

Interim Financial Report of SIMONA AG, Kirn

First Half of 2010

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Group Management Report

1. Business performance

Against the backdrop of steady economic recovery, particularly within the area of mechanical, automotive and chemical engineering, the SIMONA Group succeeded in expanding its sales volumes by a significant level over the course of the first six months. After a sluggish start to the financial year, sales revenue has been growing at double-figure percentage rates since March 2010. Following the dramatic downturn in 2009, however, it has yet to return to the levels seen in 2008. In the first half of 2010, SIMONA generated sales revenue of €129.7 million (previous year: €106.3 million). This corresponds to year-on-year growth of 22 per cent. Asia, in particular, has seen a significant improvement in its economic conditions. Elsewhere, the German economy – particularly the mechanical and chemical engineering sectors that are of key importance to SIMONA – has also been performing at encouraging levels. The dynamic recovery in Germany is being driven in particular by exports. At 0.2 per cent, the quarter-on-quarter expansion of the German economy in the first three months was slower than in the second and third quarter of 2009, a situation prompted to a certain extent by the severe winter. Compared to the first quarter of 2009, however, the German economy achieved significant growth of 1.7 per cent. Capital expenditure on machinery and equipment, which is of particular importance to SIMONA's business, rose by 1.6 per cent on the previous quarter but remains at a relatively low level. In May, industrial output increased by 3.4 per cent compared to the previous month. Prompted by the rise in industrial output, demand for products associated with the chemical sector also trended higher. In the first six months, this industry as a whole saw its output expand by 13 per cent, with revenue surging by 16 per cent thanks to more buoyant demand and higher commodity prices. Revenue from foreign sales developed better

than that from domestic sales, aided mainly by more expansive business with the emerging economies. By contrast, the performance of the mechanical and plant engineering sector was less consistent. Many of the subsegments within this sector have yet to emerge from the trough seen in mid-2009. On a more positive note, order intake has reached a high level, expanding by around 25 per cent in the first five months of 2010. Within this context, May proved to be a particularly buoyant month with growth of 61 per cent – a new record in the VDMA order intake statistic.

Gross domestic product for the eurozone also rose quarter on quarter in the first three months of the year, up 0.2 per cent. Compared to the same quarter a year ago, the eurozone economy only managed to expand by a mere 0.6 per cent, mainly as a result of the poor performance of Spain and Greece.

The United States has seen its economy grow at a moderate pace, with GDP expanding by 3 per cent year on year in the first quarter. Economic growth in China has decelerated slightly but remains at a high level. In the first six months the Chinese economy expanded by 11.1 per cent, while growth in the first quarter stood at 11.9 per cent.

The German plastics industry maintained its forward momentum during the first two quarters of 2010, thus picking up from where it had left off in the fourth quarter of 2009.

All sales regions served by SIMONA saw a significant rise in revenue during the period under review. Within this context, the economic situation was reflected in the performance of the respective regions. In Germany, sales revenue rose by 13.0 per cent to €46.1 million (previous year: €40.8 million). The Rest of Europe and Africa recorded an increase in sales revenue by 14.0 per cent to €65.5 million (previous year: €57.4 million). However, Asia, the Americas and Australia recorded the most significant growth rate by far, with sales rev-

enue surging by 84.0 per cent to €21.0 million (previous year: €11.4 million).

As regards the individual product groups, semi-finished products performed more favourably than pipes and fittings, which was attributable first and foremost to the long and severe winter.

2. Financial performance

Commodity prices for ethylene and propylene continued to surge during the last few months, which had an adverse effect on our financial performance. Owing to more expansive business, EBIT rose to €6.1 million in the first six months of 2010, a year-on-year improvement of €2.6 million or +73 per cent, but margins declined. Thanks to the cost reduction measures initiated as early as last year, operating expenses were scaled back by €3.6 million. The majority of our subsidiaries completed the first half with results that were better than in the same period a year ago.

In total, however, profit for the period amounted to €4.5 million as at 30 June 2010, significantly higher than the figure of €2.7 million posted for the same period a year ago.

3. Interest income and expense

At 30 June 2010, interest income totalled €0.1 million, which was attributable to short-term investments. Interest expense, by contrast, amounted to €0.2 million. This expense item was due to loans denominated in US dollars and British pounds.

4. Financial position

SIMONA invested a total of €2.9 million during the first half of 2010. Total assets rose by €12.2 million compared to 31 December 2009. The most significant increase was seen within the area of trade receivables as well as trade payables. Cash and cash equivalents declined by €22.0 million in total, with €10.0 million having been invested in fixed-interest securities.

5. Risks associated with future development

The risk management system of SIMONA AG focuses on the following material risks: 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 development of customer segments served by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the raw material markets. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. In establishing our own production facilities in China and the Czech Republic, we have improved the company's flexibility when it comes to meeting new customer requirements at a global level. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in the United States and the establishment of a new plant in China have helped to scale back risks within this area. Spiralling commodity prices in 2010 constitute a key risk to the Group's earnings performance. Procurement costs for raw materials are expected to remain high in the annual period as a whole. Additionally, the risk of default has increased as a

result of higher revenues. 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 were assessed on a regular basis, and adjustments in the form of allowances were made for specific products. In our opinion, the company's overall risk situation in the first half of 2010 has not changed materially in relation to the previous financial year.

expenditure and commodity prices. From today's perspective, Group revenue of €240–250 million is considered an attainable, albeit ambitious, target for the annual period as a whole. The level of earnings will depend primarily on the extent to which significantly higher commodity costs can be passed on to customers.

6. Report on expected developments

The global economy remains on a path of recovery. In July, the International Monetary Fund (IMF) revised upwards its forecast for world economic output, anticipating growth of 4.5 per cent in 2010. First and foremost, however, growth is being driven by the emerging economies of Asia and Latin America. The United States has also been making a positive contribution to global economic growth, although the current labour market situation and the recent dip in consumer confidence pose a risk to sustained recovery. The IMF has forecast significant economic growth in China (+10.5 per cent) and India (+9.5 per cent). Elsewhere, the euro-zone economy is projected to be much less dynamic, with estimated growth of 2.9 per cent. Forecasts for the German economy point to growth of up to 2 per cent. However, there are also risks to a sustainable recovery. The economy has yet to return to pre-crisis levels. Inventory cycles are expected to weaken. At the same time, investment spending has picked up, albeit from a low base. SIMONA's performance in 2010 will depend to a large extent on future trends relating to capital

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Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 30/06/2010	01/01 – 30/06/2009
Revenue		129,688	106,273
Other operating income		3,264	5,049
Changes in inventories of finished goods		2,887	–399
Cost of materials		75,039	48,749
Staff costs		28,762	28,804
Depreciation of property, plant and equipment, and amortisation of intangible assets		6,092	6,430
Other operating expenses		19,860	23,428
Interest income		72	218
Interest expense		221	219
Profit before tax		5,937	3,511
Income tax expense	[6]	1,467	858
Profit for the period		4,470	2,653
of which attributable to:			
Owners of the parent company		4,439	2,630
Non-controlling interests		31	23
Earnings per share:			
in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		7.40	4.38
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		7.40	4.38

Group Statement of Comprehensive Income of SIMONA AG

in € '000	Notes	01/01 – 30/06/2010	01/01 – 30/06/2009
Profit for the period		4,470	2,653
Exchange differences on translating foreign operations during the year		1,303	266
Amount recognised directly in equity		1,303	266
Total comprehensive income		5,773	2,919
of which attributable to:			
Owners of the parent company		5,745	2,901
Non-controlling interests		28	18

Group Statement of Financial Position of SIMONA AG

Assets in € '000	Notes	30/06/2010	31/12/2009
Intangible assets		1,385	1,412
Property, plant and equipment	[8]	92,720	92,839
Financial assets		23	23
Non-current tax assets		4,406	4,320
Deferred tax assets	[6]	229	236
Non-current assets		98,763	98,830
Inventories	[9]	49,123	43,994
Trade receivables		51,734	33,320
Other assets and prepaid expenses		7,719	6,902
Derivative financial instruments		90	160
Securities		10,000	0
Cash and cash equivalents	[4]	39,468	61,479
Current assets		158,134	145,855
Total assets		256,897	244,685

Equity and liabilities in € '000	Notes	30/06/2010	31/12/2009
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		128,594	127,755
Other reserves		81	-1,225
Equity attributable to owners of the parent company		159,449	157,304
Non-controlling interests		270	242
Total equity		159,719	157,546
Financial liabilities		8,035	7,000
Provisions for pensions		37,345	36,698
Other provisions		6,542	5,979
Other liabilities		223	414
Deferred tax liabilities	[6]	5,261	5,271
Non-current liabilities		57,406	55,362
Financial liabilities	[4]	4,463	3,824
Provisions for pensions		1,647	1,637
Other provisions		4,700	5,708
Trade payables		13,942	6,904
Income tax liabilities		938	2,638
Other liabilities and deferred income		13,798	10,771
Derivative financial instruments		284	295
Current liabilities		39,772	31,777
Total equity and liabilities		256,897	244,685

Selected notes to the first six months of the 2010 financial year of SIMONA AG

[1] Company information

The condensed consolidated interim financial statements for the first half of 2010 were released for publication on 12 August 2010, following a resolution passed by the Management Board.

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges.

[2] Statement of compliance and basis of preparation

The condensed consolidated interim financial statements for the first half of 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not comprise all information and disclosures required for consolidated annual financial statements and should thus be read in conjunction with the consolidated financial statements for the annual period ended 31 December 2009.

Summary of significant accounting policies

The accounting policies applied to the condensed consolidated interim financial statements are consistent with those applied to the consolidated financial statements for the annual period ended 31 December 2009.

Consolidated group

There were no changes in the consolidated group compared with 31 December 2009. As at 30 June 2010, the consolidated interim financial statements comprised 16 domestic and foreign entities.

[3] Seasonal effects on business activities

Owing to seasonal factors, all business segments are generally expected to generate lower revenue and lower operating results in the second half of the year than in the first six months. Lower revenue is mainly attributable to declining demand in the principal holiday months of July and August, as well as reduced customer inventory levels towards the end of the calendar year (December).

[4] Cash and cash equivalents

For the purpose of preparing a cash flow statement, cash and cash equivalents shall be comprised of the following items:

in € '000	30/06/10	31/12/09
Cash and cash equivalents	39,468	61,479
Current financial liabilities (excluding liabilities attributable to loans)	-117	-100
	39,351	61,379

[5] Paid and proposed dividend

During the first half-year the Annual General Meeting of Shareholders passed a resolution for a dividend of €6.00 per share (prev. year: €8.50 per share) for all ordinary shares attributable to the parent company. The total dividend distribution amounted to €3,600 thousand.

In the previous financial year, the total dividend distribution of €5,100 thousand was executed in the second half of the financial year and was not accounted for as a liability as at 30 June 2009.

[6] Income taxes

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

in € '000	01/01 – 30/06/10	01/01 – 30/06/09
Current tax		
Current tax expense	1,570	1,361
Income from measurement of credits for the reduction of corporation tax	-100	-111
Deferred tax		
Origination and reversal of temporary differences	-3	-392
	1,467	858

As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated interim financial statements. Revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the country in which the customer is domiciled.

[7] Segment reporting

For company management purposes, the Group is organised according to geographic regions and has the three following reportable operating segments:

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

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, including fittings and finished parts.

Management assesses the operating results of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.

Segment information for SIMONA AG, Kirn, for the first half of the 2010 financial year

Segmentation by region in € '000	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
	01/01 – 30/06/10	01/01 – 30/06/09	01/01 – 30/06/10	01/01 – 30/06/09	01/01 – 30/06/10	01/01 – 30/06/09	01/01 – 30/06/10	01/01 – 30/06/09	01/01 – 30/06/10	01/01 – 30/06/09
Revenue from sales to external customers	46,149	40,789	65,478	57,439	21,030	11,426	-2,969	-3,381	129,688	106,273
Revenue from sales to other segments	6,982	1,809	21,880	18,082	5,675	1,776	-34,537	-21,667	0	0
Segment revenue									129,688	106,273
Segment result	2,559	1,994	3,884	1,545	-357	-27	0	0	6,086	3,512
Reconciliation to profit before tax:										
Interest income									72	218
Interest expense									221	219
Profit before tax									5,937	3,511

[8] Property, plant and equipment

In the period from 1 January to 30 June 2010, the Group purchased property, plant and equipment at a cost amounting to €2,913 thousand (HY1 2009: €6,296 thousand).

During the same period, the Group disposed of assets at a carrying amount of €164 thousand (HY1 2009: €294 thousand). This resulted in a net gain on disposal of €56 thousand (HY1 2009: €37 thousand).

[9] Inventories

In the first half of the 2010 financial year inventory impairments associated with unsaleable products fell by €1,165 thousand to €2,065 thousand compared to 31 December 2009.

[10] Contingent liabilities

Compared with 31 December 2009, contingent liabilities from investment projects already initiated (obligation to purchase property/plant/equipment) rose by €1,352 thousand to €2,063 thousand at the end of the reporting period.

[11] Related-party disclosures

The group of persons or entities with which the SIMONA Group has a related-party relationship remained unchanged compared with the financial year ended 31 December 2009.

SIMONA AG renders a wide range of services to related-party entities in the normal course of business. Conversely, the respective Group companies render services

within the SIMONA Group in the context of their business purpose. These extensive business transactions relating to the supply of goods and the rendering of services are made at market prices.

[12] Events after the reporting period

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

Disclosure in accordance with Section 37w (5) WpHG

The consolidated interim financial statements and the Group interim management report have been neither reviewed nor audited in accordance with Section 317 HGB.

Disclosure in accordance with Section 37y WpHG in conjunction with Section 37w (2) No. 3 WpHG

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.”

SIMONA AG
Kirn, 12 August 2010

The Management Board

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 – 30/06/2010	01/01 – 30/06/2009
Profit before tax		5,937	3,511
Income taxes paid		-1,570	-1,361
Interest expense/income		149	1
Depreciation of property, plant and equipment, and amortisation of intangible assets		6,092	6,430
Other non-cash expenses and income		-1,788	260
Change in pensions		657	515
Result from disposal of non-current assets	[8]	-56	-37
Change in inventories		-5,129	-1,423
Change in trade receivables		-18,414	2,722
Change in other assets		-833	-1,664
Change in liabilities and other provisions		7,780	1,742
Net cash used in/from operating activities		-7,175	10,696
Investments in intangible assets and property, plant and equipment		-2,919	-6,343
Proceeds from disposal of non-current assets		220	331
Payments for investments in securities		-10,000	0
Net cash used in investing activities		-12,699	-6,012
Repayment of financial liabilities		-12	0
Payment of prior-year dividend	[5]	-3,600	0
Interest received		10	218
Interest paid and other expenses		-221	-219
Net cash used in financing activities		-3,823	-1
Effect of foreign exchange rate changes on liquidity		1,669	144
Change in cash and cash equivalents		-22,028	4,827
Cash and cash equivalents at 1 January	[4]	61,379	48,319
Cash and cash equivalents at 30 June	[4]	39,351	53,146
Change in cash and cash equivalents		-22,028	4,827

Group Statement of Changes in Equity of SIMONA AG

Equity attributable to owners of the parent company											Non- con- trolling inter- ests	Total equity
Notes	Issued capital		Capital reserves	Revenue reserves					Other reserves			
	Share capital	Total		Legal reserves	Statutory reserves	Other revenue reserves	Accumulated profit for the period	Total	Currency translation differences			
in € '000												
Balance at 01/01/09	15,500	15,500	15,274	397	2,847	80,449	44,399	128,092	-1,430	211	157,647	
Amount recognised directly in equity	0	0	0	0	0	0	-481	-481	752	-5	266	
Profit for the period	0	0	0	0	0	0	2,630	2,630	0	23	2,653	
Total comprehensive income for the period	0	0	0	0	0	0	2,149	2,149	752	18	2,919	
Approved distribution to non-Group parties	0	0	0	0	0	0	0	0	0	-6	-6	
Balance at 30/06/09	15,500	15,500	15,274	397	2,847	80,449	46,548	130,241	-678	223	160,560	
Balance at 01/01/10	15,500	15,500	15,274	397	2,847	86,655	37,856	127,755	-1,225	242	157,546	
Amount recognised directly in equity	0	0	0	0	0	0	0	0	1,306	-3	1,303	
Profit for the period	0	0	0	0	0	0	4,439	4,439	0	31	4,470	
Total comprehensive income for the period	0	0	0	0	0	0	4,439	4,439	1,306	28	5,773	
Appropriations to other revenue reserves	0	0	0	0	0	5,762	-5,762	0	0	0	0	
Dividend payment [5]	0	0	0	0	0	0	-3,600	-3,600	0	0	-3,600	
Balance at 30/06/10	15,500	15,500	15,274	397	2,847	92,417	32,933	128,594	81	270	159,719	

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