



2006 Annual Report

Key Financials

SIMONA Group*		2006	2005	2004
Revenue	EUR m	262.8	230.6	212.8
Year-on-year change	%	14.0	8.4	22.4
of which abroad	EUR m	165.3	143.8	130.3
of which abroad	%	62.9	62.4	61.2
Staff costs	EUR m	52.1	48.8	47.4
Operating profit	EUR m	14.9	12.4	14.6
Profit before income taxes	EUR m	15.1	13.0	15.1
Net profit for the year	EUR m	16.1	7.8	10.2
Cash flow from operating activities	EUR m	16.6	17.1	12.2
EBIT	EUR m	14.9	12.5	14.6
EBIT	%	5.7	5.4	6.8
EBITDA	EUR m	28.0	24.9	25.8
EBITDA	%	10.7	10.8	12.1
Total assets	EUR m	226.4	210.5	199.2
Equity	EUR m	139.8	128.6	125.3
Non-current assets	EUR m	90.6	85.5	88.3
Investments in property, plant and equipment	EUR m	18.1	7.2	7.5
Average number of employees		1,101	1,043	1,052

^{*} Based on IFRS

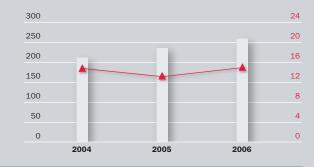
Key capital market data		2006	2005	2004
Earnings per share*	EUR	26.96	13.03	17.04
Dividend	EUR	7.50	7.50	7.50
Bonus 150th anniversary of SIMONA	EUR	1.50		
Dividend yield		3.0	3.1	3.5
P/E ratio*		11.1	18.8	12.7
Market capitalisation-over-equity ratio*		1.29	1.14	1.03
at share price 31.12.	EUR	300.00	245.00	216.00

^{*} Each calculated on consolidated basis

Revenue and profit before income taxes SIMONA Group in EURm

__Total revenue

▲ Profit before income taxes



SIMONA AG*		2006	2005	2004
Revenue	EUR m	227.7	201.8	190.1
Year-on-year change	%	12.9	6.1	17.3
of which abroad	EUR m	132.6	117.6	108.1
of which abroad	%	58.2	58.3	56.9
Staff costs	EUR m	44.7	43.0	41.2
Operating profit	EUR m	13.5	14.9	13.4
Profit before income taxes	EUR m	14.4	18.3	14.7
Net profit for the year	EUR m	14.9	11.0	9.9
Cash flow	EUR m	25.0	17.7	17.4
EBIT	EUR m	13.4	17.1	13.4
EBIT	%	5.9	8.5	7.1
EBITDA	EUR m	23.0	25.4	20.8
EBITDA	%	10.1	12.6	11.0
Total assets	EUR m	171.9	158.8	148.9
Equity	EUR m	119.7	109.2	102.7
Non-current assets	EUR m	58.9	54.3	53.2
Investments in property, plant and equipment	EUR m	10.0	6.2	6.6
Average number of employees		948	912	906

^{*} Based on HGB

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Boasting production output of more than 100,000 tonnes, the SIMONA Group is recognised as one of the world's leading manufacturers of semi-finished thermoplastics. The main areas of application for SIMONA products are chemical equipment engineering, exhibition design and structural engineering, as well as mechanical engineering and piping systems.

Committed to a comprehensive product portfolio, together with quality and customer service as our key strengths, we have established a successful track record that spans 150 years. What is more, we were able to emulate this solid performance in the 2006 financial year, lifting Group revenue to EUR 262.8 million. At December 31, 2006, SIMONA employed 1,224 people worldwide, more than 1,000 of whom are located at our sites in Germany.

Dear Shareholders,

This year marks the 150th anniversary of SIMONA. Our corporate history is a story of highs and lows, but overall we can look back on a very successful past. Following its establishment, the company, then a leather-processing enterprise trading under the name of Carl Simon Söhne, flourished at the beginning of the 20th century. Its nadir came in 1945 during Germany's post-war period – followed by the well-judged transition to plastics production and the gradual transformation into a company of international repute. SIMONA's success over the past 150 years serves as a source of inspiration for the route we have confidently charted for the future.

Our new motto "think red. think simona." picks up on the vibrancy of our corporate colour, as well as embodying the essence of our aspirations for the company: to strengthen our position in the global arena by drawing on our key strengths and the unrivalled dedication of our team.

Our 150th anniversary is also an opportunity to celebrate the company's success together with its shareholders. With this in mind, we would like to propose to the Annual General Meeting of Shareholders a dividend of EUR 7.50 per share, plus an anniversary bonus of 150 cents per share.

Let us return to our performance review for 2006: the plastics industry proved to be one of the principal growth drivers in the year just ended, producing growth rates that were well above those recorded by the economy as a whole.

We reaped the rewards of this trend and maintained the forward momentum generated over recent years. Against this favourable backdrop, Group revenue increased by 14.0 per cent to EUR 262.8 million in 2006. Within this context, the Group's international expansion acted as a significant driving force behind growth. Despite the fact that the domestic economy gathered pace in the year under review and Germany achieved growth of 12.3 per cent, it was foreign sales that delivered the most

noticeable boost to our business – exports accounted for 62.9 per cent of total sales revenue.

Buoyed by this trend, we managed to exceed our revenue target. On the other hand, however, we have to concede that earnings failed to reach the level needed to produce an EBIT margin of 7.0 per cent. Raw material prices, spiralling energy and freight costs – induced to a certain extent by the company's growth – and the rise in staff costs had an adverse effect on margins. Having to contend with these factors, we managed to raise EBIT by EUR 2.5 million to EUR 14.9 million at Group level. However, the EBIT margin of 5.7 per cent fell slightly short of our ambitious target.

Nevertheless, we remain optimistic for our 2007 anniversary year. We succeeded in maintaining growth in the first three months of the current financial year and the level of orders in hand remains solid. On this basis, we have set our sights on growth of 6 per cent, which would take Group revenue beyond EUR 280 million. Having initiated measures aimed at enhancing efficiency levels and streamlining cost structures, we intend to stabilise our earnings performance and, at the very least, match

We took another sizeable step forward in 2006 when it came to bolstering our position in our key markets. Our customers are counting on us to be vibrant and "think red". SIMONA's share performance reflects the success we have had in the business arena. Drawing confidence from this, we shall continue to pursue our own path and embrace the success that goes with it. With this in mind, the time has come to "think red. think simona."

our bottom-line result posted for 2006.

Kirn, April 2007

Wolfgang Moyses

Dirk Möller

Jochen Feldmann

CEO



Governing bodies at SIMONA AG

Members of the Management Board

Wolfgang Moyses

CEO/Chairman of the Management Board
Kirn

Member of the Management Board since 1999.

Responsible for the business units Industry, Advertising & Structural Engineering; Mechanical Engineering & Transport Technology; Piping Systems; business development Automotive & Life Science; the regions Africa, Middle East and Southern Asia; Asia Pacific; NAFTA & USA as well as Marketing.

Dirk Möller

Kirn

Member of the Management Board since 1993.

Responsible for Production Germany & USA; Central Logistics; Technical Service Centre, Occupational Safety as well as Real Estate & Construction Activities.

Jochen Feldmann

Kirn

Member of the Management Board since 2006.

Responsible for Controlling; Purchasing; Investor Relations; IT & Organisation; Human Resources, Legal Affairs, Environment & Insurance; Quality Management as well as Accounting.

Members of the Supervisory Board

Hans-Wilhelm Voss

Chairman

Businessman, Simmertal

Hans-Werner Marx

Deputy Chairman

Businessman,

Roland Frobel

Tax Consultant, Langenhagen

Dr. Roland Reber

since June 23, 2006

Managing Director of Ensinger GmbH, Nufringen

Bernd Meurer

Employee Representative

Maintenance Fitter,

Hennweiler

Karl-Ernst Schaab

Employee Representative

Clerk,

Bergen

Supervisory Board Committees

Audit Committee

Hans-Wilhelm Voss (Chairman)

Hans-Werner Marx

Roland Frobel

Personnel Committee

Hans-Wilhelm Voss (Chairman)

Hans-Werner Marx

Roland Frobel

Report by the Supervisory Board of SIMONA AG



Hans-Wilhelm Voss Chairman of the Supervisory Board

Fiscal 2006 proved to be a good year for SIMO-NA in terms of sales volumes and revenue but less buoyant when it came to earnings performance. Growth was driven principally by a strategy centred around organic expansion. This was complemented by the targeted acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG, the objective being to extend our product portfolio. It is as a result of these measures, pursued by the Management Board and supported and regularly monitored by the Supervisory Board, that we have been able to capture an additional share of the market. Unfortunately, higher raw material prices and the general rise in costs had a detrimental effect on earnings, which failed to match the annual growth rate recorded within the area of sales revenue.

The Supervisory Board has to engage in close dialogue with the Management Board in order to perform its duties with maximum efficiency. Therefore, it is only right that the ongoing collaboration between the Management Board and Supervisory Board should be discussed at the beginning of this report. The ensuing sections are dedicated to the principal issues discussed as part of our Supervisory Board and committee meetings. This is followed by details relating to the implementation of corporate governance policies and the audit of financial and consolidated financial statements for the year under review.

Cooperative dialogue with the Management Board

Over the course of the 2006 financial year, the Supervisory Board discharged its duties under statutory provisions and the Company's articles of association, advised the Management Board and senior staff on a regular basis and evaluated and monitored management's activities. In particular, the Supervisory Board conducted an assessment of the Company's risk management and came to the conclusion that the system implemented meets the applicable requirements to the fullest extent. The Management Board and Supervisory Board engaged in dialogue concerning the strategic direction of the Company and regularly discussed the status of strategy implementation. The Supervisory Board was directly involved in all decision-making processes deemed to be of fundamental importance to the Company.

The Management Board informed the Supervisory Board as part of regular written and verbal reports, furnished in a timely and comprehensive manner. The reports focused in particular on issues relating to corporate planning, the course of business and the position of SIMONA AG and its subsidiaries, including the risk situation, risk management and transactions of significant importance to the Company. At the same time, the Management Board outlined any deviations between specified targets and the actual course of business, elucidated them in full and explained any countermeasures taken to rectify the situation.

The content and scope of reports furnished by the Management Board met the requirements set out by the Supervisory Board. In addition to the above-mentioned reports, the Supervisory Board asked the Management Board to provide supplementary information relating to certain issues. In particular, the Management Board was available at Supervisory Board meetings for the purpose of discussing specific points and answering any questions put to it by the Supervisory Board. Transactions requiring the Supervisory Board's consent were dealt



with and examined thoroughly in cooperation with the Management Board, focusing particularly on the benefits and effects of these transactions. The Supervisory Board agreed to all transactions where its consent was required.

The Chairman of the Supervisory Board was also kept fully informed in between meetings convened by the Supervisory Board and its committees. For example, the CEO and the Chairman of the Supervisory Board met regularly to discuss SIMONA's strategy, current progress in business and risk management, as well as other key topics and decisions that arose. The CEO informed the Chairman of the Supervisory Board without delay of all important events that were significant in the assessment of SIMONA's state of affairs and progress or for the management of the Company.

The Supervisory Board also deliberated on the implementation of the German Corporate Governance Code within the Company and, where applicable, initiated measures aimed at fulfilling the new requirements, working in close cooperation with the Management Board. The Supervisory Board does not concur with all aspects of the Corporate Governance Code. A summary of deviations was made available to the shareholders via the Company's website as part of the updated Declaration of Conformity, dated February 27, 2007, and issued pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the relevant points were explained as part of the Corporate Governance Report.

As it does every year, the Supervisory Board discussed Management Board compensation at the Compensation Committee's suggestion.

Supervisory Board meetings

The Supervisory Board convened four ordinary meetings over the course of the 2006 financial year. Its resolutions were passed during these meetings. The meetings focused on the following topics: at the meeting convened

on February 16, 2006, the Supervisory Board discussed the financial results of the fourth quarter and the 2005 financial year as a whole, as well as business performance and the implementation of corporate strategy in 2005. It also discussed a detailed report furnished by the Management Board relating to the strategy for 2006 and examined the Company's annual financial planning for 2006, particularly the capital expenditure budget and cash scheduling.

At its meeting convened on April 28, 2006, and the extraordinary meeting of May 8, 2006, the Supervisory Board meeting focused in particular on the annual financial statements and consolidated financial statements as well as the management report and Group management report of SIMONA AG for the 2005 financial year, the Management Board's proposed resolution on the appropriation of net retained earnings ("Bilanzgewinn", i.e. unappropriated surplus) for 2005 and the outcome of the audit conducted by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft. These documents and the audit reports prepared by the auditor had been sent to all Supervisory Board members in good time prior to the meeting.

The meeting of April 28, 2006, was attended by the auditor, who reported in detail on the result of the audit. The outcome of the audit was discussed with the Supervisory Board, and questions relating thereto were answered by the auditor. The Supervisory Board was thus able to satisfy itself that the audit had been conducted in a proper manner. The formal process of approving and adopting the accounts was postponed to the extraordinary meeting on May 8, 2006, in view of the fact that specific points of the audit had been provisional due to transition to International Accounting Standards (IAS) in the case of the consolidated financial statements. At its meeting of May 8, 2006, attended by four Supervisory Board members in person and by one Supervisory Board member via a conference call connection, the Supervisory Board





issued its formal approval of the audit outcome. Having concluded its examination in full, the Supervisory Board raised no objections to the annual financial statements and consolidated financial statements or the management report and Group management report for the 2005 financial year; the accounts were thus approved by the Supervisory Board. It assessed and endorsed the Management Board's proposal for the appropriation of net retained earnings.

At its meeting on April 28, 2006, the Supervisory Board also discussed the agenda for the General Meeting of Shareholders in June, including the requisite proposals to be submitted, and voted on the proposal for the appointment of the auditor, to be put forward to General Meeting. Additionally, the Supervisory Board examined the report on business performance in the first quarter of 2006.

The meeting convened on August 3, 2006, focused on the course of business in the second quarter of 2006, the assessment of the first half as well as the forecast for the second half and plans for future periods. The Supervisory granted its authorisation for the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG.

At its meeting on November 28, 2006, the Supervisory Board focused on business performance in the third quarter, the forecast for the fourth quarter of 2006 and SIMONA's product strategy. In addition, the Supervisory Board and Management Board discussed the financial development of the subsidiaries as well as the current situation regarding plans to extend business activities in Eastern Europe and China.

The work of the Supervisory Board committees

Following the death of Dr. Wolfgang Bürkle in 2005, the Supervisory Board comprised five members up until the appointment of Dr. Roland Reber as a new Supervisory Board member at the General Meeting on June 23, 2006.

Dr. Roland Reber first attended a Supervisory Board meeting on August 3, 2006. Dr. Roland Reber holds a senior management position at Ensinger GmbH, Nufringen, an entity that maintains business relations with SIMONA AG. In view of the potential conflict of interest with regard to specific points, the board members agreed that Dr. Reber should inform the Supervisory Board immediately of any possible conflicts of interest that are of significance within this context. No conflicts of interest were reported in the meetings to date.

Yet again, the committees provided effective assistance for the Supervisory Board over the course of the financial year just ended. The Supervisory Board is supported by a Business Committee (hereinafter referred to as the "Audit Committee") and a Personnel Committee. The duties and composition of the committees remained unchanged compared with 2005.

The Audit Committee is responsible for issues pertaining to financial reporting and annual auditing as well as risk management and acquisitions. It comprises three members and is chaired by Hans-Wilhelm Voss. The Personnel Committee, also comprising three members and chaired by Hans-Wilhelm Voss, carries out the preparatory work necessary for the personnel decisions made by the Supervisory Board, particularly with regard to compensation and the conclusion of, amendments to and termination of Management Board members' employment contracts.

During 2006, the committees focused on the following topics:

The Audit Committee convened on six occasions over the course of the reporting period. In particular, it discussed the annual financial statements and consolidated financial statements as well as the management report and Group management report for the 2005 financial year, the Management Board's proposal for the appropriation of net retained earnings and progress made within the area of risk management, in addition to examining the



internal control system. It discussed the results of the 2005 financial year as well as the outcome of the annual audit for 2005 and the auditor's review of the quarterly and half-yearly results, as well as performing preparatory duties in connection with the Supervisory Board's proposal for the appointment of an auditor for 2006, to be put forward to the Annual General Meeting of Shareholders. Furthermore, it decided on the focal points of the audit. In addition, it determined the auditor's fee and decided on how the amount should be allocated to the respective entities being audited. Another point discussed by the Audit Committee was the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG.

The Personnel Committee convened on four occasions over the course of the reporting period. Among other matters, it determined the level of compensation payable to the members of the Management Board and discussed succession plans.

The committees furnished the Supervisory Board with reports on a regular basis, thus contributing to an effective and well-informed collaboration between the Supervisory Board and the committees.

Annual Financial and Consolidated Financial Statements

The accounts of SIMONA AG for the 2006 financial year were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Frankfurt, elected as auditor by the General Meeting of Shareholders on June 23, 2006. Before proposing Ernst & Young AG as auditor to the General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from Ernst & Young AG that there were no circumstances which might prejudice its independence as an auditor.

Ernst & Young AG audited the financial statements and the consolidated financial statements for the year as well as the management report and the Group management report in conjunction with the accounting records and issued an unqualified audit opinion. The financial statements mentioned above, the audit reports prepared by Ernst & Young AG and the Management Board's proposal for the appropriation of net retained earnings were sent to all Audit Committee and Supervisory Board members in good time.

The auditor attended the meeting of the Audit Committee on April 26, 2007, and provided an in-depth report on the outcome of the audit. The auditor discussed the results of the audit with the Supervisory Board and answered all questions relating thereto. The Supervisory Board was thus able to satisfy itself that Ernst & Young AG had conducted the audit in the proper manner.

The Supervisory Board approved the audit and gave its consent to the annual financial statements and consolidated financial statements as well as the management report and Group management report of SIMONA AG. Thus, the annual financial statements were formally adopted. The Supervisory Board assessed and endorsed the Management Board's proposal for the appropriation of net retained earnings.

The Supervisory Board would like to thank the members of the Management Board and employees of the Company for their committed and successful work. Special thanks also go to our customers and partners, who contributed significantly to SIMONA's success.

Kirn, April 26, 2007 The Supervisory Board Hans-Wilhelm Voss, Chairman

Corporate Governance Report of the Supervisory Board and the Management Board of SIMONA AG

Germany has implemented a legal framework designed to make corporate governance and reporting systems of exchange-listed companies more transparent and more efficient. This framework is based on the German Corporate Governance Code (GCGC) in the revised version of May 21, 2003. SIMONA AG has met the majority of requirements specified within the Code. The Supervisory Board and the Management Board responded to the legal requirements of the Code by implementing appropriate measures within the Company, insofar as these were necessary to supplement the corporate governance system already in place at SIMONA.

Departures from the GCGC

There are several Company-specific characteristics which preclude SIMONA AG from adopting the Code in its entirety.

Transparency of Management Board and Supervisory Board compensation

"The compensation of the members of the Management Board shall be comprised of a fixed salary and variable components. Variable compensation should include one-time and annually payable components linked to the business performance as well as long-term incentives. In particular, stock options or comparable instruments (e.g. phantom stocks) serve as variable compensation components with a long-term incentive."

The compensation package of the members of the Management Board of SIMONA AG comprises a fixed salary and variable components linked to the long-term performance of the Company. SIMONA AG has not established a stock option plan.

"The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by a three-quarter majority vote."

On June 23, 2006, the General Meeting of Shareholders agreed, by the requisite three-quarter majority vote, that the compensation of the Management Board members shall not be disclosed in an itemised format for a period of five years until presentation of the financial and consolidated financial statements for the 2010 fiscal year

"Disclosure (of Management Board compensation) shall be made in a compensation report, which as part of the Corporate Governance Report describes the compensation system for Management Board members in a manner that is generally understandable."

The compensation report is an integral part of the management report.

■ "Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise. The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components."

The General Meeting of Shareholders is authorised to introduce variable compensation for the Supervisory Board, with this form of remuneration being linked to the attainment of specific performance targets. No such variable compensation components were agreed by the General Meeting of Shareholders for the 2006 financial year. Supervisory Board compensation is presented in an itemised format in the notes to the financial statements.

Structure of the Supervisory Board and its Committees

"The Supervisory Board shall set up an Audit Committee which, in particular, addresses issues of accounting and risk management, the necessary independence





required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points, and the fee agreement. The Chairman of the Audit Committee should not be a former member of the Management Board of the company."

The Business Committee (also referred to as Audit Committee) established within the Supervisory Board is responsible for the same issues as an Audit Committee. The entire Supervisory Board of SIMONA AG is regularly furnished with detailed information related to the Company's reporting and risk management; it also holds in-depth discussions with the auditors as regards the Company's financial statements. Our area of business calls for comprehensive knowledge of products, markets, and processes. Therefore, the Supervisory Board is of the opinion that the appointment of a former member of the Management Board as Chairman of the Business Committee (Audit Committee) is beneficial to the efficient running of the Committee rather than counterproductive.

"In its report, the Supervisory Board shall inform the General Meeting of any conflicts of interest which have occurred, together with details of how such issues were addressed. Material conflicts of interest and those which are not merely temporary in respect of the person of a Supervisory Board member shall result in the termination of his mandate."

Dr. Roland Reber was appointed to the Supervisory Board of SIMONA AG by the General Meeting of Shareholders on June 23, 2006. Dr. Roland Reber also holds the position of Managing Director at Ensinger GmbH, Nufringen. The two entities maintain business relations with each other within the framework of terms and conditions routinely applied in this market. Should a material conflict of interest arise in specific areas as a result of the mandate held by Dr. Roland Reber, the latter will inform the Supervisory Board about such conflict of interest and will not take part in discussions or, if applicable, voting on any such points on the agenda.

Disclosure of shareholdings, annual financial statements and interim financial statements for the first six months

"The shareholdings, including options and derivatives, held by individual Management Board and Supervisory Board members shall be disclosed if these directly or indirectly exceed 1 per cent of the shares issued by the Company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1 per cent of the shares issued by the Company, these holdings shall be disclosed separately for the Management Board and the Supervisory Board."

Ownership interests held by members of the Management Board or the Supervisory Board are presented in the consolidated financial statements or in the compensation report, which is an integral part of the management report. Furthermore, the ownership interests are presented online insofar as the Company was notified of any movements above or below the thresholds necessitating disclosure.

"The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period."

SIMONA AG will make the consolidated financial statements and the interim reports available to the public within the statutory time frames. In applying international financial reporting standards, the Company shall endeavour to bring the date of disclosure forward.

Disclosure on the Internet

SIMONA AG also publishes its declaration of conformity, compensation report and corporate governance report on the Internet. In addition, all facts deemed to be of relevance are disclosed on the corporate website in order to reach a broad audience and establish a level playing field for shareholders, analysts and other stakeholders.

Stock Performance and Capital Markets

Capital markets in 2006

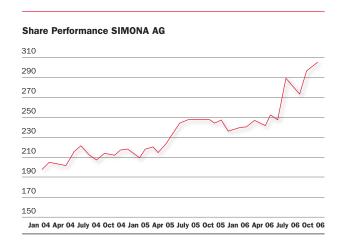
After a quiet start to the year, the prices of shares listed on the German stock exchanges began to gather pace in the ensuing months. The DAX, for instance, gained around 600 points in the period from January to May. Following a significant downturn in June, the DAX regained its footing in the second half of the year and closed the year at 6,596 points, thus almost matching its annual high of 6,611 in 2006. Stock prices were buoyed in particular by hopes for political reform in Germany, as well as the favourable development of corporate profits within the country's industrial sector. Strong exports also proved beneficial, as the euro depreciated markedly against the US dollar and both the US and Asian economies continued to prosper. Supported by these trends, the DAX gained 21.9 per cent over the course of the year.

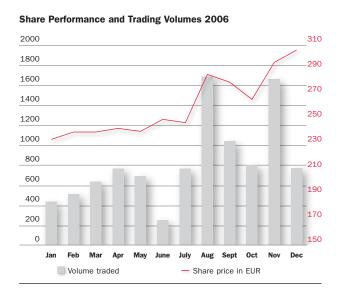
SIMONA share performance in 2006

SIMONA's share price rose from EUR 245.00 to EUR 300.00 at the end of 2006, a solid gain of 22.4 per cent. The annual high was EUR 320.00, recorded on November 21, 2006. Thus, to a certain extent SIMONA shares mirrored the positive performance of the DAX. The company also fared well in relation to the CDAX, which encompasses all German enterprises listed in the Prime and the General Standard. In fact, SIMONA even managed to outperform this index by a small margin, the CDAX having gained just 20.6 per cent during the year.

Stable dividend yield

To mark the 150th anniversary of SIMONA AG, the Management Board will propose to the General Meeting of Shareholders a dividend of EUR 7.50 per share, plus an anniversary bonus of 150 cents per share. This corresponds to a total dividend yield of 3.0 per cent. For the last ten years, SIMONA shares have been generating dividend yields of around 3.0 per cent, whereas the average dividend yield of DAX-listed companies stood at 2.5 per





cent in 2006. It is also worth noting that more than 60 per cent of German stocks pay no dividend at all. Thus, SIMONA shareholders benefit not only from the performance of our stock but also from the far-sighted dividend policy adopted by the company.

Take a Seat at SIMONA

Our customers have particularly high standards, a challenge we rise to every day. Customers put their trust in SIMONA and recommend us as a reliable partner. The key to our success: the consistently high quality of our products and the exceptional level of expertise offered within the field of applications consulting.

Our ambition is to maintain this close rapport with customers, instilling confidence and delivering total peace of mind — so that they can lean back and relax. Displaying passion and know-how, we exceed customer expectations in everything we do. The future is bright: "think red. think simona."



History and Vision

The peaks and troughs of business

150 years of SIMONA – a momentous occasion worthy of celebration. A time to reflect, and a time to look ahead at what the future holds.



In 1857, Theodor Simon, the eldest son of Carl Friedrich Simon, and his brother Heinrich established a leather factory by the name of Carl Simon Söhne, building on their father's business. They processed goat and sheep

hides, the focus being on leather used in the production of shoes, linings and purses. Located at the centre of Kirn, a town renowned for its leather processing industry, the fledgling company commenced operations with six employees. Just thirty years after its inception, Carl Simon Söhne opened its first foreign branch, which was followed a year later by its first overseas' factory in Madras, India. After fifty years in business, Carl Simon Söhne, by then trading as a limited partnership, had established a strong presence in the leather processing industry. The company employed 1,200 people worldwide and was producing almost forty per cent of all the fine leather made in Germany.

The First World War and WWII, however, had a catastrophic effect on business. The workforce shrank to just 200, and the majority of Carl Simon Söhne's competitors in the Kirn-based leather industry were sucked into the maelstrom of post-war Germany. Carl Simon Söhne, too, was at a crossroads. The company's cash funds had been depleted, and Carl Simon Söhne's future was in the hands of the banks. Against this backdrop, it was down to the drive and determination of the remaining employees, and Dr. Wolfgang Bürkle at the helm, that the company – having celebrated its 100th anniversary – pulled itself out of the quagmire.

The future belongs to plastics

Dr. Wolfgang Bürkle joined Carl Simon Söhne in an advisory capacity as the representative of Commerzbank, the company's principal bank. His task as a business consultant was to support Hellmut Simon, the sole director of the company at that time. However, he soon realised that the war had tolled the death knell for Germany's leather-processing sector – the future belonged to the emerging plastics industry. Against the wishes of the family, he pushed ahead and gradually introduced plastics production as a new line of business, while downsizing the company's leather-processing facilities. Carl Simon Söhne was renamed SIMONA, and the family-run company was transformed into a stock corporation.

After 150 turbulent years, SIMONA has established itself as one of the world's leading producers and suppliers of semi-finished thermoplastics. Our sheets, rods, welding rods, pipes and fittings made of polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) are the primary products for various applications in a diverse range of markets.

What makes us truly unique? Our passion for excellence, together with the focus and determination of the entire SIMONA team to deliver only the very best solutions. It is precisely these values that attract customers from around the globe – from the field of industrial equipment and tank engineering, transport systems, mechanical engineering, exhibition design and display-making, as well as piping systems.





Energy, Dynamism, Passion

The successes of our past are a source of motivation for the future. Energy, dynamism and passion are values inextricably linked with SIMONA. They are captured in our corporate colour - red. Red is the embodiment of courage, passion and strength. In embracing these values, we have prepared ourselves for the challenges that lie ahead of us. We are a company full of dynamism, a company on the move: the establishment of our new site in Hazleton/USA, the introduction of SAP throughout the Group, the takeover of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG with its production plants in Kirchhundem-Würdinghausen and Hilchenbach-Lützel. It is precisely this momentum that will drive growth within the competitive arena and secure the future of our company. The following goals capture the essence of our business aspirations:

We want to ...

- ... assert ourselves as the global market leader for semifinished thermoplastics deployed in industrial plant engineering and extend our position,
- ... distinguish ourselves from our competitors by pursuing the highest possible standards in product and service quality,
- ... deliver comprehensive, applications-based solutions tailored to the needs of our customers,
- ... grow at an international level and capture new market segments,
- ... ensure that customers can rely on us at all times.

Our focus is on meeting the requirements of our customers – so that they can lean back and relax. Our red sofas and armchairs capture this spirit.

think red. think simona.

Our vision is to be the best in the markets we serve today and in the future. These aspirations are captured in the four words that guide us: "think red. think simona". One of our key strengths is the ability to think red. To us, this means shaping a clear vision of the future of our business and harnessing our passion and energy to bring about change.

focusing on performance, growth and quality, we have created the basis for SIMONA's premier market position, while at the same time addressing the interests of our shareholders, customers, business partners and staff.



At SIMONA, red armchairs and sofas are much more than pieces of furniture – they are a way of life. Why? Because we believe that customers should be able to rely on us at all times – so that they can lean back and relax.





Group Management Report 2006 SIMONA AG, Kirn

1. Business Activities and General Conditions

1.1. Organisation and legal structure of the SIMONA Group

The business activities of the SIMONA Group include the production and marketing of semi-finished thermoplastics, pipes and fittings made of polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlorotrifluoroethylene (E-CTFE) as well as a number of special materials. The Group's operations include extrusion of sheets, rods and welding rods, as well as pressing of sheets within the area of semifinished products. Within the category of pipes and fittings, the emphasis is on extrusion of pipes and injection-moulding of pipe fittings. These activities also extend to customised production of special fittings in the company's in-house plastics workshop.

The semi-finished plastics, which include sheets, rods, welding rods and profiles, are manufactured in Kirn (Rhineland-Palatinate/Germany), Kirchhundem-Würdinghausen and Hilchenbach-Lützel (North Rhine-Westphalia/Germany), while pipe and fittings production is located in Ringsheim (Baden-Württemberg/Germany). Until recently, the majority of products destined for the American market were manufactured in Mountaintop (Pennsylvania/USA). At the end of 2006, the US sub-sidiary gradually relocated its operations from Mountaintop to new production facilities in Hazleton, Pennsylvania, approx. 30 kilometres from the original premises.

SIMONA semi-finished products are mainly deployed within the area of chemical equipment and mechanical engineering, the transport industry, the exhibition and display sector as well as the automotive industry. Pipes and fittings are used principally for drinking-water supply, wastewater disposal and industrial piping systems, including the chemical process industry.

The SIMONA Group markets its products worldwide. The Group's sales and distribution structure is broken down into the regions Germany, Rest of Europe and Africa as well as Asia, Americas and Australia as the primary segments; the secondary segments, based on product areas, comprise semi-finished products as well as pipes and fittings. Within the Group, SIMONA AG and the subsidiaries SIMONA UK Limited, Stafford (United Kingdom), SIMONA S.A., Domont (France), SIMONA s.r.l., Vimodrone (Italy), SIMONA IBERICA SEMIELABORADOS S.L., Barcelona (Spain), SIMONA POLSKA Sp. z o.o., Breslau (Poland), SIMONA-PLASTICS CZ s.r.o., Prague (Czech Republic), SIMONA FAR EAST, Hong Kong (China), and SIMONA AMERICA Inc., Hazleton (USA), are responsible for sales. Beyond this, the AG (i.e. the parent company) operates a sales office in Möhlin, Switzerland. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany).

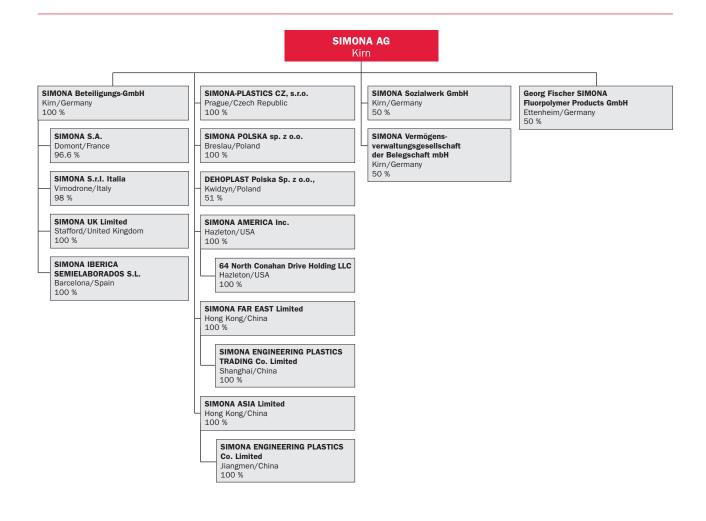
The subsidiaries 64 North Conahan Drive Holding LLC, Hazleton (USA), SIMONA ASIA Ltd. (Hong Kong, China), SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai (China) as well as SIMONA ENGINEERING PLASTICS Co. Ltd., Jiangmen (China), established in 2006



commenced operations in 2006 and were included in the consolidated group for the first time in the financial year under review.

At the balance sheet date, the company's share capital was EUR 15,500,000, divided into 600,000 no-parvalue 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.

In the financial year under review the Management Board consisted of Wolfgang Moyses(Chairman/CEO), Jochen Feldmann and Dirk Möller. The members of the Supervisory Board were Hans-Wilhelm Voss (Chairman), Hans-Werner Marx (Deputy Chairman), Roland Frobel and Dr. Roland Reber (since 23 June 2006) as shareholder representatives, as well as Bernd Meurer and Karl-Ernst Schaab as staff representatives.

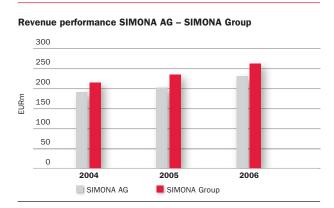




1.2. Business Review

Significant revenue growth at Group level

The SIMONA Group generated revenue of EUR 262.8 million in the 2006 financial year. This corresponds to a nominal increase in sales revenue of EUR 32.2 million; year-on-year percentage growth amounted to 14.0 per cent. Recording revenue of EUR 227.7 million, SIMONA AG contributed significantly to overall sales performance within the Group. Revenue at AG level, i.e. for the parent company, grew by 12.9 per cent, up from EUR 201.8 million in 2005 to EUR 227.7 million in the financial year under review.



The forward momentum produced by the SIMONA Group as a whole was accompanied by propitious economic conditions. Indeed, 2006 saw a return to growth for the German economy.

GDP (Gross Domestic Product) rose by 2.5 per cent in real terms over the course of the year, thus outpacing all the forecasts issued for Germany's economy. Within this context, capital expenditure on machinery and equipment alone was propelled upwards by 7.3 per cent. Demand within the manufacturing industry was driven mainly by the continuing boom in exports enjoyed by the German economy. The improvement in Germany's economic fortunes

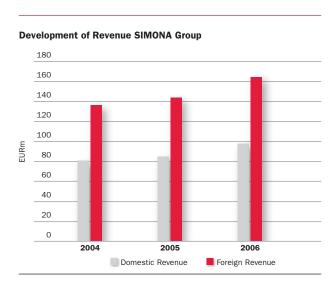
also had a palpable effect on the European economy. The European Union gained 2.9 per cent, thus achieving its highest growth since the year 2000.

At a global level, the upturn of the world economy was dampened slightly over the course of the year. This was mainly attributable to a weakening in the forward momentum of the US and, to a lesser extent, the Japanese economies. Indeed, expansion within the eurozone proved insufficient to compensate fully for these developments.

Germany buoyed by revitalised domestic economy

The upturn in the domestic economy was reflected in a significant improvement in the level of incoming orders. Together with extensive export-driven business associated with Germany's chemical equipment sector, this resulted in overheated demand and thus to capacity bottlenecks in specific product categories. Overall, Group revenue generated in Germany grew by 12.3 per cent year on year, up from EUR 86.8 million to EUR 97.5 million.

This trend was attributable to substantial order intake in many of the industries targeted by the Group, which had







a positive effect on growth – albeit at a less pronounced rate – in most of the European economies. Sales volumes in the chemical industry, for instance, grew by 3.5 per cent in 2006, while revenue associated with this sector increased by 6 per cent. Capital expenditure within the chemical industry was dominated by growing volumes and substantial new and maintenance investment. Among the benefactors were chemical equipment engineering and tank/vessel construction.

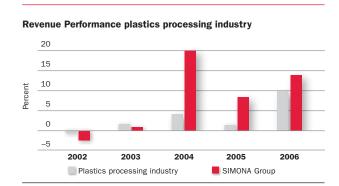
The mechanical engineering sector had an outstanding twelve months and managed to emulate its solid performances of previous years. Production rose by 7.4 per cent and reached a record level of EUR 158.4 billion. This gave fresh impetus to sales of technical plastics: firstly as a result of higher demand within the area of machine production, and secondly because of greater volumes required by companies for their own plant investments.

The exhibition and trade fair sector continued on its road to recovery in 2006. The number of visitors attending domestic fairs rose year on year, as did the number of exhibitors and the average floor space of such events. The core building industry recorded a 2.5 per cent increase in its overall order intake compared with 2005, with structural engineering, i.e. the building construction segment, outpacing the civil engineering sector by a significant margin.

Germany's plastics processing industry benefited from favourable market conditions. It recorded an increase in sales volume of 8.5 per cent and revenue growth of 10 per cent – considerably more than the economy as a whole. The largest gains were made by producers of building supplies, which include sheets, profiles and insulating material. Here, sales volumes rose by 11.0 per cent.

Exports again proved to be the driving force behind the plastics industry. Revenue generated abroad surged by 12.0 per cent in 2006. Supported by a resurgent domestic economy, revenues generated within the German market grew by 9 per cent, having stagnated in 2005. However, this positive trend was dampened by increased pressure on margins due to spiralling raw material costs and the continued surge in energy and freight charges. As a result, 59 per cent of Germany's plastics-processing companies recorded stagnant or lower earnings than in the same period a year ago.

The Group's positive business performance was driven to a certain extent by the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG effective from October 1, 2006. Sales activities within the area of pressed sheets, solid rods, profiles and finished products made of ultra-high molecular weight polyethylene (UHMWPE) and polypropylene (PP) developed in line with forecasts over the course of the first three months after the takeover. In acquiring Dehoplast, SIMONA has added a key component to its product range within the area of technical semi-finished products, while also complementing its portfolio for applications in the field of mechanical engineering and transport/warehousing technology by including a range of finished products.

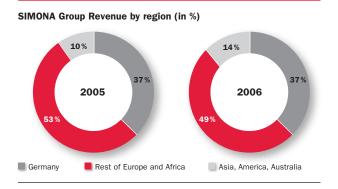




Slightly weaker growth in Europe and Africa

Revenue generated in Europe and Africa grew by 8.5 per cent, up from EUR 122.9 million to EUR 133.3 million, thus accounting for 50.7 per cent of total revenue at Group level. Despite the favourable economic climate as a whole, some of Europe's key countries had to contend with a slight deceleration of growth. In addition, intense competition in some European countries and specific sectors prompted a slight decline in sales volumes and revenues. At 8.5 percentage points, the growth rate in Europe was lower than the 12.3 percentage points attributable to Germany – for the first time since 2002.

The forward momentum experienced in Central and Eastern Europe was maintained over the course of 2006. Within the area of semi-finished plastics, stronger demand for products used in structural engineering as well as plastic sheets deployed in the advertising industry proved to be a driving force. In the period under review, the chemical engineering sector also developed well in Eastern Europe, thus contributing to growth within the area of polyethylene, polypropylene and polyvinyl chloride.



Significant growth in Asia and America

Trading in Asia was and continues to be dominated by strong local competition. As a result of much lower manufacturing costs, prices for semi-finished products have been put under considerable pressure. Furthermore, enterprises without local production facilities are generally at a disadvantage due to customs duties and freight charges. Business development in the United States was shaped mainly by the activities of the local subsidiary SIMONA AMERICA Inc. The latter succeeded in expanding its business considerably in 2006. As a result, consolidated revenue generated in Asia and the Americas rose by 49.6 per cent year on year, up from EUR 24.2 million to EUR 36.2 million.

Demand for semi-finished products driven by chemical and mechanical engineering industry

At AG level, total sales volumes for all products benefited from the solid business performance of sectors targeted by the company, thus expanding by 5.9 per cent. The most significant gains were made within the area of semifinished plastics used in chemical equipment engineering as well as with products destined for the mechanical engineering and transport technology sectors. The takeover of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG in October produced fresh impetus, as fourth-quarter profit from operations generated at the newly acquired plants contributed to sales volumes and revenues for the Group as a whole.

The overall quantity of semi-finished products increased in the period under review, whereas volumes attributable to pipe extrusion contracted slightly in the first half of 2006 compared with the same period a year ago due to the focus on specialty products and the absence of a large-scale project which had buoyed the previous year's output figures. Sales revenue attributable to semi-finished products rose by 17.1 per cent to EUR 186.9 million, while sales revenue generated with pipes and fittings grew by 7.8 per cent to EUR 80.1 million. Growth within these areas was driven by the following factors:

- Higher volumes of semi-finished products
- Price increases due to surging raw material prices,





- Shift towards higher-quality materials with superior chemical resistance,
- Trend towards pipes with higher specifications for the purpose of relining.

As was the case in 2005, the number of incoming orders generated in 2006 rose over the course of the financial year. Following a relatively sluggish first quarter, demand gathered pace in the second quarter – within the area of semi-finished products as well as pipes and fittings. Within this context, the substantial order backlog enjoyed by downstream suppliers meant that many of the predominantly medium-sized processing companies had to continue operating throughout the summer vacation period. This proved to be a considerable growth driver.

Optimised functionality and new fields of application

Within the area of sheet extrusion, the main focus of the company's research and development activities was on further improving processes associated with multi-layer extrusion as well as enhancing formulae for products made of polyvinyl chloride.

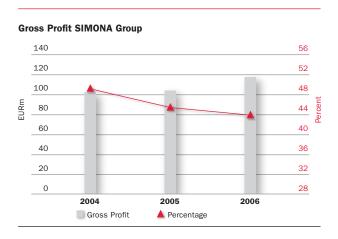
In developing and launching a special drainage piping system, marketed as SIMODRAIN®, the company has added to its portfolio a product tailored to the specific requirements of road, rail and tunnel construction. Other areas of application include landfill and subsoil drainage. Traffic and transport structures are exposed to significant static and dynamic loads, which are attributable to live or moving loads such as heavy-goods vehicles or trains as well as the weight of soil and loads associated with overground or subsurface water flow. The volume of water is subject to constant fluctuation due to differences in rainfall patterns, groundwater conditions and terrain types. Drainage systems are designed to capture, collect and discharge inflowing water, adsorb and remove soil water, and prevent the penetration of surface water into earth structures and the subsoil.

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 and actual product development, the above-mentioned expenses cannot be systematically segregated from production costs.

2. Financial Performance

Earnings fall slightly short of expectations

Despite an encouraging trend in revenues and favourable economic conditions, earnings failed to improve significantly year on year. Earnings before interest and taxes rose by EUR 2.4 million to EUR 14.9 million, which corresponds to an increase of 19.1 per cent. However, at 5.7 per cent, the EBIT margin fell short of the minimum target of 7.0 per cent.



Although the Group succeeded in expanding its sales revenues in the financial year under review, it also had to contend with a significant increase in expenses associated with raw materials and purchased goods, as well as higher staff costs, depreciation/amortisation and other



operating expenses. Expenses for raw materials and purchased goods rose by 19.3 per cent in the period under review, up from EUR 125.6 million to EUR 149.8 million. This was attributable to an expansion of quantities purchased on the back of higher sales volumes and the takeover of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG, as well as the dramatic surge in raw material and additive costs witnessed in the period under review, particularly in Europe. Western European raw material resources within the area of PE, PP and PVC have been stagnant for several years, whereas demand for these plastics has risen on a global scale. Additional capacities created in the Middle East have only been sufficient to cover growing demand in China. Against this backdrop, prices for polyolefins in 2006 rose by around 14 per cent compared with 2005, while PVC prices increased by approx. 10 per cent.

Due to competitive pressures, the company was unable to pass on to customers the full extent of price increases associated with raw materials. Although gross profit grew by EUR 8.0 million to EUR 113.0 million, the gross profit margin declined by 2.5 percentage points to 43.0 per cent, compared with 45.5 per cent in 2005.

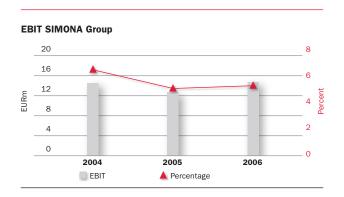
Staff costs increased by EUR 3.1 million to EUR 52.1 million in 2006. Of this total, EUR 40.7 million was attributable to wages and salaries, while EUR 11.4 million was expended on social security and post-employment benefits.

The rise in other operating expenses by EUR 5.2 million to EUR 39.7 million was driven by increased expenditure within the area of operating activities as well as higher selling/distribution costs. Selling/distribution costs were impacted by an increase in freight expenses as a result of the higher proportion of freight activity. The significant rise in prices for packaging materials was another con-

tributory factor. Within this area, the price of pallets and other timber-based material rose by up to 15 per cent. Price hikes associated with the supply of energy resulted in additional expenses of EUR 1.5 million. Energy costs for SIMONA AG alone rose by 23.3 per cent in 2006.

Takeover of plastics division of Deutsche Holzveredelung

Effective from October 1, 2006, SIMONA AG acquired the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG. In the past, the SIMONA Group focused on pressed sheets and rods made of high molecular weight PE and PP, the emphasis being on applications in mechanical engineering and transport technology. In acquiring the production equipment and downstream systems of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG, the Group extended its product offering directed at these markets by including profiles and finished goods in its portfolio. The Kirchhundem-Würdinghausen and Hilchenbach-Lützel production sites are responsible for making pressed sheets and solid rods; using CNC machining units, these are subsequently processed into profiles and finished goods. Thus, SIMO-NA AG is able to supply an all-embracing product range to customers operating in the mechanical engineering and transport technology industries - including customised semi-finished and finished products.





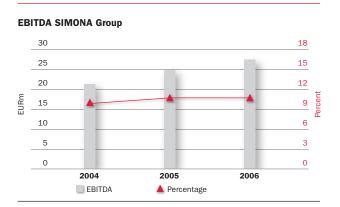


The transaction also included the takeover of the dehoplast® and frisylen® brands, which cover pressed sheets made of high molecular weight polyethylene and cutting boards made of polypropylene. Both brands will be maintained – under the SIMONA® umbrella brand – in order to ensure a consistent approach to pressed sheet branding within SIMONA and the former plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG and to achieve continuity when it comes to serving customers formerly managed by Deutsche Holzveredelung.

At the same time, in integrating downstream operations within the area of pressed sheets and solid rods, SIMO-NA AG has been able to incorporate a larger proportion of the value-creation chain in its production processes.

EBIT and EBITDA remain virtually unchanged year on year

The key financial indicators used for the purpose of analysing and controlling operating results are EBIT (Earnings before Interest and Taxes) and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation). EBIT represents the operating result before interest and taxes as well as the effects of investments. In the case of EBITDA, non-cash depreciation of property, plant and equipment as well as amortisation of intangible assets are additionally included in EBIT. Both EBIT and EBITDA



can thus be used for the purpose of evaluating a company's earnings performance, in addition to providing an approximation of cash flow. On the basis of earnings before interest and taxes amounting to EUR 14.9 million, the EBIT margin stood at 5.7 per cent. This represents a slight year-on-year improvement of 0.3 percentage points. Group EBITDA totalled EUR 28.0 million in the period under review, compared with EUR 25.0 million in 2005. On this basis, the EBITDA margin declined slightly by 0.1 percentage points to 10.7 per cent.

3. Financial assets and liabilities

The SIMONA Group's financial liabilities mainly comprise two loans covering a nominal amount of US\$ 8.0 million, in addition to associated interest obligations. Of the current financial liabilities totalling EUR 352 thousand, an amount of EUR 345 thousand is attributable to current interest payable and principal repayments for the two loans. A total of EUR 8 thousand is attributable to overdrafts repayable on demand. Non-current financial liabilities amount to EUR 5.8 million. A total of EUR 3.8 million is attributable to a loan of a nominal amount of US\$ 5 million due in September 2010, while a total of EUR 2.0 million relates to principal repayments, due after December 31, 2007, for a loan of US\$ 3 million nominal. Other financial liabilities include EUR 88 thousand from foreign currency forward contracts and EUR 76 thousand from interest rate swaps. Foreign currency forward contracts are used to hedge future sales to customers denominated in a foreign currency in order to mitigate the risk of foreign exchange rate movements between this currency and the euro. Interest rate swaps are designed to hedge the risk of a change in the fair value of US dollar loans.







Other financial obligations include EUR 7.0 million from rental and lease agreements. Of this total, an amount of EUR 1.9 million is due within one year. A total of EUR 3.7 million in current obligations is attributable to investment projects already initiated.

The financial assets mainly comprise cash and short-term bank deposits totalling EUR 25.2 million, as well as assets of EUR 115 thousand attributable to interest rate swaps and foreign currency forward contracts.

Based on finance income of EUR 0.8 million and finance cost of EUR 0.5 million, net finance income amounted to EUR 0.3 million.

4. Financial Position

Solid financial position for the Group

At Group level the balance sheet total increased by EUR 15.9 million to EUR 231.6 million. This was attributable mainly to the increase in property, plant and equipment, higher inventories and trade receivables as a result of growth in sales volumes, as well as the capitalisation of corporation tax credits.

As regards land, leasehold rights and buildings, the Group recorded an addition of EUR 4.7 million in connection with the new production and sales location in Hazleton, USA.

Over the course of the 2006 financial year, the SIMONA Group invested a total of EUR 18.8 million – including the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG – in the upgrade of production equipment in Kirn, Ringsheim and Hazleton. The takeover of machinery and tools from Deutsche Holzveredelung Alfons & Ewald Schmeing oHG as part of the asset deal is included in the total investment volume.

As early as 2005, the extrusion department in Kirn developed a concept aimed at optimising the facility's ventilation system. Using this technical study as a basis, the company commenced work on the installation of a ventilation system in the fourth quarter of 2005; the system was taken into service in February of this year. Other capital expenditure was directed at extending capacity levels within the extrusion unit by installing a new extrusion line for polyolefins and at introducing next-generation tools for the purpose of optimising the quality of extruded and pressed sheets.

Injection moulding operations were further extended in the year under review. Having built a new extension to the production facility, the company installed two injection moulding machines with robot-controlled extraction and finishing technology, which will be taken into service this year.

The phase-in of SAP had an impact on intangible assets, as software engineers focused on the second sub-project relating to production planning and control, sales and logistics within SIMONA AG.

Non-current assets comprise capitalised corporation tax credits of SIMONA AG amounting to EUR 5.8 million. These assets relate to the "Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften ("Act Governing Tax Measures Accompanying the Introduction of the European Company and for the Change of other Tax Regulations" – SEStEG) (SEStEG), which specifies that the reduction in corporation tax due to distributions shall no longer apply effective from this year. In accordance with these legal provisions, the level of existing corporation tax credits was determined, and the entitlement was recognised as an asset in the balance sheet as at December 31, 2006.





The increase in inventories of raw materials, consumables and supplies by EUR 3.0 million to EUR 16.4 million is due to substantially higher stock levels compared with end of 2005. Within this context, inventory levels were raised in anticipation of higher raw material prices in January 2007. In addition, the year-on-year rise in raw material prices prompted an increase in the value of inventories. Finished goods and merchandise rose by EUR 3.4 million to EUR 35.2 million. The year-on-year rise was due to higher sales volumes and the concomitant increase in inventories of finished goods, in addition to the build-up of stock levels by SIMONA AMERICA in connection with the subsidiary's relocation to Hazleton at the beginning of the year.

Trade receivables increased by EUR 7.0 million to EUR 47.6 million, thus reflecting the expansion of business as well as the trend towards extended terms of payment. The decline in other assets was mainly due to lower sales tax receivables as well as a reduction in bonus receivables outstanding.

The securities classified as current assets amounting to EUR 5.0 million were disposed of in 2006; cash on hand was scaled back by EUR 1.6 million to EUR 25.2 million. The decline in cash and cash equivalents was attributable to capital expenditure on the new production site of SIMONA AMERICA in Hazleton and the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG, which was financed from cash and cash equivalents. Group liquidity was safeguarded at all times during the period under review.

Overall, current assets rose by EURO 4.5 million to EUR 129.3 million in 2006.

Non-current provisions for pensions rose by EUR 0.8 million, trade payables rose by EUR 1.1 million on the

back of higher purchasing volumes, and current provisions climbed by EUR 0.6 million. Revenue reserves, i.e. retained earnings, rose by EUR 11.7 million. Net profit for the year increased by EUR 8.3 million to EUR 16.2 million. This includes the realisation of an entitlement in connection with corporation tax credits in the amount of EUR 5.8 million. In combination, this resulted in an increase in equity of EUR 11.2 million to EUR 139.8 million and an equity ratio of 61.7 per cent.

5. Events after the Balance Sheet Date

There were no events of material significance to the state of affairs of the SIMONA Group in the period subsequent to the balance sheet date and up to the preparation of this management report. In accordance with statutory provisions, interim announcements will be issued as of 2007, outlining the development of the entity and any events that are subject to disclosure requirements.

6. Risks of Future Development

Risks relating to the future development of the company's trading environment and sector are limited chiefly to economic risks such as the general performance of specific industries as well as product portfolios associated with the respective sectors in which the company operates. Market-related risks are mitigated by diversifying the product portfolio and positioning the company in a number of different markets. In particular, the relocation of production sites to Asia and Eastern Europe represents a key opportunity for business development, as economic volatility in the respective regions can thus be counterbalanced more effectively. As part of our medium-term strategic planning, we are therefore assessing the viability of establishing company-operated produc-



tion facilities in Eastern Europe and China. Production activities organised on a domestic cost base provide a foundation for greater competitiveness in the respective local markets. In parallel, this approach delivers the necessary flexibility needed to respond quickly to customer requirements. However, in evaluating the safety of an investment, one also has to consider the associated political risks.

Exchange rates constitute an inherent risk within the international business environment, particularly when an increasing proportion of sales is generated outside the euro area. Price risks associated with euro/US dollar exchange rates have been scaled back following the expansion of production activities by SIMONA AMERICA. The latter relocated its manufacturing operations to a new plant in Hazleton. In addition, currency risks are addressed by means of hedging instruments to the extent that this is possible.

In absolute terms, default-related risk attributable to receivables has risen as a result of more expansive business. Thorough evaluations of credit ratings and continuous monitoring of customers' creditworthiness, both domestically and abroad, help to mitigate general and account-specific risk. In addition, default risks relating to individual customers are contained by means of credit insurance and the timely 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 Group's overall risk situation has not changed materially in relation to the previous financial year.

7. Report on Anticipated Developments

Economic environment to remain stable for the time being

The overall economic climate in 2007 is expected to be favourable, with evidence to suggest that economic recovery will persist. Despite a slight dent in Germany's private consumption in the first quarter as a result of the rise in domestic VAT, the majority of economic forecasts point to long-term growth. Having said that, some economic research institutes are worried that Germany's economy is losing momentum. Indeed, most of the projections for 2007 suggest GDP growth of 1.4 per cent.

Capital expenditure on machinery and equipment will remain the principal driving force. Against the backdrop of a weakening of the world economy over the course of 2007, as predicted by initial forecasts, growth in exports is expected to decelerate slightly. According to estimates, real GDP in the eurozone will grow by just 2.1 per cent – on the back of growth of 2.6 per cent in 2006. This is mainly attributable to the slight downturn in economic momentum witnessed both in the US and in Japan at the beginning of the year.

Based on these figures, the outlook for our key sales markets would appear to be relatively favourable. All sectors have been recording a steady stream of orders, which bodes well for the first half of the year. However, it has yet to be seen whether this will be carried forward into the second half of 2007.

Business conditions for the German chemical industry were very solid at the end of 2006. Having said that, according to the German Association of the Chemical Industry, it is unlikely that this economic upturn will persist at the same level in 2007. Production is forecast to grow by just 2.0 per cent in 2007. One of the main wor-





ries is that export-driven business will decline over the course of the year. In view of this, the chemical industry is likely to be less inclined to invest in new machinery and equipment in 2007.

The mechanical engineering industry is anticipating growth of 4 per cent for 2007, pinning its hopes to resurgent domestic demand. Whereas exports are forecast to weaken slightly, domestic demand is expected to remain buoyant as the market scrambles to invest in machinery and equipment after a period of cautious abstention.

The general outlook for both the construction and the advertising industry remains positive. Having said that, forecasts suggest slightly more tentative growth compared with 2006. Municipal investment spending will continue to be dominated by restrictive budgets at federal, state and local government level in 2007. Against this backdrop, the industry association representing Germany's core building and construction sector forecasts revenue growth of just 1 per cent.

In view of these estimates, the plastics processing industry is cautiously optimistic. Overall, 73 per cent of the member companies within the German Association of the Plastics Processing Industry (Gesamtverband Kunstst-offverarbeitende Industrie – GKV) anticipate an increase in revenue. In line with this assessment, the GKV has forecast growth of between 3 to 3.5 per cent for the industry as a whole, despite more intense competition from operators in Central and Eastern Europe. Having said that, profit forecasts are more conservative due to the prevailing trend in raw material prices.

All these forecasts are dependent on the outcome of collective wage negotiations. The economic research institutes have outlined the detrimental effects of over-ambitious wage settlements on the economy as a whole, stat-

ing that such an approach may have a negative impact on growth and corporate profits.

Brimming order books at beginning of 2007

In the first quarter of 2007, business at SIMONA AG was dominated by buoyant demand and a backlog of orders carried forward from December 2006. As a result, sales volumes were considerably higher than in the same period a year ago. Having said that, January and February 2006 were extremely cold, which had a severe impact on the construction industry. Indeed, work within the area of pipe installation had to be halted due to inclement weather conditions. In contrast, the mild start to 2007 meant that construction activities could continue without interruptions.

Our forecast for 2007 has been set at 5.0 per cent growth in sales volumes. This figure is based on the growth projections of the various regions and sales markets, as well as estimated industry growth of around 4 per cent within the area of semi-finished plastics manufacturing. Chemical equipment engineering is likely to remain the principal growth driver. However, this sector is heavily dependent on export business and therefore particularly vulnerable in the event of declining foreign sales. Supported by the new Mechanical Engineering and Transport Technology business unit and our enhanced product portfolio within this area, we are looking to benefit more significantly than in the past from growth in the mechanical engineering industry.

Within the area of piping systems, mild weather conditions have allowed us to implement several projects in the first months of the year. Focusing on industrial projects within the area of pipes and fittings, we expect sales volumes to increase beyond the level of growth recorded in the municipal segment. Having said that, we have witnessed slightly less dynamic growth in this sector in the second quarter.





Based on the expected increase in sales volumes, in conjunction with higher average prices, we anticipate that revenue will grow by 6 per cent in 2007. It should also be noted that, for the first time, revenue from the Mechanical Engineering and Transport Technology business unit will be generated over the period of a full financial year in 2007. Our target for the 2007 financial year as a whole is to achieve revenue in excess of EUR 280 million.

Continuing pressure on earnings

Earnings performance will be influenced to a large extent by future raw material prices. The surge in prices witnessed at the beginning of the second quarter on the back of higher ethylene and propylene prices has put additional pressure on margins. In addition, higher energy and wage costs are likely to have an impact on earnings. Thus, earnings performance will depend to a large extent on whether price increases for semi-finished plastics are feasible.

We intend to address the issue of rising costs within the industry as a whole by applying a restrictive investment policy focused mainly on efficiency and quality gains at production level, complemented by a well-judged human resources policy and an improvement in workflow. By implementing this package of measures, we aim to stabilise earnings before interest and taxes at an estimated target of around EUR 15 million, irrespective of rising raw material prices. Based on the measures outlined above and assuming that they show their full effect in the coming year, we will channel our efforts into improving our earnings performance in 2008.

8. Other Information

Human resources - our staff are the basis for growth

The number of employees within the SIMONA Group rose by 180 in 2006, up from 1,044 to 1,224 staff members at the end of the year; the average headcount was 1,101. Of this total, 1,047 staff members were employed at SIMONA AG, 69 at overseas subsidiaries and 108 at European subsidiaries.

The number of employees within SIMONA AG at the end of the year grew by 135 to 1,047. The headcount rose by 37 as a result of higher production volumes; 112 members of staff were integrated as part of the acquisition of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG.

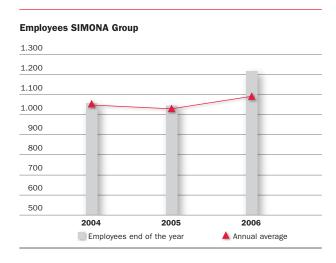
In 2006, 58 school-leavers took part in vocational training programmes at SIMONA:

- Process mechanics in plastics and rubber technology,
- Electricians specialising in operations technology,
- Industrial mechanics specialising in operations technology,
- Specialists in warehouse logistics,
- Qualified warehouse workers,
- Industrial clerks
- Bachelors of Science as part of an integrated part-time degree course
- Computer specialists.

In the year under review, 21 apprentices successfully completed their vocational training. In total, 16 apprentices were offered positions within the company. At present, 3 apprentices are attending integrated part-time degree courses as part of the programme established in cooperation with the Ludwigshafen University of Applied Sciences in 2001. All apprentices within the Group were employed at SIMONA AG.







We again staged a number of specialist training events designed to enhance our employees' qualifications. These measures included special shift-related training sessions for the respective manufacturing units, cross-departmental seminars, as well as subject-specific product and application workshops. In particular, we stepped up our efforts within the area of staff language training in response to business expansion within the international arena and the growing emphasis on English in our day-to-day operations.

January 2006 saw the phase-in of SAP modules for production planning and control, sales and logistics, in addition to new warehouse management software. This was the second phase of our SAP project, following the introduction of the accounting, controlling, purchasing and inventory management modules at the beginning of 2005. As part of an additional sub-project, SAP is now to be implemented within the Mechanical Engineering and Transport Technology business unit, which was introduced following the takeover of the plastics division of Deutsche Holzveredelung Alfons & Ewald Schmeing oHG. Beyond that, SAP is to be introduced at the various subsidiary companies in order to take full advantage of a consistent enterprise software package throughout the Group.



Quality and environmental management

Alongside customer orientation, profitability and environmental protection, quality is one of the foremost corporate priorities at SIMONA AG. Committed to these principles, SIMONA AG further extended its integrated quality management system comprising "Quality Management ISO 9001" and "Environmental Management ISO 14001", with the express purpose of further optimising it.

Following certification of our QM system in accordance with the international standard ISO/TS 16949:2002 for the automotive unit in 2005, a number of external audits were conducted in 2006 in order to assess conformity. SIMONA passed these audits.

The number of justified product complaints rose to 456 in 2006. However, the complaints ratio remained unchanged year on year at 0.2 per cent. The level of complaints-related expenses deteriorated slightly by 0.07 percentage points. During the phase-in period, the systems migration from our existing sales processing software to SAP resulted in a higher proportion of complaints relating to order processing and logistics. This issue was addressed with the help of targeted staff training. Within this context, the outcome of quality measures implemented in 2007 will be monitored closely.





The company extended its customer- and country specific product approvals in the period under review, particularly within the category of pipes and fittings. Product audits conducted by independent institutes certified the conformity of tested products with national and international approval criteria or customer specifications. Official product approvals are seen as an important instrument to enhance customer loyalty in the long term. Thanks to the regular internal and external audit of quality specifications, they are also a highly effective component of quality assurance.

Compensation Report

Compensation of the Management Board

The Personnel Committee within the Supervisory Board is responsible for determining the level of compensation for the Management Board. The Personnel Committee consists of Hans-Wilhelm Voss, Chairman of the Supervisory Board, as well as the Supervisory Board members Hans-Werner Marx and Roland Frobel. Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the Company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective Management Board members are taken into account.

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. Both of the aforementioned components are assessed on an annual basis. In addition, both components are subject to extensive analyses in intervals of two to three years, based on a comparison with compensation figures applicable

to executive staff of similar enterprises. The most recent assessment was conducted in 2004.

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 mainly calculated on the basis of the Company's revenue and earnings performance. Total compensation for the Management Board amounted to EUR 1,015 thousand (previous year: EUR 649 thousand). This figure was comprised of EUR 645 thousand in fixed-level compensation and EUR 370 thousand in bonus payments. The rise in Management Board compensation was attributable mainly to the appointment of a third member of the board effective from January 1, 2006. The Company does not grant loans to members of the Management Board. There are no share option plans or other sharebased compensation programmes in place for members of the Management Board.

The Company's Articles of Association contain no provisions that could be considered non-compliant with those set out in the German Stock Corporation Act as regards the conditions applicable to the appointment or removal of Management Board members as well as amendments to the Company's Articles of Association. In view of this, readers are asked to refer to the relevant statutory provisions set out in Sections 84, 85, 133 and 179 of the German Stock Corporation Act for further details. Remuneration for the former members of the Management Board amounted to EUR 778 thousand (previous year: EUR 900 thousand). Pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to EUR 10,913 thousand as at December 31, 2006 (previous year: EUR 10,871 thousand).





Compensation of the Supervisory Board

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 EUR 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 EUR 5,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In addition to fixed compensation, the General Meeting is authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on June 23, 2006, no such resolution for variable compensation components was passed for the 2006 financial year.

Supervisory Board compensation for 2006 amounted to EUR 124 thousand (previous year: EUR 83 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.

Shareholdings of the Management Board and Supervisory Board as well as investments subject to disclosure

At the balance sheet date, the share capital of SIMONA AG was EUR 15.5 million, divided into 600,000 bearer shares. All shares are categorised as no-par-value shares ("Stückaktien" governed by German law). There are no restrictions with regard to share transfer or voting rights. A 30.79 per cent interest is held by Anita Bürkle (Kirn), a 11.64 per cent interest by Dirk Möller (Kirn), a 11.41 per cent interest by Regine Tegtmeyer (Seelze), a 10.67 per cent interest by Kreissparkasse Biberach (Biberach) and a 10.0 interest by SIMONA Vermögensverwaltungsgesellschaft mbH (Kirn). 18.82 per cent of the shares are in free float.

As at 23 June 2006, members of the Management Board held a total of 69,826 shares; this corresponds to 11.64 per cent of the share capital of SIMONA AG. In total, members of the Supervisory Board hold 5,300 shares. This corresponds to an interest of 0.88 per cent.

Closing statement

We hereby declare that to the best of our knowledge the management report conveys the course of business, the earnings performance and the material opportunities and risks associated with the anticipated development of the SIMONA Group.

Kirn, April 2007

Wolfgang Moyses Dirk Möller

Jochen Feldmann





Consolidated Financial Statements 2006 – SIMONA AG

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group have been prepared in accordance with International Financial Reporting Standards (IFRS).

Individual items of the balance sheet and income statement have been combined for the purpose of improving financial analysis. The Notes to the consolidated financial statements include details regarding the accounts; any deviations from the prior year financial statements have been explained accordingly, where relevant.

Due to the rounding of figures to the next highest or lowest value in thousands of euros ('000), rounding differences may occur between the balance sheet, income statement, statement of cash flows and statement of changes in equity.

Group Balance Sheet of SIMONA AG

Assets in EUR '000	Notes	31.12.2006	31.12.2005
Intangible assets	[16]	3,612	4,293
Property, plant and equipment	[17]	87,032	81,244
Financial assets		29	30
Non-current tax assets	[13]	5,837	0
Deferred taxes	[13]	615	192
Non-current assets		97,125	85,759
Inventories	[18]	51,627	45,235
Trade receivables	[19]	47,609	40,564
Other assets and prepaid expenses	[20]	4,903	7,209
Securities	[21]	0	4,996
Cash	[22]	25,151	26,772
Current assets		129,290	124,776
Total assets		226,415	210,535
Equity and liabilities in EUR '000	Notes	31.12.2006	31.12.2005
Share capital		15,474	15,474
Capital reserves		15,032	15,032
Revenue reserves		109,320	97,611
Other reserves		-223	354
Equity attributable to parent shareholders		139,603	128,471
Minority interests		204	120
Shareholders' equity	[23]	139,807	128,591
Financial liabilities	[24]	5,821	4,238
Retirement benefit obligations	[25]	34,010	33,078
Other provisions	[27]	5,888	5,174
Other liabilities		299	119
Deferred taxes	[13]	10,284	10,690
Non-current liabilities		56,302	53,299
Financial liabilities	[24]	353	121
Retirement benefit obligations	[25]	1,475	1,388
Other provisions	[27]	2,444	1,909
Trade payables		10,536	9,456
Income tax liabilities		2,516	4,201
Other liabilities and deferred income		12,982	11,570
Current liabilities		30,306	28,645
Total equity and liabilities		226,415	210,535

SIMONA worldwide



SIMONA AG

Teichweg 16 D-55606 Kirn Phone +49(0)6752 14-0 Fax +49(0)6752 14-211 mail@simona.de www.simona.de

Plant I/II

Teichweg 16 D-55606 Kirn Phone +49(0)6752 14-0 Fax +49(0)6752 14-211

Plant III

Gewerbestraße 1–2 D-77975 Ringsheim Phone +49 (0) 78 22 436-0 Fax +49 (0) 78 22 436-124

Plant V

Würdinghauser Straße 53 D-57399 Kirchhundem Phone +49 (0) 2723 772-0 Fax +49 (0) 2723 772-266

SIMONA S.A. Paris

Z.I. 1, rue du Plant Loger F-95335 Domont Cedex Phone +33(0)1 39354949 Fax +33(0)1 39910558 domont@simona-fr.com

SIMONA S.A. Lyon

Z.I. du Chanay
2, rue Marius Berliet
F-69720 Saint-Bonnet-de-Mure
Phone +33(0) 4 78 40 70 71
Fax +33(0) 4 78 40 83 21
lyon@simona-fr.com

SIMONA S.A. Angers

Z.I. 20, Bld. de l'Industrie F-49000 Ecouflant Phone +33(0)2 41370737 Fax +33(0)2 41608012 angers@simona-fr.com

SIMONA UK Limited

Telford Drive
Brookmead Industrial Park
GB-Stafford ST16 3ST
Phone +44(0)1785 222444
Fax +44(0)1785 222080
mail@simona-uk.com

SIMONA AG SCHWEIZ

Industriezone
Bäumlimattstrasse
CH-4313 Möhlin
Phone +41(0)61 855 9070
Fax +41(0)61 855 9075
mail@simona-ch.com

SIMONA S.r.I. ITALIA

Via Padana Superiore 19/B I-20090 Vimodrone (MI) Phone +39 02 25 08 51 Fax +39 02 25 08 520 mail@simona.it

SIMONA IBERICA SEMIELABORADOS S.L.

Doctor Josep Castells, 26–30 Polígono Industrial Fonollar E-08830 Sant Boi de Llobregat Phone +34 93 635 41 03 Fax +34 93 630 88 90 mail@simona-es.com

SIMONA-PLASTICS CZ, s.r.o.

Zděbradská ul. 70
CZ-25101 Říčany-Jažlovice
Phone +42032363783-7/-8/-9
Fax +420323637848
mail@simona-plastics.cz
www.simona-plastics.cz

SIMONA POLSKA Sp. z o. o.

ul. H. Kamieńskiego 201–219 PL-51-126 Wrocław Phone +48 (0) 71 3 52 80 20 Fax +48 (0) 71 3 52 81 40 mail@simona.pl www.simona.pl

SIMONA FAR EAST

Room 501, 5/F
CCT Telecom Building
11 Wo Shing Street
Fo Tan
Hongkong
Phone +852 29 47 01 93
Fax +852 29 47 01 98
sales@simona.com.hk

SIMONA AMERICA Inc.

64 N. Conahan Drive Hazleton, PA 18201 USA Phone +1 866 501 2992

Phone +1 866 501 2992 Fax +1 800 522 4857 mail@simona-america.com www.simona-america.com

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SIMONA AG

Teichweg 16 D-55606 Kirn

Phone +49(0)675214-0 Fax +49(0)675214-211

mail@simona.de www.simona.de