech Republic, were offset against trade accounts payable. In total, loans to subsidiaries thus increased by €8.0 million.

Inventories were down slightly by €0.7 million to €29.0 million. They include raw materials totalling €11.6 million and finished goods amounting to €17.4 million.

In line with more subdued business over the course of 2012, trade receivables fell to €23.2 million (prev. year: €23.6 million), i.e. at a slower rate relative to the decline in revenue. Receivables from affiliated companies increased slightly by €0.7 million to €19.1 million. In total, receivables and other assets stood at €49.2 million at the end of the year, a year-on-year increase of €0.7 million.

The company's cash resources of €35.8 million (prev. year: €40.1 million) mainly consist of bank deposits totalling €11.0 million with a maturity between three months and one year.

Equity and liabilities
SIMONA AG's equity rose from €141.0 million a year ago to €146.7 million as at the end of the 2012 financial year. At 69 per cent, the equity ratio remained unchanged on the previous year's figure, which was due to the higher balance sheet total (prev. year: 69 per cent).

Total provisions rose slightly from €49.9 million to €50.5 million. Allocations to provisions for pensions were increased by €2.3 million compared to the previous year and stood at €37.7 million at the end of the reporting period. Other provisions totalled €11.2 million. The year-on-year reduction by €2.3 million was attributable mainly to lower allocations made to staff-related provisions.

Total liabilities amounted to €16.0 million (prev. year: €13.4 million). Of this amount, €7.5 million was attributable to trade payables and €2.4 million to liabilities towards affiliated companies, which relate to goods deliveries concerning the subsidiary in Litvinov.

Bank borrowings amounted to €3.8 million and relate to the assumption of a foreign-currency bank loan of US$ 5.0 million from a subsidiary.

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

3. 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 eurozone 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. Operating against this background, SIMONA AG has set itself ambitious goals and will be targeting sales revenue of just over €250 million in 2013, with an EBIT margin of close to 4.5 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 €230 and 240 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 €260 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.

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.

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 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 financial 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.

4. OTHER INFORMATION

Research and development

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.

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. Total compensation for the Management Board amounted to €1,853 thousand in the financial year under review (prev. year: €1,512 thousand). Total compensation comprised €1,118 thousand (prev. year: €839 thousand) in fixed-level compensation and €735 thousand (prev. year: €673 thousand) in bonus payments. 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 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 €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: €8,164 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 of Shareholders 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 €107 thousand (prev. year: €95 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 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 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 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.

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, 28 March 2013
SIMONA Aktiengesellschaft

The Management Board

Financial Statements

Income Statement of SIMONA AG

in €'000		01/01 - 31/12/2012	01/01 - 31/12/2011
1. Revenue		**243,436**	**265,089**
2. Decrease (prev. year: increase) in finished goods inventories		–1,638	1,683
3. Other operating income – of which from currency translation €245 thousand (prev. year: €1,030 thousand)		5,625	4,943
		247,423	**271,715**
4. Cost of materials			
a) Cost of raw materials and supplies	–143,155		–161,001
b) Cost of services purchased	–811		–558
		–143,966	**–161,559**
5. Staff costs			
a) Wages and salaries	–36,075		–37,499
b) Social security, post-employment and other employee benefit costs – of which in respect of old age pensions €2,189 thousand (prev. year: €2,932 thousand)	–9,407		–10,306
		–45,482	**–47,805**
6. Amortisation of intangible assets and depreciation of property, plant and equipment		–6,032	–7,077
7. Other operating expenses – of which from currency translation €552 thousand (prev. year: €531 thousand)		–35,324	–37,571
8. Income from long-term equity investments – of which from affiliated companies €435 thousand (prev. year: €950 thousand)		734	950
9. Other interest and similar income – of which from affiliated companies €592 thousand (prev. year: €560 thousand)		1,139	1,168
10. Write-downs of financial assets		0	–4,300
11. Interest and similar expenses – of which from discounting €2,448 thousand (prev. year: €1,892 thousand)		–2,575	–1,978
12. Result from ordinary activities		**15,917**	**13,543**
13. Taxes on income		–4,356	–4,945
14. Other taxes		–130	–190
15. Net profit for the year		**11,431**	**8,408**
16. Unappropriated retained earnings brought forward		10,586	10,282
17. Dividend distribution		–5,700	–3,900
18. Allocation to other revenue reserves		–5,715	–4,204
19. Unappropriated surplus		**10,602**	**10,586**

Balance Sheet of SIMONA AG

ASSETS

in €'000		31/12/2012	31/12/2011
A. Non-current assets			
I. Intangible assets			
Purchased industrial property rights and similar rights		340	377
II. Property, plant and equipment			
1. Land, land rights and buildings	15,379		13,184
2. Technical equipment and machinery	15,338		12,119
3. Other equipment, operating and office equipment	4,764		4,900
4. Prepayments and assets under construction	3,564		3,459
		39,045	**33,662**
III. Financial assets			
1. Investments in affiliated companies	20,417		20,417
2. Loans to affiliated companies	28,946		20,980
3. Other long-term equity investments	23		23
		49,386	**41,420**
		88,771	**75,459**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	11,567		11,166
2. Finished goods and merchandise	17,393		18,527
		28,960	**29,693**
II. Receivables and other assets			
1. Trade receivables	23,214		23,605
2. Receivables from affiliated companies	19,093		18,418
3. Receivables from other long-term investees and investors	300		69
4. Other current assets	6,586		6,427
		49,193	**48,519**
III. Securities		10,000	10,000
IV. Cash in hand and bank balances		35,803	40,055
C. Prepaid expenses		532	559
Total assets		**213,259**	**204,285**

EQUITY AND LIABILITIES

in €'000		31/12/2012	31/12/2011
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	102,336		96,621
		105,580	**99,865**
IV. Unappropriated surplus		10,602	10,586
		146,714	**140,983**
B. Provisions			
1. Provisions for pensions	37,693		35,348
2. Provisions for taxes	1,626		1,124
3. Other provisions	11,197		13,476
		50,516	**49,948**
C. Liabilities			
1. Liabilities to banks	3,790		0
2. Trade payables	7,498		6,019
3. Liabilities to affiliated companies	2,414		5,148
4. Liabilities to other long-term investees and investors	212		0
5. Other liabilities – of which taxes €391 thousand (prev. year: €329 thousand) – of which relating to social security €735 thousand (prev. year: €746 thousand)	2,115		2,187
		16,029	**13,354**
Total equity and liabilities		**213,259**	**204,285**

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 German 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.

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 to the balance sheet.

The inventories associated with consumables and supplies 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 5.05 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.

Provisions for taxes 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 amortisation and depreciation for the full financial year.

The addition recorded in respect of land and buildings is mainly attributable to the purchase of warehouse and office premises at the Swiss sales branch.

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. (€ 16,639 thousand) and SIMONA AMERICA Inc. (€ 12,307 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 was € 2,919 thousand in the case of raw materials and € 10,027 thousand with regard to finished goods.

Receivables and other assets
Essentially, as was the case in the previous year, all receivables and other assets, with the exception of those receivables and other assets described below, 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 €1,700 thousand (prev. year: €1,988 thousand).

The receivables from other long-term investees and investors, amounting to €300 thousand, are attributable to distributions made within the context of post-employment benefits.

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 (€3,331 thousand) and reported this item under other assets. The respective instalments are due between 2013 and 2017. Additionally, other assets primarily include sales tax receivables amounting to €1,000 thousand as well as receivables in respect of energy tax totalling €715 thousand. Furthermore, reimbursement rights (€345 thousand) have been recognised as assets in relation to the Bundesagentur für Arbeit. The conditions for reimbursement of €336 thousand 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 €2,739 thousand (prev. year: €3,313 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 point at the end of maturity. The securities are recognised at fair value in an amount of €10,000 thousand.

Equity
The unappropriated surplus (“Bilanzgewinn”, i. e. the distributable profit) includes €4,886 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of €5,715 thousand was allocated to other revenue reserves. In addition, please refer to the proposed appropriation of profits.

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
All liabilities are due within one year.

Effective from 16 October 2012, SIMONA AG assumed from SIMONA ASIA Ltd., Hong Kong, China, the bank loan issued by Commerzbank AG, Mainz, covering a nominal amount of US$ 5,000 thousand. At the end of the reporting period, the loan amounted to €3,790 thousand, translated into euros; it is due for repayment in December 2013.

Liabilities to other long-term investees and investors, totalling €212 thousand, are attributable primarily to distributions payable in respect of post-employment benefits.

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 €68 thousand and is payable in one annual instalment in 2013.

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 29.48 per cent.

Contingencies

SIMONA AG, Kirn, issued one guarantee each in respect of its subsidiaries SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China, SIMONA FAR EAST Ltd., Hong Kong, China, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2012, they amounted to €5,530 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 (Guangdong) 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 2013	315
Due 2014 – 2017	587
	902
Order commitments arising from investment orders	**10,199**

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

	2012		2011	
	€'000	%	€'000	%
Domestic	92,582	38.0	104,576	39.4
Non-domestic	150,854	62.0	160,513	60.6
	243,436	**100.0**	**265,089**	**100.0**

	2012		2011	
	€'000	%	€'000	%
Semi-finished and finished parts	168,532	69.2	189,446	71.5
Pipes and fittings	74,904	30.8	75,643	28.5
	243,436	**100.0**	**265,089**	**100.0**

Other operating income

Other operating income includes income not attributable to the accounting period in connection with the reversal of provisions (€1,551 thousand) as well as freight-related income (€956 thousand).

Other operating expenses

Other operating expenses relate primarily to outward freight charges (€8,953 thousand), maintenance expenses (€8,176 thousand), expenses for packaging material (€5,270 thousand), legal and consulting costs (€1,408 thousand), cost of premises (€1,125 thousand) and advertising costs (€1,050 thousand). Expenses not attributable to the accounting period relate mainly to the derecognition of receivables (€166 thousand).

Other interest and similar income

Other interest and similar income include interest income of €4 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 €7 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)
- Fredy Hiltmann, Betriebsökonom (since 1 January 2012)

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)
  Other supervisory board mandates:
  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)
  Other supervisory board mandates:
  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
  Other supervisory board mandates:
  Chairman of the Supervisory Board of Coperion GmbH, Stuttgart
  Member of the Supervisory Board of HOMAG AG, Schopfloch
- 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 2012 financial year amounted to €1,853 thousand, of which €735 thousand was attributable to variable components.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€ 77 thousand) and remuneration for committee work performed by Supervisory Board members (€ 30 thousand). Total Supervisory Board compensation amounted to € 107 thousand, itemised as follows:

in € '000	2012
Dr. Rolf Goessler	29.2
Roland Frobel	23.7
Hans-Werner Marx	15.0
Dr. Roland Reber	12.9
Andreas Bomm	9.2
Gerhard Flohr	9.2
Dr. Horst Heidsieck	6.2
Bernd Meurer	1.7
	107.1

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to € 440 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2012, these amounted to € 5,205 thousand.

Employees

Average number of staff employed in the financial year:

	2012	2011
Industrial staff	544	550
Clerical staff	288	300
	832	**850**
School-leaver trainees (apprentices)	46	50
	878	**900**

Appropriation of profits

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

in € '000	2012
Net profit for the year	11,431
Unappropriated retained earnings brought forward	4,886
Appropriation to other revenue reserves in accordance with the Articles of Association	–5,715
Unappropriated surplus	**10,602**
Dividend (€ 7.50 per share)	–4,500
Carried forward to new account	**6,102**

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 2012 on 8 March 2013.
It has been made permanently available to shareholders on its corporate website at www.simona.de.

Shareholdings pursuant to Section 21(1) WpHG

On 22 June 2012, 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 German 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 German Securities Trading Act (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, which prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Audit and consulting fees

The total fees invoiced by the independent auditor in the financial year under review were €251 thousand. These fees comprised the following items: €100 thousand for the year-end financial audit, €44 thousand for tax consulting services and €107 thousand for other services.

Kirn, 28 March 2013
SIMONA Aktiengesellschaft

The Management Board

Statement of Changes in Fixed Assets of SIMONA AG

	Cost of purchase or conversion					Accumulated amortisation/depreciation				Net carrying amounts	
in €'000	01/01/2012	Additions	Disposals	Reclassifications	31/12/2012	01/01/2012	Additions	Disposals	31/12/2012	31/12/2012	31/12/2011
I. Intangible assets											
Purchased industrial property rights and similar rights	**6,914**	**43**	**8**	**95**	**7,044**	**6,537**	**174**	**7**	**6,704**	**340**	**377**
II. Property, plant and equipment											
1. Land, land rights and buildings	46,451	3,247	0	0	49,698	33,267	1,052	0	34,319	15,379	13,184
2. Technical equipment and machinery	123,802	4,531	558	2,125	129,900	111,683	3,289	410	114,562	15,338	12,119
3. Other equipment, operating and office equipment	47,798	1,212	975	233	48,268	42,898	1,517	911	43,504	4,764	4,900
4. Prepayments and assets under construction	3,459	2,682	124	–2,453	3,564	0	0	0	0	3,564	3,459
	221,510	**11,672**	**1,657**	**–95**	**231,430**	**187,848**	**5,858**	**1,321**	**192,385**	**39,045**	**33,662**
III. Financial assets											
1. Investments in affiliated companies	31,717	0	0	0	31,717	11,300	0	0	11,300	20,417	20,417
2. Loans to affiliated companies	20,980	7,966	0	0	28,946	0	0	0	0	28,946	20,980
3. Other long-term equity investments	23	0	0	0	23	0	0	0	0	23	23
	52,720	**7,966**	**0**	**0**	**60,686**	**11,300**	**0**	**0**	**11,300**	**49,386**	**41,420**
	281,144	**19,681**	**1,665**	**0**	**299,160**	**205,685**	**6,032**	**1,328**	**210,389**	**88,771**	**75,459**

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 financial statements and management 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 2012. 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 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, 30 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Grotenrath
German Public Accountant	German Public Accountant

Only German version of this report is valid.

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