SIMONA

WHAT MAKES SIMONA VALUABLE?

Group Interim Report
for the first half of 2019

Contents

GROUP INTERIM MANAGEMENT REPORT

1. BUSINESS REVIEW

1.1 Macroeconomic and sector-specific environment

Although the first quarter of 2019 was marked by an unexpected surge in global industrial output, most of the indicators of market sentiment are pointing downward and uncertainty remains as prominent as ever around the world. The eurozone's gross domestic product (GDP) was up by 1.2 per cent year on year in the first quarter of 2019, which was unchanged on the rate of growth recorded in the preceding quarter. Germany's economy expanded by a mere 0.7 per cent, after 0.6 per cent in the fourth quarter of 2018. The US economy grew by a buoyant 3.2 per cent, fuelled by more pronounced exports and higher government spending. While China's economy – for which second-quarter data is already available – was still in positive territory at +6.2 per cent, the country actually recorded its weakest first-half GPD growth rate since the government began publishing its economic data.

Revenue generated by the German plastics processing industry as a whole remained virtually stagnant in the first four months of the year. It totalled €22.1 billion during this period, which was 0.2 per cent more than in the previous year. Operating against the backdrop of more challenging global conditions, the chemical industry in Germany had to contend with a decline in revenue by 4.0 per cent to around €96 billion in the first half of 2019. Orders and real output in the field of mechanical engineering in Germany were down sharply in the first months of the current year. Output contracted by 0.8 per cent year on year in the period from January to April, while order intake in the first five months decreased by 9 per cent. Germany's construction industry, by contrast, remained on a trajectory of growth in the first four months of the year. Revenue from sales in the principal construction sector (companies with more than 20 employees) rose by 17.1 per cent in nominal terms.

1.2 Course of business

In the first six months of 2019, the SIMONA Group generated sales revenue of €227.5 million in total. Compared to the first half of 2018 (€204.9 million), this represents growth of 11.0 per cent. In the second quarter of 2019, sales revenue totalled €116.5 million – up 9.7 per cent on the figure posted in the same quarter last year (€106.2 million).

Europe
In Europe, sales revenue rose by 2.6 per cent to €142.3 million (prev. year: €138.7 million). This region accounted for 62.6 per cent of total revenue (prev. year: 67.7 per cent). Sales revenue in Germany increased by 5.4 per cent to €54.4 million (prev. year: €51.6 million).

Americas
Revenue generated from sales in the Americas expanded by 36.0 per cent in the first half of 2019, driven in particular by the acquisition of Premier Material Concepts (subsidiary SIMONA PMC) as well as forward momentum in the aviation market and the industrial products business. Excluding the acquisition, revenue would have increased by around 13 per cent. Total revenue for this region amounted to €69.8 million (prev. year: €51.0 million). The region encompassing Asia, the Americas and Australia accounted for 30.7 per cent of Group sales revenue, up from 24.9 per cent.

Asia and Pacific
The region covering Asia and Pacific recorded sales revenue of €15.4 million (prev. year: €15.2 million). The region as a whole accounted for 6.7 per cent of total sales revenue, down from 7.4 per cent a year ago.

The product area covering Finished and Semi-Finished Parts generated revenue of €181.1 million (prev. year: €165.2 million), which represents year-on-year growth of 9.6 per cent.

In the product area comprising Pipes and Fittings sales revenue increased by 16.9 per cent to €46.4 million (previous year: €39.7 million).

1.3 Financial performance

Earnings

Operating profit, i.e. earnings before interest and taxes (EBIT), at Group level totalled €18.1 million in the first half of 2019, compared with €18.7 million in the previous year. The EBIT margin thus fell from 9.1 per cent in 2018 to 8.0 per cent in the period under review. EBITDA amounted to €26.6 million (previous year: €25.9 million). The EBITDA margin declined year on year, down from 12.7 per cent to 11.7 per cent, as a result of higher revenue.

ROCE at Group level was 5.6 per cent, down from 6.2 per cent in the previous year.

Earnings performance in the first half of 2019 was dominated mainly by a large earnings contribution from the US as well as a downturn in earnings in Europe and Asia.

Commodity prices are up again since the beginning of the year – after a decline towards the end of 2018. Energy costs in Germany increased year on year at €6.4 million for SIMONA AG (prev. year: €6.0 million).

Staff costs rose from €38.6 million to €44.7 million, driven primarily by the US acquisition of PMC, which had not been included in the figures for the first half of 2018, as well as new hires and an increase in wage costs.

Depreciation of property, plant and equipment and amortisation of intangible assets, including write-downs, amounted to €8.1 million, compared with €7.2 million in the previous year. In accordance with the newly adopted IFRS 16, depreciation relating to rights of use from lease arrangements are accounted for in the income statement; it totalled €0.4 million.

Other expenses totalled €36.2 million, up €1.7 million on the prior-year figure of €34.5 million. Selling expenses (commissions, travel expenses and outward freight), in particular, were higher due to more expansive revenues.

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

The plant in the Czech Republic recorded improved earnings in the first half of the year. The US companies achieved further growth in earnings compared to the previous year. The production company in Asia saw its earnings decline in the first half of the year.

1.4 Financial position

Compared to 31 December 2018, total assets were up by a substantial €26.7 million to €427.6 million as at 30 June 2019.

Changes to assets

Intangible assets totalled €38.4 million (31 Dec. 2018: €39.1 million), mainly consisting of goodwill from the US acquisitions.

Property, plant and equipment totalled €133.5 million (31 Dec. 2018: €129.1 million). Investments in property, plant and equipment amounted to €12.0 million within the Group. Depreciation and write-downs of property, plant and equipment stood at €7.2 million.

Inventories of raw materials and consumables (€36.7 million) as well as finished goods, work in progress and merchandise (€59.5 million) were higher compared to the figures recorded at the end of 2018. This was the result of higher stock volumes, but was also influenced by commodity prices.

Compared to the end of 2018, trade receivables rose by €15.6 million to €79.6 million due to factors relating to the end of the reporting period and more expansive business.

Other assets and income tax receivables remained largely unchanged year on year at €10.7 million.

Cash and cash equivalents fell to €45.1 million (31 Dec. 2018: €52.5 million; cf. statement of cash flows).

Changes to equity and liabilities

The Group saw a marked reduction in equity and a significant increase in non-current liabilities.

At the end of the reporting period, Group equity was down at €208.8 million (31 Dec. 2018: €220.7 million). While profit for the period produced an inflow of €13.2 million, equity was diluted by a total of €11.9 million due to the dividend payment for fiscal 2018 (€-8.4 million) and the remeasurement of pension provisions (€-17.6

million). The Group equity ratio fell to 49 per cent (31 Dec. 2018: 55 per cent) compared with the figure posted at the end of 2018. This was due to the factors outlined above as well as the higher balance sheet total.

Current and non-current provisions for pensions amounted to €133.3 million (31 Dec. 2018: €106.0 million). The significant increase is attributable to the marked decline in the IFRS discount rate from 1.9 per cent at the end of 2018 to 1.1 as at 30 June 2019.

Trade payables stood at €23.9 million.

Current and non-current other provisions remained largely unchanged at €5.6 million.

Current and non-current liabilities stood at €218.9 million in total, up €38.7 million on the figure recorded on 31 December 2018.

Investments
Group capital expenditure on property, plant and equipment amounted to €12.0 million in the period under review (prev. year: €7.7 million). This relates primarily to investments in plant and machinery within the segments covering Europe and the Americas. In total, net investments in property, plant and equipment amounted to €4.8 million at Group level (prev. year: €0.7 million).

1.5 Financial management and cash flows

At the end of the reporting period, the Group had undrawn borrowing facilities of €13.9 million from German and foreign banks.

Cash and cash equivalents
Cash and cash equivalents fell by €7.4 million compared to 31 December 2018 and mainly consist of short-term bank deposits totalling €45.1 million (31 Dec. 2018: €52.5 million). These changes are presented in the statement of cash flows in the notes.

Cash flows
In the first half of the financial year, the inflow of cash from operating activities (gross cash flow) was €11.2 million (prev. year: €13.8 million). The cash outflow from investing activities was €-11.1 million (prev. year: €-7.3 million). The cash outflow attributable to financing activities was €-7.2 million (prev. year: €-9.0 million) and mainly included the dividend payout in respect of the 2018 financial year.

Net finance cost
Based on finance income of €0.4 million and finance cost of €-1.1 million, net finance cost amounted to €-0.7 million in the first half of 2019 (prev. year €-0.1 million). This figure includes a net foreign exchange gain of €0.3 million (prev. year: €0.6 million).

1.6 Non-financial indicators

Employees
Since the beginning of the year, the SIMONA Group's total headcount has risen by 24 to 1,437 (31 Dec. 2018: 1,413), primarily as a result of an expansion of the personnel base in the United States. The number of staff employed at SIMONA Germany was 803 (31 Dec. 2018: 805).

2. EVENTS AFTER THE REPORTING PERIOD

Between the end of the first half of 2019 and the preparation of this Group interim report the German production companies operating within the Group received a provisional administrative decision limiting the EEG levy (Renewable Energy Act). Subject to confirmation of the above decisions on the basis of the confirmatory applications for 2018 as a whole, this would probably reduce energy costs by between €2 and 4 million.

3. REPORT ON OPPORTUNITIES AND RISKS

3.1 Report on opportunities

The slowdown in the global economy will have an impact on the performance of industries and business areas targeted by SIMONA, particularly if investment spending continues to decline. This applies primarily to the export-driven sectors of chemicals and mechanical engineering. By contrast, the construction sector (in Germany) and the aviation market remain robust.

In this more challenging economic climate, opportunities may arise from the sustained buoyancy in demand for plastics with customised properties as well as an expansion of the range of materials offered. SIMONA's strategy is aimed at continuously evolving product characteristics from a technological perspective by leveraging its in-house R&D capabilities, in addition to introducing a wider range of materials, e.g. FEP in the area of high-performance plastics.

In Europe, SIMONA sees opportunities in new fields of application, e.g. within the energy supply and construction sectors. With this in mind, the Pipes and Fittings division was repositioned in strategic terms and investments were made in this area. In the United States, the subsidiary SIMONA Boltaron can benefit from sustained growth in the market for aircraft interiors. In the area of industrial products, the acquisition of SIMONA PMC with its specialised product portfolio for thermoforming applications provides customers with a more extensive range of products. At the same time, the Group can further strengthen its market position. In the region covering Asia-Pacific, SIMONA sees good opportunities with regard to key technologies centred around semiconductors, environmental management and chemical processes.

Overall, SIMONA believes the potential for unlocking opportunities remains good. Compared to the previous year, however, SIMONA's business prospects are considered to be slightly weaker. Given SIMONA's visible downturn in most of the economies around the globe, the short-term economic fundamentals have deteriorated. At the same time, the medium-term structural indicators – particularly with regard to investment spending in the industrial sector, which is considered to be of key importance to the company – have also worsened.

3.2 Risk report

Risk management system

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

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

On the basis of a risk map, the risk management system of SIMONA controls the following material risks associated with the Group. The management of opportunities and risks is centred around the aspects of effect and probability of occurrence. Significant individual risks are considered to be those displaying a medium risk profile with an expected value in excess of €5.0 million when viewed over the medium term. The expected value is computed as the product of the effect/impact and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on issues of material importance. A probability of occurrence of over 50 per cent is considered high, while one of less than 50 per cent is deemed low. SIMONA considers the following individual risks to be material:

- Market environment and sector-specific risks
- Business strategy risks
- Financial Risks
- Risks attributable to procurement and purchasing
- Production risks
- Risks attributable to information technology

Market environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Further expansion of production in the United States through the corporate acquisitions and the plants located in China and the Czech Republic ensure a high degree of flexibility for the purpose of meeting customer requirements in close proximity to their sites of operation and in a market-driven manner.

The company continues to be exposed to significant geopolitical risks. Within the segment covering Europe, risks relating to the business environment and industry are dominated by uncertainty over the Brexit, the smouldering trade war with the United States and negative developments in Italy and France. In the Americas, meanwhile, risk exposure is being influenced by protectionist trade policies as well as by the fundamental political stance taken by the United States and developments relating to the US dollar exchange rate. In the segment covering Asia and Pacific, risk is more pronounced due to the weak performance of China's economy in the wake of the ongoing trade conflict with the United States. As regards the aspect of changes to sales markets the expected value for a decline in revenue, in the medium term, has been determined as being approx. €5.0 to 10.0 million with a probability of occurrence of under 50 per cent at present. Overall, the probability of adverse effects occurring from exposure to sector-specific risks is at present considered low.

Business strategy risks

These encompass the risk of misjudgements with regard to the future direction taken by the market. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks

These encompass, above all, currency risks, default risks including risks associated with voidability of insolvency, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme.

The principal aim of financial risk management is to mitigate risks attributable to ongoing operating and finance-related transactions. Depending on the risk, the aim is to restrict individual risks by means of derivative financial instruments and non-derivative hedging instruments where required.

Dependence on the euro within the Group was scaled back further through the corporate acquisition of PMC in 2018 as well as the continued expansion of production and the company's market position in the United States. At the same time, currency risk relating to US dollar transactions remains high for SIMONA. In the medium term, the probability of occurrence of a positive/negative effect on earnings equivalent to €3.0 to 6.0 million is estimated at over 50 per cent.

The risk of bad debt losses remains high within the Southern and Eastern European market in particular. Within this context, assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. As regards transactions in Russia, a separate directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. Additionally, risks exist with regard to voidability of insolvency. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

Risks associated with interest rate changes are currently considered to be elevated. Interest payable in connection with KfW loans is based on fixed interest rates. Therefore, there are no risks associated with interest rate changes in this area. The overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (euro overnight index average), was being utilized at the end of the reporting period at an amount of €3.1 million.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as risks relating to higher life expectancy, have been categorised as material. They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensionssicherungsverein. The volatility of plan assets is estimated at around €3 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in recent years. At the end of the reporting period, plan assets were €0.6 million higher due to the change in the price of SIMONA AG shares.

Risks attributable to procurement and purchasing

As was the case in previous years, these risks are related primarily to possible disruptions or outages with regard to suppliers of raw materials and additives as well as volatile commodity price trends. The raw materials used by SIMONA are influenced by price trends and the supply-side availability of direct input products (naphtha, ethylene or propylene), and to a lesser extent on prevailing oil prices. There were no major raw material shortages during the first half of 2019, with the exception of ethylene-chlorotrifluoroethylene (E-CTFE). Global supply-side issues within this area are the result of repairs and improvements carried out by the sole supplier of this raw material. Availability should improve from the second half of the year onward. The prices of basic raw materials rose again from February to May. The prices of the most important additives, primarily for the manufacture of PVC products, eased with better availability. For the second half of 2019, we expect weaker commodity prices and a stable supply of raw materials.

Production risks

As seen at the end of 2018, production risks include in particular product quality, capacity utilisation, production or machine downtime and energy supply. The probability of adverse effects occurring from exposure to production risks that may jeopardise the future existence of the enterprise as a going concern is at present not considered to be material.

Risks attributable to information technology

Ongoing monitoring and optimisation of existing information technology is essential to the safety and reliability of business processes. With this in mind, refinements to measures already implemented within the area of information security are considered particularly important. The primary risks involved relate to the availability, reliability and efficiency of information technology systems, including a failure of the IT infrastructure, loss of data and attacks on IT systems. SIMONA addresses risks relating to information technology through its in-house IT department as well as by commissioning specialised companies and making regular investments in the latest hardware and software. SIMONA responds to growing demands placed on system protection as part of its safety management programme. This mainly includes investments in firewall and antivirus systems as well as other software systems. The probability of occurrence of external attacks on IT systems, in particular, is considered high.

At the end of the first half of 2019, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that applicable at the end of 2018. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

4. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

The International Monetary Fund (IMF) again revised downward its growth forecast for the global economy in April by 0.2 percentage points to 3.3 percent. The IMF sees the greatest risks in an escalation of the US-China trade conflict, disruptions in the automotive industry in Germany, a tighter credit policy in China, and the normalization of fiscal policy in established economies.

Sector-specific conditions

Despite increasingly difficult economic conditions, the GKV industry association pointed to growth of 2 per cent for Germany's plastics processing industry in 2019 as part of its outlook issued in March. After growth of just 0.2 per cent in the first four months of the year, this target would appear to be out of reach.

Future performance

Given the increase in revenue recorded in the first half of the year, the SIMONA Group anticipates that it will be able to meet its guidance target of €435-450 million in annual Group revenue, as forecast in April, although revenue is expected to be less buoyant in the second quarter due to seasonal factors. Against the backdrop of a significant slowdown in global economic growth and the prospect of a lower earnings contribution in the second half of the year, the projected EBIT margin of 6-8 per cent is ambitious but achievable.

Forward-looking statements and forecasts

This Group interim management report contains forward-looking statements that are based on the current expectations, presumptions and forecasts of the Management Board of SIMONA AG as well as on information currently available to the Management Board. These forward-looking statements shall not be interpreted as a guarantee that the future events and results to which they refer will actually materialise. Rather, future circumstances and results depend on a multitude of factors. These include various risks and imponderables, as well as being based on assumptions that may conceivably prove to be incorrect. SIMONA AG shall not be obliged to adjust or update the forward-looking statements made in this report.

Responsibility Statement

We hereby declare that, to the best of our knowledge, the Group interim management report includes a fair review of the development and performance of the business and the position of the SIMONA Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Kirn, im Juli 2019
SIMONA Aktiengesellschaft
Der Vorstand

Wolfgang Moyses Dr. Jochen Hauck

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GROUP INTERIM FINANCIAL STATEMENTS

Group Income Statement of
SIMONA AG for the first half of 2019

in €`000	Note	01/01 – 30/06/2019	01/01 – 30/06/2018*
Revenue		227,518	204,891
Other income		1,521	1,652*
Changes in inventories of finished goods and work in progress		2,680	921
Cost of materials		124,140	108,443
Staff costs		44,696	38,561
Depreciation, amortisation and write-downs		8,521	7,243
Other expenses		36,241	34,524*
Earnings before interest and taxes (EBIT)		**18,121**	**18,693**
Income from investments accounted for using the equity method		119	88
Finance income		431	1,641*
Finance cost		1,121	1,774*
Earnings before taxes (EBT)		**17,550**	**18,468**
Income tax expense	[6]	4,386	4,921
Profit for the period		**13,164**	**13,727**
of which attributable to:			
Owners of the parent company		13,096	13,671
Non-controlling interests		68	56

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		21.83	22.79
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		21.83	22.79

* Prior-year figure restated in accordance with IAS 1.41 and IAS 8, cf. Notes [2].

Group Statement of comprehensive income of SIMONA AG for the first half of 2019

in €`000	01/01 – 30/06/2019	01/01 – 30/06/2018
Profit for the period	**13,164**	**13,727**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit obligations	–24,950	–2,506
Deferred taxes on remeasurement of defined benefit obligations	7,355	739
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating financial statements of subsidiaries	738	1,618
Exchange differences on translating net investments	166	5
Deferred taxes from currency translation	-49	40
Other comprehensive income recognised directly in equity	**–16,740**	**-104**
Total comprehensive income	**-3,576**	**13,623**
Total comprehensive income attributable to:		
Owners of the parent company	-3,632	13,586
Non-controlling interests	56	37

Group Statement of financial position
of SIMONA AG for the first half of 2019

ASSETS

in €`000	Note	30/06/2019	31/12/2018
Intangible assets		38,411	39,060
Property, plant and equipment	[8]	133,462	129,069
Right-of-use assets from leases	[3]	2,378	0
Financial assets		339	340
Investments accounted for using the equity method		793	949
Deferred tax assets		17,715	10,572
Non-current assets		**193,098**	**179,990**
Inventories	[9]	98,172	92,355
Trade receivables		79,636	64,017
Other assets		6,204	6,408
Income tax assets		4,526	4,235
Other financial assets		891	1,406
Cash and cash equivalents	[10]	45,096	52,483
Current assets		**234,525**	**220,904**
Total assets		**427,623**	**400,894**

EQUITY AND LIABILITIES

in €`000	Note	30/06/2019	31/12/2018
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		167,649	180,583
Other reserves		9,811	8,956
		208,234	**220,313**
Non-controlling interests		526	390
Total equity		**208,760**	**220,703**
Financial liabilities		13,567	15,280
Lease liabilities	[3]	1,621	0
Provisions for pensions		131,607	104,356
Other provisions		3,860	3,441
Other liabilities		639	59
Deferred tax liabilities		8,988	9,816
Non-current liabilities		**160,282**	**132,952**
Financial liabilities		6,499	3,425
Lease liabilities	[3]	850	0
Provisions for pensions		1,655	1,655
Other provisions		1,714	2,034
Trade payables		23,935	20,987
Income tax liabilities		3,627	1,302
Other financial liabilities		441	2,119
Other liabilities		19,860	15,717
Current liabilities		**58,581**	**47,239**
Total equity and liabilities		**427,623**	**400,894**

Group Statement of cash flows of SIMONA AG for the first half of 2019

in €`000	Note	01/01 – 30/06/2019	01/01 – 30/06/2018
Earnings before taxes (EBT)		17,550	18,648
Income taxes paid		–3,030	–4,118
Finance income and finance cost (excl. interest expense relating to pensions)		142	45
Depreciation, amortisation and write-downs		8,521	7,243
Other non-cash expenses and income		–2,495	–3,104
Result from disposal of assets		22	-150
Change in inventories		–5,541	–10,118
Change in trade receivables		–15,234	–18,036
Change in other assets		753	940
Change in provisions for pensions		2,301	4,921
Change in liabilities and other provisions		8,206	17,546
Net cash from operating activities		**11,195**	**13,817**
Investments in intangible assets and property, plant and equipment		–12,015	–7,807
Proceeds from the disposal of assets		857	324
Proceeds relating to the short-term financial management of cash investments		0	115
Payments relating to the short-term financial management of cash investments		0	1
Interest received		29	88
Net cash used in investing activities		**–11,129**	**–7,279**
Proceeds from financial borrowings	[10]	3,074	0
Repayment of financial liabilities		–1,713	–1,713
Payment of prior-year dividend	[7]	-8,400	–7,200
Interest paid and similar expenses		–113	–133
Net cash used in financing activities		**–7,152**	**–9,046**
Effect of foreign exchange rate changes on liquidity		**-301**	**205**
Change in cash and cash equivalents		**–7,387**	**–2,303**
Cash and cash equivalents at 1 January		52,483	68,022
Cash and cash equivalents at 30 June		45,096	65,719
Change in cash and cash equivalents		**–7,387**	**–2,303**

Group Statement of changes in equity of SIMONA AG for the first half of 2019

in €`000	Note	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY: Issued capital	Capital reserves	Revenue reserves	Other reserves: Currency translation differences	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 01/01/2018		**15,500**	**15,274**	**165,498**	**5,677**	**201,949**	**317**	**202,266**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	-1,767	1,682	-85	-19	-104
Profit for the period		0	0	13,671	0	13,671	56	13,727
Total comprehensive income for the period		**0**	**0**	**11,904**	**1,682**	**13,586**	**37**	**13,623**
Dividend payment	[7]	0	0	–7,200	0	–7,200	0	–7,200
Other changes		0	0	687	-19	668	0	668
Balance at 30/06/2018		**15,500**	**15,274**	**170,889**	**7,340**	**209,003**	**354**	**209,357**
Balance at 01/01/2019		**15,500**	**15,274**	**180,583**	**8,956**	**220,313**	**390**	**220,703**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–17,595	867	–16,728	–12	–16,740
Profit for the period		0	0	13,096	0	13,096	68	13,164
Total comprehensive income for the period		**0**	**0**	**-4,499**	**867**	**-3,632**	**56**	**-3,576**
Dividend payment	[7]	0	0	–8,400	0	–8,400	0	–8,400
Other changes		0	0	-35	–12	-47	80	33
Balance at 30/06/2019		**15,500**	**15,274**	**167,649**	**9,811**	**208,234**	**526**	**208,760**

Notes to the condensed consolidated interim financial statements of SIMONA AG for the first half of 2019

[1] COMPANY INFORMATION

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. The company has been entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390).
These condensed consolidated interim financial statements (consolidated interim financial statements) for the first half of 2019 were released for publication on 19 July 2019, following a resolution passed by the Management Board.

[2] STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated interim financial statements for the first half of 2019 have been prepared in accordance with the provisions of IAS 34 „Interim Financial Reporting“ and, under Section 315a (1) HGB, pursuant to International Financial Reporting Standards (IFRS), to which they comply.
The consolidated interim financial statements have been prepared in euro. The reporting period covers the period from 1 January 2019 to 30 June 2019. The consolidated annual financial statements as at 31 December 2018 provide the basis for the consolidated interim financial statements, and reference shall be made to the aforementioned consolidated annual financial statements for further information.
For computational reasons, the tables presented in this document may include rounding differences equivalent to +/- unit (€, %, etc.).

Summary of significant accounting policies
The accounting principles applied are consistent with those adopted in the previous financial year and with regard to the associated interim period, except for the adoption of new and amended standards, as discussed below.

The new standard IFRS 16 „Leases“ became applicable in the current reporting period. The initial application of the standard resulted in retrospective changes to the Group's accounting policies, which are described in Notes [2].

Adjustment to prior-year disclosures
The items of the 2018 income statement for the first half presented below have been adjusted retrospectively in accordance with IAS 1.41 in conjunction with IAS 8. The reclassification of these items is due to the fact that income and expenses from foreign currency translation not attributable to the SIMONA Group's operating activities but rather to financing activities and cash are allocated to net finance income/cost for the purpose of improving the overall presentation. The prior-year figures in the Group income statement have been adjusted accordingly.

	01/01/ – 30/06/2018		
in €`000	**before adjustment**	**adjustment**	**after adjustment**
Other income	795	857	**1,652**
Other expenses	33,559	965	**34,524**
Earnings before interest and taxes (EBIT)	18,801	- 108	**18,693**
finance income	2,498	- 857	**1.641**
finance costs	2,739	- 965	**1,774**
Earnings before taxes (EBT)	18,648	0	**18,648**

[3] ACCOUNTING STANDARDS TO BE APPLIED FOR THE FIRST TIME IN THE FINANCIAL YEAR

IFRS 16 was applied for the first time in accordance with the transitional provisions set out in IFRS 16, modified retrospectively with recognition of the resulting effects in revenue reserves as at 1 January 2019. No restatements were made in respect of the comparative figures for the 2018 financial year.

In applying IFRS 16 for the first time, the Group accounted for lease liabilities. These liabilities are measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. To determine the incremental borrowing rate, reference interest rates for a period of up to 15 years were derived from the yields on government bonds in major countries or currencies. The reference interest rates were complemented by a lease risk premium. The weighted average incremental borrowing rate of the lessee – applied to lease liabilities as at 1 January 2019 – is 1.95 per cent.
For the first time, significant lease arrangements have been accounted for in the consolidated financial statements. This has not resulted in adjustments to reflect differences between lease liabilities and right of use.

In implementing IFRS 16 for the first time, the Group applied the following expedients:

- Applying a single discount rate to a portfolio of lease agree ments with similar characteristics
- Recognising lease agreements as short-term lease arrange ments in those cases in which the remaining term is shorter than 12 months as at 1 January 2019
- Use of hindsight in determining the lease term with regard to contracts that contain options to extend or terminate a lease

Lease liabilities recognised as at 1 January 2019:

in €`000	01/01/2019
Short-term lease liabilities	638
Long-term lease liabilities	1,447
	2,085

The rights of use are measured retrospectively as if IFRS 16 had always been applied. At the time of initial application of IFRS 16 no leases were considered impaired, as a result of which no impairment losses were required in respect of right-of-use assets.

The carrying amounts of recognised rights of use relate to the following types of asset:

in €`000	30/06/2019	01/01/2019
Land	542	1,326
Buildings	1,094	170
Operating and office equipment	12	54
Motor vehicles	659	400
Forklift trucks	71	135
	2,378	**2,085**

Compared to 1 January 2019, the conclusion of new lease agreements resulted in an addition of €646 thousand in right-of-use assets.

The change to accounting policies had the following impact on items within the statement of financial position as at 1 January 2019: rights of use and the corresponding lease liabilities each increased by €2,085 thousand. The net effect on revenue reserves as at 1 January 2019 is €0.

The amortisation/depreciation and write-down of rights of use was as follows:

in €`000	30/06/2019
Land	47
Buildings	175
Operating and office equipment	2
Motor vehicles	133
Forklift trucks	33
	390

The effects on the Group statement of financial position are as follows:

in €`000	30/06/2019
Interest expense from lease liabilities	18
Expense from short-term and low-value leases	463

In the period from 1 January to 30 June 2019 cash outflows from leases amounted to €863 thousand. Leases with variable lease payments do not exist.
Neither subleases nor sale and leaseback transactions occurred during the reporting period.

Group lease activities and accounting treatment
The Group leases land, office and warehouse space as well as plant, vehicles and forklift trucks. Rental/lease agreements are generally concluded for fixed periods of 1 to 11 years, but may include renewal options. The rental/lease conditions are negotiated individually and include a wide range of terms and conditions. The lease agreements do not contain credit terms, but leased assets may not be used as collateral for borrowings.

Up to and including 2018, no material leases were recorded in the Group.

Since 1 January 2019, leases are recognised as rights of use and corresponding lease liabilities when the leased asset is available for use by the Group. Finance expenses are recognised in the income statement over the term of the lease so that there is a constant periodic rate of interest on the remaining amount of the liability for each period. The right of use is depreciated on a straight-line basis over the shorter of the useful life and the lease term.

Assets and liabilities under leases are initially recognised at present value. Lease liabilities include the present value of the following lease payments:

- Fixed payments, including in-substance fixed payments, less possible lease incentives
- Variable lease payments linked to an index or (interest) rate
- Expected residual payments from residual value guarantees of the lessee
- Expected residual payments from residual value guarantees of the lessee
- Penalties relating to the termination of leases if the lease term reflects the lessee exercising an option to terminate the lease

Lease payments are discounted at the underlying interest rate implicit in the lease if that rate can be readily determined. If this is not the case, discounting occurs on the basis of the lessee's incremental borrowing rate, i.e. the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost, which includes the following elements:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs incurred by the lessee and
- an estimate of costs to be incurred by the lessee in dismant ling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Payments for short-term leases and leases for which the underlying asset is of low value are recognised as expense in the income statement on a straight-line basis. Short-term leases as those lease agreements with a term of up to 12 months. Assets of low value include, in particular, IT equipment and relatively small items of office furniture.

Effect on segment disclosures and earnings per share

The following segments are affected:

in €`000	Europe	Americas	Asia and Pacific	Group
Lease liability	1,361	657	360	**2,378**
Depreciation right of use	230	99	61	**390**

The impact of the initial application of IFRS 16 on EBIT, EBT and earnings per share for the period from 1 January to 30 June 2019 is insignificant.

Scope of consolidated financial statements

There were no changes in the consolidated group compared with 31 December 2018. As at 30 June 2019, alongside the parent company the consolidated interim financial statements comprised 30 domestic and foreign entities. Effective from 1 January 2019 reorganisation measures were implemented in the United States, including a change of company name in respect of entities operating in this region.

[4] 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).

[5] SEGMENT REPORTING

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

- Europe
- Americas
- Asia and Pacific

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts.
Management assesses earnings before interest and taxes (EBIT) of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.
As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated interim financial statements. Receivables, liabilities, revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the registered office of the revenue-generating business unit. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets comprise assets that contribute to the achievement of operating profit. Depreciation/amortisation and write-downs relate to intangible assets, property, plant and equipment and right of use from leasing.

The following table includes information relating to segment revenues, income and expenses as well as segment results. The differences in respect of the consolidated interim financial statements are presented in the reconciliation.
The prior-year figures relating to other income, other expenses and earnings before interest and taxes (EBIT) have been adjusted in line with the Group income statement; cf. Note [2].

SEGMENT INFORMATION BY REGION FOR THE FIRST HALF OF 2019

	Europe		Americas		Asia and Pacific		Total		Reconciliation		Group	
in €`000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018 (adjusted)
Revenues from external customers	142,322	138,703	69,844	51,022	15,352	15,166	227,518	204,891	0	0	227,518	204,891
Revenues from other segments	4,703	4,965	55	72	0	0	4,759	5,037	–4,758	–5,037	0	0
Segment revenues	**147,025**	**143,668**	**69,899**	**51,094**	**15,352**	**15,166**	**232,276**	**209,928**	**-4,758**	**-5,037**	**227,518**	**204,891**
Other income[1]	1,439	1,434	472	84	138	667	2,049	2,185	–528	-533	1,521	1,652
Cost of materials	85,338	79,962	32,346	22,372	11,215	11,146	128,899	113,480	-4,758	–5,037	124,140	108,443
Staff costs	30,104	28,373	12,805	8,530	1,787	1,658	44,696	38,561			44,696	38,561
Depreciation, amortisati-on and write-downs	5,026	4,842	2,718	1,669	777	732	8,521	7,243			8,521	7,243
Other expenses [1]	23,533	24,333	11,983	8,487	1,244	2,280	36,760	35,100	–520	–576	36,241	34,524
Earnings before interest and taxes (EBIT)[1]	6,244	8,395	11,599	10,161	189	380	18,032	18,936	89	–243	18,121	18,693
Earnings before taxes (EBT)	6,241	8,403	11,156	10,074	97	423	17,494	18,900	55	–252	17,550	18,648
Segment capital expenditure	7,761	4,295	3,128	2,636	1,126	762	12,015	7,693			12,015	7,693
Non-current assets	82,853	77,607	80,705	57,613	10,693	10,388	174,251	145,608			174,251	145,608

[1] Adjustment of prior-year figures in accordance with Note [2]

NOTES TO GROUP INCOME STATEMENT

[6] INCOME TAXES

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

GROUP INCOME STATEMENT

in €´000	01/01/–30/06/2019	01/01/–30/06/2018
Current tax		
Current tax expense	5,098	5,153
Adjustments of current tax attributable to previous periods	-13	55
Deferred tax		
Origination and reversal of temporary differences	-637	413
Change in loss carryforwards and tax credits recognised	-62	–700
Income tax expense reported in Group income statement	**4,386**	**4,921**

[7] DIVIDEND PAID

During the first half-year the Annual General Meeting of Shareholders passed a resolution on 7 June 2019 for a dividend of €14.00 per share (prev. year: €12.00 per share) for all ordinary shares attributable to the parent company. The amount was paid out on 12 June 2019. The total dividend distribution amounted to €8,400 thousand (prev. year: €7,200 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2019, the Group purchased property, plant and equipment at a cost amounting to €12,011 thousand (prev. year: €7,692 thousand), of which, as in the previous year, €0 was attributable to first-time consolidation.

Other income includes gains of €27 thousand (prev. year: €164 thousand) from the disposal of property, plant and equipment; other expense includes losses of €49 thousand (prev. year: €14 thousand) from the disposal of property, plant and equipment.

[9] INVENTORIES

Compared to 31 December 2018, the amount attributable to inventory impairments fell by €105 thousand to €7,792 thousand in the first half of 2019..

[10] 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	30/06/2019	30/06/2018
Cash and cash equivalents	45,096	65,719
Current financial liabilities (overdraft)	-3,074	0
	42,022	**65,719**

OTHER INFORMATION

[11] OTHER FINANCIAL COMMITMENTS

As at 30 June 2019, purchase commitments arising from investment projects amounted to €10,165 thousand (prev. year: €8,825 thousand), while commitments relating to raw material orders totalled €12,297 thousand (prev. year: €15,708 thousand).

[12] RELATED-PARTY DISCLOSURES

Compared to the financial year ended 31 December 2018, the entities and persons with whom the SIMONA Group had a related-party relationship remain unchanged. There were no significant changes to the scope and nature of related-party transactions within the Management Board and Supervisory Board compared to 31 December 2018.
As part of its operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated interim financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose. These business transactions relating to the supply of goods and the rendering of services are made at market prices.

[13] EVENTS AFTER THE REPORTING PERIOD

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

[14] DISCLOSURE IN ACCORDANCE WITH SECTION 37W (5) WPHG

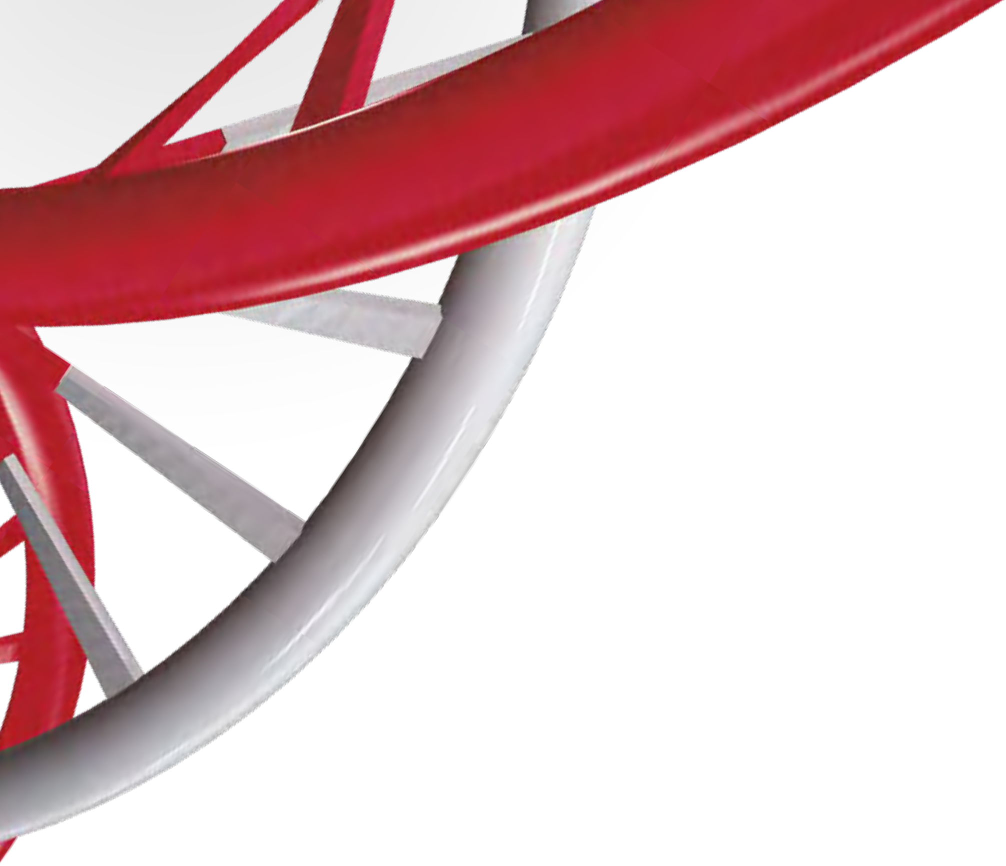
The consolidated interim financial statements and the Group interim management report have been neither reviewed nor audited in accordance with Section 317 HGB.

[15] RESPONSIBILITY STATEMENT

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

Kirn, July 2019
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dr. Jochen Hauck



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