Group Interim Report of SIMONA AG, Kirn, for the First Half of 2009

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Group Management Report of SIMONA AG

1. Business performance

The SIMONA Group was faced with a significant decline in revenues over the course of the first half. In particular, the severe downturn affecting our principal sales markets – the chemical industry and the mechanical engineering sector – prompted a contraction in revenue by €50.8 million to €106.3 million. This corresponds to a year-on-year decline of 32.3 per cent.
The economic climate has gradually deteriorated since the second quarter of 2008, with the fourth quarter of 2008 producing an unprecedented slump in the manufacturing industry, both in terms of output and order intake. During this period, the global economic crisis engulfed all regions and the majority of business sectors. This took a heavy toll on exports in particular, as well as customers' propensity to invest, which in turn had an extremely detrimental effect on the sales performance of the SIMONA Group. In Germany, GDP for the first quarter fell by 3.8 per cent compared with the previous three-month period, the sharpest decline since the first official publication of quarterly figures. Although the German economy grew by a slender 0.3 per cent in the second quarter compared to the previous three-month period, is had to contend with a year-on-year decline of 5.9 per cent in economic output. Chemical production receded by 15.5 per cent in the first half of 2009, thus falling to the level last seen in 2003. What is more, utilisation of machine capacity reached a new low of 72 per cent. At the same time, the mechanical and plant engineering sector, which also represents an important sales market for SIMONA, recorded a 48 per cent slump in order intake in May 2009. The downturn in economic output showed signs of slowing in the eurozone as a whole. In the second quarter, GDP contracted by 0.1 per cent compared to the previous quarter, whereas the first quarter had produced a decline of 2.5 per cent. Compared to the same period a year ago, the eurozone economy shrank by 4.6 per cent in the second quarter, after a decline of 4.9 per cent in the previous quarter. The US economy remains in the grips of a severe recession. Over the course of the second quarter, GDP fell by 0.3 per cent compared with the previous quarter, on the back of a fall of 1.6 per cent in the first quarter of 2009. Compared to the same period a year ago, GDP contracted by 3.9 per cent (–3.3 per cent in the previous quarter). In Asia, growth returned to more stable ground in some of the region's economies, following the dramatic downturn seen at the end of 2008 and the first quarter of 2009.
The German plastics industry remained sluggish in the first half of 2009, with almost 70 per cent of companies operating in the area of polymer processing registering a deterioration in their business.
SIMONA's sales revenues fell sharply in all regions during the first half of the financial year, although the extent of this downturn varied according to prevailing market conditions in the respective countries. In Germany, sales revenue receded by 31.3 per cent to €40.8 million (prev. year: €59.4 million). The Rest of Europe and Africa recorded a decline in sales revenue by 27.6 per cent to €57.4 million (prev. year: €79.3 million). Owing to the extreme downturn in business throughout Asia, the region comprising Asia, the Americas and Australia was most heavily affected by revenue contraction. Here, sales revenue slumped by 48.2 per cent to €11.4 million (prev. year €22.0 million).
The decline in revenue affected both semi-finished products and pipes and fittings.
In the second quarter of 2009, sales revenue contracted by €26.1 million to €53.3 million (prev. year: €79.4 million). This corresponds to a reduction of 32.9 per cent compared to the same period a year ago.

2. Financial performance

Despite the considerable decline in sales revenue, we managed to post positive earnings for the period under review. Profit before tax amounted to €3.5 million (prev. year: €13.5 million). This was made possible by the timely introduction of a cost-reduction programme that included not only short-time work but also a critical assessment of material- and equipment-related expenses. Despite the decline in gross profit as a result of lower revenue, we managed to lift our gross profit margin from 44.7 per cent to 53.8 per cent thanks also to more profitable products. Staff costs were scaled back by €1.6 million, mainly as a result of short-time work. The new plant in Litvinov, Czech Republic, which commenced operations at the end of 2008, made a positive contribution to earnings from the outset and has generally improved SIMONA's supply performance. In some cases, the Group companies had to contend with a severe downturn in earnings.

3. Interest income and expense

At 30 June 2009, interest income totalled €0.2 million, which was attributable to short-term investments. Interest expense amounted to €0.2 million, mainly as a result of two US dollar loans.

4. Financial position

SIMONA invested €6.3 million in property, plant and equipment in the first half of 2009. This was €5.8 million less than during the same period a year ago, which had included a large proportion of capital expenditure on the construction of new facilities in the Czech Republic and China.

Compared to 31 December 2008, total assets rose by €4.7 million to €249.5 million. We recorded a further reduction in trade receivables, while cash resources continued to rise.

5. Events after the reporting date

SIMONA AG is considering closing its Würdinghausen production facility due to significant losses incurred by the plant. This affects 84 employees. The facility produces pressed sheets, profiles and finished parts, mainly for customers operating within the mechanical engineering and transport systems sector. The product range manufactured at the company's plant in Würdinghausen is to be integrated into other existing SIMONA sites.
The company's Management Board is currently in negotiations with the works council and the trade union concerning a reconciliation of interests and for the purpose of drawing up a redundancy and retraining plan.

6. Risks associated with future development

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 supplied by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the raw material markets. Owing to our broad range of products and thorough analysis of the market, we are able to mitigate these risks and respond to changes. In establishing and expanding our production capacity at our interna-

tional sites, we will also improve the company's flexibility when it comes to meeting new customer requirements at a global level, as well as enhancing our delivery performance and minimising currency-related price risks. The commencement of production at our site in Litvinov, Czech Republic, has improved SIMONA's supply structures. In view of the extremely weak demand for plastic products, production at the new facility in Jiangmen, China, is not likely to commence until the end of 2009. Thanks to a well-conceived plan, the fixed costs associated with this facility remain low. SIMONA addresses the issue of currency risk to the largest extent possible by deploying hedging instruments. Owing to the recessionary trend in the global economy, the general market and sector-specific risks to which SIMONA is exposed have increased considerably compared to the first half of 2008 and are likely to dominate the company's sales and earnings performance in 2009. Risks relating to commodity prices remain tangible in 2009. Following a period of general stability, the prices quoted for some raw materials have increased sharply.
With many companies having to contend with difficult financial conditions, the risk of default on payments has also become more pronounced. Within this context, thorough investigations in credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments.
The carrying amounts of inventories were assessed on a regular basis, and adjustments in the form of allowances were made for specific products. In our opinion, the company's overall risk situation in the first half of 2009 has deteriorated year on year due to the factors outlined above.

7. Report on expected developments

The global economy is facing one of the most difficult periods since the end of the Second World War. Although there are initial signs of the current downturn finally reaching a trough, the economy is likely to remain at a low level for the foreseeable future. The International Monetary Fund (IMF) has forecast that the global economy will contract by 1.4 per cent in 2009, with the economies of the large industrialised nations shrinking considerably faster. The IMF's projection for Germany suggests a decline of 6.2 per cent, while the eurozone is expected to contract by 4.8 per cent and the United States by 2.6 per cent. The German plastics industry is expecting a slight recovery for the second half, albeit at a low level.
SIMONA anticipates that the financial year as a whole will remain challenging. The continued weakness in terms of incoming orders has had an adverse effect on companies' propensity to invest, which is of particular importance to our business. Business over the course of the second half of the year is expected to progress sideways, without benefiting from any major impetus. Our revenue target of € 200 million is ambitious, and achieving it will depend on how business develops in the particularly important months of September, October and November. We remain committed to generating positive EBITDA for 2009. However, the figures for the first half cannot be extrapolated for the purpose of determining annual results. The year 2010 is unlikely to produce any forward momentum for our business, and we are bracing ourselves for a difficult year

Consolidated Interim Financial Statements

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 30/06/09	01/01 – 30/06/08
Revenue		106,273	157,086
Other operating income		5,049	3,438
Changes in inventories of finished goods		–399	1,883
Cost of materials		48,749	88,678
Staff costs		28,804	30,379
Depreciation of property, plant and equipment, and amortisation of intangible assets		6,430	6,106
Other operating expenses		23,428	23,990
Interest income		218	427
Interest expense		219	229
Profit before tax		**3,511**	**13,452**
Income tax expense	[6]	858	3,789
Profit for the period		**2,653**	**9,663**
of which attributable to:			
Owners of the parent company		2,630	9,638
Non-controlling interests		23	25

Earnings per share in €		
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	4.38	16.06
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	4.38	16.06

Group Statement of Comprehensive Income of SIMONA AG

in € '000	Notes	01/01 – 30/06/09	01/01 – 30/06/2008
Profit for the period		**2,653**	**9,663**
Other comprehensive income:			
Exchange differences on translating foreign operations		266	152
Other comprehensive income for the period, net of tax		**266**	**152**
Total comprehensive income for the period, net of tax		**2,919**	**9,815**
Total comprehensive income attributable to:			
Owners of the parent company		2,901	9,784
Non-controlling interests		18	31

Group Statement of Financial Position of SIMONA AG

Assets in € ’000	Notes	30/06/09	31/12/08
Intangible assets		1,136	1,498
Property, plant and equipment	[8]	95,582	95,601
Financial assets		23	23
Non-current tax assets		4,831	4,844
Deferred tax assets	[6]	239	276
Non-current assets		**101,811**	**102,242**
Inventories	[9]	45,132	43,709
Trade receivables		38,623	41,345
Other assets and prepaid expenses		10,589	8,426
Derivative financial instruments	[12]	121	607
Cash	[4]	53,236	48,432
Current assets		**147,701**	**142,519**
Total assets		**249,512**	**244,761**

Equity and liabilities in € '000	Notes	30/06/09	31/12/08
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		130,241	128,092
Other reserves		–678	–1,430
Equity attributable to owners of the parent company		**160,337**	**157,436**
Non-controlling interests		223	211
Total equity		**160,560**	**157,647**
Financial liabilities		8,594	8,514
Provisions for pensions		36,434	35,929
Other provisions		6,437	6,825
Other liabilities		221	216
Deferred tax liabilities	[6]	6,549	7,089
Non-current liabilities		**58,235**	**58,573**
Financial liabilities	[4]	391	350
Provisions for pensions		1,586	1,576
Other provisions		5,270	5,957
Trade payables		8,046	7,373
Income tax liabilities		1,459	2,250
Other liabilities and deferred income		13,628	10,655
Derivative financial instruments	[12]	337	380
Current liabilities		**30,717**	**28,541**
Total equity and liabilities		**249,512**	**244,761**

Selected Notes of SIMONA AG

[1] Company information

The condensed consolidated interim financial statements for the first half of 2009 were released for publication on 30 July 2009, following a resolution passed by the Management Board.
SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges.

[2] Statement of compliance and basis of preparation

The condensed consolidated interim financial statements for the first half of 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not comprise all information and disclosures required for consolidated annual financial statements and should thus be read in conjunction with the consolidated financials statements for the annual period ended 31 December 2008.

Summary of significant accounting policies
With the exception of the following IRFS Standards and Interpretations applied for the first time as at 1 January 2009, the accounting policies applied to the condensed consolidated interim financial statements are consistent with those applied to the consolidated financial statements for the annual period ended 31 December 2008.

Initial application of new or revised standards and interpretations
The following section provides a brief summary of the respective changes or newly issued standards to the extent that they are of relevance to the consolidated financial statements, as well as a description of the effects on measurement and recognition within the consolidated financial statements of the company. Application of the aforementioned Standards and Interpretations will have an effect on the manner in which the Group's financial information is presented, without influencing the financial position, financial performance or cash flows of the Group.

IFRS 7 Financial Instruments: Disclosures
The amendments to IFRS 7 were issued in March 2009 and are to be applied for annual periods beginning on or after 1 January 2009. The amendments are aimed at improving disclosures with regard to the measurement at fair value as well as liquidity risks.

IFRS 8 Operating Segments
IFRS 8 was issued in November 2006 and must be applied by entities for annual periods beginning on or after 1 January 2009. IFRS 8 requires the disclosure of information relating to a Group's operating segments and replaces IAS 14. IFRS 8 is centred around the so-called management approach, according to which segment reporting shall be based solely on financial information used by an entity's decision-making bodies for the purpose of internal management of the entity. The application of this standard has had no effect on the performance, financial position and cash flows of the Group. As determined by the Group, the operating segments correspond to the business segments previously identified pursuant to IAS 14 Segment Reporting.

IAS 1 Presentation of Financial Statements (revised)
The revised version of IAS 1 Presentation of Financial Statements, issued by the IASB in September 2007, is to be applied for annual periods beginning on or after 1 January 2009. The standard requires the separate presentation of those changes in equity that are attributable to transactions with owners in their capacity as owners and other changes in equity. Therefore, the statement of changes in equity presents separately all changes in equity resulting from transactions with owners in their capacity as owners, while other changes in equity are presented as a single item in an aggregated form. Additionally, the standard introduces a statement of comprehensive income. According to the provisions set out in IAS 1, an entity shall present all items of income and expense recognised in a period either in a single statement of comprehensive income or in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). As regards the provisions set out in the revised standard, SIMONA AG has decided to present the items relating to its statement of comprehensive income in two interconnected statements.

Improvements to IFRS 2008
In May 2008, the IASB issued a document – covering several standards – that sets out amendments to International Financial Reporting Standards (IFRSs) and guidance made in the International Accounting Standards Board's annual improvements project. The primary aim was to eliminate inconsistencies and clarify specific regulations. With the exception of IFRS 5 (to be applied as at 1 July 2009), the aforementioned changes shall be applied for annual periods beginning on or after 1 January 2009.

Consolidated group
There were no changes in the consolidated group compared with 31 December 2008. As at 30 June 2009, the consolidated interim financial statements comprised 16 domestic and foreign entities.

[3] Seasonal effects on business activities

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

[4] Cash and cash equivalents

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

in € '000	30/06/09	31/12/08
Cash	53,236	48,432
Current financial liabilities (excluding liabilities attributable to loans)	–90	–113
	53,146	**48,319**

[5] Paid and proposed dividend

A dividend proposal of € 8.50 per share (prev. year: € 8.50 per share) was submitted to the Annual General Meeting of Shareholders. The corresponding payment totals € 5,100 thousand (prev. year: € 5,100 thousand), which was not accounted for as a liability as at 30 June 2009.

The dividend proposal was adopted by the Annual General Meeting on 31 July 2009 and paid out.
In the previous financial year payment of the dividend amounting to €5,100 thousand was executed in the first half of the financial year.

[6] Income taxes

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

in € '000	01/01 – 30/06/09	01/01 – 30/06/08
Current tax		
Current tax expense	1,361	4,309
Income from measurement of credits for the reduction of corporation tax	–111	–118
Deferred tax		
Origination and reversal of temporary differences	–392	–402
	858	**3,789**

[7] Segment reporting

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

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

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, including fittings.
Management assesses the operating results of these segments for the purpose of making decisions as to the distribution of resources and determining the profitability of the business units. Segment profitability is determined on the basis of operating results from operating activities before the effects of financing activities and excluding income tax effects.
As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated interim financial statements. Revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the country in which the customer is domiciled.

Segment Information SIMONA AG, Kirn, for the first half of the 2009 financial year

Segmentation by region in € ’000	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
	01/01 – 30/06/09	01/01 – 30/06/08	01/01 – 30/06/09	01/01 – 30/06/08	01/01 – 30/06/09	01/01 – 30/06/08	01/01 – 30/06/09	01/01 – 30/06/08	01/01 – 30/06/09	01/01 – 30/06/08
Revenue from sales to external customers	40,789	59,447	57,439	79,345	11,426	21,978	–3,381	–3,684	106,273	157,086
Revenue from sales to other segments	1,809	267	18,082	27,793	1,776	4,546	–21,667	–32,606	0	0
Segment revenue									**106,273**	**157,086**
Segment result	1,994	6,486	1,545	5,898	–27	870	0	0	3,512	13,254
Reconciliation to profit before tax:										
Interest income									218	427
Interest expense									219	229
Profit before tax									**3,511**	**13,452**

[8] Property, plant and equipment

In the period from 1 January to 30 June 2009, the Group purchased property, plant and equipment at a cost amounting to € 6,296 thousand (HY1 2008: € 12,025 thousand).
During the same period, the Group disposed of assets at a carrying amount of € 294 thousand (HY1 2008: € 23 thousand). This resulted in a net gain on disposal of € 37 thousand (HY1 2008: € 68 thousand).

[9] Inventories

Compared to 31 December 2008, the amount of inventory write-downs due to obsolescence fell by € 713 thousand to € 2,184 thousand as at the end of the first half of 2009.

[10] Contingent liabilities

Compared with 31 December 2008, contingent liabilities from investment projects already initiated (obligation to purchase property/plant/equipment) decreased by € 4,544 thousand to € 790 thousand at the end of the reporting period.

[11] Related-party disclosures

The group of persons or entities with which the SIMONA Group has a related-party relationship remained unchanged compared with the financial year ended 31 December 2008. There were no related-party transactions during the first half of 2009.

[12] Financial instruments

The following section includes details of hedging transactions recently concluded by the Group as well as hedging transactions that were subject to significant changes in value. These disclosures relate to the first six months of 2009.

a) Cash flow hedging instruments
As at 30 June 2009, the Group held no forward currency contracts.

b) Fair value hedging instruments
At the reporting date the Group had two interest-rate swaps used for the purpose of hedging risk arising from changes to the fair value of floating-rate USD loans.
In the first half of 2009, the change in the value of the interest-rate swaps was equivalent to income of €38 thousand.
As at 30 June 2009, the Group also held currency options deployed for the purpose of hedging receivables denominated in a foreign currency. The terms and conditions of these contracts are outlined in the following table:

	in '000	Due date	Exchange rates
US Dollar	3,500	03/2010	1.4000

[13] Events after the reporting period

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

Disclosure in accordance with Section 37w (5) WpHG
The consolidated interim financial statements and the Group interim management report have been neither reviewed nor audited in accordance with Section 317 HGB.

Disclosure in accordance with Section 37y WpHG in conjunction with Section 37w (2) No. 3 WpHG
"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

SIMONA AG
Kirn, 30 July 2009
The Management Board of SIMONA AG

Wolfgang Moyses
CEO/Chairman of the Management Board

Dirk Möller

Jochen Feldmann

Detlef Becker

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 – 30/06/09	01/01 – 30/06/08
Profit before tax		3,511	13,452
Income taxes paid		–1,361	–3,395
Interest received and paid		1	–198
Depreciation of property, plant and equipment, and amortisation of intangible assets		6,430	6,106
Other non-cash expenses and income		260	–196
Change in pensions		515	509
Result from disposal of non-current assets	[8]	–37	–68
Result from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale		0	–773
Change in inventories		–1,423	–2,985
Change in trade receivables		2,722	–9,234
Change in other assets		–1,664	7,640
Change in liabilities and other provisions		1,742	10,733
Net cash from operating activities		**10,696**	**21,591**
Investments in intangible assets and property, plant and equipment		–6,343	–12,114
Proceeds from disposal of non-current assets		331	91
Proceeds from disposal of investments in an entity whose assets and liabilities were included in a disposal group classified as held for sale		0	3,100
Net cash used in investing activities		**–6,012**	**–8,923**
Payment of prior-year dividend		0	–5,100
Interest received		218	427
Interest paid and other expenses		–219	–229
Net cash used in financing activities		**–1**	**–4,902**
Effect of foreign exchange rate changes on liquidity		144	–351
Change in cash and cash equivalents		**4,827**	**7,415**
Cash and cash equivalents at 1 January	[4]	**48,319**	**22,796**
Cash and cash equivalents at 30 June	[4]	**53,146**	**30,211**
Change in cash and cash equivalents		**4,827**	**7,415**

Group Statement of Changes in Equity of SIMONA AG

in € '000	Equity attributable to owners of the parent company									Non-controlling interests	Total equity
	Issued capital	Capital reserves	Revenue reserves						Other reserves		
			Legal reserves	Statutory reserves	Other revenue reserves	Treasury shares	Accumulated profit for the period	Total	Currency translation differences		
Balance at 01/01/09	15,500	15,274	397	2,847	80,449	0	44,399	128,092	–1,430	211	157,647
Other comprehensive income for the period, net of tax	0	0	0	0	0	0	–481	–481	752	–5	266
Profit for the first half	0	0	0	0	0	0	2,630	2,630	0	23	2,653
Total comprehensive income for the period	0	0	0	0	0	0	2,149	2,149	752	18	2,919
Approved distribution to non-Group parties	0	0	0	0	0	0	0	0	0	–6	–6
Balance at 30/06/09	15,500	15,274	397	2,847	80,449	0	46,548	130,241	–678	223	160,560
Balance at 01/01/08	15,500	15,274	397	2,847	73,587	0	42,002	118,833	–1,499	227	148,335
Other comprehensive income for the period, net of tax	0	0	0	0	0	0	626	626	–480	6	152
Profit for the first half	0	0	0	0	0	0	9,638	9,638	0	25	9,663
Total comprehensive income for the period	0	0	0	0	0	0	10,264	10,264	–480	31	9,815
Appropriations to other revenue reserves	0	0	0	0	6,862	0	–6,862	0	0	0	0
Dividend payment	0	0	0	0	0	0	–5,100	–5,100	0	0	–5,100
Approved distribution to non-Group parties	0	0	0	0	0	0	0	0	0	–12	–12
Balance at 30/06/08	15.500	15.274	397	2.847	80.449	0	40.304	123.997	–1.979	246	153.038

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