SIMONA

2010

Financial Statements of SIMONA AG

Contents

01 Management Report of SIMONA AG

1. BUSINESS REVIEW

General economic situation

The overall recovery of the world economy was faster than anticipated following the slump induced by the global financial and economic crisis. After a downturn of 0.9 per cent in 2009, global gross domestic product rose significantly by an estimated 5 per cent. Having said that, the world economy lost its forward momentum as the year progressed, with global trade failing to expand significantly in the second half of 2010. Global economic performance in 2010 clearly illustrated the growing importance of the emerging markets within the context of international trade. While the emerging markets in Asia returned to their pre-crisis levels in 2010, production in the industrialised countries again fell short of the figures recorded prior to the economic downturn.
In Germany, GDP grew by 3.5 per cent in 2010 as a whole – adjusted for prices and working days – and was dominated by rebounding markets as the economy emerged from the crisis. Faced with a double-digit downturn in economic output over the course of 2009, the manufacturing sector, in particular, recorded a strong performance in terms of gross value added, which rose by an impressive 10.3 per cent in 2010. Exports rose by 14.2 per cent in the same period. Investments in machinery and equipment were up 9.4 per cent on the figure recorded in 2009, although this area had been worst hit by the economic downturn. Recovery slowed down slightly in the fourth quarter, with GDP rising by just 0.4 per cent compared to the previous quarter. Exports also proved buoyant in the fourth quarter, with a year-on-year increase of 15.9 per cent in terms of goods and services sold abroad.
In the eurozone, GDP rose by 1.7 per cent in 2010 (2009: -4.0 per cent) while the EU27 region recorded growth of 1.8 per cent (2009: -4.2 per cent).
The trend with regard to SIMONA's principal sales markets was as follows in 2010: the German chemical industry recorded an 11 per cent increase in production volume, with revenues expanding by 17.5 per cent. Within this context, foreign markets provided much of the impetus. Growth was less pronounced in the second half of the year. Germany's mechanical and plant engineering industry managed to expand its production output by 8.8 per cent in 2010. Order intake rose by 36 per cent in real terms, with domestic orders increasing by 29 per cent and non-domestic orders expanding by 39 per cent. The overall export ratio within this sector rose to 74.8 per cent (2009: 73.6 per cent). The solid performance in 2010 is reflected in the level of capacity utilisation, which was up from 72.5 per cent in 2009 to 79.8 per cent in 2010.
After the significant decline recorded in 2009, the international exhibition and trade fair industry in Germany was faced with a sluggish recovery in the period under review, mainly due to the fact that streamlining measures agreed in 2009 remained in place to some extent. Based on initial estimates, exhibitor numbers rose by 1 per cent (2009: -4 per cent), while the total number of visitors was down slightly by 2 per cent (2009: -8 per cent).
The German construction industry also failed to keep up with the general pace of economic recovery in the period under review. Revenues in the principal construction sector contracted by 1 per cent (2009: -4 per cent) in nominal terms. This decline was attributable to the adverse effects felt within the commercial construction sector (-4.5 per cent) and in the public-sector segment (-3 per cent).
Based on preliminary figures, Germany's plastics-processing industry managed to lift revenues by 14 per cent to € 51.3 billion in 2010, thus almost returning to the level recorded in 2008. At 12.2 million tonnes, the volume of plastics processed also moved closer towards the figure achieved in 2008. Among the principal growth drivers were suppliers of technical compon-

ents, who accounted for 23 per cent of overall growth. Within the area of consumer and other plastic goods, total revenue increased by 14.7 per cent to € 16.4 billion. The construction sector recorded growth of 5 per cent, taking its total revenue to € 10.8 billion. The plastics packaging industry, the largest segment within the plastics processing sector, saw its gross output rise by 14 per cent to € 12.2 billion. In terms of value, however, the figure was down 2 per cent on last year's total. The positive performance was driven mainly by foreign trade. At +15.5 per cent, exports attributable to the plastics processing industry outpaced domestic sales (+14 per cent) in the period under review. The export ratio rose from 34.3 per cent in 2009 to 35.7 per cent in 2010.

Revenues and orders at SIMONA AG

After a sluggish start to the year, sales revenue generated by SIMONA AG rose sharply from March 2010 onwards and remained at a high level until the end of the financial year. For the financial year 2010 as a whole, sales revenue was propelled upwards by 21.7 per cent to € 232.5 million (2009: € 191.1 million). Much of the impetus came from more expansive investments in machinery and equipment, particularly in the chemical and mechanical engineering industry. Within this context, the dynamic performance of their key export markets in Asia, particularly China, proved to be an important stimulus in respect of companies' propensity to invest.

In the area of semi-finished products, sales volumes of PE and PP sheets used in tanks and apparatus engineering rose sharply in 2010. Business relating to plastic sheets used by the photovoltaics and solar industry also developed well in the period under review. By contrast, business centred around PVC sheets was more sluggish. SIMONA AG also saw a further increase in the overall sales volume of finished parts. Products made of specialty plastics showed more forward momentum than business within the area of semi-finished plastics. Within the area of piping systems, the company also succeeded in expanding sales revenues, albeit at a much less pronounced rate than in the area of semi-finished plastics. Sales volumes of PP pipes for industrial applications rose significantly, whereas revenues generated in the area of PE fittings were down.

SIMONA has divided its market activities into three sales regions:

- Germany
- Rest of Europe & Africa
- Asia, America & Australia

Business development in Germany

With customers in the chemical and mechanical engineering industry – a key market for SIMONA – expanding their capital expenditure on machinery and benefiting from buoyant exports, SIMONA saw its revenue surge in the period under review. Sales revenues generated in Germany rose by 18.9 per cent to € 90.5 million (2009: € 76.1 million).

Business development in Rest of Europe & Africa

Revenue from sales in the Rest of Europe and Africa also increased significantly during the period under review. In Western Europe, the most important market for SIMONA, the downturn seen in 2009 had not been as pronounced as in other regions. As a result, revenue growth in 2010 was slightly below average. In total, the Rest of Europe and Africa accounted for sales revenue of € 123.3 million (2009: € 105.0 million). This represents an increase of 17.4 per cent compared to 2009. As a region, the Rest of Europe and Africa accounted for 53.0 per cent of total revenue generated by SIMONA AG, slightly down on last year's figure of 54.9 per cent.

Business development in Asia, America & Australia

Not only were the Asian markets the first to be affected by the economic and financial crisis, they also bore the brunt of the downturn. On a more positive note, they also led the way when it came to economic recovery. SIMONA was able to reap the rewards of this trend by generating above-average revenue growth. In North America, by contrast, business grew at a low level. In total, revenue from sales in Asia, America and Australia rose by 85.1 per cent to € 18.7 million. As a result, this region accounted for 8.0 per cent of total sales revenue, a significant increase compared with the figure of 5.3 per cent reported last year.

Earnings performance

As a result of higher commodity prices, which SIMONA AG was unable to pass on to customers in full, gross profit fell by € 4.1 million, down from € 94.3 million to € 90.2 million. The gross profit margin receded from 49.3 per cent to 38.8 per cent.
Inventories of raw materials and finished goods declined slightly in terms of volume. However, this was offset in terms of value by higher commodity prices. Having said that, total inventories fell by € 3.0 million in the period under review as a result of valuation allowances in respect of finished goods.
Other operating income was down € 1.4 million to € 6.0 million.
Owing in particular to short-time work, the closure of the company's Kirchhundem-Würdinghausen site in 2010 and the reduction in retirement benefit costs, total staff costs fell by € 3.7 million.
Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment fell by € 2.1 million year on year to € 7.9 million.
Other operating expenses rose by € 4.9 million. Against the backdrop of more expansive business, the company incurred higher costs relating to outward freight and packaging, in particular, as well as seeing a rise in maintenance costs for manufacturing systems.
Earnings before taxes (EBT) fell from € 15.4 million in 2009 to € 9.2 million in the period under review. The EBT margin was 4.0 per cent (2009: 8.1 per cent).

Production

The SIMONA Group manufactures and markets a range of semi-finished plastics, pipes and fittings as well as finished parts. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics laboratories and workshops for the production of customised fittings.
In 2010, semi-finished products (sheets, rods, welding rods) were manufactured at two plants in Kirn (Rhineland-Palatinate), while sheets were produced at the company's plant in Kirchhundem-Würdinghausen (North Rhine-Westphalia) and pipes, fittings and finished parts at a facility in Ringsheim (Baden-Wuerttemberg). The factory in Kirchhundem-Würdinghausen was closed down effective from 30 September 2010.

Procurement

Commodity prices continued to rise over the course of 2010, with polypropylene bearing the brunt and rising by more than 35 per cent within the first half of the year. Owing to the scarcity of propylene, an input material, the industry also had to contend with supply-side shortages and market allocations with regard to polypropylene. Price movements relating to polyethylene were less pronounced, although spiralling prices for the input material ethylene prompted a hike in polymer prices by

20 per cent. While the price for raw PVC remained relatively stable in 2010, with an increase of around 10 per cent, the cost of associated additives surged and led to a sharp rise in the price of finished PVC dry blends. Recurring supply-side shortages with regard to stabilisers, titanium dioxide and paints/pigments saw additive prices more than double in some cases.

Capital expenditure

Investments in intangible assets were attributable to software licences. Capital expenditure on property, plant and equipment totalling € 3.5 million was mainly directed at machinery and equipment (mixer, extruder, tank sheet production system, milling unit and daylight press) as well as IT equipment and vehicles. At the same time, production assets from German sites were sold to the new manufacturing facility in China. Investments in financial assets related to the increase in interests held in the production company in the United States, as well as loans granted to SIMONA-Plast-Technik s.r.o., Litvinov, Czech Republic, SIMONA AMERICA Inc., Hazelton, USA, and SIMONA ASIA Ltd., Hong Kong, China.

Employees

As at 31 December 2010, SIMONA AG had a workforce of 910 employees, i.e. 47 fewer staff members than at 31 December 2009. The year-on-year decline in the headcount was attributable mainly to the closure of the plant in Kirchhundem-Würdinghausen. The average headcount was 912. At the end of 2010, 54 young people (2009: 59) were enrolled in vocational programmes relating to one of seven technical and commercial training courses. In total, 18 apprentices successfully completed their vocational training programmes; nine of them were offered permanent employment contracts. Two apprentices opted for an integrated degree course offered by SIMONA in cooperation with the University of Applied Sciences Ludwigshafen. At 31 December 2010, 6 female members of staff were on parental leave. At the end of 2010, 60 members of staff (2009: 64) had opted for early part-time retirement.

In 2010, SIMONA extended its Balanced Scorecard as a strategic management instrument to incorporate other organisational levels within the company. In-house training within the context of a cross-company project aimed at improving the order process formed one of the focal points of HR development in the year under review. Additionally, the company organised a number of personalised specialist training schemes and drew up a concept for the establishment of a talent promotion circle, which will commence in 2011.

In 2010, the emphasis with regard to IT was on standardising the SAP modules used within the Group and introducing SAP in full at SIMONA AMERICA Inc. Furthermore, the rollout template relating to the SAP module Human Resources was extended and initial preparations were made for release migration.

Significant elements of the internal control and management system

Overall responsibility for the internal control system with regard to the financial 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 overall assessment of the annual financial statements, including the management report. These elements are as follows:

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

Quality and environmental management

The goal of SIMONA's quality management is to ensure that the quality of its products and processes is safeguarded and optimised on a continual basis. Within this context, the aim is to achieve a consistently high level of quality awareness at all production and distribution sites. The incorporation of the new production site at Jiangmen, China, into the SIMONA quality management concept progressed well, and certification of the QM system at our Chinese manufacturing plant can now be planned for the end of 2011.

Among the focal points of the quality management system in 2010 were an interdisciplinary quality circle, product audits and several process optimisation measures relating to new automotive projects. In the area of pipes and fittings, an increasing number of country-specific product certifications were necessary 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.

As a company operating within the global business arena, SIMONA AG is well aware of its responsibilities towards people and the environment. Thus, sustainability and environmental compatibility form an integral part of the corporate philosophy embraced by SIMONA AG. SIMONA products contribute to the protection of resources, e.g. by replacing heavier materials, by facilitating water treatment or by reducing CO_2 emissions. Sustainability has also been defined as a strategic goal with regard to our production processes. Indeed, production-integrated environmental protection plays a pivotal role when it comes to planning new production processes and coordinating fabrication methods.

SIMONA AG is committed to improving its processes on a continual basis, with the express purpose of acting in a resource- and environmentally-friendly manner.

2. REVIEW OF FINANCIAL POSITION

Assets

Compared to the previous financial year, total assets reported by SIMONA AG fell by € 2.7 million to € 191.8 million.
In the same period, non-current assets rose by € 17.1 million.
As a result of asset disposals to the Chinese subsidiary in Jiangmen as well as higher write-downs in 2010 relative to capital expenditure in this period, property, plant and equipment was lower in the financial year under review.
Due to an increase in capital in the United States, investments in affiliated companies rose from € 16.2 million to € 20.0 million. Loans to affiliated companies amounted to € 18.1 million. In the period under review, prior-year trade receivables from affiliated companies amounting to € 9.7 million were converted to loans. In response to the expansion of business abroad, additional loans of € 8.4 million were made available in 2010.
At € 26.0 million, inventories declined by € 3.0 million compared to the previous financial year.
Due to higher revenues, trade receivables rose from € 16.6 million to € 20.9 million.
Cash resources of € 30.7 million (previous year: € 56.7 million) mainly consisted of bank deposits. The year-on-year change is attributable primarily to a € 10.0 million investment in covered bonds (Pfandbriefe) as well as the provision of € 8.4 million in cash to affiliated companies.

Equity and liabilities

Equity declined from € 141.7 million in 2009 to € 136.5 million in the financial year under review. At the end of the reporting period the equity ratio was 71.1 per cent (previous year: 72.9 per cent). In response to the Act to Modernise Accounting Law (Bilanzrechts-modernisierungsgesetz – BilMoG), provisions for pensions and similar obligations had to be adjusted in 2010. The additional allocation of € 8.1 million to pension provisions was recognised fully in profit or loss as an extraordinary expense.
Other provisions declined by € 3.3 million. This was mainly attributable to the utilisation of restructuring provisions within the context of the closure of the Kirchhundem-Würdinghausen plant.
At € 10.6 million, total liabilities were comparable to last year's figure.
SIMONA AG has unused credit lines of € 6 million.

3. EXPECTED DEVELOPMENTS

Recovery of global economy

The global economy lost most of its dynamism towards mid-2010, with the majority of the developed countries recording subdued GDP growth in the fourth quarter of 2010. However, indicators improved again towards the end of the year, which was underlined by the significant expansion of the world economy since the beginning of 2011. Having said that, there are signs of bifurcation: the emerging markets – particularly in Asia – have returned to or exceeded their pre-crisis levels and currently run the risk of overheating, whereas many of the developed economies – such as the United States, the United Kingdom and Spain – have been sluggish. The global economy is exposed to certain risks with regard to its future performance. Within this context, spiralling commodity prices represent one of the most potent risks. The price of crude oil has surged in the wake of the political upheaval witnessed throughout the Arab world. Governments in the emerging markets will be forced to counteract the risk to stability that is generally associated with an economic boom. It remains to be seen to what extent the price of crude oil and global economic performance as a whole will be affected by the natural and nuclear disaster in Japan.

In January, the International Monetary Fund (IMF) projected global economic growth of 4.4 per cent for 2011. However, the latest forecasts issued by economists suggest that growth will be less pronounced. The IMF again anticipates strong growth for China (+9.6 per cent) and India (+8.4 per cent). The Russian economy is expected to expand by 4.5 per cent. Recovery throughout the eurozone remains sluggish; against this backdrop, GDP is forecast to grow by just 1.7 per cent. The US economy is expected to gain some momentum, with estimated growth of 3.0 per cent in 2011.

SIMONA anticipates that the overall order situation will remain solid in 2011. Order intake remains stable at a high level. Following the downturn, there remains significant potential with regard to capital expenditure on machinery and equipment – of particular relevance to our business – within key sales markets. In addition, demand is likely to be buoyed by export trade on the part of customers operating within the chemical and mechanical engineering industry. Piping systems engineering is expected to develop at a more subdued rate. Short-time work was partially introduced at the Ringsheim plant, which produced pipes and fittings.

Elevated commodity prices continue to exert downward pressure on our gross profit margin, as the percentage of material costs attributable to our products is significant. It will be difficult to pass these higher costs on to customers within the highly competitive markets of Europe.

For the financial year 2011 as a whole, SIMONA AG will be looking to achieve further growth, taking projected revenue to between € 250 and 260 million (2012: € 260 to 270 million). Despite the continued rise in commodity prices, profitable growth remains a top priority for SIMONA; the target for earnings before taxes has been set at € 9 to 10 million for 2011 (2012: € 12 to 15 million). Capital expenditure in 2011 is expected to reach € 14 to 15 million in total (2012: € 8 to 10 million).

Our focus for the future will be on extruded semi-finished thermoplastics and related products for safety-critical and eco-specific applications. We have also identified opportunities for growth within the area of energy utilities and commodities, environmental engineering and agriculture/food manufacturing.

Owing to the uncertainties associated with the commodity markets as well as the inconsistent economic trends and the risk of unforeseen events, such as recent developments in Japan, providing a performance outlook for 2012 is difficult. Given the growth opportunities emanating from the emerging markets and the new focus on safety-critical and eco-specific applications, SIMONA anticipates that its business performance will remain favourable beyond the financial year 2011.

Risk report

The risk management system of SIMONA AG controls 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 exchange rate and commodity price volatility as well as the availability of raw materials. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. The production facilities in the United States, China and the Czech Republic will help us to improve 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 foreign sales markets has helped to scale back risks within this area.

Sector-specific risks will continue to be a focal point of our risk management during 2011. Both revenue and earnings performance in 2011 will be dependent to a large extent on developments within the sales markets primarily targeted by SIMONA AG. Against the backdrop of a more favourable economic climate, the risk situation is now considered much less pronounced. By contrast, the risks associated with commodity prices have increased during the first months of 2011 and are likely to be a key factor in earnings performance for 2011 as a whole. Initiated two years ago, the transition from quarterly to monthly contracts for ethylene and propylene has led to significant price volatility for downstream products.

As regards receivables, the risk of default is mitigated by means of extensive credit rating checks in the case of new accounts and ongoing assessments of the credit ratings of existing customers. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances were made for specific unsaleable products.

Risks attributable to information technology are controlled by the company's own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis.

At the end of the 2010 financial year, we are of the opinion that the overall risk situation for the company has improved slightly as a result of the factors outlined above.

4. OTHER INFORMATION

Research and development

SIMONA pursues product development at various levels. Our Technical Service Centre is responsible for reviewing customer requirements and refining existing products by making well-judged alterations to polymer properties, e.g. by changing the basic formula. The New Products & Applications unit works in close collaboration with our product management to test new materials and develop plastics for new fields of application. Committed to promoting energy-efficient artificial ice rinks, SIMONA developed SIMONA® Eco-Ice® and launched the new product at the beginning of 2010. In contrast to conventional ice rinks, installations using SIMONA® Eco-Ice® can be operated without cooling pipes and coolants for ice production. The ice skates can be used directly on the plastic panels, which are securely joined to one another to form an ice rink surface. SIMONA® Eco-Ice® is supplied in various polyethylene designs: PE-HD (high heat resistance), PE-HMW (high molecular weight) and PE-UHMW (ultra-high molecular weight). In mid-2010, the system was extended to include perimeter boards made of PE FOAM twin-wall sheets. In dehoplast® x-detect, an ultrahigh-molecular-weight polyethylene, SIMONA has developed a premium product for the food and pharmaceutical industries. In the event of a fracture, even small plastic particles can be detected in food by means of metal detectors. Developed in 2009, the PVC sheet SIMOSHIELD for doors, manufactured with the help of inline foiling technology, was rolled out at the beginning of 2010. The PVC free-foam sheet SIMOPOR-DIGITAL, which was developed for digital direct printing, was also launched onto the European market in 2010. Within the area of polyolefins, we carried out technical refinements to the foamed sheets PE FOAM and PP FOAM. The PE FOAM line was extended to include a twin-wall sheet that is used primarily for perimeter boards and housings as well as noise and heat insulation.

In the field of piping systems, we launched an advanced SIMONA® PP-H AlphaPlus® piping system tailored specifically to the geothermal industry; it is capable of withstanding extreme thermal, mechanical and hydraulic stresses. Elsewhere, the SIMOFUSE® joining method, first developed for wastewater management in non-pressurised applications, was refined to meet the requirements of the power supply industry and its demands for sustainable solutions. SIMOFUSE® pipe modules can be supplied in diameters of up to 1,000 mm. Following the successful market launch of protective-jacket pipes made of PE, SIMONA – as the first manufacturer worldwide – commissioned an independent testing unit to assess the full RC (Resistance to Cracking) fittings portfolio in accordance with PAS 1075. The test results were highly encouraging. In pipe extrusion, initial production testing was conducted for pipes with a wear-resistant interior skin. The aim is to develop a pipe with a high level of abrasion resistance for the transport of solid materials.

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

Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of Hans-

Werner Marx, Chairman of the Supervisory Board, as well as the Supervisory Board members Dr. Rolf Gößler and Roland Frobel. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective Management Board members 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 extensive analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The most recent assessment was conducted in 2009.

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 € 1,553 thousand (previous year: € 1,296 thousand). Total compensation comprises € 1,034 thousand (prev. year: € 988 thousand) in fixed-level compensation and € 519 thousand (prev. year: € 308 thousand) in bonus payments. The company does not grant loans to members of the Management Board. There are no share option plans or other share-based compensation programmes in place for members of the Management Board.

The company's Articles of Association contain no provisions that could be considered 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 € 592 thousand (previous year: € 853 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 7,756 thousand as at 31 December 2010 (previous year: € 8,507 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 is 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 25 June 2010 no such resolution for variable compensation components was passed for the 2010 financial year.
Supervisory Board compensation for 2010 amounted to € 102 thousand (previous year: € 105 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 pursuant to Section 289a of the German Commercial Code

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 on its corporate website at www.simona.de.

Disclosures pursuant to Section 289 (4) and explanatory report

As at 31 December 2010, 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 2010 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 only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. We shall no longer issue effective share certificates. As far as the Management Board is aware, there are no restrictions affecting voting rights or the transfer of shares.
A 30.79 per cent interest is held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), a 15.0 per cent interest by Kreissparkasse Biberach (Biberach), an 11.41 per cent interest by Regine Tegtmeyer (Seelze), a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel) and a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn). The remaining 11.06 per cent of shares in the company are in free float. On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power 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 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung filed an application with the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BAFin) for exemption pursuant to Section 37(1) and (2) of the Securities Acquisition and Takeover Act (Wertpapiererwerb- und Übernahmegesetz – WpÜG) in conjunction with Section 9 sentence 1 no. 1 of the WpÜG Offer Ordinance (WpÜG-Angebotsverordnung). On the basis of an official Notice issued by the Federal Financial Supervisory Authority on 22 July 2010, Dr. Wolfgang und Anita Bürkle Stiftung was exempted from its duties under Section 35(2) sentence 1 WpÜG to submit an offer document to the Federal Financial Supervisory Authority and its duties under Section 35(2) sentence 2 in conjunction with Section 14(2) sentence 1 WpÜG to publish a

mandatory offer. This exemption was granted under Section 37(1) and (2) WpÜG in conjunction with Section 9 sentence 1 no. 1 WpÜG Offer Ordinance in respect of the control gained over SIMONA AG following the testamentary succession of 13 May 2010.
On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power 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 entity under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more: Kreissparkasse Biberach, Biberach, Germany. On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power 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 entity under its control whose voting power in respect of SIMONA AG amounts to 3 per cent or more: Kreissparkasse Biberach, Biberach, Germany.
As at 25 June 2010, members of the Management Board reported a total holding of 70,776 own shares; this corresponds to 11.8 per cent of the share capital of SIMONA AG. According to the notification of 25 June 2010, members of the Supervisory Board held a total of 1,700 shares. This corresponds to 0.3 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 imponderabilities, 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 date

After the reporting date of the financial year 2010, non-current liabilities of approx. € 4.7 million attributable to SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic, were converted to equity. There were no events of material significance to the financial performance, financial position and cash flows of SIMONA AG.

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.

SIMONA AG
Kirn, 31 March 2011

The Management Board

02 Financial Statements of SIMONA AG

20
10

Income Statement of SIMONA AG

in € '000		01/01 - 31/12/10	01/01 - 31/12/09
1. Revenue		232,465	191,124
2. Decrease (prev. year: increase) in finished goods inventories		–1,470	661
3. Other operating income		6,042	7,465
		237,037	**199,250**
4. Cost of materials			
a) Cost of raw materials, consumables and supplies	–141,800		–96,641
b) Cost of services purchased	–472		–226
		–142,272	**–96,867**
5. Staff costs			
a) Wages and salaries	–35,237		–36,285
b) Social security, post-employment and other employee benefit costs of which in respect of old age pensions € 755 thousand (prev. year: € 3,286 thousand)	–7,715		–10,371
		–42,952	**–46,656**
6. Depreciation, amortisation and write-downs of property plant and equipment as well as intangible assets		–7,897	–9,982
7. Other operating expenses		–36,167	–31,257
8. Income from long-term equity investments of which from affiliated companies € 748 thousand (prev. year: € 295 thousand)		748	295
9. Other interest and similar income of which from affiliated companies € 422 thousand (prev. year: € 171 thousand)		745	664
10. Interest and similar expenses		–44	–52
11. Result from ordinary activities		**9,198**	**15,395**
12. Extraordinary income		121	0
13. Extraordinary expenses		–8,419	0
14. Extraordinary result		**–8,298**	**0**
15. Taxes on income of which income/expense from changes in recognised deferred taxes € 0 (prev. year: € 0)		–2,268	–3,647
16. Other taxes		–299	–224
17. Net loss for the year (prev. year: net profit)		**–1,667**	**11,524**
18. Unappropriated retained earnings brought forward		15,549	14,887
19. Dividend distribution		–3,600	–5,100
20. Allocation to other revenue reserves		0	–5,762
21. Unappropriated surplus		**10,282**	**15,549**

Balance Sheet of SIMONA AG

ASSETS

in € '000			31/12/10	31/12/09
A.	**Non-current assets**			
I.	**Intangible assets**			
	Purchased industrial property rights and similar rights		378	481
II.	**Property, plant and equipment**			
	1. Land, land rights and buildings	14,230		15,358
	2. Technical equipment and machinery	13,816		17,353
	3. Other equipment, operating and office equipment	4,987		5,091
	4. Prepayments and assets under construction	1,793		1,771
			34,826	**39,573**
III.	**Financial assets**			
	1. Investments in affiliated companies	20,019		16,207
	2. Loans to affiliated companies	18,138		0
	3. Other long-term equity investments	23		23
			38,180	**16,230**
			73,384	**56,284**
B.	**Current assets**			
I.	**Inventories**			
	1. Raw materials, consumables and supplies	8,663		9,558
	2. Finished goods and merchandise	17,294		19,382
			25,957	**28,940**
II.	**Receivables and other assets**			
	1. Trade receivables	20,882		16,661
	2. Receivables from affiliated companies	21,184		26,166
	3. Receivables from other long-term investees and investors	62		58
	4. Other current assets	9,423		9,260
			51,551	**52,145**
III.	**Securities**		10,000	0
IV.	**Cash in hand and bank balances**		30,673	56,694
C.	**Prepaid expenses**		268	470
Total			**191,833**	**194,533**

EQUITY AND LIABILITIES

in € '000		**31/12/10**	**31/12/09**
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 reserve	2,847		2,847
3. Other revenue reserves	92,417		92,417
		95,661	**95,661**
IV. Unappropriated surplus		10,282	15,549
		136,475	**141,742**
B. Provisions			
1. Provisions for pensions	32,843		25,811
2. Provisions for taxes	72		1,283
3. Other provisions	11,827		15,140
		44,742	**42,234**
C. Liabilities			
1. Trade payables	5,487		3,960
2. Liabilities to other long-term investees and investors	3		0
3. Other liabilities	5,126		6,597
of which taxes € 2,055 thousand (prev. year: € 3,185 thousand)			
of which relating to social security € 1,087 thousand (prev. year: € 670 thousand)			
		10,616	**10,557**
Total equity and liabilities		**191,833**	**194,533**

Notes

GENERAL INFORMATION

These financial statements have been prepared in accordance with Section 242 et seq. and Section 264 et seq. of the German Commercial Code (Handelsgesetzbuch – HGB) as well as on the basis of the relevant provisions set out in the Stock Corporation Act (Aktiengesetz – AktG) and the supplementary accounting requirements of the Articles of Association. In this case, regulations governing large corporations apply.
The income statement has been prepared on the basis of the nature of expense method.
The provisions set out in the Act to Modernise Accounting Law (Bilanzrechtsmodernisierungsgesetz – BilMoG) were applied upon commencement of the financial year 2010. Pursuant to Art. 67(8) sentence 2 EGHGB, the prior-year figures were not adjusted insofar as the application of BilMoG necessitated changes in the recognition and measurement of items of the balance sheet or income statement.

ACCOUNTING POLICIES

The following accounting policies, which remain largely unchanged compared with the previous year, have been used in preparing the annual financial statements:
Purchased **intangible assets** are recorded at their cost of acquisition and, to the extent that their useful lives are finite, their carrying amount is appropriately reduced by systematic amortisation. **Property, plant and equipment** are initially recorded at cost of purchase or cost of conversion and, to the extent that their useful lives are finite, their carrying amounts are reduced by systematic depreciation. Assets relating to property, plant and equipment are written down according to their estimated useful lives. Depreciation on additions to property, plant and equipment is performed pro rata temporis.
In the case of **financial assets,** equity interests are carried at the lower of cost or fair value, while loans are recognised at their nominal value. **Inventories** are stated at the lower of purchase or conversion cost and current cost.
Inventories have been capitalised at the lower of average historical cost or current cost at the reporting date. Raw materials and finished goods were measured on the basis of the LIFO method. The differences in these amounts to those resulting from measurement on the basis of the exchange price or the market price at the balance sheet date have been presented as part of the explanatory notes.
The inventories associated with consumables have been capitalised at the lower of average historical cost or current cost at the balance sheet date.
Finished goods have been measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material, direct labour and special production costs, this item also includes production and material overheads as well as depreciation.
As in the previous year, all other items held in inventories are stated at the lower of purchase or replacement cost at the balance sheet date.
All identifiable risks associated with **inventories**, relating to holding periods in excess of average duration, diminished usability and lower replacement costs, are recognised by an appropriate write down.
Receivables and other assets are carried at their nominal values. All items subject to risk are written down on an item-by-item basis; where items are subject to a general credit risk, a general allowance is recognised. Non-interest-bearing other assets with a term of more than one year have been discounted.
Securities held as current assets are recognised at cost or, where applicable under Section 253(4) HGB, at

the lower carrying amount on the basis of the exchange price or the market price at the reporting date.

The **provisions for pensions and similar obligations** are determined by means of the projected unit credit method on the basis of "Richttafeln 2005 G" (actuarial mortality assumptions). As regards the discount rate, an average market interest rate of 5.15 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 2.5 per cent, and an interest rate of 1.5 per cent was applied as regards expected increases in pensions. Until and including 31 December 2009, pension obligations were measured on the basis of the so-called "Teilwertverfahren" (relating to allocation from date of entry into service) set out in Section 6a of the German Income Tax Act (Einkommensteuergesetz – EStG), using an interest rate of 6 per cent p.a., and applying the "Richttafeln 2005 G" published by Prof. Heubeck in 2005. The difference arising at the date of transition of 1 January 2010 from the different accounting methods was allocated fully to provisions in 2010. In the income statement, the amount was accounted for in the extraordinary result. **Tax and other provisions** were created with reference to liabilities, the timing or amount of which were uncertain at the reporting date or in consideration of contingent losses associated with onerous contracts. 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. Bank deposits or liabilities denominated in foreign currencies are translated at the closing rate.

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 29) together with details of depreciation and amortisation for the full financial year.

Details of shareholdings

Please refer to page 28 for further details of shareholdings.

Loans to affiliated companies

Included for the first time in the period under review, this item comprises loans to SIMONA ASIA Ltd. (€ 7,963 thousand), SIMONA Plast-Technik s.r.o. (€ 7,323 thousand) and SIMONA AMERICA Inc. (€ 2,852 thousand). The loans bear interest based on standard market terms.

Inventories

Inventories of raw materials and finished goods are measured on the basis of the LIFO method. The LIFO measurement of inventories entails the classification of inventories into appropriate groups, which are then valued at the lower of cost and net realisable value. The difference arising from the application of this method compared with the average cost method amounted to € 10,403 thousand.

Receivables and other assets

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

The receivables from affiliated companies relate solely to trade receivables.

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 (€ 4,492 thousand) and reported this item under other assets. The respective instalments are due between 2011 and 2017. Additionally, the other assets primarily include sales tax receivables amounting to € 1,304 thousand as well as income tax assets of € 800 thousand. Furthermore, reimbursement rights (€ 269 thousand) have been recognised as assets in relation to the Bundesagentur für Arbeit, as the conditions for reimbursement have been met under AltTZG and have been documented on the basis of an Official Notice. The total amount of other assets with a remaining term of more than one year was € 3,852 thousand (prev. year: € 4,299 thousand).

Securities

This item related to a certificate of debt. The certificate of debt is due on 10 May 2013 at the latest, but can be cancelled at any time by the lender. The certificate of debt bears interest based on the six-month EURIBOR rate plus a floating premium. The floating premium amounted to 25 basis points and rises each half-year until it has reached 125 basis points at the end of maturity. The securities are recognised at fair value in an amount of € 10,000 thousand.

Other provisions

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

Liabilities

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

At the reporting date the company had an obligation

arising from the increase in premiums for insolvency insurance relating to occupational pension provision. The remaining present value of the obligation is € 268 thousand and is payable in four equal annual instalments between 2011 and 2013.
The total amount of liabilities due after one and prior to five years is € 128 thousand.
All liabilities are unsecured.

Deferred taxes

Deferred taxes are not presented in the balance sheet, as the option provided under Section 274 HGB specifies that the excess of assets remaining after netting of deferred tax assets and deferred tax liabilities need not be recognised. Deferred tax liabilities result from valuation differences in the case of trade receivables due to unrealised foreign currency gains. Deferred tax assets result from differences in valuation and recognition relating to provisions for pensions and similar obligations as well as other provisions.
The amounts were computed on the basis of a tax rate of 29.13 per cent.

Contingencies

SIMONA AG, Kirn, issued absolute suretyships for the benefit of its subsidiaries SIMONA AMERICA Inc., Hazleton, USA, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2010, they amounted to € 1,247 thousand and € 3,742 thousand respectively.
The risk of a contractual obligation arising from the suretyships towards banks in respect of liabilities of affiliated companies is considered to be improbable given the financial situation of the subsidiaries in question at the date of preparing the financial statements.

Letter of comfort

On May 15, 2008, SIMONA AG, Kirn, issued a Letter of Comfort for the subsidiary SIMONA UK Ltd., Stafford, United Kingdom. In accordance with this Letter of Comfort, the company is obliged to furnish the subsidiary with sufficient financial resources so that it is in a position to meet its obligations.
The risk of a contractual obligation arising from the Letter of Comfort is considered to be improbable given the financial situation of the subsidiary in question at the date of preparing the financial statements.

Other financial commitments

COMMITMENTS FROM RENTAL AND LEASE AGREEMENTS

€ '000	
Due 2011	587
Due 2012 – 2015	553
	1,140
Order commitments arising from investment orders	**1,136**

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

	2010		2009	
	€ '000	%	€ '000	%
Domestic	90,475	38.9	76,059	39.8
Non-domestic	141,990	61.1	115,065	60.2
	232,465	**100.0**	**191,124**	**100.0**

	2010		2009	
	€ '000	%	€ '000	%
Semi-finished products and finished parts	164,768	70.9	127,707	66.8
Pipes and fittings	67,697	29.1	63,417	33.2
	232,465	**100.0**	**191,124**	**100.0**

Other operating income

Other operating income includes income from exchange differences (€ 1,767 thousand), income from the disposal of property, plant and equipment (€ 721 thousand), insurance income (€ 318 thousand) and income not attributable to the accounting period in connection with the reversal of provisions (€ 893 thousand), as well as income from incoming payments attributable to receivables previously written off (€ 188 thousand).

Other operating expenses

Other operating expenses relate mainly to maintenance expenses (€ 8,824 thousand), outward freight charges (€ 8,493 thousand), expenses for packaging material (€ 3,987 thousand), legal and consulting costs (€ 2,072 thousand), cost of premises (€ 1,481 thousand), allocations to general allowances (€ 145 thousand) as well as losses from the disposal of assets (€ 74 thousand). Expenses not attributable to the accounting period relate mainly to the derecognition of receivables (€ 361 thousand).

Extraordinary income

The following extraordinary income resulted from applying Art. 66 and Art. 67(1) to (5) EGHGB (transitional provisions in respect of BilMoG):

€ '000	
Reversal of other provisions	**121**

Extraordinary expenses

The following extraordinary expenses resulted from applying Art. 66 and Art. 67(1) to (5) EGHGB (transitional provisions in respect of BilMoG):

in € '000	
Increase in provisions for pensions	8,121
Increase in provisions for partial retirement obligations	206
Increase in provisions for guarantee obligations	58
Increase in provisions for jubilee benefits	34
	8,419

Taxes on income

Income taxes are attributable to earnings from ordinary activities in the financial year under review. Taxes on income include tax expenses of € 232 thousand that relate to previous financial years.

OTHER INFORMATION

Governing bodies and compensation

Management Board

- Wolfgang Moyses, MBA, Diplom-Betriebswirt (Chairman)
- Dirk Möller, Diplom-Ingenieur (since 1 May 2010 Deputy Chairman)
- Detlef Becker, Diplom-Kaufmann
- Jochen Feldmann, Diplom-Kaufmann (until 10 August 2010)

Supervisory Board

- Hans-Werner Marx, Kirn, Kaufmann (Chairman)
- Dr. Rolf Gößler, Bad Dürkheim, Diplom-Kaufmann (Deputy Chairman)
  Other supervisory board mandates:
  Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen, Managing Director of Dirk Rossmann GmbH, Burgwedel
  Other supervisory board mandates:
  Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main (since 23 March 2011)
- Dr. Roland Reber, Stuttgart, Managing Director of Ensinger GmbH, Nufringen
- Bernd Meurer, Hennweiler, (Employee Representative), Maintenance Engineer/ Fitter
- Karl-Ernst Schaab, Bergen, (Employee Representative), Member of the Commercial Staff (until 31 August 2010)

Total Management Board compensation

Total Management Board compensation for the 2010 financial year amounted to €1,553 thousand, of which €519 thousand was attributable to variable components.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€ 71.7 thousand) and remuneration for committee work performed by Supervisory Board members (€ 30 thousand). Total Supervisory Board compensation amounted to € 101.7 thousand, itemised as follows:

in € '000	2010
Hans-Werner Marx	30.0
Dr. Rolf Gößler	25.0
Roland Frobel	20.0
Dr. Roland Reber	10.0
Bernd Meurer	10.0
Karl-Ernst Schaab	6.7
	101.7

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to € 592 thousand.
Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2010, these amounted to €4,979 thousand.

Employees

Average number of staff employed in the financial year:

	2010	2009
Industrial staff	556	613
Clerical staff	305	302
	861	**915**
School-leaver trainees (apprentices)	51	56
	912	**971**

Appropriation of profits

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

€ '000	2010
Net loss for the period	–1,667
Unappropriated retained earnings brought forward	11,949
Unappropriated surplus	**10,282**
Dividend (€ 6.50 per share)	–3,900
Carried forward to new account	**6,382**

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, SIMONA AG filed a Declaration of Conformity for 2010 on 10 March 2011. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Shareholdings pursuant to Section 21(1) WpHG

On 11 June 2010, 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 power 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 notified the company in accordance with Section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that its voting power 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, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power 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 power in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach, Germany.
On 22 April 2010, Landkreis Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power 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 power in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach, Germany.
On 3 March 2010, Kreissparkasse Biberach, Biberach, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power 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).
On 20 June 2008, Rossmann Beteiligungs GmbH, Burgwedel, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had exceeded the threshold of 10 per cent on 16 June 2008 and that at this date its interest was 10.10 per cent (corresponding to 60,584 voting rights).

Group relationship

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

Audit and consulting fees

Professional fees accounted for as an expense in connection with the year-end financial audit amounted to € 138 thousand, while fees attributable to tax consulting services amounted to € 15 thousand and other services totalled € 56 thousand.

SIMONA AG
Kirn, 31 March 2011

The Management Board

Details of Shareholdings

Company	Ownership interest %	Equity € ‘000	Result of the previous financial year € ‘000
Indirectly			
SIMONA S.A., Domont, France	96.6	2,513	–686
SIMONA S.r.l., Vimodrone, Italy	98.0	417	–181
SIMONA UK Ltd., Stafford, United Kingdom	100.0	910	230
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	26	41
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	762	238
SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen, China	100.0	8,282	–716
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,729	0
Directly			
SIMONA-PLASTICS CZ s.r.o., Prag, Czech Republic	100.0	422	87
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	1,081	272
SIMONA POLSKA Sp. z o.o., Breslau, Poland	100.0	1,040	387
SIMONA Sozialwerk GmbH, Kirn (2009)	50.0	13,910	–267
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2009)	50.0	8,304	619
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0
SIMONA AMERICA Inc., Hazleton, USA	100.0	3,569	–900
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	7,696	2,216
SIMONA ASIA Ltd., Hong Kong, China	100.0	5,165	–205
DEHOPLAST POLSKA Sp. z o.o., Kwdizyn, Poland	51.0	365	109

Statement of Changes in Fixed Assets of SIMONA AG

	Cost of purchase or conversion					**Accumulated depreciation/ amortisation**				**Net carrying amounts**	
in € '000	01/01/10	Additions	Disposals	Reclassifications	31/12/10	01/01/10	Additions	Disposals	31/12/10	31/12/10	31/12/09
I. Intangible assets											
Purchased industrial property rights and similar rights	7,413	89	51	0	7,451	6,932	192	51	7,073	378	481
II. Property, plant and equipment											
1. Land, land rights and buildings	46,512	0	19	4	46,497	31,154	1,113	0	32,267	14,230	15,358
2. Technical equipment and machinery	120,619	235	3,211	1,450	119,093	103,266	4,904	2,893	105,277	13,816	17,353
3. Other equipment, operating and office equipment	65,482	1,781	1,525	1	65,739	60,391	1,688	1,327	60,752	4,987	5,091
4. Prepayments and assets under construction	1,771	1,477	0	–1,455	1,793	0	0	0	0	1,793	1,771
	234,384	**3,493**	**4,755**	**0**	**233,122**	**194,811**	**7,705**	**4,220**	**198,296**	**34,826**	**39,573**
III. Financial assets											
1. Investments in affiliated companies	25,439	3,812	0	0	29,251	9,232	0	0	9,232	20,019	16,207
2. Loans to affiliated companies	0	18,138	0	0	18,138	0	0	0	0	18,138	0
3. Other long-term equity investments	23	0	0	0	23	0	0	0	0	23	23
	25,462	**21,950**	**0**	**0**	**47,412**	**9,232**	**0**	**0**	**9,232**	**38,180**	**16,230**
	267,259	**25,532**	**4,806**	**0**	**287,985**	**210,975**	**7,897**	**4,271**	**214,601**	**73,384**	**56,284**

Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, income statement and notes to the financial statements – in conjunction with the accounting records and management report of SIMONA Aktiengesellschaft, Kirn, for the financial year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law as well as supplementary accounting requirements set out in the articles of association are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements – having referred to the accounting records – and the management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code and in compliance with generally accepted German auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. An audit includes assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the accounting records, annual financial statements and management report. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

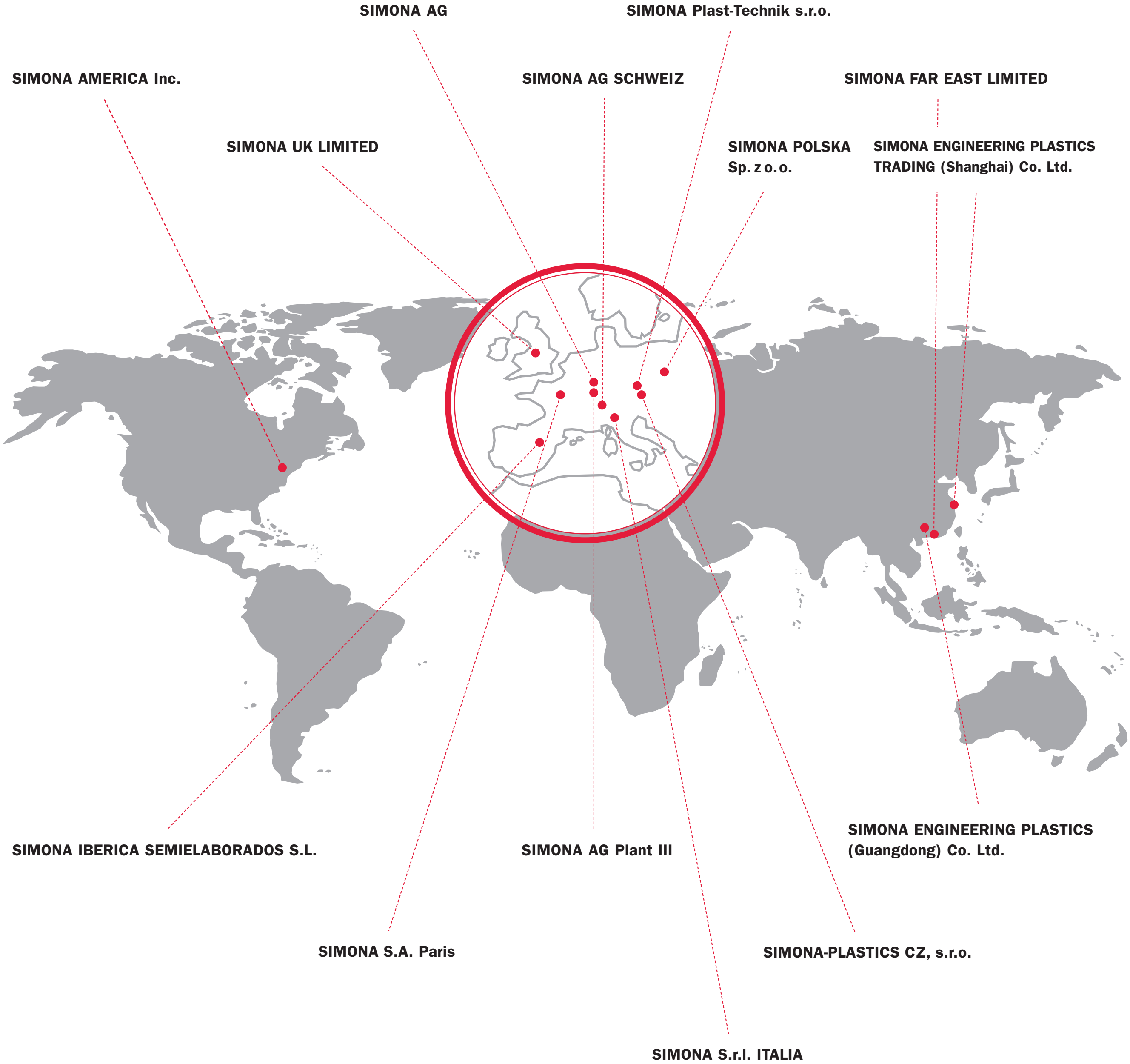
In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 11 April 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Seidel	Erbacher
German Public Accountant	German Public Accountant

SIMONA Worldwide



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