Financial Statements 2013

SIMONA AG

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Management Report of SIMONA AG 2013

1. FUNDAMENTAL INFORMATION ABOUT SIMONA AG

1.1 Business model of SIMONA AG

SIMONA AG develops, manufactures and markets a range of semi-finished thermoplastics, pipes and fittings as well as finished parts and profiles. The materials used include polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as various specialist materials. The production methods applied within this area range from extrusion, pressing and injection moulding to CNC manufacturing. SIMONA also maintains its own plastics workshop for the production of customised fittings.

Key sales markets

Semi-finished products are deployed mainly within the area of chemical tank and equipment construction, mechanical engineering, the transport industry, the construction sector, the exhibition and display sector as well as the automobile industry. Pipes and fittings are used primarily for drinking-water supply, sewage disposal and industrial piping systems, including the chemical process industry. Finished parts are destined in particular for the mechanical engineering and transport technology sectors.

SIMONA AG markets its products worldwide. The sales structure is primarily based on the following three sales regions:

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

The secondary classification is based on product areas:

- Semi-finished and finished parts
- Pipes and fittings

Production and sales locations

In 2013, semi-finished parts (sheets, rods, welding rods) were manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts were produced at a facility in Ringsheim (Baden-Württemberg). The products are marketed directly, via trading partners as well as through company-operated sales organisations in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China and the United States as well as through a sales office in Switzerland.

Management and supervision

In the financial year under review the Management Board consisted of Wolfgang Moyses (Chairman/CEO), Dirk Möller (Deputy Chairman/COO) and Fredy Hiltmann (Board Member Finance & Administration/CFO).

The Supervisory Board included the following members in the financial year under review: Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber, Joachim Trapp (since 7 June 2013), Andreas Bomm (Employee Representative) and Gerhard Flohr (Employee Representative).

1.2 Objectives and strategies

SIMONA AG realigned its strategy in 2013. The key objectives of the new strategic direction taken by the company are to reduce its dependence on the core market of chemical-technical plant engineering in Europe and to accelerate growth in selected regions outside Europe. For this purpose, various business models were defined for a number of market segments, based on the criteria of market size, sales channel and level of development with regard to fields of application covered by SIMONA-developed plastics. The company as a whole is to achieve a sustainable improvement in its profitability. At the same time, sales revenue is to be increased through organic growth and, where viable, also through additional acquisitions.

1.3 Internal management system

SIMONA uses the Balanced Scorecard (BSC) as a strategic management and monitoring instrument. Within this context, the Management Board is responsible for the BSC-related corporate goals, as well as being accountable for regularly reviewing the efficacy of the BSC process as part of an overall assessment of the management system and initiating adjustments to the BSC process and the BSC-related corporate goals. The BSC cascades down to the company's other management levels.

The analysis and assessment of earnings performance by SIMONA is conducted primarily with the help of sales revenue as well as the two financial indicators EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortisation) on the basis of IFRS figures. EBIT represents the operating result before interest and taxes as well as the effects of equity investments. EBITDA represents an approximation for cash flow from operating activities, as non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are added to the EBIT figure. EBIT and EBITDA determined on the basis of HGB and IFRS differ primarily as a result of the LIFO method of valuation, the measurement of provisions for pensions as well as depreciation of property, plant and equipment due to different assumptions regarding useful lives.

Additionally, the return on operating assets is reviewed annually as part of the forecasting process and is an important criterion when it comes to managing the investment budget. ROCE, which stands for return on capital employed, is used as a profitability indicator; capital employed includes property, plant and equipment, inventories, trade receivables, receivables from affiliated companies less trade payables and liabilities to affiliated companies.

The principal non-financial indicators employed by the company include customer satisfaction, number of staff and their qualifications as well as quality and energy management.

1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Owing to the diversity of products and areas of application, it is essential that the property profiles of the various polymer products are refined on a continual basis. The same applies to the development of new products. As part of the company's strategic reengineering, the focus in 2013 was on further strengthening SIMONA's abilities as an innovator. To this end, the innovation process (Stage-Gate process) was revised and streamlined. The Management Board and Supervisory Board approved construction plans for a new Technology Centre. Construction work on the new centre commenced at the beginning of 2014. The aim is to create additional capacities for more development projects and for new processing methods.

The company stepped up its development activities relating to new products and formulae. A key indicator here is the share of recent products (no older than three years) in total sales revenue, which is to be further increased in the future.

In the area of PVC a new product was developed and launched for the flooring industry. Elsewhere, SIMONA brought together its range of products for the orthopaedics industry under the SIMOLIFE brand and extended its portfolio to include products made of EVA, a copolymer of ethylene and vinyl acetate. Working in cooperation with Resysta International GmbH, SIMONA was the first manufacturer worldwide to launch an extruded sheet from a material, containing rice husks and a thermoplastic, that looks and feels like wood. Among the newly developed solutions is also a prototype of a next-generation SIMONA twin-wall sheet. In cooperation with various raw material producers, SIMONA conducted research into the possibility of processing a number of bioplastics.

In the area of piping systems, the company developed an eco-friendly product in the form of a landfill gas filter made of an electrically conductive polyethylene (PE-EL). In SIMODUAL[2], SIMONA developed and launched a double-containment piping system tailored to the requirements of the industrial pipeline industry.

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.

2. BUSINESS REVIEW

2.1 Macroeconomic and sector-specific environment

In 2013, the overall performance of the global economy was again hampered to some extent by the financial crises engulfing some of the key industrialised nations. Global growth totalled 3.0 per cent, down from 3.1 per cent in 2012. The eurozone saw its economy shrink by 0.5 per cent, having already recorded a figure of minus 0.7 per cent in the preceding year. Among the major industrialised nations in the eurozone, Germany (0.4 per cent) and France (0.2 per cent) were in positive territory, while Italy and Spain remained mired in recession. Investment spending, an indicator that is of key importance to SIMONA's business, remained in the doldrums. In the eurozone, gross capital investments rose slightly by 1.1 per cent. In Germany, however, investments contracted by a further 2.2 per cent. The United States had to contend with a significant slowdown in economic growth. After 2.8 per cent in 2012, the economy only managed to expand by 1.9 per cent in 2013. Benefiting from a strong second half fuelled by government-backed investments, China was able to match its 7.7 per cent growth rate recoded in the previous year.

Industry-wide revenue within the German plastics processing sector grew by 3.0 per cent in 2013, taking the figure to € 57.6 billion. After an extremely subdued start to the year, business gained forward momentum over the course of the second half. At 4.6 per cent, exports rose much faster than imports (+2.0 per cent). The general earnings performance of companies improved slightly in 2013, although spiralling energy costs and volatile commodity prices continued to put downward pressure on profit margins.

There was hardly any improvement in revenues generated by Germany's chemical industry in 2013. Business with customers based abroad stagnated, particularly due to the lack of growth stimulus from the US, Brazil and Asia. Production output in Germany's mechanical and plant engineering sector was down by around one per cent in 2013 compared to the previous year. This was attributable primarily to weak international demand for capital goods. By contrast, Germany's construction industry put in a satisfactory performance, recording growth in sales revenue of approx. 2.5 per cent after a buoyant second half.

2.2 Course of business

The overall sales performance of SIMONA AG was impacted primarily by sluggish investment spending in Europe. Market conditions were characterised by significant price-related competition.

Sales revenue generated during this period totalled € 241.6 million. This represents a decline of 0.7 per cent compared to 2012 (€ 243.4 million), which was attributable mainly to pricing levels. Thus, the company failed to achieve its original target of revenue in excess of € 250 million.

Germany

Sales revenue in Germany fell by 3.1 per cent to € 89.7 million (prev. year: € 92.6 million), primarily as a result of weak investment spending within the market.

Rest of Europe and Africa

Buoyed by particularly strong growth in Eastern Europe, mainly in Russia, sales revenue in the Rest of Europe and Africa increased by 0.6 per cent to € 133.2 million (prev. year: € 132.4 million).

Asia, Americas and Australia

In total, the region comprising Asia, Americas and Australia saw revenue expand by 1.6 per cent to € 18.7 million (prev. year: € 18.4 million).

Sales revenue by product group

In the area of semi-finished and finished parts revenue increased from € 168.5 million to € 170.4 million, up 1.1 per cent. The product group comprising pipes and fittings saw revenue fall from € 74.9 million to € 71.2 million.

Earnings before interest and taxes, calculated on the basis of IFRS, totalled € 7.4 million (prev. year: € 12.9 million), while the EBIT margin stood at 3.1 per cent (prev. year: 5.3 per cent). EBITDA, calculated on the basis of IFRS, fell from € 21.2 million in the previous year to € 15.5 million in 2013. The EBITDA margin stood at 6.4 per cent, compared to 8.8 per cent last year. ROCE, calculated on the basis of IFRS, was 5.4 per cent, down from 10.8 per cent in the previous year.

The reduction in EBIT and EBITDA is attributable mainly to lower revenue and a contraction in the company's gross margin. Additionally, earnings were adversely affected by rising energy costs and the effects of foreign exchange rates. The decline in ROCE is attributable primarily to lower EBIT.

In total, business performance was unsatisfactory during the 2013 financial year.

2.3 Review of financial position, performance and cash flows

Earnings performance

Gross profit – revenue less cost of materials – fell from € 99.5 million to € 93.3 million. At 38.6 per cent, the company's gross profit margin was down on the previous year's figure (40.9 per cent), mainly due to the disproportionately high cost of materials relative to the decline in revenues. This, in turn, was attributable to an increase in the average commodity and energy costs over the course of the year.

Other operating income fell by € 1.8 million to € 3.8 million, primarily as a result of lower freight-related income and a year-on-year decline in income from the reversal of provisions.

Due to the reduced headcount and lower allocations to provisions for earnings-dependent bonuses, staff costs fell by € 2.2 million in total to € 43.3 million, despite one-off expenses.

Depreciation, amortisation and write-downs attributable to intangible assets and property, plant and equipment totalled € 6.6 million. The year-on-year increase of € 0.6 million was a result of additions to assets in the period under review.

Other operating expenses stood at € 35.6 million, which was slightly higher than the previous year's figure of € 35.3 million. Higher expenses were attributable in particular to price fluctuations, consulting and sales. By contrast, expenses for maintenance work and temporary staff were lower in the period under review.

Earnings before interest and taxes (EBIT) totalled € 14.2 million (prev. year: € 16.6 million), as a result of which the EBIT margin stood at 5.9 per cent (prev. year: € 6.8 per cent). EBITDA decreased from € 22.7 million a year ago to € 20.8 million. The EBITDA margin stood at 8.6 per cent, compared to 9.3 per cent last year. Having been affected in particular by higher expenses for raw materials as well as by impairment losses in respect of financial assets, earnings before taxes (EBT) fell by € 4.9 million to € 11.1 million. The EBT margin declined from 6.5 to 4.6 per cent.

Assets

At € 212 million, total assets accounted for by SIMONA AG were largely unchanged from last year's figure of € 213 million.

Non-current assets totalled € 89.0 million (prev. year: € 88.8 million).

Property, plant and equipment increased by € 1.7 million to € 40.7 million, which was mainly a result of additions to technical equipment and machinery.

Interests in affiliated companies fell to € 19.3 million (prev. year: € 20.4 million) due to a write-down in respect of the US subsidiary.

The loans of € 28.5 million to affiliated companies relate to subsidiaries in America and Asia; they fell by € 0.4 million year on year, primarily as a result of fluctuations in foreign exchange rates.

In total, inventories increased by € 1.3 million to € 30.3 million. They include raw materials totalling € 10.3 million and finished goods amounting to € 20.0 million. At the end of the year under review, inventories of finished goods were higher both in respect of volume (due to additions to inventories) and value (due in part to higher commodity prices), rising by € 2.6 million in total.

In line with a slight upturn in business in December, trade receivables rose to € 24.6 million (prev. year: € 23.2 million) due to factors relating to the reporting date. Receivables from affiliated companies mainly relate to goods delivered; they increased slightly by € 0.1 million to € 19.2 million.

Other assets include a bonded loan of € 4.0 million that was taken on in 2013 and matures on 25 February 2015 at the latest. In financial year under review, the bonded loan covering an amount of € 10.0 million expired as scheduled.

In total, receivables and other assets stood at € 54.1 million at the end of the financial year, a year-on-year decline of € 5.1 million.

Cash and cash equivalents amounting to € 37.8 million (prev. year: € 35.8 million) mainly consist of bank deposits and call money denominated in euros and foreign currency.

Equity and liabilities
SIMONA AG's equity rose from € 146.7 million a year ago to € 149.6 million as at the end of the 2013 financial year. The equity ratio stood at 71 per cent, which was up on the previous year's figure of 69 per cent, primarily as a result of profit for the year and a slightly lower balance sheet total.

Total provisions rose from € 50.5 million to € 51.2 million. Allocations to provisions for pensions were increased by € 2.2 million compared to the previous year, mainly as a result of a change to the actuarial interest rate, and thus stood at € 39.8 million at the end of the reporting period. Other provisions totalled € 9.9 million. The year-on-year reduction by € 1.3 million was attributable primarily to lower allocations made to staff-related provisions.

Total liabilities amounted to € 10.9 million (prev. year: € 16.0 million); the reduction was due to scheduled repayments of bank loans. Of this amount, € 6.2 million was attributable to trade payables and € 2.6 million to liabilities towards affiliated companies, which relate to goods deliveries concerning the subsidiary in Litvinov.

Liabilities to banks fell from € 3.8 million to € 0 million in the period under review. In December 2013, a foreign-currency bank loan of US$5.0 million was repaid as scheduled.

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

Investments
Investments in property, plant and equipment amounted to € 8.1 million in the period under review (prev. year: € 11.7 million; the prior-year figure includes the purchase of a warehouse and office building). They mainly relate to investments in technical equipment at the company sites in Germany. In total, net investments (additions less write-downs) amounted to € 1.8 million (prev. year: € 5.8 million).

Non-financial indicators

Customer satisfaction
SIMONA measures customer satisfaction levels in regular intervals as part of a pan-European survey. The most recent large-scale customer satisfaction survey was conducted in April 2013. It covered more than 1,800 customers in eight countries. The response rate was in excess of 30 per cent. SIMONA further improved overall customer satisfaction from 82.4 per cent for the previous survey to 86.7 per cent. 88.0 per cent of our customers would recommend our products and services to others (last survey: 85.4 per cent). This is also an excellent result compared to other companies in the industry, where the average level of customer satisfaction is 83.7 per cent and the rate of recommendation is 81.6 per cent.*

*Source: D. Hass/J. Link/C. Wingerter: Kundenzufriedenheitsbarometer für die mittelständische Industriegüterbranche, Künzelsau 2009, p. 47-48

Employees

The restructuring measures introduced within the context of strategic reengineering resulted in staff downsizing. At SIMONA AG, the headcount fell by 52 to 824 (31/12/2012: 876).

As at 31 December 2013, 46 young people were enrolled in vocational programmes relating to one of seven technical and commercial training courses offered by SIMONA. The programme of integrated degree courses, which saw the inclusion of Plastics Engineering in 2012, was stepped up in the period under review. Five former vocational trainees (prev. year: two) are enrolled in integrated degree courses which SIMONA offers in cooperation with various colleges and universities. At 31 December 2013, 8 female members of staff were on parental leave.

At present, two members of staff are already enrolled in the new integrated Plastics Engineering degree course, which is offered in collaboration with the University of Applied Sciences Darmstadt. The SIMONA Corporate Academy offered a number of product and market training courses in 2013. The focal points of the occupational health management programme introduced in 2012 included workplace inspections, improvements to ergonomics and a range of jogging/running courses. In Germany, a Family Day was organised for the first time, the objective being to provide the families of company employees with an insight into the working environment at SIMONA. As part of the company's strategic reengineering efforts, the decision was made to introduce a divisional organisational structure with end-to-end responsibility for specific product areas. The process of implementation commenced in the course of 2013. Furthermore, a concept for the introduction of a qualification matrix was agreed for the operational areas.

The emphasis of IT work in 2013 was on updating and consolidating all key IT systems. Additionally, a company-wide communication tool was introduced for the purpose of improving the exchange of knowledge within the organisation and facilitating speedy internal support.

Quality, environment and energy

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. Compliance with the provisions set out in DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is considered to be the basis for achieving this goal. In the 2013 financial year, the implementation of these management standards was again confirmed by the successful completion of external monitoring audits. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

Following the introduction and full-scale incorporation of a new energy management system within the existing Integrated Quality and Environmental Management System in the second half of 2011, the second review audit of the energy management system took place in 2013 in line with the internationally accepted DIN EN ISO 50001 standard. The audit again confirmed the high level of efficacy of the SIMONA energy management system. The energy management system helps to ensure the supply of energy at cost-effective prices as well as the provision of sufficient volumes in accordance with requirements. Higher energy efficiency levels provide a solid foundation for the reduction of manufacturing costs, as well as promoting innovation within the company and extending the life cycles of operating systems.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. The SIMONA Environmental Management System is certified in accordance with DIN EN ISO 14001.

When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities.

3. EVENTS AFTER THE REPORTING PERIOD

There were no events of material significance to the state of affairs of the company in the period between the end of the reporting period for the 2013 financial year and the preparation of the management report, with the exception of the acquisition of Laminations Inc., USA, and the planned completion of a purchase agreement in respect of the business activities of Boltaron Performance Products, LLC, USA. On 8 January 2014, the subsidiary SIMONA AMERICA Inc., USA, acquired 100 per cent of the equity interests – furnished with voting rights – in Laminations Inc., USA. Based on the company's current planning, it is highly probable that SIMONA AMERICA Inc., USA, will, through a subsidiary, conclude a purchase agreement for the assets and business activities of Boltaron Performance Products, LLC, USA. The conclusion of the purchase (closing) is to take place by the end of April 2014. SIMONA AG is responsible for providing SIMONA AMERICA Inc., USA, with the funds for the acquisitions.

Beyond this and in accordance with statutory provisions, interim announcements will be issued, outlining the development of the entity and any relevant events.

4. REPORT ON OPPORTUNITIES AND RISKS

4.1 Report on opportunities

The market for application areas in which plastics are used is growing at a global level. Since the 1950s, the average growth rates achieved within this sector have been around 9 per cent. In the coming years, per-capita consumption in Asia is expected to increase at twice the rate than in Europe. This opens up a number of growth opportunities for German plastics companies operating at an international level. The trend within the spectrum of applications for SIMONA products is towards increasingly lightweight plastics with next-generation properties. In particular, alternative materials with advanced properties have become increasingly sought after in the field of medical technology, the construction industry and mobility. Another trend includes alternatives to plastics derived from crude oil resources. SIMONA is proficient in the use of various methods to process plastics and is committed to steadily expanding its international presence. Operating with a diversified business model featuring various product/market combinations and pursuing a strategy of high-level innovation through more intensive research and development, SIMONA is well positioned for the future. Committed to developing hybrid materials and bioplastics, SIMONA is also able to deliver solutions aimed at meeting demands for plastics made from alternative raw materials.

4.2 Risk report

Significant elements of the internal control and management system

Significant elements of the internal control and management system Overall responsibility for the internal control system with regard to the financial reporting process and the Group financial reporting process rests with the Management Board. All entities included within the consolidated group have been integrated within this system by means of clearly defined management and reporting structures.

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks. The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions that are revised regularly to account for the latest external and internal developments. As regards the financial reporting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the annual financial statements, including the management report. These elements are as follows:

- Identification of significant areas of risk and control with an influence over the financial reporting process
- Monitoring of financial reporting process and any findings therefrom at Management Board level
- Preventative measures of control with regard to accounting
- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

On the basis of the risk map drawn up in 2012, the risk management system of SIMONA AG controls the following material risks associated with the parent company: risks relating to the general business environment and sector, financial risks and IT-specific risks.

Business environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, 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. These risks are mitigated by a diversified product portfolio, thorough monitoring of markets and structured procurement management. The production facilities in the United States, China and the Czech Republic provide greater flexibility when it comes to meeting new customer requirements in close proximity to their sites of operation.

Financial risks

They encompass, above all, currency risks, default risks, product liability risks and risks associated with the company pension scheme. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. In 2013, the most significant risk to business development came from the sluggish performance of the global economy and the concomitant downturn in capital expenditure on machinery and equipment, particularly in the eurozone. Commodity prices remain high and extremely volatile. At the same time, intense competition is exerting downward pressure on selling prices. Both aspects are considered to be key risks when it comes to the future direction taken by earnings. We expect to see a further structural upturn in commodity prices over the medium to long term. Additionally, the risk of default has increased as a result of the difficult economic climate. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products. In particular, the risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high.

Information technology risks

Information technology risks relate mainly to the disruption of IT systems, loss of data and attacks on IT systems together with industrial espionage. Risks attributable to information technology are controlled 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 2013 financial year, we are of the opinion that the overall risk situation for the company remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise the company's existence as a going concern.

4.3 Report on expected developments

Economic conditions

Global economy sustains growth momentum

The outlook for the economy as a whole in 2014 is favourable. According to the projections issued by the International Monetary Fund, growth will amount to 3.7 per cent in 2014 and 3.9 per cent in 2015. The forecast points to sustained fast-track growth for the emerging and developing economies and emergence from the financial crises recently suffered by the industrialised nations. The eurozone is also expected to return to a pattern of growth and expand by 1.0 per cent in 2014, followed by 1.4 per cent in 2015. The German economy will continue to be the principal growth driver, with a projected rate of expansion of 1.6 per cent in 2014 and 1.4 per cent in 2015. The United States is also expected to generate more pronounced growth of 2.8 per cent in 2014 and 3.0 per cent in 2015.

Forward momentum in the global economy is likely to have a positive impact on German exports and, in turn, investment spending, which is a particularly important aspect for SIMONA's business.

Sector-specific conditions

Given the solid state of the economy as a whole, the plastics processing industry is also expecting strong growth of between 4 and 5 per cent in 2014. In this context, the sector will benefit in particular from the favourable direction taken by Europe's industrialised countries.

Future performance

Against the background of favourable economic forecasts and the company's strategic reengineering, SIMONA has set itself ambitious goals for the coming financial year. For the financial year 2014, SIMONA has set a guidance target of € 264 million in sales revenue, together with an EBIT margin of between 3 and 4 per cent and an EBITDA margin of between 6 and 7 per cent, each calculated on the basis of IFRS. The return on capital employed (ROCE) in 2014 is expected to be comparable to that achieved in the financial year 2013 (5.4 per cent).

The main impetus for growth is likely to come from the emerging markets (Eastern Europe, Asia and Latin America) as well as the United States, for which particularly strong growth rates have been budgeted. The growth target for Germany and Western Europe is also in excess of GDP, which is to be achieved primarily by unlocking new fields of application, in some cases with new products. The aim is for all product areas to contribute to growth. In the area of semi-finished parts the plan is to expand business with the help of fluoropolymers. The pipes and fittings segment is to be expanded at an international level mainly through business in the area of industrial applications centred around PP pipes and fittings.

The company's ability to achieve these targets will depend in particular on the future direction taken by volatile commodity prices and the capacity to impose viable prices in an extremely aggressive competitive environment.

Benefiting from a new strategic approach, SIMONA expects to see a further improvement in customer satisfaction, as the company will be in an even better position to meet specifications for new and refined products.

Given our activities in the area of energy management, we expect to see another slight improvement in energy efficiency.

The number of employees at SIMONA AG is likely to increase marginally in 2014.

5. OTHER INFORMATION

5.1 Declaration on corporate governance

The declaration on corporate governance pursuant to Section 289a (1) sentences 2 and 3 of the German Commercial Code (Handelsgesetzbuch – HGB) has been published by SIMONA AG on its corporate website at www.simona.de.

5.2 Compensation report

Management Board compensation

The Supervisory Board, based on the recommendations of the Personnel Committee, is responsible for determining the overall compensation of the respective Management Board members. It also regularly reviews the compensation system relating to the Management Board. The Personnel Committee consists of the Supervisory Board Chairman Dr. Rolf Goessler as well as the Supervisory Board members Roland Frobel and Dr. Roland Reber. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective members of the Management Board are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. Both of the aforementioned components are assessed on an annual basis. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. In 2012, the Supervisory Board passed a long-term incentive plan for variable Management Board compensation. Calculated on the basis of SIMONA Value Added (economic value added and a minimum weighted average cost of capital (WACC) of 8 per cent) for the period from 2012 to 2014, the first payment can be made effective from 2015.

The fixed component of compensation is paid as a salary on a monthly basis. In addition, the members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are calculated on the basis of the Group's earnings performance (EBIT). Total compensation for the Management Board amounted to € 1,322 thousand in the financial year under review (prev. year: € 1,760 thousand). Total compensation comprised € 1,042 thousand (prev. year: € 1,118 thousand) in fixed-level compensation and € 280 thousand (prev. year: € 642 thousand) in bonus payments. On 1 July 2011, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid until the end of 2015. Therefore, no disclosures are made under Section 285 no. 9 a) sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

The company's Articles of Association contain no provisions that are non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the company's Articles of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act (Aktiengesetz – AktG) for further details.

Remuneration for the former members of the Management Board amounted to € 502 thousand (previous year: € 440 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to € 10,061 thousand as at 31 December 2013 (previous year: € 9,081 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance premiums. The company did 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.

Supervisory Board compensation

Supervisory Board compensation is calculated according to the size of the company, as well as the duties and responsibilities of the Supervisory Board members. The Chairman and the Deputy Chairman as well as members involved in Committees receive supplementary compensation.

Members of the Supervisory Board receive a standard fixed level of compensation amounting to € 10,000. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation; the Deputy Chairman receives an amount equivalent to one and a half times the standard level of compensation. Supervisory Board members who are engaged in Committee work receive supplementary compensation of € 5,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 7 June 2013 no such resolution for variable compensation components was passed for the 2013 financial year.

Supervisory Board compensation for the financial year 2013 amounted to € 101 thousand (previous year: € 107 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.

5.3 Disclosures pursuant to Section 289(4) HGB and explanatory report

As at 31 December 2013, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital. We shall no longer issue effective share certificates. As far as the Management Board is aware, there are no restrictions affecting voting rights or the transfer of shares.

A 30.79 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung (Kirn), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.41 per cent interest by Regine Tegtmeyer (Seelze), a 15.0 per cent interest by Kreissparkasse Biberach (Biberach), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 11.06 per cent of shares in the company were in free float.

As at 7 June 2013, members of the Management Board reported a total holding of 70,776 own shares; this corresponds to 11.80 per cent of the share capital of SIMONA AG. According to the notification of 7 June 2013, members of the Supervisory Board held a total of 1,300 shares. This corresponds to 0.22 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.

5.4 Forward-looking statements and forecasts

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

5.5 Responsibility Statement

We hereby declare that, to the best of our knowledge, the management report includes a fair view of the development and performance of the business and the position of SIMONA AG, together with a description of the principal opportunities and risks associated with the expected development of the company.

Kirn, 31 March 2014
SIMONA Aktiengesellschaft

Wolfgang Moyses Dirk Möller Fredy Hiltmann

Financial Statements

Balance Sheet of SIMONA AG

ASSETS

in € '000	31/12/2013	31/12/2012
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences in such rights and assets	351	340
	351	**340**
II. Property, plant and equipment		
1. Land, land rights and buildings	14,457	15,379
2. Technical equipment and machinery	17,700	15,338
3. Other equipment, operating and office equipment	4,920	4,764
4. Prepayments and assets under construction	3,667	3,564
	40,744	**39,045**
III. Financial assets		
1. Investments in affiliated companies	19,317	20,417
2. Loans to affiliated companies	28,515	28,946
3. Other long-term equity investments	23	23
	47,855	**49,386**
	88,950	**88,771**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	10,306	11,567
2. Finished goods and merchandise	19,988	17,393
	30,294	**28,960**
II. Receivables and other assets		
1. Trade receivables	24,551	23,214
2. Receivables from affiliated companies	19,237	19,093
3. Receivables from other long-term investees and investors	80	300
4. Other current assets	10,227	16,586
	54,095	**59,193**
III. Cash in hand and bank balances	37,817	35,803
	122,206	**123,956**
C. Prepaid expenses	**500**	**532**
	211,656	**213,259**

EQUITY AND LIABILITIES

in € '000	31/12/2013	31/12/2012
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	106,025	102,336
IV. Unappropriated surplus	9,791	10,602
	149,592	**146,714**
B. Provisions		
1. Provisions for pensions	39,845	37,693
2. Provisions for taxes	1,491	1,626
3. Other provisions	9,877	11,197
	51,213	**50,516**
C. Liabilities		
1. Liabilities to banks	0	3,790
2. Trade payables	6,236	7,498
3. Liabilities to affiliated companies	2,556	2,414
4. Liabilities to other long-term investees and investors	0	212
5. Other liabilities – of which taxes € 394 thousand (prev. year: € 391 thousand) – of which relating to social security € 641 thousand (prev. year: € 735 thousand)	2,059	2,115
	10,851	**16,029**
	211,656	**213,259**

Income Statement of SIMONA AG

in € '000	01/01 – 31/12/2013	01/01 – 31/12/2012
1. Revenue	**241,642**	**243,436**
2. Increase/decrease in finished goods inventories	2,642	–1,638
3. Other operating income – of which from currency translation € 70 thousand (prev. year: € 245 thousand)	3,789	5,625
	248,073	**247,423**
4. Cost of materials		
a) Cost of raw materials and supplies	–147,824	–143,155
b) Cost of services purchased	–557	–811
	–148,381	**–143,966**
5. Staff costs		
a) Wages and salaries	–34,974	–36,075
b) Social security, post-employment and other employee benefit costs – of which in respect of old age pensions € 1,816 thousand (prev. year: € 2,489 thousand)	–8,277	–9,407
	–43,251	**–45,482**
6. Depreciation of property, plant and equipment and amortisation of intangible assets	–6,585	–6,032
7. Other operating expenses – of which from currency translation € 574 thousand (prev. year: € 552 thousand)	–35,626	–35,324
8. Income from long-term equity investments – of which from affiliated companies € 1,186 thousand (prev. year: € 734 thousand)	1,186	734
9. Other interest and similar income – of which from affiliated companies € 404 thousand (prev. year: € 592 thousand)	770	1,139
10. Write-downs of financial assets	–1,923	0
11. Interest and similar expenses – of which from discounting € 2,993 thousand (prev. year: € 2,448 thousand)	–3,210	–2,575
12. Result from ordinary activities	**11,053**	**15,917**
13. Taxes on income	–3,516	–4,356
14. Other taxes	–159	–130
15. Net profit for the year	**7,378**	**11,431**
16. Unappropriated retained earnings brought forward	6,102	4,886
17. Allocation to other revenue reserves	–3,689	–5,715
18. Unappropriated surplus	**9,791**	**10,602**

Notes to the Financial Statements of SIMONA AG

GENERAL INFORMATION

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

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

ACCOUNTING POLICIES

The following accounting policies, which remain 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 straight-line 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 straight-line 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. Items of property, plant and equipment whose cost of purchase or conversion is in excess of € 150, but not in excess of € 1,000, are accounted for in an annual collective item in the year of addition. This collective item is subject to depreciation in the year it was formed as well as in the subsequent four financial years, in each case at a rate of one-fifth. Following full depreciation, the collective items are derecognised.

In the case of **financial assets**, equity interests are carried at cost or, where the impairment is likely to be permanent, at the lower fair value, while loans are recognised at cost less impairment losses.

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

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

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

Finished goods have been measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material, direct labour and special production costs, this item also includes production and material overheads as well as depreciation of non-current assets.

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.

Cash in hand and bank balances are carried at their nominal values.

Prepaid expenses include payments for expenses in respect of subsequent years.

Subscribed capital is carried at its nominal value.

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 4.88 per cent was applied on the basis of a remaining term of 15 years in accordance with the Ordinance on the Discounting of Provisions (Rückstellungsabzinsungsverordnung) of 18 November 2009. Expected increases in salaries were accounted for with an interest rate of 2.50 per cent, while the trend in respect of the contribution assessment ceiling for social insurance was accounted for with an interest rate of 2.00 per cent and expected pension increases with 1.87 per cent.

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

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

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

CURRENCY TRANSLATION

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

NOTES TO BALANCE SHEET

Non-current assets

Changes to individual items classified as non-current assets have been presented in the statement of changes in fixed assets (page 27) 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

This item includes loans to SIMONA ASIA Ltd. (€ 16,363 thousand) and SIMONA AMERICA Inc. (€ 12,152 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, leading to a reduction in inventories, was € 2,742 thousand in the case of raw materials and € 8,789 thousand with regard to finished goods.

Receivables and other assets
Essentially, as was the case in the previous year, all receivables and other assets, with the exception of those receivables and other assets described below, have maturities of under one year.

The receivables from affiliated companies relate to trade receivables (€ 18,433 thousand, prev. year: € 17,364 thousand) as well as loans (€ 804 thousand, prev. year: € 1,729 thousand). The total amount of loans with a remaining term of more than one year was € 775 thousand (prev. year: € 1,700 thousand).

The receivables from other long-term investees and investors, amounting to € 80 thousand, are attributable to payments made within the context of post-employment benefits.

In connection with the Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations (SEStEG), the company capitalised its entitlement to the payment of the corporation tax credit (€ 2,715 thousand) and reported this item under other assets. The respective instalments are due between 2014 and 2017. Additionally, other assets include sales tax receivables amounting to € 1,177 thousand as well as receivables in respect of energy tax totalling € 1,205 thousand. Furthermore, reimbursement rights (€ 290 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.

Other assets also include a bonded loan that was taken out on 25 February 2013 and is due on 25 February 2015 at the latest, but can be cancelled by the lender as agreed by the contracting parties. The applicable interest rate is calculated on the basis of the three-month EURIBOR rate plus a floating premium. The floating premium amounted to 30 basis points and rises each quarter-year until it has reached 70 basis points at the end of maturity. The bonded loan was recognised at its nominal amount of € 4,000 thousand.

The total amount of other assets with a remaining term of more than one year was € 2,099 thousand (prev. year: € 2,739 thousand).

Equity
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").

The unappropriated surplus ("Bilanzgewinn", i. e. the distributable profit) includes € 6,102 thousand in unappropriated retained earnings brought forward. In the financial year under review, a total of € 3,689 thousand was allocated to other revenue reserves as prescribed by the Articles of Association. In addition, please refer to the proposed appropriation of profits.

Provisions for pensions
SIMONA Sozialwerk GmbH operates as a pension fund, governed by German law, for the purpose of funding the indirect pension obligations for SIMONA AG. As at 31 December 2013, for the first time the company recorded a deficit of € 2,188 thousand; this deficit does not necessitate mandatory recognition as a liability.

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

Liabilities
All receivables are due within one year and are unsecured.

In December 2013, the bank loan issued by Commerzbank AG, Mainz, covering a nominal amount of US$5,000 thousand was repaid as scheduled at a translated amount of € 3,855 thousand.

Liabilities to affiliated companies relate solely to trade payables (€ 2,556 thousand, prev. year: € 2,414 thousand).

Deferred taxes

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

The amounts were computed on the basis of a tax rate of 29.48 per cent.

Contingencies

SIMONA AG, Kirn, issued one guarantee each in respect of its subsidiaries SIMONA FAR EAST Ltd., Hong Kong, China, and SIMONA ASIA Ltd., Hong Kong, China. At 31 December 2013, they amounted to € 1,450 thousand in total.

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

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

Other financial commitments

in € '000	
Commitments from rental and lease agreements	
Due 2014	243
Due 2015–2018	353
	596
Order commitments arising from investment orders	**7,240**

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 made at market prices.

NOTES TO INCOME STATEMENT

Revenue

	2013		2012	
	€ '000	%	€ '000	%
Germany	89,742	37.1	92,582	38.0
Rest of Europe and Africa	133,150	55.1	132,454	54.4
Asia, Americas and Australia	18,750	7.8	18,400	7.6
	241,642	**100.0**	**243,436**	**100.0**

	2013		2012	
	€ '000	%	€ '000	%
Semi-finished and finished parts	170,404	70.5	168,532	69.2
Pipes and fittings	71,238	29.5	74,904	30.8
	241,642	**100.0**	**243,436**	**100.0**

Other operating income
Other operating income includes income not attributable to the accounting period in connection with the reversal of provisions (€ 747 thousand) as well as freight-related income (€ 689 thousand).

Other operating expenses
Other operating expenses relate primarily to outward freight charges (€ 9,369 thousand), maintenance expenses (€ 6,517 thousand), expenses for packaging material (€ 5,604 thousand), legal and consulting costs (€ 2,016 thousand), cost of premises (€ 973 thousand) and advertising costs (€ 1,245 thousand). Expenses not attributable to the accounting period relate mainly to the derecognition of receivables (€ 140 thousand).

Write-downs of financial assets
Owing to an impairment that is likely to be permanent, an impairment loss of € 1,100 thousand was recognised in respect of investments in affiliated companies. Owing to foreign exchange movements, an impairment loss of € 823 thousand was recognised in respect of loans to affiliated companies; this impairment is expected to be of a temporary nature.

Other interest and similar income
Other interest and similar income include interest income of € 14 thousand attributable to prior financial years.

Taxes on income
Income taxes are attributable to earnings from ordinary activities in the financial year under review. Taxes on income include tax expenses of € 22 thousand that relate to previous financial years.

OTHER INFORMATION

Governing bodies and compensation

Management Board

- Wolfgang Moyses, MBA,
  Diplom-Betriebswirt, (Chairman)
  Responsible for the areas:
  Strategic Business Development
  Global HR & Legal
  Investor Relations
  Sales
  Marketing & Communication
- Dirk Möller, Diplom-Ingenieur
  (Deputy Chairman)
  Responsible for the areas:
  Production
  Real Estate/Facility and Occupational Safety
  Technical Service Center
  Logistics
- Fredy Hiltmann, Betriebsökonom
  Responsible for the areas:
  Accounting
  Controlling
  Purchasing
  IT & Organisation
  Quality Management

Dirk Möller is a shareholder (11.64 per cent of shares in SIMONA AG) and Member of the Management Board of SIMONA AG. Additionally, Dirk Möller performs executive duties at individual companies within the SIMONA Group.

- SIMONA Plast-Technik s.r.o., Litvinov, (1),
- SIMONA AMERICA Inc., Hazleton, (2),
- SIMONA FAR EAST Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, (2),
- SIMONA ASIA Ltd., Hong Kong, (2),
- SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, (2)

His executive duties are as follows:
(1) Managing Director, (2) Member of the Board of Directors

Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim, Diplom-Kaufmann (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
  (Deputy Chairman)
  Other supervisory board mandates:
  Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main
  Chairman of the Advisory Board of Saxonia Holding GmbH, Wolfsburg
- Dr. Roland Reber, Stuttgart, Managing Director of Ensinger GmbH, Nufringen
- Joachim Trapp, Biberach, Qualified Lawyer (since 7 June 2013)
  Member of the Management Board of Kreissparkasse Biberach, Biberach
  Managing Director of Sparkasse-Immobilien BC GmbH, Biberach
  Managing Director of Sparkasse-Immobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach
- Gerhard Flohr, Bergen, (Employee Representative), Maintenance Engineer/Fitter
- Andreas Bomm, Schmidthachenbach, (Employee Representative until 28 March 2014), Maintenance Engineer/Fitter
- Jörg Hoseus, Monzingen, (Employee Representative since 28 March 2014), Industrial Mechanic

Total Management Board compensation

Total Management Board compensation for the 2013 financial year amounted to € 1,322 thousand, of which € 280 thousand was attributable to variable components.

Total Supervisory Board compensation

Supervisory Board compensation comprises remuneration in respect of supervisory board duties (€ 71 thousand) and remuneration for committee work performed by Supervisory Board members (€ 30 thousand). Total Supervisory Board compensation amounted to € 101 thousand in the financial year under review, itemised as follows:

in € '000	**2013**
Dr. Rolf Goessler	30.0
Roland Frobel	25.0
Dr. Roland Reber	20.0
Andreas Bomm	10.0
Gerhard Flohr	10.0
Joachim Trapp	5.8
	100.8

Compensation and pension provisions for former members of the Management Board

Compensation relating to former members of the Management Board amounted to € 502 thousand.

Full allocations have been made to pension provisions for former members of the Management Board. At 31 December 2013, these amounted to € 5,991 thousand.

Employees

Average number of staff employed in the financial year:

	2013	**2012**
Industrial staff	516	544
Clerical staff	282	288
	798	**832**
School-leavers (apprentices)	41	46
	839	**878**

Appropriation of profits

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

in € ‘000	**2013**
Net profit for the year	7,378
Unappropriated retained earnings brought forward	6,102
Appropriation to other revenue reserves in accordance with the Articles of Association	–3,689
Unappropriated surplus	**9,791**
Dividend (€ 6.00 per share)	–3,600
Carried forward to new account	**6,191**

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

In accordance with Section 161 AktG, the SIMONA AG filed a Declaration of Conformity for 2013 on 26 February 2014. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Shareholdings pursuant to Section 21(1) WpHG

On 7 June 2013, 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 27 December 2013, Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, notified the company in accordance with Section 21(1) WpHG that its voting power in respect of SIMONA AG had fallen below the threshold of 3 per cent on 19 December 2013 and that at this date its interest was 0.00 per cent (0 voting rights).

On 20 December 2013, BayernInvest Kapitalanlagegesellschaft mbH, Munich, 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 and 5 per cent on 19 December 2013 and that at this date its interest was 5.0038 per cent (30,023 voting rights). Of these voting rights, 5.0038 per cent (30,023 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 6 WpHG.

On 20 December 2013, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, 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 5 per cent on 19 December 2013 and had reached the threshold of 10 per cent and that at this date its interest was 10.00 per cent (60,000 voting rights). Of these voting rights, 10.00 per cent (60,000 voting rights) are attributable to the aforementioned shareholder in accordance with Section 22(1) sentence 1 no. 6 WpHG in conjunction with Section 22(2) WpHG.

Within this context, attributable voting rights are held by the aforementioned party via the following entities whose voting power in respect of SIMONA AG amounts to 3 per cent or more in each case: Kreissparkasse Biberach, Biberach.

On 10 June 2010, Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, Germany, 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.

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.

On 3 March 2010, Kreissparkasse Biberach, Biberach, Germany, 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 of voting rights on 2 March 2010 and that at this date its interest was 15.0038 per cent (corresponding to 90,023 voting rights).

On 20 June 2008, Rossmann Beteiligungs GmbH, Burgwedel, 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 10 per cent on 16 June 2008 and that at this date its interest was 10.10 per cent (corresponding to 60,584 voting rights).

Group relationship

The separate financial statements are included in the consolidated financial statements of SIMONA AG, Kirn, which prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements have been filed with the District Court Bad Kreuznach, Commercial Register No. HRB 1390.

Audit and consulting fees

The total fees invoiced by the independent auditor in the financial year under review were € 182 thousand. These fees comprised the following items: € 135 thousand for the year-end audit, € 10 thousand for tax consulting services and € 37 thousand for other services.

Kirn, 31 March 2014
SIMONA Aktiengesellschaft

Wolfgang Moyses Dirk Möller Fredy Hiltmann

Statement of Changes in Fixed Assets of SIMONA AG

	Cost of purchase					Depreciation/amortisation				Residual carrying amounts	
in € '000	01/01/ 2013	Additions	Reclassi-fications	Disposals	31/12/ 2013	01/01/ 2013	Additions	Disposals	31/12/ 2013	31/12/ 2013	31/12/ 2012
I. Intangible assets											
1. Industrial property rights and similar rights and assets as well as licences in such rights and assets	7,044	216	0	120	7,140	6,703	204	118	6,789	351	340
	7,044	**216**	**0**	**120**	**7,140**	**6,703**	**204**	**118**	**6,789**	**351**	**340**
II. Property, plant and equipment											
1. Land, land rights and buildings	49,698	156	0	21	49,833	34,319	1,077	20	35,376	14,457	15,379
2. Technical equipment and machinery	129,900	3,840	2,331	1,463	134,608	114,562	3,728	1,382	116,908	17,700	15,338
3. Other equipment, operating and office equipment	48,268	1,488	224	1,488	48,492	43,504	1,576	1,508	43,572	4,920	4,764
4. Prepayments and assets under construction	3,564	2,658	–2,555	0	3,667	0	0	0	0	3,667	3,564
	231,430	**8,142**	**0**	**2,972**	**236,600**	**192,385**	**6,381**	**2,910**	**195,856**	**40,744**	**39,045**
III. Financial assets											
1. Investments in affiliated companies	31,717	0	0	0	31,717	11,300	1,100	0	12,400	19,317	20,417
2. Loans to affiliated companies	28,946	392	0	0	29,338	0	823	0	823	28,515	28,946
3. Other long-term equity investments	23	0	0	0	23	0	0	0	0	23	23
	60,686	**392**	**0**	**0**	**61,078**	**11,300**	**1,923**	**0**	**13,223**	**47,855**	**49,386**
	299,160	**8,750**	**0**	**3,092**	**304,818**	**210,388**	**8,508**	**3,028**	**215,868**	**88,950**	**88,771**

Details of Shareholdings of SIMONA AG

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	€ '000	€ '000
Indirectly			
SIMONA S.A.S., Domont, France	100.0	3,192	252
SIMONA S.r.l. Società Unipersonale, Vimodrone, Italy	100.0	269	–127
SIMONA UK Ltd., Stafford, United Kingdom	100.0	1,636	69
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	174	61
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	1,151	–19
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	6,197	–912
64 NORTH CONAHAN DRIVE HOLDING LLC, Hazleton, USA	100.0	2,644	0
Directly			
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	342	54
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	543	–406
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,054	169
SIMONA Sozialwerk GmbH, Kirn (2012)	50.0	15,579	108
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn (2012)	50.0	6,328	623
SIMONA Beteiligungs-GmbH, Kirn	100.0	1,834	0*
SIMONA AMERICA Inc., Hazleton, USA	100.0	1,670	–1,433
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	17,552	3,812
SIMONA ASIA Ltd., Hong Kong, China	100.0	3,918	–387
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	566	159
OOO SIMONA RUS, Moscow, Russian Federation	100.0	156	245

* Control and profit transfer agreement with SIMONA AG, Kirn

Reproduction of the Auditor’s Report

Having concluded our audit, we issued the following unqualified audit opinion dated 4 April 2014:

“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 2013. The Management Board of the Company is responsible for the accounting records and for preparing the financial statements and management report in accordance with applicable German commercial law. 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 also includes assessing the accounting principles applied and significant estimates made by the Management Board, as well as evaluating the overall adequacy of the presentation of the financial statements and the 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 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.”

Frankfurt am Main, 4 April 2014
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk	Christian Kwasni
German Public Accountant	German Public Accountant

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