



SIMONA

Group Interim Report of SIMONA AG
for the First Half of 2012

Contents

GROUP MANAGEMENT REPORT

3	Business Performance
4	Financial Performance
4	Financial Assets and Liabilities
4	Financial Position
5	Risks associated with future development
5	Report on expected developments

GROUP INTERIM FINANCIAL STATEMENTS

7	Group Income Statement
8	Group Statement of Comprehensive Income
9	Group Statement of Financial Position
10	Selected notes
14	Group Statement of Cash Flows
15	Group Statement of Changes in Equity

Group Management Report

1. BUSINESS PERFORMANCE

Against the backdrop of bleak economic conditions and sluggish investment spending, the SIMONA Group saw its sales revenue contract in the second quarter of 2012. Having recorded €85.4 million in the same period a year ago, the Group posted sales revenue of €76.4 million in the second quarter of 2012. This corresponds to a decline of 10.5 per cent. In the first half of 2012, revenue totalled €149.0 million, down €13.3 million or 8.2 per cent on the figure reported for the same period a year ago.

Economic conditions

The global economic climate as a whole has become increasingly difficult since the second half of 2011. In this context, the sovereign debt and banking crisis has led to considerable uncertainty within the corporate domain. As a result, investment spending in key industries served by SIMONA has lost much of its momentum.

Germany

Overall, the German economy has remained robust. In the first quarter, the country's gross domestic product (GDP) grew by 0.5 per cent compared to the previous quarter and by 1.7 per cent compared to the same period a year ago. Growth was driven mainly by private consumption and exports. By contrast, capital expenditure – one of the key factors for SIMONA's business – weakened for the first time since the fourth quarter of 2010. Investment spending on machinery and equipment contracted by 0.8 per cent compared to the fourth quarter of 2011. In April 2012, demand for capital goods fell by 2.9 per cent compared to the previous month and has been trending sideways ever since.

In the first half of 2012, the challenging economic situation exerted downward pressure on key sales markets served by SIMONA in Germany. The production of chemicals declined by around 4 per cent year on year in the first six months. Foreign trade proved to be particularly sluggish. The mechanical and plant engineering industry saw output expand by 4.3 per cent in the first five months of 2012. In April and May, however, the overall trend was negative, prompted by a severe contraction in order intake (minus 8 per cent year on year).

Eurozone

The eurozone economy has been severely impacted by the sovereign debt crisis. In the first quarter of 2012, GDP fell by 0.3 per cent. Key confidence indicators are in negative territory, and there is every chance that this downturn will continue in the second quarter. Of the larger economies in the euro area, only Germany appears to be showing any signs of forward momentum. France remains stagnant, while Italy's economic output has fallen by 0.8 per cent.

Asia and South America

Impacted by sluggish demand within the global arena, growth in the major economies of Asia has decelerated markedly in recent months. At 7.6 per cent, China's growth rate for the second quarter of 2012 was the lowest in three years. In the first quarter, growth had stood at 8.1 per cent. In South America and India, too, the rate of economic expansion has been diminished quite severely in some cases. In May 2012, Argentina's economy shrank for the first time in three years. Brazil, meanwhile, has had to revise downwards its growth forecast for 2012 from 4.5 to 3 per cent.

United States

The protracted crisis in Europe has also had repercussions for the US economy. In the second quarter, economic growth stood at just 1.5 per cent calculated on an annualised basis. High rates of unemployment and a decline in consumer spending are among the major problems currently facing the United States.

Plastics industry

The German plastics industry trended sideways during the first half of 2012. This was visible within the area of domestic and export business. The industry as a whole was dominated by persistently high procurement costs for key commodities as well as intense competition for fewer contracts.

Segment reporting

Business developed along diverging lines in the respective sales regions. In Germany, sales revenue fell markedly by 15.0 per cent to €47.1 million (prev. year: €55.4 million) in the first half of 2012. Sales revenue attributable to the Rest of Europe

and Africa stood at €75.7 million (prev. year: €80.9 million), which corresponds to a decline of 6.5 per cent. By contrast, SIMONA saw a slight expansion in revenue generated from sales in the region of Asia, Americas and Australia, up 1.2 per cent to €26.2 million (prev. year: €25.9 million).

As regards the individual product groups, sales revenue attributable to semi-finished parts saw a double-digit decline compared to the very buoyant first half in 2011, while pipes and fittings remained stable.

2. FINANCIAL PERFORMANCE

Due to the Group's business performance over the course of the first half of 2012, earnings before interest and taxes (EBIT) declined by 39.2 per cent to €6.5 million (prev. year: €10.6 million). The EBIT margin stood at 4.3 per cent (prev. year: 6.5 per cent).

As a result of the contraction in sales volumes and revenue, gross profit fell by €8.3 million to €65.4 million.

Contracting by just 3.8 per cent to €90.9 million, the cost of materials fell at a slower rate relative to the decline in revenue (-8.2 per cent). This was attributable to elevated commodity prices.

Staff costs amounted to €29.7 million (prev. year: €31.0 million).

Other operating expenses fell from €25.9 million a year ago to €23.6 million. Within this context, expenses for outward freight and packaging declined in line with lower business volumes.

Additionally, expenses relating to foreign exchange fluctuations were scaled back significantly in the first half compared to the same period a year ago.

The majority of the operating subsidiaries recorded positive results in the first half of 2012. As start-up operations, the newly established sales company in Russia and the plant in China have yet to report a profit.

Profit for the first six months totalled €4.4 million (prev. year: €7.7 million).

3. FINANCIAL ASSETS AND LIABILITIES

The Group's cash and cash equivalents totalling €21.1 million (31/12/2011: €26.1 million) mainly consist of short-term bank deposits.

Other financial assets amounting to €26.3 million (31/12/2011: €30.2 million) comprise a bonded loan issued by Deutsche Pfandbriefbank as well as fixed-term deposits.

The Group's non-current financial liabilities were scaled back from €4.7 million at the end of 2011 to €4.1 million at the end of the period under review.

In the first half of 2012, interest income totalled €0.4 million (prev. year: €0.3 million) and was attributable to short-term investments of cash. By contrast, interest expense amounted to €0.2 million, mainly as a result of loans denominated in US dollars.

4. FINANCIAL POSITION

As at 30 June 2012, total assets increased to €262.8 million (31/12/2011: €257.1 million).

In the first half of 2012, SIMONA made investments totalling €3.9 million (prev. year: €7.1 million) at Group level.

Inventories rose by €5.5 million in total compared to 31 December 2011.

Compared to 31 December 2011, trade receivables increased by €10.4 million to €53.0 million. In a year-on-year comparison, however, trade receivables declined by €6.4 million as a result of the downturn in business.

As at 30 June 2012, Group equity stood at €173.9 million, which corresponds to an equity ratio of 66 per cent at Group level (31 December 2011: 68 per cent). The slight downturn is attributable primarily to the dividend payout completed in June 2012. In the previous year, the dividend had been paid at the beginning of the second half.

Trade payables rose by €2.8 million due to factors relating to the end of the reporting period.

5. RISKS ASSOCIATED WITH FUTURE DEVELOPMENT

The risk management system of SIMONA AG focuses on the following material risks: risks relating to the general business environment and sector, financial risks and IT-specific risks. The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic development of customer segments served by SIMONA. They also include price-specific risks due to fluctuating exchange rates and risks emanating from developments on the commodity 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. Company-owned production facilities in key foreign markets help to improve the company's flexibility when it comes to meeting ever-changing customer requirements at a global level. Price risks associated with exchange rates tend to increase in proportion to revenue generated outside the eurozone. The expansion of production in foreign sales markets has helped to scale back risks within this area. The greatest risk to the economy as a whole currently emanates from the unresolved sovereign debt crisis within the eurozone. Despite the downward trend seen since May, prices within the commodity markets remain high and are still extremely volatile. This continues to represent a significant risk to the Group's earnings performance. We anticipate that commodity prices will continue to trend upwards in the medium- to long-term future as a result of structural factors.

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 in 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 2012 has not changed significantly in relation to the previous financial year.

6. REPORT ON EXPECTED DEVELOPMENTS

Having produced some forward momentum at the beginning of 2012, the global economy showed signs of a slowdown over the course of the first quarter, impacted in particular by the sovereign debt crisis in the eurozone. Fundamental confidence within the business sector will continue to ebb away as long as the crisis has not been resolved. The International Monetary Fund (IMF) has revised downwards its annual forecast for economic growth to 3.5 per cent. Having proved relatively robust in the past due to its solid real economy, Germany is unlikely to emerge unscathed from the global downturn. Growth rates in Asia are not expected to decline any further in the second half. Governments throughout the region have already introduced measures aimed at stimulating growth. The US government has downgraded its outlook for economic growth from 2.7 to 2.3 per cent.

SIMONA is bracing itself for a period of sluggish business in the second half of the year. The general lack of confidence is paralysing investments at present, leading to a decline in potential contracts and more intense competition to secure new orders. Overall, we anticipate that demand will stabilise at the current level, provided that markets are not hit by any events of extreme proportions. Operating within this environment, it will be difficult for the SIMONA Group to meet its target of sales revenue in excess of €300 million and an EBIT margin of 5 per cent.

Group Interim Financial Statements

7	Group Income Statement
8	Group Statement of Comprehensive Income
9	Group Statement of Financial Position
10	Selected notes
14	Group Statement of Cash Flows
15	Group Statement of Changes in Equity

Group Income Statement of SIMONA AG

in € '000	Notes	01/01 – 30/06/2012	01/01 – 30/06/2011
Revenue		149,028	162,273
Other operating income		3,436	3,408
Changes in inventories of finished goods		3,831	2,540
Cost of materials		90,901	94,487
Staff costs		29,696	30,991
Amortisation of intangible assets and depreciation of property, plant and equipment		5,613	6,248
Other operating expenses		23,630	25,884
Interest income		353	321
Interest expense		151	153
Profit before tax		6,657	10,779
Income tax expense	[6]	2,235	3,115
Profit for the period		4,422	7,664
of which attributable to:			
Owners of the parent company		4,382	7,619
Non-controlling interests		40	45

EARNINGS PER SHARE

in €			
– basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		7.30	12.70
– diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company		7.30	12.70

Group Statement of Comprehensive Income of SIMONA AG

in € '000	01/01 – 30/06/2012	01/01 – 30/06/2011
Profit for the period	4,422	7,664
Exchange differences on translating foreign operations during the year	624	-272
Amount recognised directly in equity	624	-272
Total comprehensive income	5,046	7,392
of which attributable to:		
Owners of the parent company	4,996	7,348
Non-controlling interests	50	44

Group Statement of Financial Position of SIMONA AG

ASSETS

in € '000	Notes	30/06/2012	31/12/2011
Intangible assets		1,310	1,280
Property, plant and equipment	[8]	87,873	89,229
Financial assets		23	23
Non-current tax assets		3,268	3,205
Deferred tax assets	[6]	184	174
Non-current assets		92,658	93,911
Inventories	[9]	62,824	57,283
Trade receivables		53,031	42,606
Other assets and prepaid expenses		6,870	6,914
Other financial assets		26,330	30,227
Cash and cash equivalents	[4]	21,133	26,139
Current assets		170,188	163,169
Total assets		262,846	257,080

EQUITY AND LIABILITIES

in € '000	Notes	30/06/2012	31/12/2011
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserves		15,274	15,274
Revenue reserves		142,384	143,702
Other reserves		569	-45
		173,727	174,431
Non-controlling interests		216	201
Total equity		173,943	174,632
Financial liabilities		4,055	4,728
Provisions for pensions		40,069	39,311
Other provisions		5,204	5,450
Other liabilities		164	172
Deferred tax liabilities	[6]	5,595	5,187
Non-current liabilities		55,087	54,848
Financial liabilities	[4]	35	312
Provisions for pensions		1,327	1,327
Other provisions		2,211	2,245
Trade payables		14,059	11,223
Income tax liabilities		1,000	1,153
Other liabilities and deferred income		15,080	11,217
Derivative financial instruments		104	123
Current liabilities		33,816	27,600
Total equity and liabilities		262,846	257,080

Selected notes to the first half of the 2012 financial year of SIMONA AG

[1] COMPANY INFORMATION

The condensed consolidated interim financial statements for the first half of 2012 were released for publication on 31 July 2012, 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 2012 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 financial statements and should thus be read in conjunction with the consolidated financial statements for the annual period ended 31 December 2011.

Summary of significant accounting policies

The accounting policies applied to the condensed consolidated interim financial statements are consistent with those applied to the consolidated financial statements for the annual period ended 31 December 2011.

Consolidated group

There were no changes in the consolidated group compared with 31 December 2011. As at 30 June 2012, the consolidated interim financial statements comprised 17 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	30/06/2012	31/12/2011
Cash and cash equivalents	21,133	26,139
Current financial liabilities (excluding liabilities attributable to loans)	-14	-32
	21,119	26,107

[5] PAID AND PROPOSED DIVIDEND

During the first half-year the Annual General Meeting of Shareholders passed a resolution for a dividend of €9.50 per share (prev. year: €6.50 per share) for all ordinary shares attributable to the parent company. The total dividend distribution amounted to €5,700 thousand.

In the previous financial year, the total dividend distribution of €3,900 thousand was executed in the second half of the financial year and was not accounted for as a liability as at 30 June 2011.

[6] INCOME TAXES

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

in € '000	01/01/ – 30/06/2012	01/01 – 30/06/2011
Current tax		
Current tax expense	1,914	3,697
Income from measurement of credits for the reduction of corporation tax	-77	-89
Deferred tax		
Origination and reversal of temporary differences	398	-493
	2,235	3,115

[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, as well as fittings and finished parts.

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

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.

SEGMENTATION BY REGION

	Germany		Rest of Europe and Africa		Asia, Americas and Australia		Eliminations		Group	
in € '000	01/01 – 30/06/12	01/01 – 30/06/11	01/01 – 30/06/12	01/01 – 30/06/11	01/01 – 30/06/12	01/01 – 30/06/11	01/01 – 30/06/12	01/01 – 30/06/11	01/01 – 30/06/12	01/01 – 30/06/11
Revenue from sales to external customers	47,099	55,409	75,700	80,935	26,229	25,929	0	0	149,028	162,273
Revenue from sales to other segments	10,476	11,383	25,633	24,003	6,528	7,493	-42,637	-42,879	0	0
Segment revenue									149,028	162,273
Segment result	3,233	6,076	3,365	5,056	-143	-521	0	0	6,455	10,611
Reconciliation to profit before tax:										
Interest income									353	321
Interest expense									151	153
Profit before tax									6,657	10,779

[8] PROPERTY, PLANT AND EQUIPMENT

In the period from 1 January to 30 June 2012, the Group purchased property, plant and equipment at a cost amounting to €3,737 thousand (prev. year: EUR 7,034 thousand).

Other operating income includes gains of €10 thousand (prev. year: €40 thousand) from the disposal of property, plant and equipment; other operating expense includes losses of €10 thousand (prev. year: €220 thousand) from the disposal of property, plant and equipment.

[9] INVENTORIES

In the first half of the 2012 financial year inventory impairments decreased by €365 thousand to €2,941 thousand compared to 31 December 2011.

[10] CONTINGENT LIABILITIES

Compared with 31 December 2011, contingent liabilities from investment projects already initiated (obligation to purchase property/plant/equipment) rose by €137 thousand to €5,814 thousand at the end of the reporting period.

[11] RELATED-PARTY DISCLOSURES

Compared to the financial year ended 31 December 2011, the entities and persons with whom the SIMONA Group had a related-party relationship, as well as the scope and nature of related-party transactions, changed within the Supervisory Board.

On completion of the Annual General Meeting of Shareholders on 22 June 2012, the tenure of Supervisory Board members to be elected by the Shareholders came to an end as scheduled. For reasons of age, Hans-Werner Marx, the former Chairman of the Supervisory Board, no longer put himself forward as a candidate.

Based on the management's proposal, the following candidates were unanimously elected onto the Supervisory Board by the Annual General Meeting of Shareholders:

- Dr. Rolf Goessler, Bad Dürkheim
Diplom-Kaufmann
Chairman of the Supervisory Board
Member of the Supervisory Board of J. Engelmann AG, Ludwigshafen
- Roland Frobél, Isernhagen
Tax Consultant
Deputy Chairman of the Supervisory Board
Managing Director of Dirk Rossmann GmbH, Burgwedel
Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt
Member of the Advisory Board of Saxonia Holding GmbH, Wolfsburg
- Dr. sc. techn. Roland Reber, Stuttgart
Diplom-Werkstoff-Ingenieur ETH
Managing Director of Ensinger GmbH, Nufringen
- Dr. rer. nat. Horst Heidsieck, Bidingen
Diplom-Physiker
Managing Partner of Value Consult Management- und Unternehmensberatungsgesellschaft mbH, Bidingen
Managing Partner of DOMINO GmbH, Bidingen
Member of the Supervisory Board of HOMAG AG, Schopfloch
Chairman of the Supervisory Board of Coperion GmbH, Stuttgart

Further members of the Supervisory Board:

- Gerhard Flohr, Bergen
Employee Representative (since 28 February 2012)
Maintenance Fitter
- Andreas Bomm, Schmidhachenbach
Employee Representative (since 28 February 2012)
Maintenance Fitter

As part of its ordinary operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated interim financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose. These business transactions relating to the supply of goods and the rendering of services are made at market prices.

[12] EVENTS AFTER THE REPORTING PERIOD

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

Disclosure in accordance with Section 37w (5) WpHG

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

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

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

Kirn, August 2012

SIMONA Aktiengesellschaft

The Management Board

Group Statement of Cash Flows of SIMONA AG

in € '000	Notes	01/01 - 30/06/2012	01/01 - 30/06/2011
Profit before tax		6,657	10,779
Income taxes paid		-1,984	-2,061
Interest expense/income		-202	-168
Amortisation of intangible assets and depreciation of property, plant and equipment		5,613	6,248
Other non-cash expenses and income		182	591
Change in pensions		758	907
Result from disposal of non-current assets	[8]	0	180
Change in inventories		-5,541	-8,118
Change in trade receivables		-10,425	-17,593
Change in other assets		-19	1,928
Change in liabilities and other provisions		6,239	8,225
Net cash from operating activities		1,278	918
Investments in intangible assets and property, plant and equipment	[8]	-3,864	-7,079
Payments relating to the acquisition of interests in subsidiaries		0	-93
Proceeds from disposal of non-current assets		188	72
Payments relating to investments as part of short-term financial arrangements		3,897	0
Net cash from/used in investing activities		221	-7,100
Repayment of financial liabilities		-1,071	-10
Dividend paid to owners of the parent	[5]	-5,700	0
Dividend paid to non-controlling interests		-35	0
Interest received		331	305
Interest paid		-151	-153
Net cash used in/from financing activities		-6,626	142
Effect of foreign exchange rate changes on liquidity		139	-386
Change in cash and cash equivalents		-4,988	-6,426
Cash and cash equivalents at 1 January	[4]	26,107	39,276
Cash and cash equivalents at 30 June	[4]	21,119	32,850
Change in cash and cash equivalents		-4,988	-6,426

Group Statement of Changes in Equity of SIMONA AG

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
	Notes	Issued Capital		Capital reserves	Revenue Reserves					Other reserves	NON-CONTROLLING INTERESTS	TOTAL EQUITY
in € '000		Share capital	Total		Legal reserves	Statutory reserves	Other revenue reserves	Accumulated profit for the period	Total	Currency translation differences		
Balance at 01/01/2011		15,500	15,500	15,274	397	2,847	92,417	35,764	131,425	-260	272	162,211
Amount recognised directly in equity		0	0	0	0	0	0	0	0	-271	-1	-272
Profit for the period		0	0	0	0	0	0	7,619	7,619	0	45	7,664
Total comprehensive income for the period		0	0	0	0	0	0	7,619	7,619	-271	44	7,392
Other changes		0	0	0	0	0	0	0	0	0	-94	-94
Balance at 30/06/2011		15,500	15,500	15,274	397	2,847	92,417	43,383	139,044	-531	222	169,509
Balance at 01/01/2012		15,500	15,500	15,274	397	2,847	92,417	48,041	143,702	-45	201	174,632
Amount recognised directly in equity		0	0	0	0	0	0	0	0	614	10	624
Profit for the period		0	0	0	0	0	0	4,382	4,382	0	40	4,422
Total comprehensive income for the period		0	0	0	0	0	0	4,382	4,382	614	50	5,046
Appropriations to other revenue reserves		0	0	0	0	0	4,204	-4,204	0	0	0	0
Dividend payment to owners of parent	[5]	0	0	0	0	0	0	-5,700	-5,700	0	0	-5,700
Dividend payment to non-controlling interests		0	0	0	0	0	0	0	0	0	-35	-35
Balance at 30/06/2012		15,500	15,500	15,274	397	2,847	96,621	42,519	142,384	569	216	173,943

SIMONA AG

Investor Relations

Teichweg 16

D-55606 Kirn

Phone +49 (0) 67 52 14-383

Fax +49 (0) 67 52 14-738

ir@simona.de

www.simona.de