SIMONA

A company like a friend.

ANNUAL REPORT 2016

SIMONA thrives on the close working relationships and indeed in many cases the friendships established among its employees. The same applies to the way we interact with customers, business partners and society as a whole. At SIMONA, people make all the difference – and this is an important distinguishing feature within the competitive environment.

Professional expertise, passion for success and critical dialogue, but also a sense of enjoyment and the pursuit of common interests. This is the spirit that drives the global SIMONA family.

Contents

Key Financials

SIMONA GROUP

		2016	2015	2014
Revenue	€m	366.7	360.3	336.6
Year-on-year change	%	1.8	7.1	16.9
Staff costs	€m	72.4	70.8	64.2
Earnings before taxes (EBT)	€m	28.2	24.8	15.6
Profit for the year	€m	19.5	17.3	11.2
Net cash from operating activities	€m	42.2	37.3	30.9
EBIT	€m	30.2	26.7	17.8
EBIT	%	8.2	7.4	5.3
EBITDA	€m	43.9	40.1	31.0
EBITDA	%	12.0	11.1	9.2
Total assets	€m	363.0	318.4	301.2
Equity	€m	192.0	182.6	159.5
Property, plant and equipment	€m	116.7	113.8	107.3
Investments in property, plant and equipment	€m	15.5	16.0	22.4
Employees (annual average)		1,283	1,279	1,325

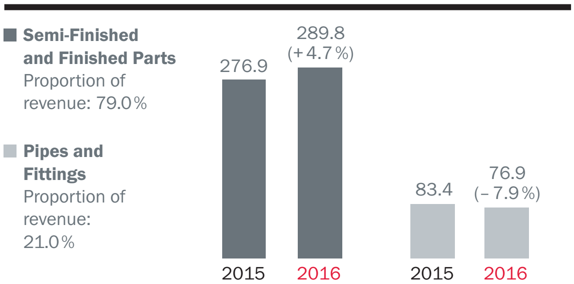
On IFRS basis

STOCK PERFORMANCE

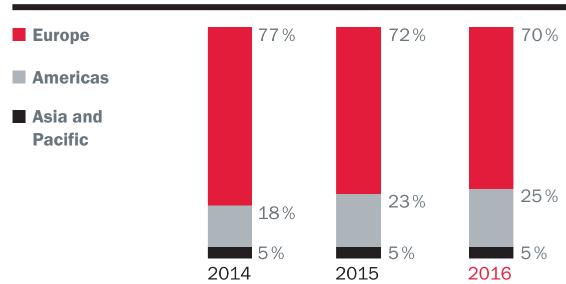
		2016	2015	2014
Earnings per share	€	32.48	28.78	18.63
Dividend	€	12.00	10.00	8.00
Dividend yield	%	2.7	2.7	2.5
P/E ratio*		13.5	12.7	17.4
based on price at 30. Dec.	€	441.00	365.00	324.00

* Calculated on Group basis

REVENUE BY PRODUCT GROUP (in €m)



REVENUE BY REGION (in per cent)



Allocated acc. to place of registered office of revenue-generating business unit

Revenue

€367 +2%

MILLION

GUIDANCE: €360 – 370 MILLION

EBIT

€30 +13%

MILLION

GUIDANCE: €24 – 27 MILLION

Net cash from operating activities

€42 +13%

MILLION

PREV. YEAR: €37 MILLION

Equity

€192 +5%

MILLION

PREV. YEAR: €183 MILLION

Proposed dividend

€12 +20%

PER SHARE

PREV. YEAR: €10 PER SHARE

Figures rounded

CEO Wolfgang Moyses with Lars Böhm, Customer Service, at the SIMONA Family Day in Kirn

Dear Shareholders,

Overall, 2016 proved to be a good year for the SIMONA Group. We met our targets for sales revenue and exceeded those we had set ourselves with regard to earnings. Our EBIT margin was above 8 per cent. Our success was driven by a dynamic performance in the United States and improved profitability within our Semi-Finished Products business in Europe.

We also pressed ahead with the task of strategic repositioning, the key areas of action being innovation, growth beyond the borders of Europe and operational excellence.

Business in our principal sales regions diverged during the period under review. In the United States, now the second-largest single market served by our Group, we recorded solid gains within our Industrial Products division and dynamic growth in our Aviation division. In Europe, meanwhile, business developed steadily. Central Europe had to contend with an anaemic pipes and fittings market. Buoyed in part by strong growth within the Spanish economy and more expansive business in Italy, we recorded a slight upturn in sales in Western Europe. In Eastern Europe, the continued decline seen in Russia was almost entirely offset by more expansive sales revenue from markets recently cultivated by SIMONA. After two extremely weak quarters, we managed to recover ground in Asia over the remainder of the year and record growth in this region. In India, the company completed its successful launch of a new subsidiary, which is seen as an important step when it comes to tapping growth within this large, rapidly expanding market for polymer applications.

Turning to our performance at a divisional level, Semi-Finished and Finished Parts on the one hand and Pipes and Fittings on the other developed along different lines in the financial year just ended. We saw an expansion in global business within the area of Semi-Finished Products, with the majority of product groups recording gains. PVC products used in the areas of construction and aviation performed particularly well. We also stood our ground in the core market of chemical tank and equipment engineering, where we managed to strengthen our position with the help of a new range of fully fluorinated plastics and a proprietary software application for tank calculation. Profitability within the Semi-Finished and Finished Parts division improved in the financial year just ended. However, it will take a sustained effort to raise efficiency levels further and capture new fields of application.

Business within the Pipes and Fittings division, by contrast, proved unsatisfactory. This division was adversely affected by sluggish infrastructure business, particularly in the second half of the year. Business was impacted by the absence of suitable projects, especially within the district heating and lignite markets in Europe. Sales relating to industrial piping systems were up slightly. Despite a decline in revenue, profitability within the division as a whole was satisfactory.

What are we looking to achieve in fiscal 2017?
We want to keep on doing what we do well, getting a little better at it every year. Within the Semi-Finished Products business in Europe this primarily means growing in the new market segments of construction, agriculture and mobility as well as further improving our profitability. Our aim for Pipes and Fittings is to be even more aggressive in our efforts to secure new piping contracts and to focus on specialty products in the area of fittings. We want to continue growing in the US and maintain a healthy level of profitability. Given the sustained expansion of the aviation market and substantial demand within the area of infrastructure, the chances of achieving this are good. As part of an investment offensive, we will be looking to raise our capacity and efficiency levels at the company's US plants. In Asia, our aim is to use the positive trend of the past few months for the purpose of increasing our market share and, above all else, turning a profit.

Valued Shareholders,
SIMONA thrives on the close working relationships and indeed in many cases the friendships established among its employees. The same applies to the way we interact with customers, suppliers and society as a whole. At SIMONA, people make all the difference – and this is an important distinguishing feature within the competitive environment. In fact, rather than becoming less important this aspect is becoming more significant in our digitalised world. It takes a concerted effort, passion and critical dialogue to come up with truly inspiring solutions. This is the spirit that defines us as a global SIMONA family – committed to honouring our brand's pledge at all times: diligence and trust. "A company like a friend" captures the essence of the SIMONA philosophy. We have chosen it as our motto for this year's annual report.

Kind regards,
Wolfgang Moyses

Moyses

WOLFGANG MOYSES
CEO, Chairman of the Management Board

Highlights 2016

SIMONA further cemented its leading position within the market for thermoplastic solutions over the course of 2016. Our semi-finished products, pipes and fittings are used around the globe in the field of chemical tank and equipment engineering as well as in the utilities sector, the aviation and automotive industry and the area of construction and advertising. Working in close collaboration with our customers, we develop tailor-made solutions for almost any field of application. Our team of 1,300 employees is committed to excellence in operations technology, exceptional quality, superior service and the very best in technical support. This is how it has been for more than 160 years.

"K" – world's leading plastics exhibition

Innovation and dialogue were the focal points for SIMONA at "K" in Düsseldorf, the world's largest trade fair for plastics. Three "themed rooms" featuring a range of new products highlighted the company's specialist expertise in the fields of industry, construction, agriculture and mobility. Thanks to a new concept aimed at interacting more directly with visitors – in combination with an interdisciplinary team of various nationalities – SIMONA succeeded in adding to its network of international contacts.

New Technology Centre – progressive innovation, broader materials portfolio

On 29 July, the company officially inaugurated its new Technology Centre, an event attended by state premier of Rhineland-Palatinate Malu Dreyer as well as guests from the political, academic and business community. The Technology Centre brings together R&D, Process Development, Technical Unit, Laboratory and Operations Scheduling at a single location. This ensures lean structures and an immediate transfer of knowledge. State-of-the-art extrusion lines accommodated in the new production facility provide the basis for a more extensive portfolio of materials. They have also allowed SIMONA to strengthen its capabilities relating to development projects. The official opening ceremony was crowned with a summer fête for employees and invited guests.

SIMONA® SmartTank – new tank calculation program

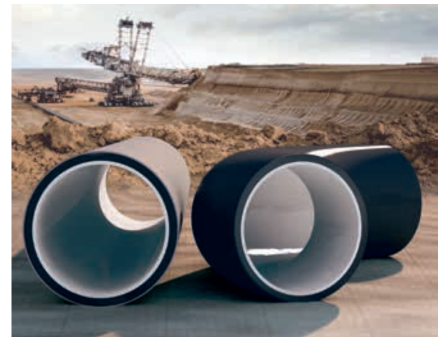
SIMONA launched its first company-developed tank calculation program – by the name of SmartTank. Featuring state-of-the-art methods of numerical computation, it offers the very best quality in terms of user-friendly application and structural design output. The project also includes an efficient project management function. What is more, SmartTank boasts an intuitive user interface. The application is capable of calculating cylindrical and rectangular tanks in accordance with DVS standards and demonstrates SIMONA's strong credentials in the field of technical consulting.

New SIMONA® Twin-Wall Sheets

Thanks to innovative technical adjustments, the company managed to further improve the stability of its existing lengthways-ribbed SIMONA® Twin-Wall Sheets. The result: a new cross-ribbed twin-wall sheet with reduced wall thicknesses. The sheets boast an isotropic core structure and excellent long-term properties. What is more, they are easy to weld together. Handling the sheets is simpler thanks to a reduction in size; they are also easier to process, as the overall thickness has been scaled back.

SIMONA® PFA – high-performance plastics for corrosion protection

SIMONA extended its product range in 2016 to include fully fluorinated semi-finished products. They include the high-performance plastics PFA-M and PFA. Fully fluorinated SIMONA® Semi-Finished Products are used primarily in the field of heavy-duty corrosion protection. Combining the benefits of excellent chemical resistance with high temperature stability, they offer durability and reliability. Owing to their properties, fluoroplastics are predestined for use in the chemical and electroplating sector and the electrical and semiconductor industry as well as in the field of medical and nuclear technology or power and environmental technology.



SIMONA® PE 100 AP-Line

The hydraulic transport of solids exerts significant mechanical stress on the interiors of the piping systems used for such purposes. In response, SIMONA came up with PE 100 AP-Line pipes and fittings in 2016. They boast a highly wear-resistant interior layer (AP = Abrasion Protection) and are the perfect choice for use in the field of marine land reclamation as well as mining. Owing to their unique characteristics, however, they can also help to improve processes in the food, pharmaceutical, cosmetics and chemical industry, for example as a replacement of steel pipes. Working on the basis of its AP-Line piping systems, SIMONA is now also in the process of developing a product range centred around wear protection sheets.

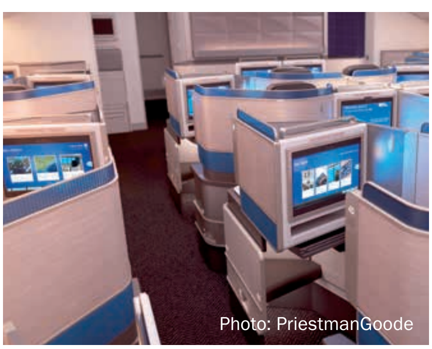
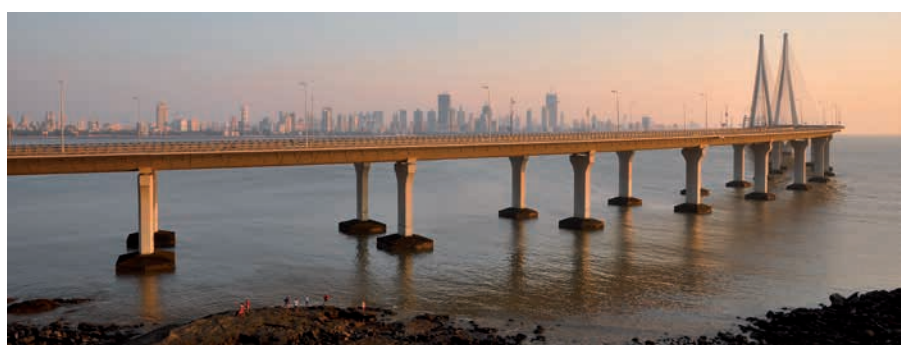


Photo: PriestmanGoode

Boltaron nominated for an aviation industry “Oscar”

Tasked with the job of coming up with a new cabin design for a US airline, design agency PriestmanGoode was keen to source an interior decor material that had “wow factor” written all over it. In addition, there was the small matter of compliance with strict Federal Aviation Administration standards concerning fire behaviour. Boasting many years of experience in the field of aircraft interiors, Boltaron proved to be the perfect partner for this project. Working in close collaboration, those involved in the project developed a material that met the full range of requirements with regard to appearance and technical specifications. This innovative solution was later nominated for the Crystal Cabin Award, the “Oscar” of the aviation industry.



New branch strengthens presence in Indian market

According to a study by AMI, India‘s plastics market is set to record the most dynamic growth rates worldwide in the coming five years. By 2020 the market for thermoplastics is expected to have a volume of more than 20 million tons. Substantial investments within the areas of petrochemicals and infrastructure in particular are likely to trigger buoyant demand for plastics. Expanding cities with larger segments of the population that are both young and keen to embrace internationalism will drive forward the use of plastics in the health and life sciences sector. SIMONA has been serving the Indian market for several years, the main focus being on semi-finished products as well as pipes and fittings for the CPI, electronics, health and water utility industries in particular. Committed to providing an even better service and ensuring greater availability, the Group has now taken the next step forward. In August 2016, SIMONA INDIA commenced operations. The headquarters of SIMONA INDIA are located in Mumbai. Additionally, we will be opening regional offices in Ahmedabad, New Delhi and Chennai.

MORE THAN JUST COLLEAGUES

At SIMONA, your colleagues can become your friends. Doing things in a group, whether in or outside the office, brings people together and gives them the strength to overcome challenges at work through their concerted efforts. Our corporate culture and how we behave towards one another enables and encourages personal relationships to form. Flat hierarchies, an open-door policy, the spirit of fair play and regular family events are just a few examples of how this is put into practice. This not only creates a strong sense of loyalty but also improves performance and thus brings us greater commercial success.

"Doing things in a group brings people together and gives them the strength to overcome challenges at work through their concerted efforts."

Sebastián García Terrón, Gerald Conradt, Michael Schmitz, Markus Nikodemus and Guido Osterfeld have been enjoying short golfing breaks in Spain together for a number of years.

Sporty SIMONANs have been taking part in the corporate run in Birkenfeld for many years, supporting good causes.

SIMONA's Marketing & Communications department is investing the prize money from an internal photography competition in a group tour by rail trolley involving partners and families.

“We are ONE SIMONA” is the slogan for the Family Day, which staff regularly put on for their colleagues. A great many SIMONANs make use of the opportunity to show their family where they work and where all the manufacturing takes place as well as enjoying the chance to celebrate together and test their sporting mettle.

Forklift Cup in Litvínov

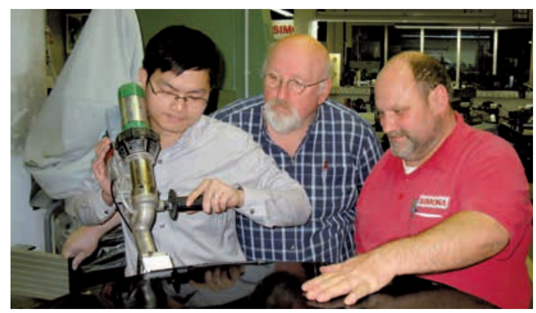
Under the direction of Logistics Manager Jakub Tuzar, SIMONA Czech Republic hosted a “Forklift Cup” in spring 2016, which gave employees’ families the opportunity to get to know one another better. Eleven forklift drivers from Logistics and Production tested their prowess on a specially prepared racetrack. The eventful day was rounded off by a barbecue organised by departmental managers.

Fun and a chance to switch off with colleagues from other departments: staff from R&D, the laboratory, the Technical Service Centre and Quality Management in Kirn at their bowling evening.

SIMONA UK LIMITED marks 25 years: a reason to celebrate for our colleagues from Stafford, enjoying dinner together.

Working together to achieve a common goal

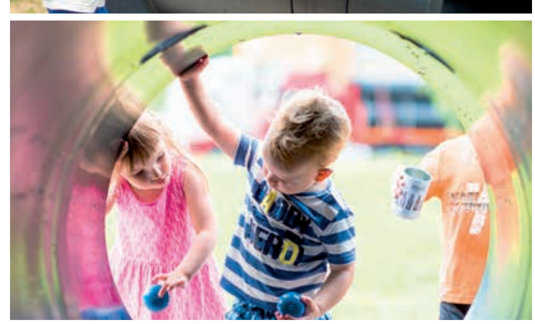
Everything runs better if done together, something that SIMONA staff involved in the active exchange that goes on between Germany and China are well aware of. Whether they are involved in team-building or in sales or technical training, SIMONA employees support one another across national borders in order to learn from each other and thus achieve their objectives together. And they could be based in Kirn (Germany), Guangzhou or Hong Kong (China) – their actual location is irrelevant. Nothing helps to bridge a gap of over 9,000 kilometres more quickly than a friendly face or a helping hand.



New faces in the SIMONA family

Mumbai-based SIMONA INDIA commenced operations in August 2016, with regional branch offices being set up in Ahmedabad, New Delhi and Chennai. Two customer service employees and three sales engineers have been added to the existing sales team. Founding a separate subsidiary is a major step towards internationalisation and is designed to better tap into the vast potential offered by the Indian market and the neighbouring regions. The new headquarters also has storage facilities, thus ensuring a high level of availability, excellent sales performance and expert technical service. Welcome to the SIMONA family.

Children's Day in Litvínov

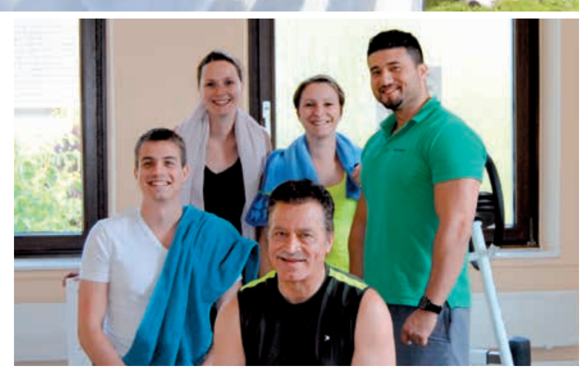


The Children's Day at SIMONA Plast – Technik s.r.o. in the Czech town of Litvínov guarantees fun for young and old every year. SIMONA staff and their families come along to spend a pleasant day together. The smallest visitors can enjoy tractor rides, quad biking, a bouncy castle and a demonstration by the fire brigade complete with a soaking from their hoses. This year also saw prizes awarded for the best homemade food. It was clear to all concerned that the honour deserved to go to the wife of Roman Patek from the Plastics workshop for her cream cakes.

Half-marathon – a real team event

Hayley Berrisford, Karen James and Carolyn Caswell from SIMONA UK all challenged themselves to complete a half-marathon. Led by Carolyn Caswell, who has run ultramarathons and competed in Ironman events, the trio put in many hours of training after work and at weekends. It was a team event that will bring lasting benefits and provided an incentive to keep training.

Running, Nordic walking und back exercises: under the banner of “SIMOFIT. Mach mit!” (“SIMOFIT. Join in!”), staff from Kirn are coming together to improve their fitness levels.



The young talent development group with its international makeup: Management Board members and HR managers made regular appearances at the six intensive modules. The programme of fringe events includes a city rally and a boat trip on the Rhine – perfect for team-building and interesting discussions.

The Sales Team USA had a special agenda for the annual meeting. Each participant introduced a case study about a project completed over the past year, the aim being to learn from one another, share knowledge and recap success stories. The meeting ended with a team-building event of a unique kind. Everyone pitched in to assemble bikes, which were then donated to a local church congregation following a successful test ride.

Team-building in the Swiss mountains

When events are more than simply a day out and people work together to achieve exceptional feats, they can go down as real successes with lasting benefit for the whole team. One such example is SIMONA Switzerland's team event on the Engstligenalp mountain in the Bernese Oberland. Working together, the group succeeded in building an igloo. Four metres wide by two metres high, it took about three hours to complete. The Swiss team then discovered just how comfortable it is to spend time in one when they shared a fondue in the country's largest igloo restaurant, enjoying delicious food in a unique setting and at a cool 3 °C.


Die Energie ist da
OPEL

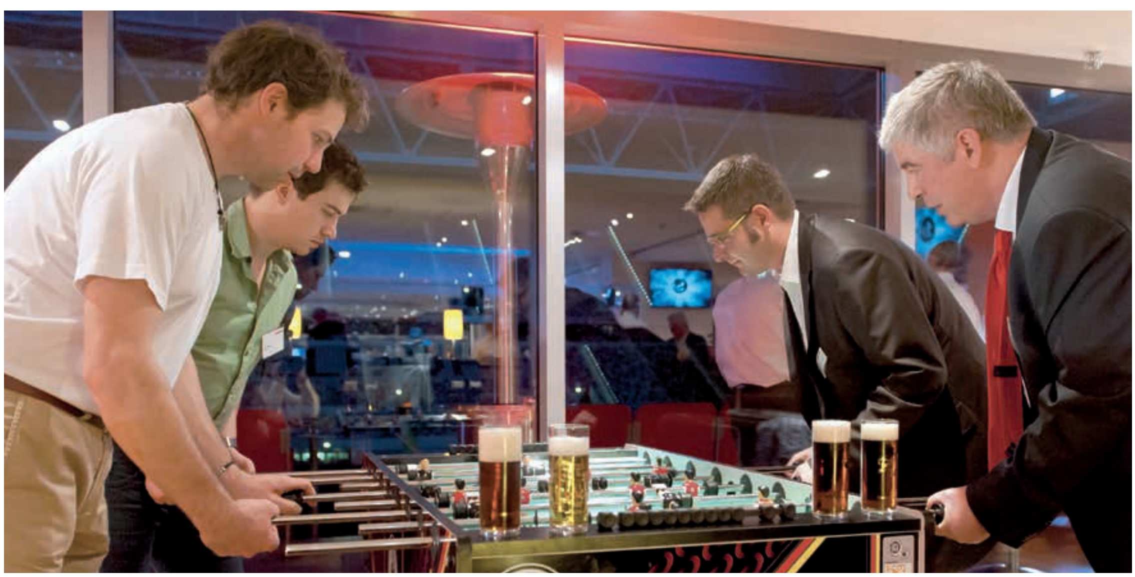
MORE THAN JUST BUSINESS

Here at SIMONA we believe there is much more to business than generating a quick profit. It is about exceeding our customers' expectations in the long term and adding value. Delighted rather than merely satisfied customers are more likely to stick with us in the face of tough competition. That loyalty is crucial when it comes to building close and lasting relationships with customers that allow both sides to grow and flourish. Perhaps that's one reason why SIMONA is regularly awarded top marks in surveys for customer focus, empathy and trust.

"Loyalty is crucial when it comes to building close and lasting relationships with customers."

Friedrich Harries and Bernd Keller (Sales, SIMONA AG; from left to right) raise their glasses to celebrate a 10-year partnership with the Romanian firm ProSep.

Joint barbecue with employees at our Ukrainian partner Factorial to mark ten years of successful business relations.



Michael Ernst and Gerhard Gebert (SIMONA AG; right) with Christian Pahl and Hans Mayer (Neutra Kunststoffbau GmbH; left) enjoy a sporting challenge after a successful day at the trade show.

Alexander König (Managing Director, SIMONA Switzerland; right) and Marcel Lüthi (Managing Director, CreaPlast AG; left) shout encouragement at the football stadium.

Pursuing the same goal

Around 15 years ago, when SIMONA teamed up with Umundum to serve the Hungarian market, the sector was pretty much dominated by our competitors. Dr. János Bendel (now the owner of Umundum) acted as commercial agent for SIMONA. Today, Umundum is Hungary's biggest player in the polyolefine market and one of our top customers. A path with many challenges that led to success.

This collaborative approach is reflected in the Customer Day. Whether it involves sailing on the Plattensee, a historic city tour or a trip on the fun train followed by dinner, the programme for our customers and their families is always something special. As in the case of the 10-year partnership between SIMONA and Umundum, which we celebrated together by planting an anniversary spruce tree.

From left to right: Mark Mailinger (Partner, Umundum Kft.), Bernd Keller (Field Sales, SIMONA), Dr. János Bendl (Owner of Umundum Kft.) and Friedrich Harries (Head of Sales Eastern Europe, SIMONA)

SIMONA Switzerland and Beck Kunststoffverformungs GmbH employees enjoy a visit to Frankfurt am Main, Germany.

Clemens Timm (left) and Philip Zhang (right), SIMONA Shanghai, share breakfast with Wenjiang Yin, Tianjin Haijing Plastics Co. Ltd., at the weekly Islamic market in Tianjin, China.

A companionable approach to customer training

It's now an established tradition. Whenever members of our Customer Service and Technical Service Centre teams travel to Uttendorf in Austria for individual customer training events at Senova, it's a case of enjoyment first, then down to work. The evening is spent with our hosts at the world's longest floodlit toboggan run in the Wildkogel Arena.

The same companionable spirit prevails on the next day, too. For SIMONA and Senova, these regular training sessions provide an opportunity to exchange the latest information on and experience of new materials, developments and processing methods.

Sharing the fast lane

Employees at SIMONA and the plastics dealer König GmbH are used to ramping up the pace. Working together, they launched our new SIMOPOR foam sheets in record time. A 15-strong team from both companies displayed the same love of speed on the outdoor karting circuit in Groß-Zimmern. In fact, the main subject of conversation over a meal of burgers after the event wasn't the next big project but the photo finish. Karting is also an established feature in the events programme for SIMONA employees and customers in the Pipes and Fittings division.

Thomas Engel (Application Technology, SIMONA AG; 5th from right) and Sebastián García Terrón (Managing Director, SIMONA IBERICA, 10th from right) with employees of EMMSA and Held at a sales training event run by the SIMONA Academy in Querétaro, Mexico.

Peter Mastelic and Sandra Mastelic-Hüni (CEO and co-owner of Hüni AG) with their son Sandro (left) and Alexander König (Managing Director, SIMONA Switzerland) with his son Maximilian (right) during a tour of our production site in Ringsheim to inspect the quality of our jointly upgraded polypropylene tanning barrels.

Together with the inventor of the material, Resysta International GmbH, SIMONA invited eight of its customers to a two-day SIMOWOOD workshop in Kirn. Roland Stoiber (Resysta, 1st from left) and Björn Ritter (SIMONA, 5th from left) explained the theoretical properties and practical applications of SIMOWOOD to the 14 participants.

In action worldwide

In 2016, as well as nearly 40 training events run by the SIMONA Academy in Germany and elsewhere, we took advantage of 12 national and 20 international trade shows to present the company's products and services to our customers around the world. At each of these events – Pollutec in France, Expomin in Chile, Smagua in Spain, Interplastica in Russia and Innotrans in Germany – our stands were attended by qualified and highly motivated employees.

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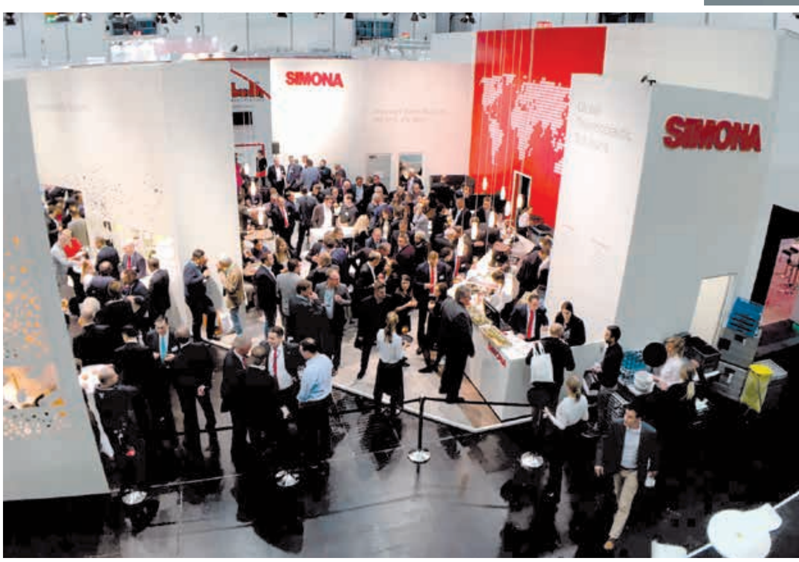

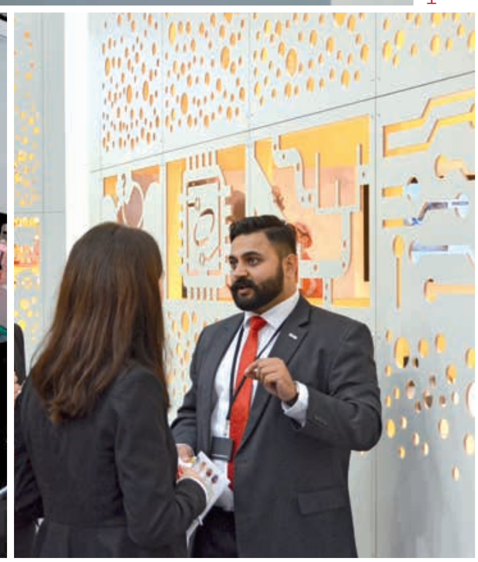
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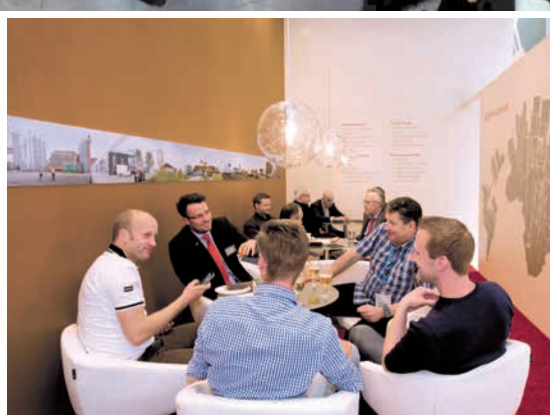


4

1: SMAGUA, Zaragoza, Spain
2: K, Düsseldorf, Germany
3: IFAT, Munich, Germany
4: IILF Leather Fair, Chennai, India

5

8

6

9

10

7

5: EXPOMIN, Santiago de Chile, Chile
6: SIMONA Academy, Kirn, Germany
7: SIMONA Academy, Kirn, Germany
8: Aircraft Interiors Expo, Hamburg, Germany
9: FENSTERBAU FRONTALE, Nuremberg, Germany
10: SF China, Shanghai, China

MORE THAN JUST PURCHASING

At SIMONA, our purchasing teams are not merely focused on finding the cheapest source of materials. Our aim is to work with suppliers to add value for our customers. We offer best-in-class products, so we need materials and production equipment of the same high standard. You can't just buy that off the shelf. It requires joint development work and of course tough negotiations. We deal with our suppliers on a level playing field and work with the top people in their particular specialism. That allows us to create partnerships in which each side gives of its best. In turn, that makes for built-in success.

"We deal with our suppliers on a level playing field and work with the top people in their particular specialism."


Photo: Arkema

From left to right:
Christophe André (Arkema), Wolfgang Moyses (SIMONA AG), Prof. Dr. Martin Müller-Roosen (Darmstadt University of Applied Sciences) and Erwoan Pezron (Arkema) at the Legacy & Innovation Awards

Success through collaboration

SIMONA is proud to have been selected by its long-established supplier and business partner Arkema for the Legacy & Innovation Award. The close partnership between the two companies evolved in the early 1980s, and one of its key features is the continuous exchange of know-how. As we have developed together over the last forty years, the dedication and innovation shown on both sides has allowed us, for example, to make considerable advances in the European PVDF sector in Europe and the US. The award was presented at the world's biggest plastics fair 'K' in October 2016 in Düsseldorf. SIMONA donated the award money to Darmstadt University of Applied Sciences.

Photo: SABIC


Photo: SABIC

Our close partnership with SABIC, one of the world's biggest suppliers of petrochemical products, goes back many years. For SABIC, that was a good enough reason to select SIMONA as a reference company for its new global marketing campaign, 'Talking Chemistry That Matters'. When the film crew came to our factory in Ringsheim, one of those facing the camera was Steffen Oellers, head of the Pipes and Fittings division. He summed up our relationship with SABIC as follows: "The partnership between our companies allows us to build on our expertise and harness new materials to develop innovative applications. That helps us break into new markets."

Maintaining a strong bond

Welding is a method of creating a strong bond between materials or components. At SIMONA, the welding seam is a symbol of our partnership with other key plastics industry suppliers. We have long-established and flourishing links with the welding machine manufacturers Leister Technologies AG, WEGENER International GmbH, WIDOS GmbH, ROTHENBERGER GmbH, MUNSCH Kunststoff-Schweißtechnik GmbH, Dohle Extrusionstechnik GmbH, Herz GmbH and INGENIA GmbH.

All the machines made available to us can be used and tested at SIMONA customer training events. Furthermore, SIMONA employees receive training from our partners on how to use the machines correctly. In 2017, we plan to hold joint customer training events with WEGENER International GmbH in the US and with Leister Technologies AG in Asia. These are win-win partnerships. The welding machine producers obtain direct feedback from professional users.

A welding seminar gives customers and SIMONA employees a chance to try out the latest welding machines and show off their practical skills.

The high quality of SIMONA products is attributable not least to our long-established partnerships with machine and plant manufacturers such as Wilhelm Bauer GmbH & Co. KG in Hamburg. To make a faultless end-product, you need a perfectly finished chromium-plated roll.

A new generation

In collaboration with the material and compound manufacturer Lubrizol Advanced Materials Europe BVBA and Georg Fischer DEKA GmbH, SIMONA has launched a new welding rod generation for semi-finished products made of CPVC. The launch was preceded by intensive development, training and field testing. The welding rod is highly compatible with semi-finished sheet and pipe products in terms of thermomechanical properties, chemical stability and colour. A crucial advantage for our customers!

A new welding rod generation for semi-finished products made of CPVC.

SIMONA works with the top suppliers of industry materials all over the world. This partnership is crucially important in the US, now the Group's second-biggest market. After some very intensive negotiations, those involved find sport a great way to relax – (from left to right) Roger Deininger (Formosa Plastics), Markus Nikodemus (SIMONA AG) and Dean Sebby (GE Chaplin) after a day at the NPE Plastics Show in Orlando.

SIMONA has years of experience when it comes to compounding PVC formulations. Stabilisers play an important role. Reagens Deutschland GmbH has been one of our key partners in this field for over ten years, and we regularly exchange views about technical innovations and market trends – a collaborative approach to business that might well include dinner.

MORE THAN JUST DONATIONS

For SIMONA, it's not a question of "money in return for a clear conscience". We are truly committed to encouraging and supporting the various regions in which we operate, assisting wherever the need is greatest. SIMONA has been cooperating with universities in the region and sponsoring schools for many years, thereby establishing a network of students, teachers and businesses. At the same time, many SIMONA employees voluntarily back social facilities and aid projects.

"We support aid projects, educational establishments and social initiatives because we believe in them."

SIMONA received valuable support from the Meisenheimer Gärtner group of the kreuznacher diakonie foundation's deaconry workshops. In the run-up to the Families' Day, the six-strong group tended the grounds and helped to set up the fairground.

A sustainable lighting concept has reduced energy costs by 60 per cent as more than 200 outdated HQL lights were replaced with LED lights in two phases at Plant II (Sheets) at the Kirn headquarters. The pleasant lighting is also helping to create a productive working atmosphere.

Thanks to a donation of over €500 from the pipes and fittings plant in Ringsheim, children at a day-care centre in Münchweier were able to benefit from a new play kitchen. The centre supports youngsters between the ages of 2 and 6 with a physical disability. The donation was the result of a noble tradition: every year, a bingo game at the Christmas party in Ringsheim raises funds for social causes.

Hosting university lecturers

SIMONA hosted the KRV conference of university lecturers in June 2016. In partnership with trade associations and companies, the FIHB association headed by Professor Peter-Michael Hajek provided practically relevant training for lecturers. The aim of the regular event is to share the latest information on current technologies, research and standardisation in the field of construction. In both building construction and civil engineering, plastics are key products deployed in more and more applications. Eighteen professors from across Germany were invited to the event, at which attendees had an opportunity to turn their hand to practical tasks at the technical centre. SIMONA also made promising contacts and links to universities that will support future partnerships.

Fast parts for fast cars

SIMONA supported the Formula Student team from Technische Universität Darmstadt by supplying semi-finished plastic parts for use in the production of a new F16 racing car. Formula Student is an international design competition for students which has taken place every year since 2006 under the patronage of the Association of German Engineers (VDI). The competition was held at the Hockenheimring in 2016. Many semi-finished plastic parts supplied by SIMONA were used in the manufacture of the FaSTDa F16 racing car. Using a SIMONA PE 100 solid rod, transversely isotropic spacer bushings were fitted between the ball bearings of the wheel carriers. Since these are needed to adjust running accuracy, they are one of the most important small parts in the interior of the wheel carriers. A frame for the touchscreen display in the cockpit, a steering wheel box and other components were produced by means of 3D printing using SIMOGREEN PLA and SIMOLUX PETG filaments.

Saving human life often comes down to a matter of seconds. With this in mind, some 120 first aiders are on hand to cope with emergencies at Kirn alone. Six internal training courses were held last year at various sites in partnership with the German Red Cross and AFMedi.

Seven kindergartens in the region accepted more than €12,000 in total from the proceeds of plastic stacking boxes sold for this good cause at the SIMONA Families' Day in Kirn.

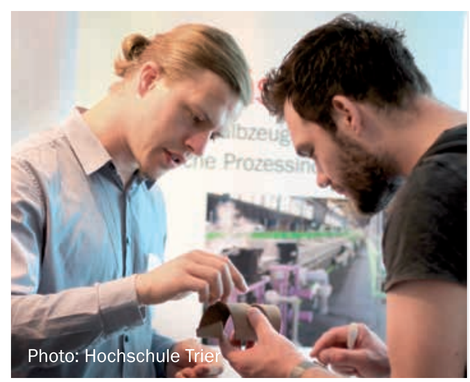
Ever wondered how plastic fittings, still hot, drop onto a conveyor belt from giant injection moulds and pipes emerge from an extruder as endless rods? Students interested in technology from the Realschule and interns from the Pädagogische Hochschule Freiburg found out on a joint visit to the Ringsheim plant.

PAUL wins Greentec Award

In crisis-hit areas, one of the most urgent tasks is to supply people with drinking water. The portable water filter known as PAUL (Portable Aqua Unit for Lifesaving), which can be carried in the same way as a rucksack, quickly and easily purifies contaminated water to make it suitable for drinking. PAUL is simple to operate and purifies approximately 1,200 litres of water in a day – enough for 400 people. PAUL received a Greentec Award at the opening of the IFAT 2016 fair. The Greentec Award is an international environmental prize aimed at promoting innovative developments in the fields of environmental technology and ecological living. Part of the inner workings and the drain valve are manufactured from SIMONA solid rods and bends. PAUL was invented by Professor Franz-Bernd Frechen of the institute of water, waste and the environment at the University of Kassel.

University partnerships and school sponsorships

For many years, SIMONA has been dedicated to the schools and universities of the region. This commitment includes a school sponsorship scheme, an initiative by the Chamber of Industry and Commerce aimed at creating a network of students, lecturers and businesses. The emphasis is on activities such as work experience placements for students and teachers, company visits, informative events to help people choose the right career and advice on making applications. SIMONA also cooperates with the universities of Ludwigshafen, Darmstadt and Mainz and offers a range of dual study programmes. Together with Environmental Campus Birkenfeld, Bingen University of Applied Sciences, the University of Kaiserslautern and Darmstadt University of Applied Sciences, SIMONA organises regular career fairs that allow students to gain insights into the reality of working life before they graduate. In this way, SIMONA hopes to inspire the professionals of tomorrow to join the dynamic plastics sector.



Nils Harries (left) of Process Development demonstrates the exciting versatility of the SIMOWOOD product to a student at the Birkenfeld career fair.

Paying a visit: Students from the plastics processing institute of RWTH Aachen University with (second from left) Slim Cheour, Business Development Manager (Mobility).

Personnel Manager Sofia Schick makes contact with a young visitor at the Bad Kreuznach vocational training fair.

SIMONA worldwide

United States

Key facts 2016

- € 90 million in revenue
- 215 employees

SIMONA AMERICA INC.
ARCHBALD, PA

Industrial Products division

Core competencies:

- Extrusion
- Foaming
- Coextrusion

BOLTARON INC.
NEWCOMERSTOWN, OH

Aviation and Specialty Products division

Core competencies:

- Extrusion
- Press laminating
- Calendering

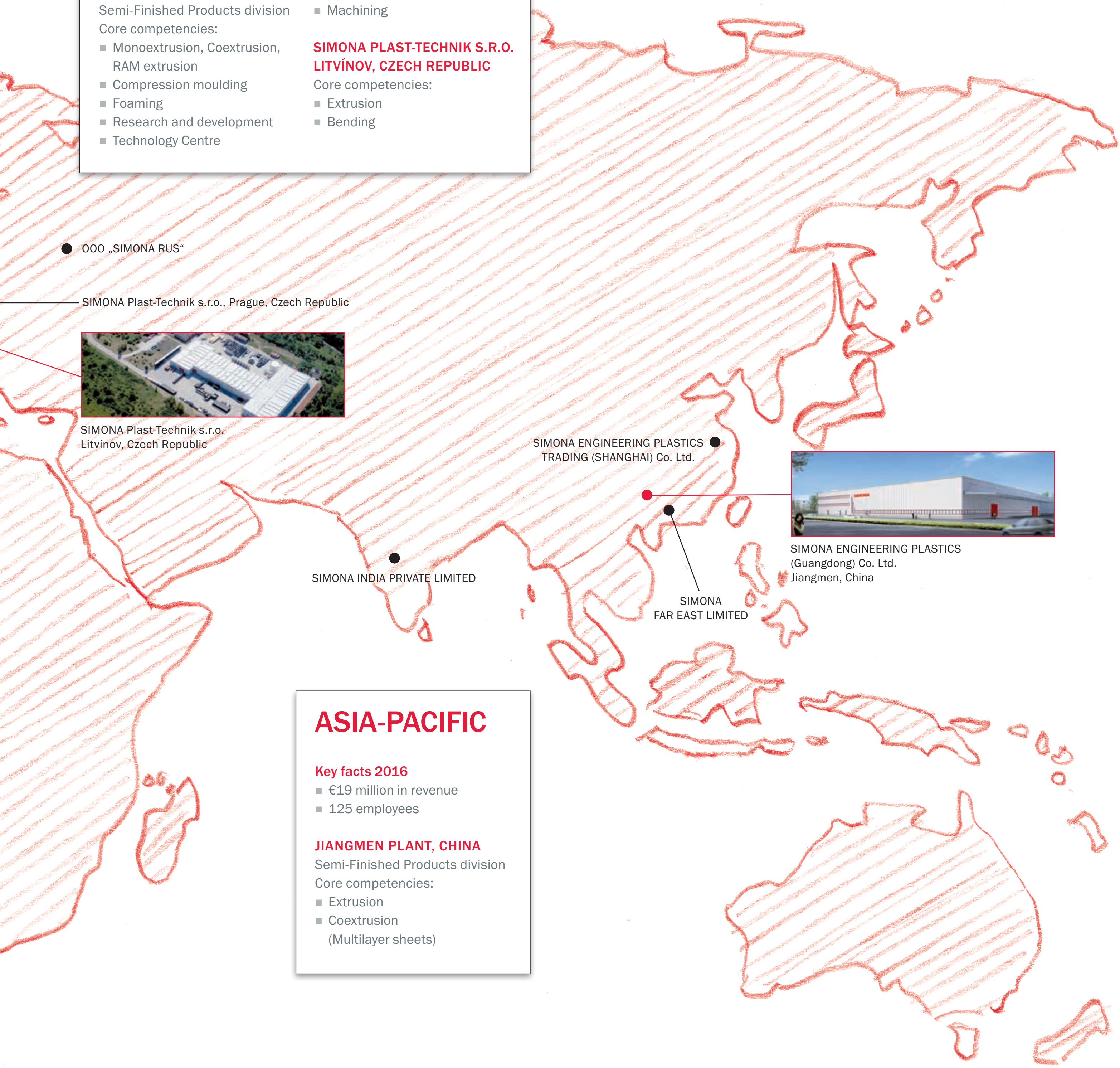
EUROPE

Key facts 2016
- € 257 million in revenue
- 950 employees

SIMONA AG
KIRN, GERMANY
Semi-Finished Products division
Core competencies:
- Monoextrusion, Coextrusion, RAM extrusion
- Compression moulding
- Foaming
- Research and development
- Technology Centre

RINGSHEIM PLANT, GERMANY
Pipes and Fittings division
Core competencies:
- Extrusion
- Injection moulding
- Machining

SIMONA PLAST-TECHNIK S.R.O. LITVÍNOV, CZECH REPUBLIC
Core competencies:
- Extrusion
- Bending



SIMONA Plast-Technik s.r.o.
Litvínov, Czech Republic

SIMONA ENGINEERING PLASTICS
(Guangdong) Co. Ltd.
Jiangmen, China

ASIA-PACIFIC

Key facts 2016
- €19 million in revenue
- 125 employees

JIANGMEN PLANT, CHINA
Semi-Finished Products division
Core competencies:
- Extrusion
- Coextrusion (Multilayer sheets)

Stock Performance and Capital Markets

SIMONA STOCK 2016

WKN	723940
ISIN	DE0007239402
Type of security	Domestic stock
Par value	No-par-value shares
Share capital	€15.5 million
Stock exchange	Frankfurt am Main (General Standard) Berlin
Price at beginning of year	€365.00
Price at end of year	€441.00
Annual high	€460.00
Annual low	€325.50
Annual gain 2016	20.8 per cent

SIMONA STOCK

SIMONA's shares performed inconsistently at the beginning of the year and were unable to isolate themselves from the general downturn seen within the stock market. Supported by solid financial results, the company's share price trended higher from March onward.

Having revised its revenue and earnings forecast upward in June and posted solid results for the first half, SIMONA experienced a further boost to its share price. At the end of the year, its stock stood at over €440, a gain of almost 21 per cent compared to the figure of €365 recorded at the beginning of the year. The company's share price continued to climb at the beginning of 2017, moving past the €500 mark in January for the very first time in its trading history.

GERMAN STOCK MARKET IN 2016

Germany's blue chip index, the DAX, began 2016 on a weak footing. Stock prices plummeted around the globe in response to China's sluggish economic performance and a downturn in the price of oil. In February, the DAX fell below the mark of 8,700 points, thereby relinquishing all the gains it had made in 2015. This was followed by an upturn, albeit interspersed with periods of weakness caused by political events. They included the Brexit decision in June and concerns over the outcome of the Italian constitutional referendum. However, the DAX managed to rebound relatively quickly from these temporary dips in the market, supported in part by international monetary policy. The US Federal Reserve took a moderate approach, raising its benchmark interest rate only once – contrary to expectations. In March 2016, the ECB extended its bond-purchase programme and increased its monthly uptake. The victory by Donald Trump in the US presidential elections in November provided a boost to the DAX that took it to new annual highs. By the end of the year, the DAX had reached a level beyond 11,480 points, up 7 per cent on the figure recorded at the beginning of the year.

EBIT PERFORMANCE SIMONA GROUP

		2016	2015	2014
EBIT	€m	30.2	26.7	17.8
EBIT	%	8.2	7.4	5.3
EBITDA	€m	43.9	40.1	31.0
EBITDA	%	12.0	11.1	9.2
Total assets	€m	363.0	318.4	301.2
Equity	€m	192.0	182.6	159.5

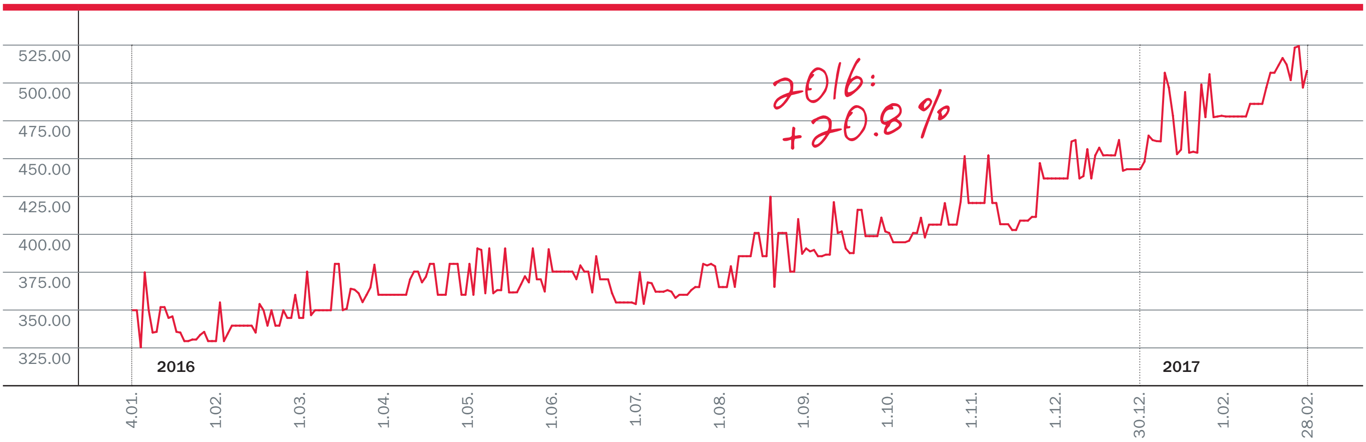
Based on IFRS

STOCK PERFORMANCE

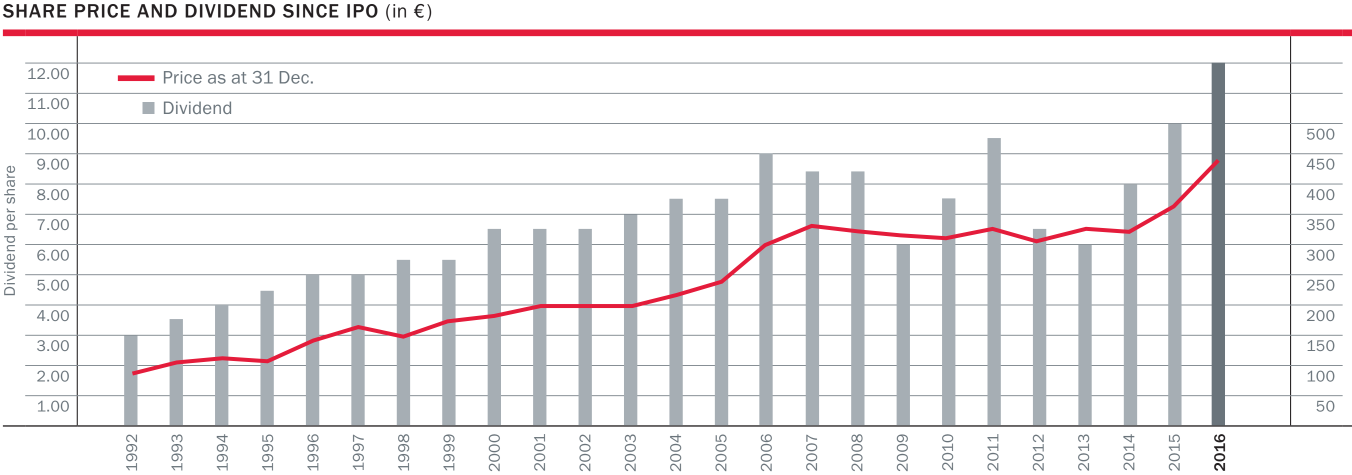
		2016	2015	2014
Earnings per share	€	32.48	28.78	18.63
Dividend	€	12.00	10.00	8.00
Dividend yield	%	2.7	2.7	2.5
P/E ratio*		13.5	12.7	17.4
based on price at 30 Dec.	€	441.00	365.00	324.00

* Calculated on Group basis

STOCK PERFORMANCE (in €)



SHARE PRICE AND DIVIDEND SINCE IPO (in €)



DIVIDEND

The Management Board and Supervisory Board will propose to the Annual General Meeting a dividend payout of €12.00 per share. This is the third increase in succession, doubling the dividend paid in 2013. SIMONA has thus maintained its long-term dividend policy of allowing shareholders to participate in its success in an appropriate manner.

INVESTOR RELATIONS CONTACT

Phone +49 (0) 6752 14-383
ir@simona.de
www.simona.de/ir

Dividend of €12!

Governing Bodies at SIMONA AG

MEMBERS OF THE MANAGEMENT BOARD

Wolfgang Moyses

Chairman
Chief Executive Officer
Member of the Management Board since 1999

Areas of responsibility
- USA and Asia-Pacific
- Global Business Segments
- Strategic Business Development
- HR & Legal
- Investor Relations
- Marketing and Communications

Dirk Möller

Deputy Chairman
Chief Operating Officer
Member of the Management Board since 1993

Areas of responsibility
- Semi-Finished Products Division Europe
- Pipes and Fittings Division
- Research and Development
- Applications Engineering/ Technical Service Centre
- Process Development
- Logistics

Fredy Hiltmann

Chief Financial Officer
Member of the Management Board since 2012

Areas of responsibility
- Finance
- Controlling
- Taxation
- Purchasing
- IT & Organisation
- Quality Management

MEMBERS OF THE SUPERVISORY BOARD

Dr. Rolf Goessler Bad Dürkheim, Diplom-Kaufmann	Chairman
Roland Frobel Isernhagen, Managing Director of ROSSMANN CENTRAL EUROPE B. V., Renswoude, Netherlands	Deputy Chairman
Dr. sc. techn. Roland Reber Stuttgart, Managing Director of Ensinger GmbH, Nufringen	
Joachim Trapp Biberach, Member of the Management Board of Kreissparkasse Biberach, Biberach	
Jörg Hoseus Monzingen, Industrial Mechanic	Employee Representative (until 28 February 2017)
Gerhard Flohr Bergen, Maintenance Engineer/Fitter	Employee Representative (until 28 February 2017)
Andy Hohlreiter Becherbach, Chairman of Works Council	Employee Representative (from 1 March 2017)
Markus Stein Mittelreidenbach, Deputy Chairman of Works Council	Employee Representative (from 1 March 2017)

SUPERVISORY BOARD COMMITTEES

Audit Committee

Roland Frobel
Chairman

Dr. Rolf Goessler

Dr. sc. techn. Roland Reber

Personnel Committee

Dr. Rolf Goessler
Chairman

Roland Frobel

Dr. sc. techn. Roland Reber

Report by the Supervisory Board
The 2016 Financial Year

Against the backdrop of intense competition the SIMONA Group managed to stand its ground over the course of the 2016 financial year. With sales revenue edging up slightly, earnings also improved in the period under review. The EBIT margin of 8.2 per cent recorded by the Group was up on the prior-year figure of 7.4 per cent and also exceeded the target set by management. Despite slight gains in efficiency, however, SIMONA was faced with a marginal decline in revenues and earnings within the fiercely competitive European market in particular. This was attributable largely to a weak performance of the Pipes and Fittings division. By contrast, the Group succeeded in cementing its position in the area of Semi-Finished Products. After a tentative start, business in Asia picked up in the second half of the year. Encouraging revenue growth in the United States coincided with a visible improvement in earnings within this market.

DR. ROLF GOESSLER
Chairman of the Supervisory Board

The financial year just ended illustrates quite clearly that we are on the right track when it comes to pursuing the strategic route charted jointly by the Management Board and the Supervisory Board. If we are to succeed in asserting ourselves – and indeed expanding our business – within established markets, it is imperative that we continue to do everything in our power to fortify our position by developing innovative products, unlocking opportunities in new fields of application and, above all, raising productivity levels. At the same time, global partnerships will have to be developed and extended.

The Supervisory Board will continue to focus in particular on the direction taken by the SIMONA Group around the globe, its strategic positioning, its ability to innovate and its earnings performance. Embracing a spirit of partnership, we remain committed to a close and open dialogue with the Management Board.

COOPERATION WITH THE MANAGEMENT BOARD

Over the course of the 2016 financial year, the Supervisory Board discharged its duties under statutory provisions, the company's articles of association and terms of reference, advised the Management Board on a regular basis and evaluated and monitored management's activities. It also conducted an assessment of the company's risk management and compliance procedures and came to the conclusion that the system implemented meets the 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 execution with regard to strategic initiatives. The Supervisory Board was directly involved in all decision-making processes 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 strategy, the course of business and the position of SIMONA AG and its subsidiaries, including the risk situation, risk management, compliance 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 discussed and examined in depth in cooperation with the Management Board. Where required, the Supervisory Board also convened without the Management Board being present.

The Chairman of the Supervisory Board was also kept fully informed in between meetings convened by the Supervisory Board and its committees. In this context, the CEO and the Chairman of the Supervisory Board met regularly to discuss SIMONA's strategy, current business performance and situation, risk management, risk exposure and compliance, as well as other key topics and decisions that arose. Additionally, the Chairman of the Supervisory Board conducted one-to-one meetings with the other members of the Management Board for the purpose of discussing specific issues relating to their remit. 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 performance as well as for the management of the company.

SUPERVISORY BOARD MEETINGS

The Supervisory Board convened four scheduled meetings over the course of 2016 and one constitutive meeting following the new appointment of the Board members to be elected by the shareholders at the Annual General Meeting of 10 June 2016. Supervisory Board member Gerhard Flohr was unable to attend this meeting due to family reasons. Supervisory Board member Joachim Trapp was unable to attend the Supervisory Board meeting on 19 April 2016 due to a prior appointment. The other meetings held over the course of 2016 were attended by all of the Supervisory Board members.

At the meeting on 23 February, the Supervisory Board focused on the preliminary annual results for the 2015 financial year and the current business situation as well as key topics concerning the United States, China and Russia. Furthermore, the Supervisory Board discussed and approved the dividend proposal for the 2015 financial year. It also debated the proposal by the Personnel Committee to restructure Supervisory Board compensation and adopted a draft resolution to be approved by the Annual General Meeting. At this meeting, the Supervisory Board also passed the Declaration of Conformity with the German Corporate Governance Code.

At the meeting on 14 April, the focus was on approving and adopting the consolidated financial statements, the separate financial statements of the parent company, the proposal by the Management Board for the appropriation of distributable profit generated in the financial year 2015, the report by the Supervisory Board for the financial year 2015 and the result of the year-end audit conducted by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (please also refer to the section in this report dealing with the separate and consolidated financial statements). At this meeting the Supervisory Board also approved the proposal concerning elections to the Supervisory Board and the agenda for the 2016 Annual General Meeting. Additionally, the Supervisory Board informed itself about the current business situation and the outlook for the SIMONA Group, with a particular focus on the United States and Asia. The Supervisory Board also discussed matters relating to mergers and acquisitions.

The meeting convened on 4 August was held at the US plant in Archbald, PA. The Supervisory Board informed itself about SIMONA's performance in what is now the second-largest individual market served by the company. This meeting also focused on the direction taken by business in the first half of the year and the forecast for the second half of the year. At this meeting the Management Board also reported on the efficacy of the internal control system, the reporting process, risk management and internal auditing.

At its meeting on 1 December 2016, the Supervisory Board discussed the latest business situation in the first nine months and the outlook for the end of 2016. It also discussed and approved the budget for the 2017 financial year at this meeting. Another focal point of this meeting was the Group's performance within the sales region covering Asia-Pacific.

COMMITTEE WORK

The Supervisory Board is assisted by the Audit Committee and the Personnel Committee. Both committees regularly provide the Supervisory Board with extensive information relating to their activities. The Audit Committee is responsible primarily for issues relating to the supervision of the accounting process, the efficacy of the internal control system and the internal auditing system, year-end auditing, with a particular focus on the independence of the auditor, the additional services provided by the independent auditor, the determination of auditing focal points and arrangements relating to fees as well as compliance and acquisitions. The principal duties of the Personnel Committee are centred around compensation as well as the conclusion, amendment and termination of Management Board members' employment contracts.

Audit Committee

The Audit Committee convened on four occasions in 2016. It discussed the overseas markets and the performance of Group companies in the United States as well as strategies and potential acquisitions in the Far East. The opportunities and risks associated with business in the European markets were also debated on a regular basis. Discussions also centred around possible changes to structures within the company for the purpose of accomplishing future tasks.

The Audit Committee reviewed the half-yearly and quarterly results and prepared the proposal by the Supervisory Board for the appointment of the independent auditor for the 2016 financial year, to be put forward to the Annual General Meeting of Shareholders.

Personnel Committee

The Personnel Committee convened on four occasions in 2016. It discussed the issue of extending Mr. Hiltmann's appointment as a Management Board member up to the end of the 2018 Annual General Meeting and changes at the highest managerial levels. It drafted resolutions on future Supervisory Board compensation and new elections for the Supervisory Board as well as resolutions concerning the disclosure of Management Board compensation. It also discussed personnel-related issues, the focus being on unlocking future opportunities in defined growth markets.

Resolutions required with regard to these issues were discussed and passed by the plenum of the Supervisory Board.

ANNUAL FINANCIAL AND CONSOLIDATED FINANCIAL STATEMENTS

The accounts of SIMONA AG for the 2016 financial year were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, appointed as auditor by the Annual General Meeting of Shareholders on 10 June 2016. Before proposing PricewaterhouseCoopers Aktiengesellschaft as auditor to the Annual General Meeting of Shareholders, the Chairman of the Supervisory Board had obtained confirmation from PricewaterhouseCoopers Aktiengesellschaft that there were no circumstances which might prejudice its independence as an auditor. The auditor conducted an audit and furnished an unqualified audit opinion with regard to the financial statements and management report of SIMONA AG and the consolidated financial statements and Group management report, which was combined with the management report of SIMONA AG, as well as the explanatory report by the Management Board in respect of disclosures under Section 289(4) and 315(4) HGB in conjunction with the accounting records. The financial statements mentioned above, the audit reports and the Management Board's proposal for the appropriation of the unappropriated surplus were submitted to all Audit Committee and Supervisory Board members in good time. At the Supervisory Board meeting on 20 April 2017, the independent auditor furnished detailed information about all material conclusions of the audit and answered all questions put forward by the Supervisory Board in a detailed and comprehensive manner. The Supervisory Board independently examined the financial statements and management report of SIMONA AG as well as the consolidated financial statements and the Group management report, which has been combined with the management report of SIMONA AG, as prepared by the Management Board, in addition to the explanatory report by the Management Board in respect of disclosures required under Section 289(4) and Section 315(4) HGB, the audit reports issued by the independent auditor and the proposal put forward by the Management Board with regard to the appropriation of profit. The Supervisory Board raised no objections upon conclusion of this final examination. The Supervisory Board concurs with the findings of the audit conducted by the independent auditor and approved the company's financial statements, which are thereby adopted pursuant to Section 172 sentence 1 AktG, as well as the consolidated financial statements at its meeting on 20 April 2017. It also approved the report by the Supervisory Board. Furthermore, the Supervisory Board concurs with the Management Board's proposal for the appropriation of profit, which stipulates that the reported unappropriated surplus of €13,590,593.51 be appropriated as follows:

a) Payment of a dividend of €12.00 per share, payable on 14 June 2017: €7,200,000.00
b) Amount to be carried forward to new account: €6,390,593.51.

The Supervisory Board would like to thank the Management Board as well as all members of staff. Showing a tremendous sense of commitment in a highly competitive climate, they put in a strong performance that contributed directly to SIMONA's very solid performance in the annual period under review. At the same time, the Supervisory Board would like to thank the Group's customers and business partners for the trust placed in SIMONA and for the good working relationship maintained during this period.

Kirn, 20 April 2017

THE SUPERVISORY BOARD
Dr. Rolf Goessler, Chairman

Combined Management Report for the 2016 Financial Year

This management report combines the Group management report and the separate management report of SIMONA Aktiengesellschaft, Kirn (referred to also as SIMONA AG, SIMONA or company) (Section 315(3) in conjunction with Section 298(3) of the German Commercial Code – HGB). This combined management report has been published instead of a Group management report in the annual report of the SIMONA Group. It includes details relating to the course of business, including performance, as well as the position and expected development of the Group and SIMONA AG. Information pertaining to SIMONA AG has been included in the business review that can be found in a separate section with details presented in accordance with provisions set out in the German Commercial Code (Handelsgesetzbuch – HGB).

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1 Group business model

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

Key sales markets

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

The SIMONA Group markets its products worldwide. The primary reporting segments are categorised according to the following regions:

- Europe
- Americas
- Asia and Pacific

The secondary classification is based on product areas:

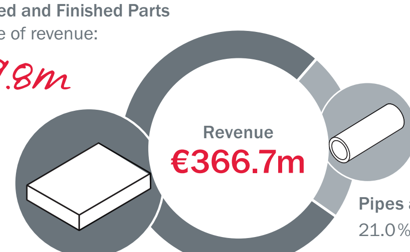
- Semi-finished and finished parts
- Pipes and fittings

Production and sales locations

Sales activities at Group level are conducted by SIMONA AG and subsidiaries in the United Kingdom, Italy, France, Spain, Poland, the Czech Republic, Russia, Hong Kong, China, India and the United States, both directly and via trading partners. Beyond this, SIMONA AG operates a sales office in Möhlin, Switzerland. It contributes around 3 per cent to Group sales revenue. The parent company, SIMONA AG, has its registered office in 55606 Kirn (Germany). In the period under review, the SIMONA Group operated three facilities in Germany and four plants located abroad. Semi-Finished Products (sheets, rods, welding rods) are manufactured at two plants in Kirn (Rhineland-Palatinate), while pipes, fittings and finished parts are produced at a facility in Ringsheim (Baden-Württemberg). The plant in Litvinov (Czech Republic) produces pipes and sheets, while the site in Jiangmen (China) manufactures sheets. The facility operated by SIMONA AMERICA Inc. in Archbald (Pennsylvania, USA) mainly produces sheet products. Additionally, Boltaron Inc. produces thermoplastic sheets at its plant in Newcomerstown (Ohio, USA), which are primarily used for aircraft interiors and in the building sector.

REVENUE BY PRODUCT AREA (in €m)

Semi-Finished and Finished Parts
79.0 % share of revenue:
€289.8m



Pipes and Fittings
21.0 % share of revenue
€76.9m

Management and supervision at SIMONA AG

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

The Supervisory Board included the following members in the financial year under review: Dr. Rolf Goessler (Chairman), Roland Frobel (Deputy Chairman), Dr. Roland Reber and Joachim Trapp as well as Jörg Hoseus (Employee Representative) and Gerhard Flohr (Employee Representative).

1.2 Objectives and strategies

Focusing invariably on customer value, the SIMONA Group sees itself as a global solution provider for plastics applications. Superior operations technology and premium-quality products together with reliable, efficient and speedy processes are hallmarks of SIMONA. The SIMONA Group is committed to steady growth in revenues and earnings, while pursuing business expansion on its own terms and remaining independent. The goal for the medium term remains SIMONA500, i.e. annual Group sales of €500 million. Revenue growth is to be achieved organically and through acquisitions. The Group's long-term goal is to achieve an EBIT margin of 6–8 per cent.

SIMONA has defined three core strategic objectives for the purpose of meeting its revenue and earnings targets:

- Enhanced innovatory abilities
- More pronounced growth in the emerging markets
- Operational excellence

The aim is for SIMONA to grow within its core market of Europe in particular, the emphasis being on new fields of application and new markets. With this in mind, the Business Development structure agreed in 2015 with regard to the market segments Construction, Agriculture and Mobility was implemented in the period under review, which included the appointment of staff members to the respective functions. The Technology Centre opened in 2016 has added to the company's R&D capabilities. It also brings together at a single location the various departments involved in the process of innovation. Efforts to develop new products are being stepped up around the globe. Among the prime examples are applications within the area of mobility being spearheaded by Boltaron Inc., our subsidiary in the United States, or the market for pipes and fittings in Asia. As for the emerging markets, SIMONA is increasingly looking to establish a local presence in these regions. With this in mind, a subsidiary company was founded in India in 2016 in order to better exploit the potential for polymer applications in this burgeoning market. In addition, SIMONA introduced sales and distribution structures for pipes and fittings in Asia. When it comes to operational excellence, the objective set is to raise productivity levels gradually at all plants and in all processes. In 2016, the Semi-Finished and Finished Parts division in particular made further progress in this area.

1.3 Internal management system

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

The analysis and assessment of earnings performance by SIMONA is conducted primarily with the help of sales revenue as well as the two financial indicators EBIT and EBITDA. EBIT represents the operating result before interest and taxes as well as income from investments. EBITDA (earnings before interest, taxes, depreciation and amortisation as well as investment income) represents an approximation for cash flow from operating activities, as non-cash depreciation/write-downs of property, plant and equipment as well as amortisation/write-downs of intangible assets are added to the EBIT figure.

Reconciliation from IFRS to HGB of EBIT generated by SIMONA AG is mainly as follows:

in €m	2016	2015
EBIT under IFRS	13.6	15.2
Change in inventories	1.8	–0.8
Staff costs (pensions)	2.5	2.4
Depreciation/amortisation/write-downs of intangible assets and property, plant and equipment	1.3	1.1
Other changes	–0.4	–1.0
EBIT under HGB	18.8	16.9

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

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

1.4 Research and development

Research and development is subdivided into the areas of Formula Development, New Products & Applications and Process Development. Innovation Circles apply the Stage-Gate process to evaluate and prioritise new product ideas, before pursuing market roll-out. The indicator used in this area is the share of recent products (no older than three years) in total sales revenue, which was further increased over the course of 2016.

The new Technology Centre at the Group headquarters in Kirn was officially opened in July 2016. The event was attended by the state premier of Rhineland-Palatinate, Malu Dreyer. The Technology Centre has commenced full operations. Its goal is to enhance the Group's capabilities as an innovator with the help of more expansive R&D capacities, lean structures, a high degree of knowledge transfer and a broader choice of materials.

The product range offered by the Semi-Finished and Finished Parts division was extended to include the high-performance plastic PFA (perfluoroalkoxy), which is used primarily in the chemical and electroplating sector, in the semiconductor industry and in the area of energy and environmental technology. The third generation of twin-wall sheets was unveiled at the world's leading plastics trade fair, "K", in October 2016 and is to be launched onto the market during the second quarter of 2017. These sheets combine excellent efficiency with superior stability. SIMONA also showcased the prototype of a wear protection sheet at the "K" trade show in Düsseldorf. This is a multilayer sheet made of PE-HD. Featuring a functional wear layer, it has been designed mainly for applications in the area of bulk materials handling. Committed to building on its expertise as engineering consultants in the core "Industry" market, SIMONA launched the tank calculation program "SmartTank" in the period under review. Using state-of-the-art methods and featuring a user-friendly project management function, the application is capable of calculating cylindrical and rectangular tanks in accordance with DVS (Deutscher Verband für Schweißen und verwandte Verfahren) requirements.

In the Pipes and Fittings division, the focus was on establishing and expanding the market segment of mining (pilot projects with multilayer piping system AP-Line) and repair/rehabilitation (PP interconnecting modules for Tight-in-Pipe method, extension of fittings range). Efforts within the area of injection moulding were stepped up by channelling funds into multi-tools among other things.

Expenses attributable to research and development within the Group amounted to €3,950 thousand in the period under review (previous year: €3,608 thousand). These expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment.

2. BUSINESS REVIEW

2.1 Macroeconomic and sector-specific environment

According to data presented by the International Monetary Fund (IMF), the global economy is likely to have grown by 3.1 per cent in 2016, which is comparable to the rate of growth recorded in the previous year. Industrial output in the advanced economies rose by just two per cent, while the emerging countries recorded growth of four per cent. The situation was dominated by sluggish demand-side momentum and a sustained dip in investment spending. At the same time, there were hardly any gains made with regard to productivity.

Germany again recorded solid economic growth. According to preliminary data presented by the Federal Statistical Office, price-adjusted GDP rose by 1.9 per cent (2015: 1.7 per cent). As in the past, growth was driven by private and public-sector consumption. At the same time, however, investments within the area of construction (+3.1 per cent) and machinery/equipment (+1.7 per cent) also contributed to growth. The number of people in employment reached 43.5 million, the highest level since 1991. Growth in the eurozone as a whole was also stable. Based on initial projections by the European Commission, GDP for the 19 member states within the euro area rose by 1.7 per cent (2015: 1.6 per cent). Alongside Germany, Spain proved to be a key growth driver with economic growth of 3.0 per cent. The economies of France (+1.1 per cent) and Italy (+1.0 per cent) remained sluggish.

The rate of growth in the United States, meanwhile, fell short of expectations. While the US economy continued on a path of moderate recovery, the scale of expansion is thought to be minuscule. After two weak first quarters growth for the year as a whole is likely to stand at around 1.5 per cent. Low energy prices in the first half of the year, a strong dollar and anaemic capital expenditure on machinery and equipment are among the key influencing factors.

According to preliminary data, the Chinese economy expanded by 6.7 per cent in real terms. Benefiting from monetary and fiscal policy measures at the beginning of the year, it continues to develop in line with government targets. The country is in the midst of a structural transition towards services and a stronger focus on domestic consumption. Private investment rose by a mere three per cent, whereas state-led capital expenditure on infrastructure projects increased by around 20 per cent.

Germany's plastics processing industry put in a solid performance in 2016. According to data presented by the Association of the Plastics Processing Industry, total revenue within this sector expanded by 3.2 per cent to €60.8 billion. The overall volume of plastics processed was also higher than in the previous year, rising by 3.6 per cent to 14.1 million tonnes. At 3.6 per cent, foreign sales rose much faster than those from domestic business (2.8 per cent). In terms of sub-sectors, Construction (+4.7 per cent) and Packaging (+4.4 per cent) were the most prominent growth drivers. 61 per cent of member companies surveyed by the Association of the Plastics Processing Industry reported an increase in revenues for 2016. At the same time, however, the number of those stating that revenues had fallen rose sharply from 11 to 19 per cent.

Chemical production in Germany proved lacklustre in 2016, with preliminary data issued by industry association Verband der chemischen Industrie e.V. suggesting growth of 0.5 per cent in output. Revenues generated in this industry were approx. 3 per cent lower year on year due to price reductions associated with chemicals and pharmaceuticals. Revenue from domestic sales declined by 4 per cent, while foreign sales fell by 2.5 per cent.

Production output in Germany's mechanical and plant engineering industry remained stagnant in 2016. Based on preliminary data presented by the Federal Statistical Office, production fell by 0.2 per cent in real terms. The German Engineering Association (VDMA) cites increasing investor scepticism in the second half of the year as a key determinant. A downturn in China and the United States – in some cases severe – was offset by business in Europe and a number of smaller markets.

Revenues generated in the German construction industry rose by 6.3 per cent year on year in 2016. This positive performance was underpinned above all by public-sector projects and construction work in the housing sector. Growth in the area of public-sector construction stood at 6.4 per cent, while the housing sector expanded by 8.5 per cent. The commercial building sector suffered a sharp downturn in order intake in November. The month of December proved much more dynamic, as a result of which revenue generated over the year as a whole increased by 3.9 per cent.

The market for aircraft interiors expanded by 4 per cent in 2016 according to data issued by market intelligence agency Counterpoint. This industry continued to benefit from higher passenger throughput, particularly in Asia.

2.2 Course of business – SIMONA Group

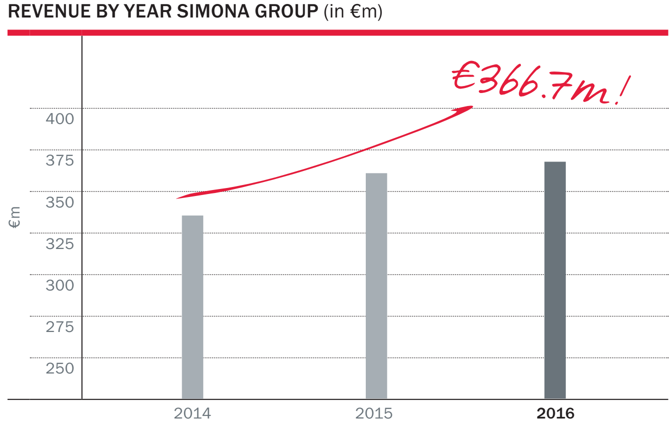
Sales revenue totalled €366.7 million in the 2016 financial year (previous year: €360.3 million). This corresponds to an increase of 1.8 per cent. The direction taken by revenue was dominated by a slight downturn in business in Europe, a gradual recovery in the challenging Asian markets and a strong performance in North America. Competitive forces remained intense for all sales regions and product groups. The Group slightly exceeded its revenue forecast of €355–365 million for the 2016 financial year, as presented in the previous year's Group management report. This was due primarily to an extremely solid performance in the United States. The revenue guidance figures (€360–370 million) presented in the Group interim report for the first half and the press release for the third quarter were met.

Based on Group earnings before interest and taxes (EBIT) of €30.2 million (previous year: €26.7 million), the budgeted EBIT margin (4–6 per cent) as well as the prior-year figure of 7.4 per cent were exceeded by a substantial margin and stood at 8.2 per cent in 2016. EBITDA rose from €40.1 million a year ago to €43.9 million at the end of the reporting period. The EBITDA margin stood at 12.0 per cent, compared to 11.1 per cent for the same period a year ago.

At 11.7 per cent, Group ROCE was up on the prior-year figure (10.5 per cent) as well as the figure originally forecast.

Earnings growth was fuelled in particular by more expansive revenues in the Americas segment and an improved product mix. In terms of expense items, higher other expenses exerted pressure on earnings.

REVENUE BY YEAR SIMONA GROUP (in €m)



Europe

Revenue from sales in the region encompassing "Europe" fell by 1.5 per cent to €257.3 million (previous year: €261.3 million), particularly on account of a decline in business within the Pipes and Fittings division. Germany recorded a slight downturn in revenue of 0.2 per cent. Revenue growth continued in Spain as the local economy maintained its forward momentum. Business in France was adversely affected by the country's sluggish economic performance. The downturn recorded in Russia was offset by moderate revenue growth in Eastern Europe. Owing to the expansion in revenue from sales in the "Americas", the share of total revenue attributable to Europe fell further in the period under review, down from 72.5 per cent to 70.1 per cent. EBIT recorded in the segment categorised as "Europe" declined from €18.3 million in the previous financial year to €17.2 million in the period under review.

Americas

The region comprising the "Americas" saw sales revenue increase by 10.3 per cent to €90.1 million in total (previous year: €81.7 million). The company recaptured market share in the area of Industrial Products and managed to exceed the figures defined in its budget. Business at the subsidiary Boltaron Inc., with its Aviation and Specialty Products division, continued to develop well and was again above budget. This region accounted for 24.6 per cent of total sales revenue, up from 22.7 per cent. The "Americas" segment produced EBIT of €14.4 million (previous year: €9.1 million) in the period under review. The US plants again succeeded in raising their productivity levels.

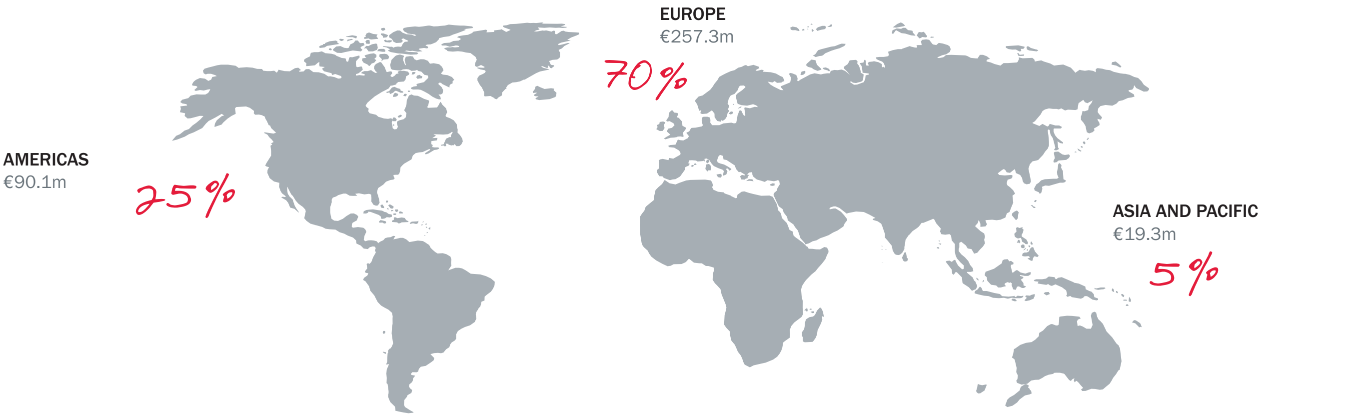
Asia and Pacific

The region covering "Asia and Pacific" saw sales revenue expand by 11.5 per cent to €19.3 million. Business was particularly buoyant in the fourth quarter of 2016. The region as a whole accounted for 5.3 per cent of total revenue, up from 4.8 per cent a year ago. The "Asia and Pacific" segment posted a loss before interest and taxes of €1.2 million (previous year: loss of €0.3 million), which was attributable mainly to currency effects (€–0.8 million).

Sales revenue by product area

The product area comprising Semi-Finished and Finished Parts developed well in 2016. Sales revenue rose by 4.7 per cent to €289.8 million (previous year: €276.9 million). Despite the loss of a key account, the product group consisting of extruded sheets managed to generate growth in the period under review. Business within the product area of pressed sheets and solid rods also

REVENUE BY REGION SIMONA GROUP (in €m)



expanded. In the case of PVC sheets, new fields of application provided a boost to both foamed and compact products. Business relating to semi-finished products used in aircraft interiors remained dynamic. The core area of business centred around chemical tank and equipment engineering was strengthened further by a new range of products made of fluoroplastics. It, too, generated growth in the period under review, despite the continued lack of major projects in this field.

The product area covering Pipes and Fittings was adversely affected by anaemic infrastructure business, particularly in the second half of the year. The crisis within the energy sector and sustained collapse of crude oil prices proved detrimental to investment behaviour in the district heating and lignite markets. The product groups PE pipes and fittings were unable to isolate themselves from this general market trend. Business was up slightly in the area of industrial pipes and also – supported by projects – with regard to rail drainage systems and pipeline rehabilitation. In total, the area of Pipes and Fittings saw revenue fall by 7.9 per cent to €76.9 million (previous year: €83.4 million).

Orders

Order backlog within the Group amounts to €30.4 million (previous year: €28.0 million); of this figure, €17.9 million (previous year: €17.6 million) was attributable to SIMONA AG.

2.3 Financial performance

Earnings

Benefiting from the positive direction taken by business, Group earnings before interest, taxes and income from investments (EBIT) increased by 12.9 per cent, from €26.7 million to €30.2 million. After 7.4 per cent in 2015, the EBIT margin rose to 8.2 per cent in the period under review.

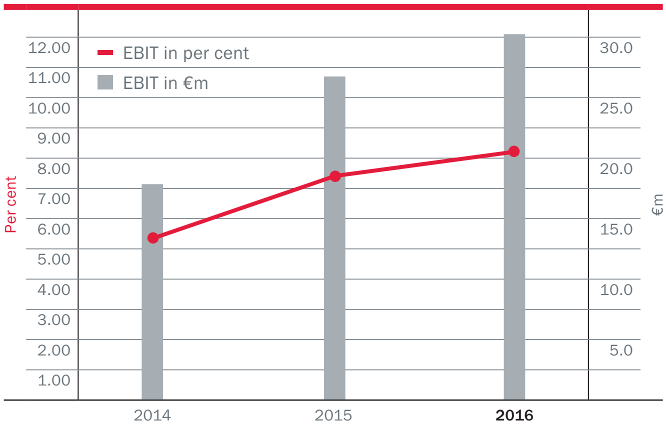
Supported by revenue growth, gross profit (revenue, other income, change in inventories of finished goods and work in progress less cost of materials) rose by €7.5 million to €178.4 million in 2016, which corresponds to 48.7 per cent of revenue (previous year: 47.4 per cent).

In this context, a decrease in inventories of €0.1 million (previous year: increase in inventories of €1.7 million) was accounted for in the income statement.

Other income totalled €8.6 million (previous year: €11.1 million). This figure includes gains of €3.7 million (previous year: €8.3 million) arising from changes in foreign exchange rates. Having accounted for foreign exchange losses recognised in other expenses, the net foreign exchange gain was €1.3 million (previous year: €4.7 million).

The cost of raw materials fell slightly over the course of 2016. The cost of materials was €196.7 million (previous year: €202.2 million); while revenue grew, the cost of materials fell by 2.7 per cent

EBIT PERFORMANCE SIMONA GROUP



year on year. This was attributable primarily to the direction taken by commodity prices and the downturn in business within the area of Pipes and Fittings. Energy-related costs were lower than in the previous year.

Staff costs stood €72.4 million (previous year: €70.8 million), up 2.3 per cent on last year's figure. The year-on-year change was mainly the result of an increase in expenses relating to management and staff bonuses.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €13.7 million (previous year: €13.4 million).

Other expenses rose by 3.6 per cent to €62.2 million. The year-on-year increase was due primarily to higher expenses for maintenance, advertising, exhibitions and packaging material. By contrast, expenses attributable to outward freight and foreign currencies were lower in the period under review.

In line with higher pre-tax profit, taxes on income rose from €7.5 million in 2015 to €8.6 million in the reporting period. At 30.6 per cent, the Group tax rate was up slightly on last year's figure of 30.2 per cent.

Segment-specific disclosures

With the exception of the United Kingdom – mainly as a result of currency effects – the individual sales companies within the segment covering Europe made a positive contribution to earnings. In particular, the earnings contributions made by the subsidiaries in Russia and Poland were, in part, substantially higher year on year. Compared with the previous year, the production company in the Czech Republic made a larger contribution to earnings in 2016. Material-related expenses were lower, down from €153.9 million in the previous year to €148.2 million in the period under review, primarily as a result of a decline in revenue from sales in the Pipes and Fittings product area. Staff costs rose by 1.1 per cent to €54.9 million. Other expenses rose by €1.3 million to €42.5 million.

The subsidiaries operating within the Americas segment saw their contributions to earnings expand significantly in the financial year under review. Despite the increase in sales revenue, material-related expenses were scaled back from €42.3 million in the previous year to €41.6 million in the period under review. Staff costs increased by 7.0 per cent to €15.1 million. Other expenses rose by €1.2 million to €16.3 million.

Overall, the sales companies in the segment covering Asia and Pacific saw a downturn in earnings compared to the previous year, despite benefiting from growth in revenue. This was attributable primarily to declining profit margins. The plant in China fell short of the break-even mark in 2016, with earnings before interest and taxes (EBIT) remaining in negative territory. Currency effects proved to be the main factor. EBITDA, by contrast, continued to improve. Staff costs, write-downs and other expenses were comparable to the figure recorded in the previous financial year.

2.4 Financial position

As at 31 December 2016, total assets at Group level were up substantially by €44.6 million to €363.0 million. This was attributable primarily to KfW funding received by the Group.

Changes to assets

As in the previous financial year, intangible assets totalled €33.9 million; they mainly consist of goodwill relating to the entities acquired in the United States.

Property, plant and equipment amounted to €116.7 million (previous year: €113.8 million). The year-on-year change was attributable primarily to the addition of the Technology Centre in Kirn. Investments in property, plant and equipment totalled €15.5 million at Group level. Depreciation and write-downs of property, plant and equipment amounted to €12.3 million.

Deferred tax assets rose from €4.4 million a year ago to €7.6 million in the period under review, primarily due to utilisation of loss carryforwards in respect of the US subsidiaries.

Inventories totalled €69.2 million (previous year: €66.9 million). At €26.2 million, inventories of raw materials, consumables and supplies were unchanged year on year. Finished goods and merchandise rose by €2.5 million to €41.4 million.

At €52.2 million, trade receivables remained largely unchanged year on year.

Current and non-current other assets and tax assets totalled €3.4 million (previous year: €6.3 million). This item includes the entitlement of SIMONA AG, capitalised at its present value, relating to corporation tax credits of €0.8 million (previous year: €1.4 million).

Other financial assets fell to €0.8 million (previous year: €4.0 million), primarily as a result of short-term financial arrangements.

Assets held for sale stood at €3.8 million (previous year: €4.7 million) and are attributable to property, plant and equipment in the United States. The property in France, containing offices and a storage facility, was sold in the period under review.

Changes to equity and liabilities

The Group strengthened its equity further compared to the previous financial year, in addition to seeing an increase in non-current liabilities.

At the end of the financial year, Group equity amounted to €192.0 million (previous year: €182.6 million). This figure primarily includes annual profit of €19.5 million and a dividend payment of €6.0 million in 2016. The revaluation of pension provisions due to the reduction in the IAS actuarial interest rate had an impact on Group equity, equivalent to €5.1 million. The Group's equity ratio fell from 57 per cent to 53 per cent due to the higher balance sheet total.

Current and non-current provisions for pensions had to be revalued mainly in response to the reduction in the IAS actuarial interest rate from 2.30 per cent a year ago to 1.80 per cent. The figure recognised in the period under review was €103.3 million in total (previous year: €91.4 million).

At €15.1 million, trade payables were higher year on year (previous year: €11.7 million) due to factors relating to the end of the reporting period.

Other non-current and current financial liabilities totalling €3.4 million (previous year: €5.6 million) mainly relate to purchase price payments outstanding in connection with corporate acquisitions.

Other liabilities totalled €14.5 million in the period under review (previous year: €13.6 million) and were attributable primarily to management and staff bonus payments as well as deferrals/accruals relating to invoices and credit notes yet to be received.

In total, non-current (€2.7 million) and current (€1.6 million) other provisions were slightly lower than in the previous financial year.

Investments

Group capital expenditure on property, plant and equipment amounted to €15.5 million (previous year: €16.0 million). This mainly relates to investments in the segment covering "Europe", the emphasis being on the new Technology Centre at the company's headquarters as well as technical and office equipment at sites in Germany and the United States. Additionally, a logistics facility was built at the company's production site in Asia. In total, net investments in property, plant and equipment amounted to €3.1 million at Group level (previous year: €4.0 million).

2.5 Financial management and cash flows

Principles and aims of financial management

The primary goal of financial management is to safeguard the financial strength of the SIMONA Group. In this context, the most important aspect is to meet the Group's financial requirements relating to its operational business and its investing activities to a sufficient degree. Financial management is centrally organised within the Group. To a large extent, SIMONA covers the liquidity required within the Group by means of internal Group funding via loans or similar arrangements. Additionally, firmly agreed lines of credit are in place in various currencies and maturities. Excess cash resources are invested in the money or capital markets by applying an approach that is optimised in terms of both risk and returns.

Financing analysis

Non-current financial liabilities rose significantly, by €18.3 million to €22.1 million. They were attributable to KfW loans taken out by the company, producing an inflow of funds in the fourth quarter in particular. Current financial liabilities amounted to €3.4 million at the end of the reporting period (previous year: €2.9 million), which were attributable mainly to short-term KfW loans (previous year: €0.4 million).

No derivative financial instruments were recognised as at 31 December 2016.

At the end of the reporting period the Group had undrawn lines of credit totalling €18.9 million (previous year: €42.8 million). The year-on-year reduction was due to KfW funds drawn by the company.

Cash flows

In the period under review the inflow of cash from operating activities (gross cash flow) was €42.2 million (previous year: €37.3 million). Net cash used in investing activities totalled €–11.7 million (previous year: €–22.1 million). Net cash from financing activities was €12.4 million (previous year: net cash used in financing activities of €–5.7 million) and mainly consisted of an inflow of KfW funds and an outflow in connection with dividend payments.

Cash and cash equivalents

The Group's cash and cash equivalents totalling €74.8 million (previous year: €31.9 million) mainly consist of short-term bank deposits. The year-on-year swing of €42.9 million (previous year: €10.6 million) was mainly the result of net cash from operating and financing activities as well as net cash used in investing activities. These changes are presented in detail in the statement of cash flows.

Financial obligations

Current obligations included €15.1 million (previous year: €10.7 million) for contracts already awarded in connection with investment projects and €12.9 million in respect of purchase orders for raw materials. Other financial obligations totalling €2.5 million (previous year: €1.0 million) were attributable to operating rental and lease agreements. Of this total, an amount of €0.6 million is due within one year.

Net finance cost

Based on finance income of €0.2 million and finance cost of €2.4 million, net finance cost amounted to €–2.2 million in the period under review (previous year €–2.0 million).

2.6 Course of business – SIMONA AG

Sales performance at SIMONA AG was influenced by a moderate upturn in business within the area of Semi-Finished and Finished Parts on the one hand and a general lack of momentum in the market for Pipes and Fittings on the other.

Sales revenue totalled €254.5 million in 2016 (previous year: €256.0 million). This corresponds to a slight decline in revenue of 0.6 per cent. Thus, the company fell short of its original revenue target of €263 million. With the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG) coming into effect, the company recognised, for the first time, revenue of €1.0 million from services (previous year: €0.8 million) in sales revenue for Germany. This item had previously been accounted for in other operating income.

Germany

Sales revenue in Germany fell by 0.7 per cent to €96.7 million (previous year: €97.5 million), primarily as a result of the dip in business within the area of Pipes and Fittings.

Rest of Europe & Africa

At €140.9 million, revenue generated from sales in the region covering the Rest of Europe & Africa was just under the prior-year figure of €141.7 million.

Americas

The region comprising the Americas saw sales revenue decline by 10.4 per cent to €4.2 million in total (previous year: €4.7 million).

Asia and Pacific

Revenue from sales in the Asia and Pacific region grew by 3.7 per cent to €12.6 million.

Sales revenue by product area

In the product area comprising Semi-Finished and Finished Parts sales revenue increased by 2.0 per cent to €179.9 million (previous year: €176.4 million). Revenue from the product area comprising Pipes and Fittings fell by 7.7 per cent, down from €79.7 million to €73.6 million.

SIMONA AG earnings declined year on year. Earnings before interest and taxes (EBIT), calculated on the basis of IFRS, totalled €13.6 million (previous year: €15.2 million), while the EBIT margin stood at 5.2 per cent (previous year: 6.0 per cent). The company achieved its budgeted EBIT margin (4 to 6 per cent). EBITDA, calculated on the basis of IFRS, fell from €23.2 million in the previous year to €21.5 million in 2016. The EBITDA margin stood at 8.5 per cent, compared to 9.1 per cent for the same period a year ago (budgeted EBITDA margin of 7 to 8 per cent). At 9.3 per cent, ROCE (based on IFRS) remained below the prior-year figure of 10.6 per cent but exceeded the ROCE target set by the company (7 to 9 per cent).

The decline in EBIT and EBITDA was attributable primarily to the lower net result from currency translation as well as higher expenses in connection with sales and administration. In total, business performance was satisfactory during the 2016 financial year.

2.7 Review of financial position, performance and cash flows of SIMONA AG

Earnings performance

At €105.0 million, gross profit (sales revenue less cost of material) was higher than in the previous year (€101.0 million). Thus, the gross profit margin improved from 39.5 per cent a year ago to 41.3 per cent in the period under review. The cost of material declined in line with lower sales revenue in the area of Pipes and Fittings and as a result of lower energy costs.

Other operating income totalled €3.9 million (previous year: €5.1 million). This figure includes gains of €1.5 million (previous year: €2.3 million) from currency translation.

Staff costs amounted to €46.7 million, thus remaining largely unchanged year on year. This was attributable to higher expenses in connection with staff bonuses as well as lower expenses relating to social security and old-age provision.

Depreciation/write-downs of property, plant and equipment and amortisation/write-downs of intangible assets amounted to €6.6 million (previous year: €6.9 million).

At €39.1 million, other operating expenses were up on last year's figure (€36.5 million). Expenses were higher primarily in the areas of advertising, packaging material and consulting services. By contrast, expenses relating to outward freight were lower.

As in the previous year (€3.1 million), write-ups of €9.2 million in respect of financial assets relate to interests held in SIMONA AMERICA Inc., USA.

Write-downs of €6.2 million (previous year: €5.3 million) relating to financial assets were attributable to loans granted to SIMONA ASIA Ltd., Hong Kong.

Interest and similar expenses were €4.2 million (previous year: €3.4 million) and consisted primarily of expenses relating to the unwinding of the discount, i.e. interest cost, of pension provisions (€3.9 million, previous year: €3.2 million). Due to the adoption of Section 253 of the German Commercial Code (Handelsgesetzbuch – HGB) in the version that transposes the Directive on Credit Agreements for Consumers Relating to Residential Immovable Property and amends statutory requirements under German commercial law, interest expense was down €6.1 million in the reporting period (previous year: €2.9 million). This was due to the fact that the period specified for the purpose of determining the average interest rate used to discount pension obligations was extended from 7 to 10 years.

Earnings before interest and taxes (EBIT), calculated on the basis of the German Commmercial Code (Handelsgesetzbuch – HGB), totalled €18.8 million in the period under review (previous year: €16.9 million), as a result of which the EBIT margin stood at 7.4 per cent (previous year: 6.6 per cent). EBITDA rose from €23.7 million a year ago to €25.5 million at the end of the reporting period. At 10.0 per cent, the EBITDA margin was up on last year's figure of 9.3 per cent. Profit after taxes stood at €15.2 million. Earnings performance in the financial year under review was dominated in particular by a higher gross profit as well as higher other operating expenses.

Assets

Total assets attributable to SIMONA AG rose by €38.1 million to €275.6 million.

At €139.3 million, non-current assets remained unchanged year on year.

Property, plant and equipment increased by €2.8 million to €55.0 million, which was mainly due to the construction of a new Technology Centre in Kirn.

Interests in affiliated companies rose from €46.1 million to €55.6 million. This was attributable primarily to a write-up relating to the investment in the US subsidiary (€9.2 million).

Loans to affiliated companies, amounting to €28.1 million (previous year: €40.1 million), relate to subsidiaries in the Americas and Asia. The subsidiary in the United States repaid loans of €6.3 million in the reporting period. Loans to the subsidiary in Asia were written down by €6.2 million.

In total, inventories increased by €4.2 million to €34.8 million. They include raw materials (€13.0 million), work in progress (€0.4 million) and finished goods (€21.3 million). Inventories of finished goods rose by €2.1 million compared to the previous financial year.

Trade receivables fell to €23.7 million in the period under review (previous year: €24.3 million). At €14.3 million, receivables from affiliated companies – comprising loans and goods deliveries – were down by €3.6 million year on year. This reduction was due primarily to the repayment of loans.

Other assets were down by €1.0 million year on year to €3.0 million.

In total, receivables and other assets stood at €41.4 million at the end of the financial year, down from €46.8 million in the previous year.

Cash and cash equivalents rose from €20.4 million a year ago to €59.5 million at the end of the reporting period, an increase of €39.1 million. The expansion in cash and cash equivalents was attributable mainly to the inflow of KfW funds and to operating activities.

Equity and liabilities

SIMONA AG's equity rose from €162.5 million a year ago to €171.6 million as at the end of the 2016 financial year. Despite this, the equity ratio fell from 68 per cent a year ago to 62 per cent in the period under review. The latter was attributable mainly to the inflow of KfW funds, which prompted an increase in the balance sheet total.

SIMONA AG pursues a policy of consistent dividend payments based on the performance of Group profit calculated in accordance with IFRS and an average dividend ratio that is stable over the long term. As in the past, the dividend payout is to be funded from free cash flow.

Provisions totalled €58.7 million (previous year: €54.4 million). In total, allocations to provisions for pensions were increased by €2.8 million compared to the previous year and stood at €46.4 million at the end of the reporting period. The higher allocation is attributable primarily to a reduction in the discount rate to 4.01 per cent (previous year: 4.31 per cent). Other provisions totalled €11.5 million (previous year: €9.7 million).

Total liabilities rose by €24.7 million to €45.2 million in total.

At €7.6 million, trade payables were up €0.3 million on the prior-year figure. Liabilities towards affiliated companies amounted to €9.8 million (previous year: €4.1 million), which relate mainly to goods deliveries from the subsidiary in the Czech Republic.

Bank borrowings totalled €25.6 million (previous year: €6.8 million) and were attributable to long-term KfW loans. At the end of the period under review no funds had been drawn from the short-term global credit facility (previous year: €2.5 million).

The KfW loans are subject to fixed interest rates, with quarterly debt repayments scheduled under the terms of the agreement. The funds are to be used to finance long-term innovation programmes in Germany. The global credit facility is subject to interest on the basis of EONIA (Euro OverNight Index Average rate) plus a fixed premium calculated on an arm's length basis; these borrowings can be denominated in euros or a foreign currency.

At the end of the reporting period, SIMONA AG had undrawn borrowing facilities of €16.0 million.

Investments

Capital expenditure relating to property, plant and equipment at SIMONA AG amounted to €9.3 million in the period under review (previous year: €10.6 million). This mainly relates to investments in technical equipment at the company sites in Germany as well as the construction of a Technology Centre at the company site in Kirn. In total, net investments (additions less write-downs) amounted to €3.0 million (previous year: €4.0 million). With a planned investment volume of around €2.2 million, the new building located at the Ringsheim site is scheduled for completion in 2017.

Obligations from investment projects already initiated amounted to €10.9 million, while those attributable to raw material orders were €8.6 million; they are financed from operating cash flow.

Analysis of liquidity

Cash and cash equivalents held by SIMONA AG at the end of the reporting period totalled €59.5 million (previous year: €20.4 million), comprising bank deposits denominated in euro and foreign currencies. The year-on-year increase is mainly attributable to an inflow of cash from operating activities and financing activities.

2.8 Non-financial indicators

Customer satisfaction

SIMONA measures customer satisfaction as part of pan-European surveys. Additionally, customers and target groups are surveyed in key markets outside of Europe, such as China and the United States. Based on the results of the most recent pan-European survey, SIMONA further improved overall customer satisfaction from 82.4 per cent in 2013 to 86.7 per cent in the period under review. 88.0 per cent of our customers would recommend our products and services to others (comparative figure: 85.4 per cent). The next customer survey for Europe as a whole is to take place in April 2017.

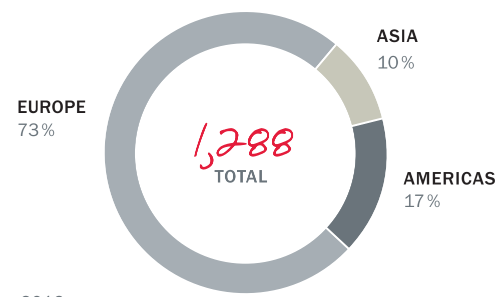
Employees

The SIMONA Group saw a slight increase in its headcount as at the end of the reporting period. As at 31 December 2016, the Group employed 1,288 people (31 Dec. 2015: 1,278). In Germany, the overall number of employees remained largely unchanged. In response to more expansive business, staffing levels in Eastern Europe were increased in the period under review. The headcount in Asia rose following the establishment of a new subsidiary in India. The number of people employed by the Group in the United States was slightly down year on year.

At 789, the number of staff employed at SIMONA AG was largely unchanged when compared to the previous year (31 Dec. 2015: 788).

The headcount of school-leaver trainees rose further, up from the high figure recorded a year ago. In total, 48 (previous year: 42) young people were enrolled in vocational programmes relating to one of eight technical and commercial training courses offered by SIMONA. For the first time, a female school-leaver trainee joined the vocational training programme for Materials Testing in 2016. Twelve young people were enrolled in an integrated/dual work-study degree course supported by SIMONA or sponsored training to become a state-certified technician.

EMPLOYEES BY REGION (SIMONA GROUP)



31 December 2016

Within the area of HR management the focus in 2016 was on personal and professional development, staff satisfaction and projects centred on ergonomics. The emphasis with regard to staff development was on English language courses and the completion of the international Talent Promotion Circle programme for Year 2 candidates. Towards the end of November 2016, SIMONA conducted an extensive staff survey covering all of its sites in Germany. The response rate was solid and revealed a high level of satisfaction in the majority of categories compared to the previous survey and the industry as a whole. As part of the company's occupational health management scheme, the health insurer AOK Rhineland-Palatinate/Saarland and SIMONA agreed a joint programme of "Promoting Health at Work". Additionally, the company coordinated a number of ergonomics projects and organised two Health Days at its Group headquarters in Kirn. SIMONA also made preparations for a qualifications matrix and the introduction of appraisal interviews for industrial staff at Plant II in Kirn. This was implemented at the beginning of 2017.

Quality, environment and energy

The goal of SIMONA's quality management system is to maintain and optimise product and process quality on a continual and sustainable basis. In this context, meeting the requirements of DIN EN ISO 9001, ISO/TS 16949 and the Pressure Equipment Directive 97/23/EC is an essential prerequisite, and full compliance with these standards was again confirmed by independent audits in 2016. SIMONA conducted interdisciplinary quality circle meetings and product audits in the period under review, as well as taking part in various sampling and approval procedures for existing and newly launched projects relating to the automotive supply industry. As was the case in previous years, the pipes and fittings division saw a number of specific product accreditations in response to customer and market requirements. This resulted in several audits as part of which we were able to prove to external auditors the efficacy of the SIMONA management systems as well as the exceptionally high quality of our products and processes.

In October, SIMONA's energy management system implemented in accordance with DIN ES ISO 50001 underwent a successful audit at the company sites in Kirn and Ringsheim. This confirmed the efficiency of the system put in place by the company. December 2016 saw the successful completion of an audit at the plant in Litvinov, Czech Republic.

As a company, SIMONA is aware of its responsibilities towards people and the environment. Therefore, sustainability and environmental compatibility are central issues for SIMONA. The SIMONA Environmental Management System is certified in accordance with DIN EN ISO 14001. When it comes to planning new production processes and manufacturing methods, we are fully committed to intensifying environmental protection as an integral element of our operations. Additionally, durable SIMONA products help to deliver effective solutions in response to market challenges, e.g. with regard to environmental engineering and utilities. SIMONA is an active member of VinylPlus, an organisation that focuses on improving sustainability within the PVC supply chain. Furthermore, SIMONA is a co-initiator and user of the certified quality mark for PVC sheets issued by Industrieverband Halbzeuge und Konsumprodukte aus Kunststoff e. V. (pro-K). Those entitled to use this mark have committed themselves to specific quality standards, in addition to delivering the best possible manufacturing expertise and a premium-quality service.

Information technology

As regards IT infrastructure, the focus in 2016 was on further improving security within the area of information technology. Due to the heightened risk of crypto trojans and other malware, additional security components were installed. A high degree of IT security is achieved with the help of multilevel scans performed by solutions supplied by various vendors and more extensive filter settings. Another focal point was the migration of the company's SAP system to a new system platform. The latest generation of servers and state-of-the-art data storage systems provide the basis for a stable, high-performance ERP system for all SIMONA sites. In the field of IT applications development the emphasis in 2016 was on harmonising operational processes at all production sites within the SIMONA Group. A Manufacturing Execution System (MES) was implemented as a pilot project at the Group headquarters in Kirn.

3. REPORT ON OPPORTUNITIES AND RISKS

According to a study published by Grand View Research, global demand for plastics will expand by 5.3 per cent on average in the coming years, reaching approx. 335 million tons by the year 2020. Demand continues to be driven by the Asia-Pacific region. This is underpinned by more expansive investments in construction and infrastructures throughout Asia as well as growth in private transport. The study points to relatively high levels of market saturation in North America and Europe, where further growth can only be unlocked by means of new technologies and applications. North America is expected to generate average annual growth of 4.3 per cent up to 2020. Market research institute Ceresana predicts that the European plastics market will expand by an average of 2.9 per cent annually up to the year 2022.

The strategy applied by SIMONA is in keeping with these global trends. In Europe, the emphasis is on further strengthening SIMONA's capabilities as an innovator, among other things in the field of high-performance plastics. At the same time, new market segments are to be opened up in the area of construction, mobility and agriculture. It is precisely here that SIMONA sees good opportunities to expand revenue with the help of new products and applications, also in view of the more extensive manufacturing possibilities offered by the new Technology Centre. Within the core segment covering the area of "Industry" the aim is for SIMONA to maintain and strengthen its market position in Europe. With this in mind, the company rolled out a product range featuring fully fluorinated plastics, e.g., PFA (perfluoroalkoxy alkane) and FEP (fluorinated ethylene propylene), and introduced a proprietary software program for tank calculation.

SIMONA is confident that it can expand its Industrial Products business in the Americas region. Given the high level of demand associated with infrastructure projects, this also includes the product categories of pipes and fittings. With passenger numbers rising, investment spending on new aircraft looks set to increase. This presents a good business opportunity for Group company Boltaron Inc., which has directed its portfolio of innovative products – with a vast array of designs, colours and surface finishes on offer – at this specific market.

In the Asia-Pacific region, meanwhile, SIMONA will be looking to benefit from more expansive infrastructure investments, having stepped up its sales activities in this region. SIMONA continues to operate within the premium segment of the market in this region, which has been growing in response to greater environmental awareness and stricter legislation. The subsidiary launched in India in 2016 has now established itself and offers a solid opportunity for the Group to tap the burgeoning plastics market in this country.

The opportunities with regard to SIMONA's business have not changed markedly compared to the previous year. The short-term economic determinants have improved slightly worldwide. By contrast, medium-term structural factors, particularly those influencing investment spending within the industrial sector, an area that is of importance to SIMONA's own business, have possibly deteriorated somewhat. In introducing a Business Development structure and launching its Technology Centre, SIMONA has established solid foundations within the Group in order to unlock opportunities in the plastics market even more effectively than in the financial year just ended.

Significant elements of the internal control and management system

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

The internal control system, which implements specific controls with regard to the financial reporting process, is aimed at providing reasonable assurance that annual financial statements and consolidated financial statements can be prepared in accordance with statutory requirements despite possible risks. As regards financial management, consolidation of the subsidiaries is performed with the help of a system certified in accordance with IDW PS 880. Data is provided via an SAP interface as well as in a Web/Excel format. Several technical validation tasks are performed as soon as the data is transferred. Machine-based and manual process verifications as well as the two-man rule are considered to be key monitoring procedures when it comes to preparing financial statements. Income statements and statements of financial position prepared on a quarterly basis, in addition to the publication of an interim report for the first half of the financial year, provide a good basis for plausibility checks in respect of the annual financial statements.

Risk report

The risk management system includes the full range of guidelines and measures required to identify risk and to manage risk associated with commercial operations. The policies, the structural and procedural organisation as well as the processes of the internal control and risk management system operated in respect of financial reporting have been incorporated in guidelines and organisational instructions. They are revised regularly to account for the latest external and internal developments.

As regards financial reporting and the accounting process, we consider those elements to be of significance to the internal control and risk management system that may potentially influence financial reporting and the overall assessment of the annual financial statements, including the management report. These elements are as follows:

- Measures that safeguard the appropriate IT-based preparation of items and data of relevance to financial reporting
- Monitoring of commodity price trends for accounting-related control of procurement and sales prices within the context of price management

On the basis of a risk map, the risk management system of SIMONA controls the following material risks associated with the Group. The management of opportunities and risks is centred around the aspects of effect and probability of occurrence. Significant individual risks are considered to be those displaying a medium risk profile with an expected value in excess of €5.0 million when viewed over the medium term. The expected value is computed as the product of the effect/impact and the probability of occurrence; it is used solely for prioritising and focusing risk reporting on issues of material importance. A probability of occurrence of over 50 per cent is considered high, while one of less than 50 per cent is deemed low. SIMONA considers the following individual risks to be material:

- Market environment and sector-specific risks
- Business strategy risks
- Financial risks
- Risks attributable to procurement and purchasing

Market environment and sector-specific risks

The risks associated with the general business environment and the sector in which the company operates relate mainly to the economic performance of customer segments served by SIMONA. They also include exchange rate and commodity price volatility, political conflicts and the availability of raw materials. Among the primary sector-specific risks are the substitution of plastics with other materials, new developments within the competitive environment, the loss of key customers and changes to customer requirements. A diversified product portfolio, thorough monitoring of markets and structured procurement management provide the basis for risk mitigation. Expansion of production in the United States through corporate acquisitions and the plants located in China and the Czech Republic help to raise flexibility levels for the purpose of meeting customer requirements in close proximity to their sites of operation and in a market-driven manner.

The geopolitical risks remain virulent and have become more pronounced. Within the segment covering Europe the refugee situation and the as yet unresolved financial crisis are dominant factors when it comes to business environment and industry-specific risks. In the segment covering the Americas the price of oil, the direction taken by the US dollar and uncertainty about the future political stance taken by the United States are key determinants affecting the wider business environment. There is a risk of a continued decline in industry investment spending due to one of the above-mentioned factors, which could have an adverse effect on our business. As regards the Asia and Pacific segment, the economic performance of China within the industrial sector will have a significant bearing on risk patterns. As regards the aspect of changes to sales markets the expected value for a decline in revenue, in the medium term, has been determined as being approx. €5.0 – 10.0 million with a probability of occurrence of less than 50 per cent at present. Overall, the probability of adverse effects occurring from exposure to sector-specific risks is at present considered low.

Business strategy risks

These encompass the risk of misjudgements with regard to the future direction taken by the market. Measures aimed at risk prevention mainly include close monitoring of the market and competitive environment as well as regular strategy meetings with key accounts and between the company's senior management and sales organisation. The probability of adverse effects occurring from exposure to business strategy risks is at present not considered to be material.

Financial risks

These encompass, above all, currency risks, default risks including risks associated with voidability of insolvency, product liability risks, risks of a change in interest rates and risks associated with the company pension scheme.

The principal aim of financial risk management is to mitigate risks attributable to ongoing operating and finance-related transactions. Depending on the risk, the aim is to restrict individual risks by means of derivative financial instruments and non-derivative hedging instruments.

Dependence on the euro within the Group was scaled back significantly through recent acquisitions and the expansion of manufacturing operations within the US market. At the same, however, currency risk relating to US dollar transactions has now become more pronounced for SIMONA. In the medium term, the probability of occurrence of a dilute or accretive effect on earnings equivalent to €2.0 to 4.0 million is estimated at over 50 per cent. The greatest risk to business performance in 2016 was the subdued state of the economy, particularly in the areas of industrial production and investment spending.

The risk of bad debt losses remains high in particular within the Eastern European market. Within this context, thorough assessments of credit ratings and continuous monitoring within this area help to mitigate risk as a whole as well as risk associated with individually identifiable items. As regards transactions in Russia, a separate directive for the conclusion of business agreements relating to this country is in place for the purpose of limiting associated risks. Default-related risk associated with specific customers is limited by credit insurance and the cut-off of deliveries in the case of outstanding payments. Additionally, the risk exposure relating to voidability of insolvency has increased. The carrying amounts of inventories are assessed on a regular basis, and adjustments in the form of allowances are made for specific unsaleable products.

Risks associated with interest rate changes are currently considered to be low. Interest payable in connection with KfW loans is based on fixed interest rates. The overdraft facility of SIMONA AG, with its floating interest rate calculated on the basis of EONIA (Euro Over-Night Index Average), is not being utilized at present.

The risks associated with occupational pension schemes are considered to be significant and the probability of their occurrence is deemed to be high. Risks that are difficult to gauge in the long term, such as future levels of pay and pensions as well as risks relating to longevity, have been categorised as material. They also include risks or encumbrances that are difficult to predict with regard to liquidity and equity, risks associated with investments and volatility of plan assets as well as fluctuating costs in respect of contributions to the German Pensions-sicherungsverein. The volatility of plan assets is estimated at €3 to 10 million, which is attributable primarily to the share performance of SIMONA AG stock in the last three years.

Risks attributable to procurement and purchasing

These risks relate in particular to the direction taken by commodity prices as well as supply-side disruptions. The prices of raw materials used by the company are mainly determined by the availability of direct input and end products, i.e. they are no longer dependent entirely on the price of oil. There were no significant raw material shortages in 2016 and prices remained relatively stable. Having said that, the price of key additives needed in the production of PVC surged in the period under review and at the end of the year there was growing evidence to suggest that the full range of raw materials would become much more expensive at the beginning of 2017. Thus, we expect to see a further structural upturn in commodity prices over the medium to long term.

Other risks relate to the area of information technology. Information technology risks mainly include the disruption of IT systems, loss of data and attacks on IT systems together with industrial espionage. SIMONA controls these risks by maintaining its own IT department, whose task is to manage, maintain, refine and protect the IT systems on a continual basis. Additionally, the company regularly invests in hardware and software, as well as using virus scanning applications, firewall systems and access control. The probability of occurrence of external attacks on IT systems is considered high.

At the end of the 2016 financial year, we are of the opinion that the overall risk situation for the Group remains largely unchanged from that of the previous year. At the time of preparing this report, there were no identifiable risks that might jeopardise the existence of the SIMONA Group and SIMONA AG as a going concern.

4. REPORT ON EXPECTED DEVELOPMENTS

Economic conditions

According to the forecast presented by the IMF, the global economy will pick up in 2017 and expand by 3.4 per cent. In the United States, GDP is expected to increase by 2.3 per cent. Growth is likely to be fuelled by lower taxes together with private consumption and more expansive defence spending. Following a protracted recession, Brazil (+0.2 per cent) and Russia (+1.1 per cent) are expected to return to a path of growth. Projections for the eurozone, meanwhile, point to slightly weaker growth of 1.6 per cent. In this context, private consumption will continue to provide the largest impetus. Investment spending is likely to contribute around 0.5 percentage points to growth. In a year that is considered to be of particular political importance, China will again be faced with lower growth of 6.5 per cent, while the financial risks are likely to become more pronounced. The emerging economies within the Asia-Pacific region are likely to maintain their forward momentum, with growth estimated at 6.3 per cent.

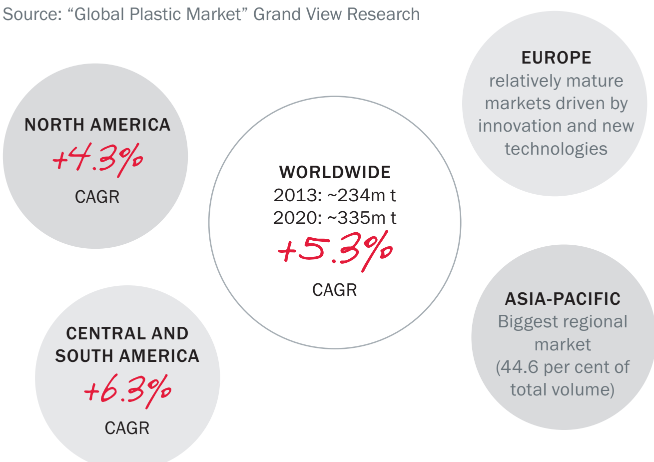
Growth within the majority of the established economies will be driven by private consumption. In terms of growth, global industrial production and investment spending on machinery and equipment will remain relatively subdued. The chemical industry is also unlikely to see any sizeable boost to chemical production in 2017, with Germany's VCI federation forecasting growth of just 0.5 per cent. Excluding pharmaceuticals, the VCI anticipates zero growth for the year ahead. VCI data suggests that revenue within the industry as a whole (excluding pharmaceuticals) will expand by 0.5 per cent. Foreign sales are expected to be the only source of growth within this industry. Germany's mechanical and plant engineering industry is also predicting just a slight upturn in 2017. Production output is expected to grow by 1.0 per cent, fuelled mainly by foreign sales. Hauptverband der Deutschen Bauindustrie, Germany's central federation of the construction industry, has presented an optimistic outlook for 2017 and predicts revenue growth of 5 per cent. The largest contribution to growth is expected to come from the housing sector. The global market for aircraft interiors will continue to expand dynamically in 2017 according to recent forecasts.

Sector-specific conditions

According to data available to the industry federation GKV, Germany's plastics processing companies are confident that sales will expand in 2017. Despite having experienced a record year in 2016 in terms of revenue and employment, 57 per cent of the companies surveyed anticipate growth in turnover for the year ahead. Expectations with regard to earnings performance are also positive on the whole. 38 per cent predict growth in profits, while 45 per cent believe earnings will remain stable. The majority of the companies surveyed are of the opinion that exports will continue to rise. On a less positive note, high energy costs due to EEG charges payable under the provisions of the Renewable Energy Act, political uncertainty in Europe and a growing shortage of qualified personnel are expected to exert downward pressure.

FORECAST FOR GLOBAL PLASTICS DEMAND UP TO 2020

Source: “Global Plastic Market” Grand View Research



Future performance of the Group

For the 2017 financial year, the SIMONA Group has budgeted consolidated revenue of €381 million, an EBIT margin of between 7 and 8 per cent and an EBITDA margin of 11 to 12 per cent.

At Group level, the return on capital employed (ROCE) in 2017 is expected to be between 10 and 11 per cent.

The United States and Eastern Europe are expected to provide the strongest impetus for revenue growth. In the United States, SIMONA anticipates that its industrial products business will continue on a path of stability, while the aviation market is likely to remain dynamic. In Central and Western Europe, SIMONA will continue to be confronted with intense competition within a market that is consolidating. For this sales region, the goal is to defend the company’s position within the core segment, the industrial market, and generate growth through new fields of application such as agriculture, mobility and construction. In Asia, meanwhile, the solid performance recorded in the last two quarters of 2016 is to be used as a launch pad for further growth.

The company’s ability to achieve these targets will depend in particular on the capacity to impose viable prices in a market environment that remains highly competitive and the direction taken by commodity markets. In some cases, the prices for raw materials used by SIMONA increased dramatically in February and March 2017. At present our guidance figure for revenue achievable in 2017 stands at €370–380 million, while that for EBIT is €25–30 million. Trends relating to global industrial output and investment spending as well as the direction taken by commodity markets are key determinants as regards the attainment of our goals.

By extending our technical expertise and focusing on new market segments alongside our core market of industrial applications, we believe that customer satisfaction can be maintained at the high levels achieved at present.
Given our efforts in the area of energy management, we anticipate that energy efficiency can be held at the level currently seen.

The employee headcount within the SIMONA Group is likely to remain stable in 2017. Based on the vocational training contracts signed up to now, the number of school-leaver trainees will probably remain unchanged year on year.

Future performance of SIMONA AG

Despite significant uncertainties within the economic and geopolitical domain, SIMONA has set itself some ambitious goals for the future. For the financial year 2017, SIMONA has set a guidance target of €260 million in sales revenue, together with an EBIT margin of between 4 and 6 per cent and an EBITDA margin of between 7 and 9 per cent, each calculated on the basis of IFRS.

The return on capital employed (ROCE) in 2017 is expected to be between 8 and 9 per cent.

The sales region covering Germany is expected to undergo further market consolidation. Our goal for the region encompassing the Rest of Europe and Africa, meanwhile, is to achieve slight growth. Eastern Europe is expected to provide greater impetus for growth. In Europe, SIMONA will continue to pursue growth by introducing new products and moving into new fields of application. The establishment of our Business Development structure should also act as a stimulus. Business in the sales region covering the Americas is to be maintained at the current level. SIMONA will be looking to achieve higher rates of growth in the region of Asia and Pacific.

5. OTHER INFORMATION

5.1 Declaration on corporate governance

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

5.2 Compensation report

Management Board compensation

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

Management Board compensation is performance-based. It is comprised of a fixed level of remuneration as well as a variable component. The fixed component of compensation is paid as a salary on a monthly basis. The variable component of compensation is reviewed annually, while the fixed component is assessed once every two years. In addition, both components are subject to thorough analyses in intervals of two to three years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. As regards the performance periods 2013–2015 and 2014–2016, the long-term incentive programme was based on the attainment of a defined target figure (capital employed and a weighted average cost of capital (WACC) of 8 per cent). In the period under review, a new long-term incentive programme was implemented. It uses average Group NOPAT (net operating profit after taxes) as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period with regard to the new method of calculation encompasses the financial years 2015–2017 and the second performance period comprises the financial years 2016–2018. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period.

In the financial year under review Management Board compensation included the following components:

COMPOSITION OF MANAGEMENT BOARD COMPENSATION

in € ’000	**2016**	**2015**
Fixed compensation		
Fixed salary and fringe benefits	906	1,012
Variable compensation		
Annual bonus	1,067	715
Long-term incentive programme (LIP)		
Period 2013–2015, payment 2016	0	335
Period 2014–2016, payment 2017	517	0
Total Management Board compensation	**2,490**	**2,062**

On 10 June 2016, the Annual General Meeting of Shareholders of SIMONA AG agreed by a three-quarter majority to disclose Management Board compensation in an aggregated format, divided into fixed and performance-related components, rather than disclosing each amount by name. The resolution is valid up to and including the 2020 financial year. Therefore, no individual, i.e. itemised, disclosures are made under Section 285 no. 9 a) sentence 5 to 8 and Section 314(1) no. 6 a) sentence 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB).

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

Remuneration for the former members of the Management Board amounts to €470 thousand (previous year: €486 thousand). Pension provisions for active and former members of the Management Board, as governed by the German Commercial Code, were recognised to the full extent and amounted to €12,890 thousand as at 31 December 2016 (previous year: €11,810 thousand). IFRS-based pension provisions for active and former members of the Management Board were recognised to the full extent and amounted to €18,861 thousand as at 31 December 2016 (previous year: €16,333 thousand).

The members of the Management Board also receive fringe benefits in the form of non-cash remuneration, which mainly consists of a company car, telephone and insurance premiums. Members of the Management Board received neither loans nor share options or other share-based compensation from the company.

Supervisory Board compensation

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

Members of the Supervisory Board of SIMONA AG receive a standard fixed level of compensation amounting to €13,000. 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 €7,000. All expenses associated directly with a position on the Supervisory Board, as well as sales tax payable on such compensation, are reimbursed.

Compensation payable to members of the Supervisory Board was increased in accordance with the resolution passed by the Annual General Meeting convened on 10 June 2016. In addition to fixed compensation, the General Meeting of Shareholders shall be authorised to pass a resolution on a variable component of compensation, payment of which shall be dependent on whether specific corporate performance indicators have been met or exceeded. At the Annual General Meeting of Shareholders on 10 June 2016 no such resolution for variable compensation components was passed for the 2016 financial year.

Supervisory Board compensation for the financial year under review amounted to €163 thousand (previous year: €131 thousand), of which €139 thousand (previous year: €105 thousand) was attributable to SIMONA AG. Members of the Supervisory Board received neither loans nor share options or other share-based compensation from the company.

5.3 Disclosures pursuant to Section 289(4) and Section 315(4) HGB and explanatory report

As at 31 December 2016, the share capital of SIMONA AG remained unchanged at €15,500,000, divided into 600,000 no-par-value bearer shares ("Stückaktien" governed by German law). The shares are traded in the General Standard of the German stock exchange in Frankfurt as well as on the Berlin securities exchange. There are no different categories of share or shares furnished with special rights. Each share is equipped with one vote at the General Meeting of Shareholders. In view of the fact that a shareholder's right to a certificate of ownership interests has been precluded under the company's Articles of Association, the share capital of our company is represented only in the form of a global certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. Therefore, our shareholders will in future only have an interest as co-owners in the collective holdings of the no-par-value shares in our company, as held by Clearstream Banking AG, according to their interest in the company's share capital.

A 31.19 per cent interest was held by Dr. Wolfgang und Anita Bürkle Stiftung, Kirn, a 15.0 per cent interest by Kreissparkasse Biberach (Biberach), an 11.64 per cent interest by Dirk Möller (Kirn), an 11.25 per cent interest by Regine Tegtmeyer (Nebel), a 10.0 per cent interest by SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH (Kirn) and a 10.1 per cent interest by Rossmann Beteiligungs GmbH (Burgwedel). The remaining 10.9 per cent of shares in the company were in free float.

As at 10 June 2016, members of the Management Board reported a total holding of 70,909 shares; this corresponds to 11.82 per cent of the share capital of SIMONA AG. The members of the Supervisory Board reported holdings of 1,300 shares in total as at the attendance date of the Annual General Meeting on 10 June 2016. This corresponds to 0.22 per cent of SIMONA AG's share capital.

To the extent that employees hold an interest in the company's capital, these employees themselves directly exercise the rights of control associated with their shareholdings. The appointment and the removal of members of the Management Board are governed by the statutory provisions set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz – AktG) as well as by Section 9 of the Articles of Association of SIMONA AG. Under these provisions, the Management Board of the company consists of at least two members. The appointment of deputy members of the Management Board is permitted. The Management Board shall generally have a Chairperson appointed by the Supervisory Board.

The Supervisory Board may delegate decisions on the conclusion, amendment and termination of Management Board employment contracts to a Supervisory Board committee. Any amendments to the Articles of Association must be made in accordance with the statutory provisions set out in Section 179 et seq. of the German Stock Corporation Act.

According to Section 6 of the Articles of Association, the company is entitled to issue share certificates that embody one share (single certificate) or multiple shares (global certificates).

At present there are no significant agreements containing a change of control provision that would apply in the event of a takeover bid.

At present there are no agreements with members of the Management Board or with employees relating to compensation payments in the event of a change of control.

Forward-looking statements and forecasts

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

Responsibility Statement

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

Kirn, 31 March 2017
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

GROUP INCOME STATEMENT
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

in € '000	Notes	01/01/ – 31/12/2016	01/01/ – 31/12/2015
Revenue	[7]	366,675	360,332
Other income	[8]	8,600	11,109
Changes in inventories of finished goods and work in progress		–132	1,733
Cost of materials	[9]	196,722	202,215
Staff costs	[10]	72,398	70,801
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets	[17, 18]	13,700	13,419
Other expenses	[12]	62,168	60,034
Income from investments accounted for using the equity method	[19]	159	130
Finance income	[13]	212	153
Finance cost	[13]	2,374	2,195
Profit before tax		**28,152**	**24,793**
Income tax expense	[14]	8,617	7,486
Profit for the period		**19,535**	**17,307**
of which attributable to:			
Owners of the parent company		19,486	17,270
Non-controlling interests		49	37

EARNINGS PER SHARE

in €			
basic, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	32.48	28.78
diluted, calculated on the basis of profit for the period attributable to ordinary shareholders of the parent company	[15]	32.48	28.78

GROUP STATEMENT OF COMPREHENSIVE INCOME
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

in € '000	01/01/ – 31/12/2016	01/01/ – 31/12/2015
Profit for the period	**19,535**	**17,307**
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit obligations	–7,177	6,079
Deferred taxes on remeasurement of defined benefit obligations	2,116	–1,792
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	898	6,815
Deferred taxes from currency translation	128	–509
Other comprehensive income recognised directly in equity	**–4,035**	**10,593**
Total comprehensive income	**15,500**	**27,900**
of which attributable to:		
Owners of the parent company	15,461	27,881
Non-controlling interests	39	19

GROUP STATEMENT OF FINANCIAL POSITION
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

ASSETS

in € '000	Notes	31/12/2016	31/12/2015
Intangible assets	[17]	33,877	33,930
Property, plant and equipment	[18]	116,690	113,833
Financial assets	[34]	340	340
Investments accounted for using the equity method	[19]	293	205
Non-current tax assets	[22]	0	670
Deferred tax assets	[14]	7,641	4,391
Non-current assets		**158,841**	**153,369**
Inventories	[20]	69,203	66,877
Trade receivables	[21]	52,186	51,140
Other assets	[22]	2,630	4,610
Income tax assets	[22]	768	1,020
Other financial assets	[34]	836	4,831
Cash and cash equivalents	[24, 31]	74,759	31,892
Current assets held for sale	[23]	3,785	4,696
Current assets		**204,167**	**165,066**
Total assets		**363,008**	**318,435**

EQUITY AND LIABILITIES

in € '000	Notes	31/12/2016	31/12/2015
Equity attributable to owners of the parent company			
Issued capital		15,500	15,500
Capital reserve		15,274	15,274
Revenue reserves		148,661	140,390
Other reserves		12,354	11,167
		191,789	**182,331**
Non-controlling interests		254	270
Total equity	[25]	**192,043**	**182,601**
Financial liabilities	[26]	22,111	3,851
Provisions for pensions	[27, 28]	101,623	89,729
Other provisions	[29]	2,705	2,734
Other financial liabilities	[26]	58	2,187
Deferred tax liabilities	[14]	3,150	199
Non-current liabilities		**129,647**	**98,700**
Financial liabilities	[26]	3,444	2,936
Provisions for pensions	[27]	1,710	1,664
Other provisions	[29]	1,563	1,950
Trade payables		15,152	11,722
Income tax liabilities		1,620	1,911
Other financial liabilities	[26]	3,358	3,364
Other liabilities	[30]	14,471	13,587
Current liabilities		**41,318**	**37,134**
Total equity and liabilities		**363,008**	**318,435**

GROUP STATEMENT OF CASH FLOWS
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

in € '000	Notes	01/01/ – 31/12/2016	01/01/ – 31/12/2015
Profit before tax		28,152	24,793
Income taxes paid		–6,445	–4,798
Finance income and finance cost (excl. interest expense relating to pensions)	[13]	84	71
Depreciation/write-downs of property, plant and equipment, and amortisation/write-downs of intangible assets	[17, 18]	13,700	13,419
Other non-cash expenses and income		151	117
Change in pension provisions	[27, 28]	4,763	4,943
Result from disposal of non-current assets		–816	52
Change in inventories	[20]	–855	–2,593
Change in trade receivables	[21]	–1,188	5,159
Change in other assets	[22]	792	438
Change in liabilities and other provisions	[29, 30]	3,846	–4,274
Net cash from operating activities		**42,184**	**37,327**
Investments in intangible assets and property, plant and equipment	[17, 18]	–15,754	–16,187
Payments relating to acquisition of subsidiaries and other business units (from prior years)		–2,017	–2,091
Proceeds from the disposal of assets		1,951	160
Proceeds relating to the short-term financial management of cash investments	[34]	4,000	0
Payments relating to the short-term financial management of cash investments	[34]	–101	–4,000
Interest received		212	44
Net cash used in investing activities		**–11,709**	**–22,074**
Proceeds from financial liabilities taken on by the Group	[26]	21,980	0
Repayment of financial liabilities	[26]	–3,212	–718
Payment of prior-year dividend	[16]	–6,000	–4,800
Payment dividend to non-controlling interests		–28	0
Interest paid and similar expenses		–295	–225
Net cash from/(used in) financing activities		**12,445**	**–5,743**
Effect of foreign exchange rate changes on liquidity	[31]	**–53**	**1,069**
Change in cash and cash equivalents		**42,867**	**10,579**
Cash and cash equivalents at 1 January	[24, 31]	31,892	21,313
Cash and cash equivalents at 31 December	[24, 31]	74,759	31,892
Change in cash and cash equivalents		**42,867**	**10,579**

GROUP STATEMENT OF CHANGES IN EQUITY
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

in € '000	Notes	Issued capital	Capital reserve	Revenue reserves	Other reserves – Currency translation differences	Total	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
		[25]	[25]		[25]		[25]	
Balance at 01/01/2015		**15,500**	**15,274**	**123,633**	**4,843**	**159,250**	**251**	**159,501**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	4,287	6,324	10,611	–18	10,593
Profit for the period		0	0	17,270	0	17,270	37	17,307
Total comprehensive income for the period		**0**	**0**	**21,557**	**6,324**	**27,881**	**19**	**27,900**
Dividend payment	[16]	0	0	–4,800	0	–4,800	0	–4,800
Balance at 31/12/2015		**15,500**	**15,274**	**140,390**	**11,167**	**182,331**	**270**	**182,601**
Balance at 01/01/2016		**15,500**	**15,274**	**140,390**	**11,167**	**182,331**	**270**	**182,601**
Amount recognised directly in equity as part of the Statement of Comprehensive Income		0	0	–5,061	1,036	–4,025	–10	–4,035
Profit for the period		0	0	19,486	0	19,486	49	19,535
Total comprehensive income for the period		**0**	**0**	**14,425**	**1,036**	**15,461**	**39**	**15,500**
Dividend payment	[16]	0	0	–6,000	0	–6,000	–29	–6,029
Other changes		0	0	–154	151	–3	–26	–29
Balance at 31/12/2016		**15,500**	**15,274**	**148,661**	**12,354**	**191,789**	**254**	**192,043**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

[1] COMPANY INFORMATION

SIMONA AG is a stock corporation (Aktiengesellschaft) founded in Germany – registered office at Teichweg 16, 55606 Kirn, Germany. Its shares are traded within the General Standard of the Frankfurt and Berlin Stock Exchanges. The company is entered in the Commercial Register at the District Court of Bad Kreuznach (HRB 1390). The consolidated financial statements of SIMONA AG for the financial year ended 31 December 2016 were released by the Management Board on the basis of a resolution of 31 March 2017 for the purpose of forwarding them to the Supervisory Board.

The activities of the SIMONA Group mainly include the production and sale of semi-finished parts in the form of sheets, rods, welding rods and profiles as well as pipes, fittings and finished parts made of thermoplastics.

The semi-finished parts are manufactured at the plant in Kirn (Germany) as well as in Archbald and Newcomerstown (USA) and in Jiangmen (China). Pipes and fittings are produced at the plant in Ringsheim (Germany). The plant in Litvinov (Czech Republic) manufactures semi-finished products, pipes and fittings. The products are marketed under the joint SIMONA brand as well as a range of separate brands.

SIMONA AG operates a sales office in Möhlin, Switzerland, and is the ultimate controlling parent of the Group.

Additionally, the following subsidiaries, among others, are responsible for handling sales and distribution activities:

Company	Registered office, country
SIMONA UK Ltd.	Stafford, United Kingdom
SIMONA S.A.S.	Domont, France
SIMONA S.r.l. Società UNIPERSONALE	Cologno Monzese (MI), Italy
SIMONA IBERICA SEMIELABORADOS S.L.	Barcelona, Spain
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic
SIMONA FAR EAST Ltd.	Hong Kong, China
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd.	Shanghai, China
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.	Jiangmen, China
SIMONA AMERICA Inc.	Hazleton, USA
Laminations Inc.	Archbald, USA
Boltaron Inc.	Newcomerstown, USA
OOO SIMONA RUS	Moscow, Russian Federation
SIMONA INDIA PRIVATE LIMITED	Mumbai, India

[2] ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared using the historical cost principle, unless otherwise specified in Note [5] "Summary of significant accounting policies". The consolidated financial statements are prepared in euro. Unless otherwise stated, all amounts are rounded to € '000.

Statement of compliance with IFRS

The consolidated financial statements of SIMONA AG and the entities included in the consolidated group for the period ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date, as adopted by the European Union, and the provisions of commercial law to be applied additionally pursuant to Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The term "IFRS" comprises all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) to be applied on a mandatory basis as at the reporting date.

Additionally, all interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly Standing Interpretations Committee (SIC) – were applied insofar as their application was mandatory for the 2016 financial year.

The consolidated financial statements consist of the financial statements of SIMONA AG and its subsidiaries as at 31 December of each financial year (herein-after also referred to as "Group" or "SIMONA Group").

The Group statement of financial position conforms with the presentation requirements of IAS 1. Various items reported in the income statement and the statement of financial position have been aggregated for the purpose of improving the overall clarity of presentation. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

Principles of consolidation

The consolidated financial statements comprise the accounts of SIMONA AG and its subsidiaries for each financial year ended 31 December. The financial statements of SIMONA AG and the subsidiaries are prepared using uniform accounting policies for the same reporting period.

All intragroup balances (receivables, liabilities, provisions), transactions, income and expenses as well as profits and losses from transactions between consolidated entities ("intercompany profits/losses") are eliminated as part of consolidation.

Subsidiaries are fully consolidated effective from the acquisition date, which is the date on which the Group effectively obtains control. Inclusion in the consolidated financial statements ends as soon as the parent ceases to control the subsidiary. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are disclosed separately in the Group income statement and within equity of the Group statement of financial position.

[3] NEW FINANCIAL REPORTING STANDARDS

3.1 Accounting standards to be applied for the first time in the financial year

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) issued the following Standards and Interpretations that have been endorsed by the EU and incorporated into European law and must be applied with regard to the reporting period from 1 January 2016 to 31 December 2016. The accounting standards to be applied for the first time in the financial year 2016 have no material impact on the presentation of the consolidated financial statements.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment Entities: Applying the Consolidation Exception"	18/12/2014	22/09/2016	01/01/2016
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	12/08/2014	18/12/2015	01/01/2016
IAS 1 "Presentation of Financial Statements"	18/12/2014	18/12/2015	01/01/2016
Omnibus Standard to Amend International Financial Reporting Standards (IFRSs 2012–2014 Cycle)	25/09/2014	15/12/2015	01/01/2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"	12/05/2014	02/12/2015	01/01/2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	06/05/2014	24/11/2015	01/01/2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	30/06/2014	23/11/2015	01/01/2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	21/11/2013	17/12/2014	01/02/2015
Omnibus Standard to Amend International Financial Reporting Standards (IFRSs 2010–2012 Cycle)	12/12/2013	17/12/2014	01/02/2015

Amendment to IFRS 10, IFRS 12 and IAS 28
“Investment Entities: Applying the Consolidation Exception”
The amendments are designed to clarify that entities that are both investment entities and parent entities are exempt from presenting consolidated financial statements even if they are themselves subsidiaries. They further clarify that subsidiaries providing investment-related services that are themselves investment entities shall be measured at fair value. For non-investment entities, they clarify that such entities should account for an investment entity using the equity method. This will have no impact on the consolidated financial statements of SIMONA.

Amendments to IAS 27
“Equity Method in Separate Financial Statements”
The amendments permit the use of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments shall be applied retrospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for annual periods beginning on or after 1 January 2016. This will have no impact on the consolidated financial statements of SIMONA.

Amendments to IAS 1
“Presentation of Financial Statements”
The amendments are primarily intended to clarify disclosures of material information and of the aggregation and disaggregation of line items in the statement of financial position and in the statement of comprehensive income. The amendments further provide that an entity’s share of the other comprehensive income of companies accounted for using the equity method shall be presented in its statement of comprehensive income. This will have no impact on the consolidated financial statements of SIMONA.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (IFRSs 2012–2014 Cycle)
In the context of its Annual Improvements Process, the IASB revises existing standards. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. This will have no impact on the consolidated financial statements of SIMONA.

Amendments to IAS 16, IAS 38
“Clarification of Acceptable Methods of Depreciation and Amortisation”
The amendments contain further guidance on which methods can be used to depreciate property, plant and equipment and to amortise intangible assets. In particular, they clarify that the use of a revenue-based method arising from an activity that includes the use of an asset does not provide an appropriate representation of its consumption. Within the context of IAS 38, however, this presumption can be rebutted in certain limited circumstances. This will have no impact on the consolidated financial statements of SIMONA.

Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”
The standard thus amended requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3 to apply all of the principles relating to business combinations accounting in IFRS 3 and other standards, as long as those principles are not in conflict with the guidance in IFRS 11. Accordingly, the relevant information specified in those standards is to be disclosed. These amendments necessitated consequential amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” to have the exemption extended to business combinations. Accordingly, it now also includes past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business. This will have no impact on the consolidated financial statements of SIMONA.

Amendments to IAS 16 and IAS 41
“Agriculture: Bearer Plants”
They provide that bearer plants shall be accounted for in the same way as property, plant and equipment, in accordance with IAS 16. IAS 41 shall continue to apply for the produce they bear. As a result of the amendments, bearer plants will in future no longer be measured at fair value less estimated costs to sell, but rather in accordance with IAS 16, using either a cost model or a revaluation model. SIMONA possesses no bearer plants.

Amendments to IAS 19
“Defined Benefit Plans: Employee Contributions”
This pronouncement amends IAS 19 in respect of the accounting for defined benefit plans involving contributions from employees (or third parties). If the contributions made by employees (or third parties) to a defined benefit plan are independent of the number

of years of service, their nominal amount can still be deducted from the service cost. If, however, employee contributions vary according to the number of years of service, the benefits must be computed and attributed by applying the projected unit credit method. SIMONA does not operate defined benefit plans with employee contributions.

Omnibus Standard to Amend Multiple International Financial Reporting Standards (IFRSs 2010–2012 Cycle)

In the context of its Annual Improvements Process, the IASB revises existing standards. It contains changes to IFRS and their associated Bases for Conclusions. The revisions affect the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These changes have no material impact on the consolidated financial statements.

3.2 Standards and Interpretations not yet applicable in the financial year

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) have issued additional Standards and Interpretations. These standards and interpretations are not being applied in the financial year under review, as adoption by the EU ("endorsement") remains outstanding at this time for some of them, or because their application is not yet mandatory.

IFRS pronouncement	Approval IASB	EU endorsement	EU first-time adoption
Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealised Losses"	19/01/2016	Open	Expected: 01/01/2017
Amendments to IAS 7, "Statement of Cash Flows: Disclosure Initiative"	29/01/2016	Open	Expected: 01/01/2017
IFRS 15, "Revenue from Contracts with Customers"	28/05/2014	22/09/2016	01/01/2018
IFRS 14, "Regulatory Deferral Accounts"	30/01/2014	Open	Expected: 01/01/2018
IFRS 9, "Financial Instruments"	24/07/2014	22/11/2016	01/01/2018
Clarifications regarding IFRS 15, "Revenue from Contracts with Customers"	12/04/2016	Open	Expected: 01/01/2018
Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"	20/06/2016	Open	Expected: 01/01/2018
Amendments to IFRS 4, "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	12/09/2016	Open	Expected: 01/01/2018
IFRS 16, Leases	13/01/2016	Open	Expected: 01/01/2019

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 will replace IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". The standard defines when revenues should be recognized and in what amount. According to IFRS 15, revenues should be recognized in the amount that reflects the consideration expected for the performance obligations being undertaken. No effects on the consolidated financial statements of SIMONA have been identified.

IFRS 14 "Regulatory Deferral Accounts"

IFRS 14 gives an entity the option to apply this standard in its first IFRS financial statements if it conducts rate-regulated activities and recognises regulatory deferrals under the accounting policies it had previously applied. The intention is to allow entities that are subject to rate regulation to avoid having to make changes to accounting policies relating to regulatory deferrals. The introduction of this standard will have no impact on the consolidated financial statements of SIMONA.

IFRS 9 "Financial Instruments"
Under IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth generally be subdivided into only two classifications: financial instruments measured at amortised cost and financial instruments measured at fair value. As part of the amended requirements issued on 24 July 2014, an additional measurement category will be introduced for debt instruments. In future, these may be classified as fair value in other comprehensive income (FVOCI) if the conditions in respect of the business model and the contractual cash flows have been met. In this context, the IASB has also published a discussion paper relating to additional requirements for macro hedge accounting that are unconnected to IFRS 9. SIMONA considers it possible that the future application of this standard may have a considerable impact on the presentation of financial assets and financial liabilities of the Group. However, a reliable assessment of the implications can only be provided after a detailed analysis.

IFRS 16 "Leases"
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the date of initial application of IFRS 16. As regards lessees, the new regulations stipulate that all leases shall be accounted for in the statement of financial position as a right-of-use asset and a corresponding liability representing its obligation to make lease payments. Presentation in the income statement is always on the basis of a financing transaction, i.e. the right-of-use asset is generally subject to straight-line depreciation while the effective interest method is to be applied to the lease liability. Essentially, initial application of IFRS 16 is likely to produce an increase in non-current assets and liabilities with a corresponding impact on total assets/total equity and liabilities, debt and the equity ratio. The precise implications for SIMONA's consolidated financial statements are currently being reviewed.

[4] MATERIAL JUDGEMENTS AND ESTIMATES

Judgements
When applying the accounting policies, the management made the following judgements with the most significant effect on the amounts recognised in the financial statements. Within this context, decisions containing estimates have not been taken into account. Among other aspects, significant estimates relate to the useful lives of assets.

Material judgements relate to the classification of leases, the recognition of provisions, the estimation or assessment of the recoverability or possible impairment of trade receivables, inventories and deferred tax assets, as well as the assessment of factors that may indicate an impairment of assets.

Uncertainties relating to estimates
The following section outlines the most important forward-looking assumptions as well as other material uncertainty regarding the use of estimates, applicable at the reporting date, as a result of which there is a significant risk that the carrying amounts of assets and liabilities may require material adjustments within the coming financial year.

Impairment of goodwill
The Group performs impairment tests for goodwill at least once per year. This requires estimates to be made with regard to the value in use of cash-generating units ("CGU") to which goodwill is allocated. For the purpose of estimating the value in use, the Group has to determine, on the basis of estimates, the projected cash flows associated with the cash-generating unit, as well as selecting an appropriate discount rate in order to determine the present value of the aforementioned cash flows.

Impairment of non-financial assets
The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is applied for the purpose of determining the fair value. The Group bases its impairment tests on detailed budget calculations that are prepared separately for each cash-generating unit. Budget planning spans a period of four years. As regards

periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows beyond four years.

Deferred tax assets

Deferred tax assets are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The process of determining the level of deferred tax assets requires significant judgement by the management with regard to the timing and amount of future taxable profit as well as the future tax planning strategies. For further details, please refer to Note [14].

Provisions

Provisions are recognised in accordance with the accounting policies discussed in Note [29]. In determining the level of provisions, the management is required to make significant judgements as to the timing and the amounts of future outflow of resources.

Pensions

Expenses relating to defined benefit plans are determined on the basis of actuarial methods. Actuarial valuation is conducted on the basis of assumptions that include discount rates, expected salary and pension increases as well as mortality rates. The assumptions used as a basis of valuations may differ from actual developments due to changing market, economic and social conditions. Any change in these assumptions will have an impact on the carrying amounts of pension obligations. For further details, please refer to Note [27] and [28].

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Business combinations subsequent to 1 January 2010 are accounted for by applying the acquisition method. The cost of a business combination is calculated as the sum of the consideration transferred, measured at the acquisition-date fair value, and any non-controlling interest in the acquiree. In the case of each business combination, the acquirer measures components of non-controlling interests either at fair value or at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses and presented as other expenses.

On first-time recognition, goodwill is measured at cost, being the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration transferred is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for in profit and loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, as from the date of acquisition goodwill acquired as part of a business combination is allocated to those cash-generating units of the Group that are expected to benefit from the business combination. This method is applied regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

Currency translation

Annual financial statements prepared by the consolidated Group entities in a foreign currency are translated on the basis of the functional currency method. The functional currency is the currency of the primary economic environment in which the entities operate, which in the case of the Group companies of SIMONA AG is the respective local currency. The consolidated financial statements are prepared in euro.

Those foreign entities whose functional currencies differ from the euro have been presented below, together with details of their functional currency:

Company	Registered office, country	Currency
SIMONA UK Ltd.	Stafford, United Kingdom	Pound sterling
SIMONA POLSKA Sp. z o.o.	Wrocław, Poland	Polish zloty
DEHOPLAST POLSKA Sp. z o.o.	Kwidzyn, Poland	Polish zloty
SIMONA-PLASTICS CZ, s.r.o.	Prague, Czech Republic	Czech koruna
SIMONA Plast-Technik s.r.o.	Litvinov, Czech Republic	Czech koruna
SIMONA FAR EAST Ltd.	Hong Kong, China	Hong Kong dollar
SIMONA ASIA Ltd.	Hong Kong, China	Hong Kong dollar
SIMONA AMERICA Inc.	Hazleton, USA	US dollar
64 NORTH CONAHAN DRIVE HOLDING, LLC	Hazleton, USA	US dollar
Laminations Inc.	Archbald, USA	US dollar
Boltaron Inc.	Newcomerstown, USA	US dollar
DANOH, LLC	Akron, USA	US dollar
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd.	Shanghai, China	Chinese renminbi yuan
SIMONA ENGINEERING PLASTICS (GUANGDONG) Co. Ltd.	Jiangmen, China	Chinese renminbi yuan
OOO SIMONA RUS	Moscow, Russian Federation	Russian rouble
SIMONA INDIA PRIVATE LIMITED	Mumbai, India	Indian rupee

The items accounted for in the respective financial statements are measured on the basis of the functional currency. Foreign currency transactions are translated initially between the functional currency and the foreign currency at the arithmetic mean rate applicable on the day of the transaction. All exchange differences are recorded in profit or loss for the period. This does not include monetary items that have been designated as part of a hedge of a net investment by the Group in a foreign operation. They are recognised in other comprehensive income until disposal of the net investment; the cumulative amount is reclassified in profit and loss only upon disposal. Taxes arising from exchange differences relating to these monetary items are also recognised directly in other comprehensive income.

Non-monetary items that are measured at historical cost of purchase or conversion in a foreign currency are translated at the foreign exchange rate applicable on the day of the transaction. Non-monetary items that are measured at fair value in the foreign currency are translated at the rate that was prevailing at the time the fair value was determined.

In the consolidated financial statements expenses and income associated with financial statements of subsidiaries prepared in a foreign currency are translated on the basis of the year-average exchange rate, whereas assets and liabilities are translated on the basis of the closing rate. Exchange differences arising from the translation of equity as well as exchange differences arising from the use of exchange rates in the income statement that differ from those used for the translation of items presented in the statement of financial position are recognised in other reserves.

On the disposal of a foreign operation, the cumulative amount of the exchange differences accounted for in respect of the foreign operation is recognised in profit or loss.

Property, plant and equipment
All items classified as property, plant and equipment are used for operational purposes and are measured at cost less depreciation on a systematic basis. Depreciation of property, plant and equipment is performed on a straight-line basis in accordance with the pattern of use of such items. To the extent that depreciable assets of property, plant and equipment have different useful lives, the respective components of these assets are depreciated separately.

The carrying amounts of property, plant and equipment attributable to a cash-generating unit are tested for impairment as soon as there are indications that the carrying amount of the assets of this cash-generating unit exceeds its recoverable amount. Items of property, plant and equipment are derecognised upon disposal. Gains and losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposable proceeds and the carrying amount of the item; these gains and losses are included in profit or loss when the item is derecognised.

The residual values of assets as well as the useful lives and depreciation methods are assessed at the end of each financial year and are adjusted where necessary.

Non-current assets held for sale

SIMONA classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction or a distribution to shareholders rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale/distribution in its present condition subject only to terms that are usual and customary for sale/distribution of such assets (or disposal groups) and its sale/distribution must be highly probable. Insofar as they refer to the Group statement of financial position, the disclosures made in the notes to the consolidated financial statements relate to assets not held for sale. SIMONA reports non-current assets held for sale (or disposal groups) separately in Note [23]. Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell, unless the items presented in the disposal group do not fall under the provisions set out in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Leasing

Whether an agreement constitutes a lease is determined on the basis of the substance of the transaction detailed in the agreement at the time the agreement is concluded. This requires an assessment as to whether the fulfilment of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants the right to use the asset/assets even if this right is not specifically defined in the agreement.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset, are recognised as assets in the statement of financial position at the commencement of the lease term. As at 31 December 2016, no such finance leases existed within the Group.

Lease payments under an operating lease are recognised in the income statement as an expense on a straight-line basis and are presented as other expense.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, form part of the cost of that asset and are capitalised accordingly. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. No borrowing costs have been capitalised by the Group, as it does not possess qualifying assets.

Intangible assets

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if it is probable that the intangible asset will generate future economic benefits and the costs of the intangible asset can be reliably measured. They are measured at cost of purchase or conversion. Intangible assets with a finite useful life are amortised on the basis of the length of that useful life. Amortisation of intangible assets, with the exception of capitalised development costs, is performed over a useful life of between three and ten years.

Research and development costs

The research and development activities conducted by SIMONA AG are directed principally at the optimisation of production and manufacturing processes (advancement within the area of process engineering), at changes and improvements to formulas, some of which have been in existence for an extensive period of time, or at fundamental improvements for the purpose of meeting specified quality and inspection requirements, including new testing procedures and new areas of application. Generally, these activities do not involve the development of an entirely new product that would sever the link with existing formulas and manufacturing processes.

To the extent that research and development activities provide the basis for a product that is technically feasible and from which the Group can generate future economic benefits, the period attributable to general research activities constitutes the major part thereof. The scale of development expenses arising after the product has been made marketable is negligible. In consideration of the principle of materiality the intangible asset is not capitalised in such cases. This approach does not adversely affect the true and fair view of the Group's state of affairs as regards financial performance, financial position and cash flows.

In addition, SIMONA AG does not capitalise development costs to the extent that costs (expenditure) cannot be reliably allocated to development projects. The costs are recognised as expense in the period in which they are incurred.

There were no development projects resulting in the capitalisation of intangible assets in the financial year under review or the previous financial year.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications are present or an annual impairment test of an asset is required, the Group makes an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset, or of all assets of a cash-generating unit, is less than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to its recoverable amount. That reduction is an impairment loss.

Impairment of non-financial assets

The Group determines at the end of each reporting period whether there are observable indications that a non-financial asset or group of non-financial assets is impaired. If such indications are present or if an annual impairment test of an asset or a group of assets is required, the Group makes an estimate of the recoverable amount of each asset or of the group of assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Impairment losses are recognised in profit or loss with-in the expense category that corresponds to the function of the impaired asset.

For the purpose of determining the value in use, the future expected cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment tests on detailed budget and fore-casting calculations that are prepared separately for each of the Group's cash-generating units to which individual assets are assigned. Such budget and fore-casting calculations generally cover a period of four years. As regards periods beyond this time frame, long-term growth rates are determined and applied to the projection of future cash flows subsequent to the fourth year.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets. On initial recognition the financial assets are measured at fair value. Additionally, in the case of financial assets other than those classified as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are accounted for accordingly. The designation of financial assets to the respective measurement categories occurs upon initial recognition. To the extent that they are permitted and necessary, reclassifications are performed at the end of the financial year. No reclassifications have been performed to date.

All regular way purchases or sales of financial assets are accounted for at the date of settlement. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The group of financial assets at fair value through profit or loss comprises financial assets held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term. Derivatives, including embedded derivatives accounted for separately, are also classified as held for trading, with the exception of those derivatives that are designated and effective hedging instruments. Gains and losses on financial assets held for trading are recognised in profit or loss. The Group has not made use of the option to designate financial assets or liabilities as "measured at fair value through profit or loss".

Derivatives embedded within a host contract are recognised separately at their fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contracts are not held for trading purposes or are not designated as "at fair value through profit or loss". These embedded derivatives are measured at their fair value; changes to the fair value are recognised in profit or loss. A reassessment is performed only upon amendments to the contractual terms and conditions if this leads to a significant change to the cash flows that would otherwise have resulted from the contract.

Non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairments where applicable. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified within one of the three above-mentioned categories. After initial recognition available-for-sale financial assets are measured at fair value. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity. If an available-for-sale financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. The fair value of financial instruments traded within organised and active markets is determined on the basis of the market price quoted at the end of the reporting period. The fair value of financial instruments for which no active market exists is determined on the basis of valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other valuation models.

Held-to-maturity investments as well as loans and receivables are measured at amortised cost. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, minus any reduction for impairments.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset expire.

Impairment of financial assets

The Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, the new carrying amount must not exceed the amortised cost at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

If in the case of trade receivables there is objective evidence that not all due amounts will be received in accordance with the agreed invoicing terms and conditions (e.g. likelihood of an insolvency or significant financial difficulties of the obligor), the carrying amount is reduced through use of an allowance account. Receivables are derecognised when they are considered to be uncollectible.

As regards available-for-sale financial assets, the Group determines at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. When determining the impairment of debt instruments classified as available for sale, the same criteria are used as those applied to financial assets measured at amortised cost. The amount recognised for impairments, however, is the cumulative loss determined as the difference between the amortised cost and the current fair value less any impairment losses of this instrument recognised in profit or loss on an earlier occasion.

Investments accounted for using the equity method

Associates are accounted for using the equity method, an associate being an entity over which the investor has significant influence. On initial recognition the investment in an associate is recognised at cost. On initial recognition any differences between the cost of the investment and the entity's share of equity has to be determined. This then has to be analysed as to whether it is attributable to hidden reserves or liabilities. Any excess, i.e. positive difference, remaining after the allocation of hidden reserves and assets is to be treated as goodwill and presented in the carrying amount of the investment. Any negative difference is accounted for in profit and loss by increasing the assigned value of the investment.

Based on the cost of purchase, the carrying amount of the investment is increased or decreased in the subsequent periods by the share of annual profit. Further adjustments to the carrying amount of the investment are required if the equity of the investee has changed due to circumstances accounted for in the other components of profit/loss.

A part of subsequent measurement, write-downs relating to hidden reserves realised in the context of initial measurement have to be accounted for accordingly and deducted from the share of annual profit. To avoid double recognition, dividends received are to be deducted from the carrying amount.

If there are circumstances indicating that the investment may be impaired, an impairment test is to be conducted in respect of this investment. No separate review of prorata goodwill is conducted as part of this process. The assessment applies to the total carrying amount of the investment.

Inventories

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

The inventories associated with consumables have been capitalised at average historical cost. As part of Group accounting, the cost of raw materials is assigned mainly by using the weighted average cost formula. Finished goods are measured at manufacturing cost (cost of conversion) according to item-by-item calculations based on current operational accounting; in addition to the directly related cost of direct material and units of production, this item also includes special production costs as well as production and material overheads, including depreciation. Financing costs are not accounted for in the cost of conversion. All identifiable risks associated with inventories, particularly relating to holding periods in excess of average duration, diminished usability and net realisable value, are recognised by an appropriate write-down.

The net realisable value is the estimated selling price achievable in the ordinary course of business, less the estimated costs incurred until completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents recognised in the statement of financial position comprise cash on hand, bank balances and short-term deposits with original maturities of less than three months.

As regards the Group statement of cash flows, cash and cash equivalents comprise the aforementioned cash items in addition to overdrafts used by the Group and securities that are readily convertible to cash.

Financial liabilities

Financial liabilities within the meaning of IAS 39 are classified either as financial liabilities measured at fair value or as loans. The Group determines the classification of its financial liabilities upon initial recognition. All financial liabilities are measured at fair value upon initial recognition. The Group's financial liabilities comprise trade payables, other payables, bank overdrafts, loans and derivative financial instruments.

Interest-bearing borrowings

On initial recognition, loans are measured at the fair value of the consideration received, having deducted the transaction costs relating to the origination of the loan. After initial recognition interest-bearing borrowings are measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or when it expires.

Other provisions

Other provisions are recognised when an obligation exists towards a third party, settlement of this obligation is probable and a reliable estimate can be made of the amount of the required provision. Other provisions are measured at aggregate costs. Long-term provisions with more than one year to maturity are recognised at their discounted settlement value as at the end of the reporting period.

Pensions

The Group has direct pension plans as well as one indirect pension plan. The indirect pension plan is serviced by SIMONA Sozialwerk GmbH, which manages the plan assets. The plan assets are accounted for in the Group statement of financial position such that the fair value of those assets of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH that fulfil the requirements for plan assets are deducted from the benefit obligation of the Group (funding company) when measuring the pension provision to be recognised. The fair value of the plan assets is based on information regarding the market price; in the case of securities traded on public exchanges, it corresponds to the published purchase price. As the requirements for plan assets specified in IAS 19.8 have been fulfilled, the deduction of the plan assets from the obligation of the Group does not give rise to an obligation to consolidate on the part of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH because their sole purpose is to service the pension obligations.

Provisions for pensions are accounted for on the basis of the Projected Unit Credit Method (sometimes known as the accrued benefit method prorated on service or as the benefit/years of service method) (IAS 19, Projected Unit Credit Method). As part of this process, besides pensions and benefits known as at the end of the reporting period, expected future increases in salaries and pensions are accounted for with sufficient reliability. The calculation is based on actuarial reports that take into account specific biometric data.

In accordance with IAS 19, interest expenses and the expected return on plan assets are replaced with a net interest amount. It is calculated by applying the discount rate used to measure defined benefit obligations to the net defined benefit liability (asset). The net interest from a net defined benefit liability (asset) includes the interest expenses attributable to defined benefit obligations and interest income from plan assets. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of defined benefit obligations in other comprehensive income for the Group. In accordance with IAS 19, the return on plan assets is calculated on the basis of the discount rate.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

Government grants
A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented as part of profit or loss under the heading of “other income” and are recognised on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Revenue recognition
Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Additionally, the following conditions must be satisfied for the recognition of revenue.

a) Sale of goods
Revenue is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

b) Interest
Revenue is recognised using the effective interest method when the interest arises.

Taxes
a) Current tax assets and current tax liabilities
Current tax liabilities and current tax assets for current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly assesses individual tax issues as to whether there is any room for interpretation on the basis of applicable tax regulations. Where required, tax liabilities are recognised.

b) Deferred taxes
Applying the liability method, deferred taxes are recognised for all temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base as well as in connection with consolidation procedures. Additionally, a deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognised for all taxable and deductible temporary differences, with the exception of:

- Deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither profit for the period nor taxable profit/tax loss.

- Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority.

c) Value added tax

Sales revenues, expenses and assets are recognised after deduction of value added tax.

Derivative financial instruments and hedging instruments

Derivative financial instruments are used solely for hedging purposes in order to mitigate currency and interest rate risks arising from operating business. Under IAS 39, all derivative financial instruments, such as interest rate, currency and foreign exchange forward contracts as well as currency options, are to be carried at fair value, irrespective of the purpose such transactions have been entered into by the entity.

The derivative financial instruments do not fulfil the restrictive requirements of IAS 39 applying to the recognition of hedging relationships. Therefore, gains and losses arising from a change in the fair value of derivative financial instruments are recognised immediately in profit or loss.

The fair value of derivative financial instruments is calculated on the basis of market data and generally accepted valuation methodologies. The market changes associated with derivative financial instruments are reported in net finance cost/income.

[6] SEGMENT REPORTING

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

- Europe
- Americas
- Asia and Pacific

As was the case in the previous financial year, the segments have been allocated on the basis of the region in which the revenue-generating business unit has its registered office.

All three segments generate their revenues mainly through the sale of semi-finished plastics and pipes, as well as fittings and finished parts. The segment categorised as “Europe” encompasses the production and sale of semi-finished and finished thermoplastics, profiles, pipes and fittings. The segment categorised as “Americas” mainly covers the production and sale of extruded thermoplastic sheets, the emphasis being on aircraft interiors. The segment categorised as “Asia and Pacific” includes the production and sale of semi-finished thermoplastics.

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

As a matter of course, segment information is based on the same principles of presentation and the same accounting policies as those applied to the consolidated financial statements. Receivables, liabilities, revenues and expenses as well as profit/loss between the individual segments are eliminated as part of reconciliation. Internal transfer pricing between the business segments is determined on the basis of competitive market prices charged to unaffiliated third parties (regular way transaction). External sales revenue relates to the registered office of the revenue-generating business unit. Capital expenditure relates to additions to intangible assets as well as property, plant and equipment. Segment assets comprise assets that contribute to the achievement of operating profit. Depreciation and amortisation of non-current assets relate to both intangible assets and property, plant and equipment.

The following table includes information relating to segment revenues, income and expenses as well as segment results. The differences in respect of the consolidated financial statements are presented in the reconciliation.

SEGMENT INFORMATION BY REGION

	Europe		Americas		Asia and Pacific		Total		Reconciliation		Group	
in € '000	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues from external customers	257,269	261,293	90,077	81,705	19,329	17,334	366,675	360,332	0	0	366,675	360,332
Revenues from other segments	6,834	5,402	21	0	0	0	6,855	5,402	–6,855	–5,402	0	0
Segment revenues	**264,103**	**266,695**	**90,098**	**81,705**	**19,329**	**17,334**	**373,530**	**365,734**	**–6,855**	**–5,402**	**366,675**	**360,332**
Other income	7,307	8,390	1,188	1,121	1,025	2,707	9,520	12,218	–920	–1,109	8,600	11,109
Cost of materials	148,232	153,877	41,627	42,258	13,718	11,482	203,577	207,617	–6,855	–5,402	196,722	202,215
Staff costs	54,899	54,337	15,095	14,110	2,404	2,354	72,398	70,801			72,398	70,801
Depreciation/ amortisation	8,991	9,160	3,283	2,938	1,426	1,321	13,700	13,419			13,700	13,419
Other expenses[1]	42,467	41,212	16,281	15,035	4,365	4,560	63,113	60,807	–945	–773	62,168	60,034
Earnings before interest and taxes (EBIT)	17,185	18,295	14,384	9,067	–1,193	–299	30,376	27,063	–221	–358	30,155	26,705
Earnings before taxes (EBT)	15,714	16,953	14,024	8,671	–1,365	–469	28,373	25,155	–221	–362	28,152	24,793
Segment capital expenditure	9,978	11,505	4,077	3,648	1,696	1,034	15,754	16,187			15,754	16,187
Non-current assets	79,740	79,824	59,667	57,314	11,160	11,295	150,567	148,433			150,567	148,433

[1] Other expenses within the segment covering the Americas include impairments of €461 thousand (previous year: €0 thousand) relating to assets held for sale; please refer to Note [23].

GERMANY

in € '000	2016	2015
Domestic revenue	101,653	101,840
Non-current assets	66,882	66,009

SEGMENT INFORMATION RELATING TO PRODUCT AREAS

in € '000	2016	2015
Semi-finished and finished parts	289,786	276,884
Pipes and fittings	76,889	83,448
Revenues from external customers	**366,675**	**360,332**

NOTES TO GROUP INCOME STATEMENT

[7] SALES REVENUE

Sales revenue is attributable solely to the sale of semi-finished plastics, pipes and fittings as well as finished parts. The classification of sales revenue by region and product area is outlined in segment reporting – Note [6].

[8] OTHER INCOME

Other income comprises the following items:

in € '000	2016	2015
Income from currency translation	3,750	8,283
Reversal of provisions /accruals	1,278	1,616
Income from disposal of assets	1,135	56
Income from services and commissions	211	255
Income from rental and lease	61	189
Miscellaneous other income	2,165	710
	8,600	**11,109**

Income from the disposal of assets is mainly attributable to the gain on disposal of €1,032 thousand from the sale of an office and storage facility owned by the sales company in France. Miscellaneous other income includes the reimbursement of energy tax of €1,325 thousand attributable to prior periods.

[9] COST OF MATERIALS

The cost of materials includes the following items:

in € '000	2016	2015
Raw materials and consumables used	195,084	200,678
Cost of purchased services	1,638	1,537
	196,722	**202,215**

[10] STAFF COSTS

Staff costs include the following items:

in € '000	2016	2015
Wages and salaries	56,954	54,633
of which from long-term employee benefits	777	235
Expenses relating to social security	11,105	11,249
Expenses relating to old-age provision and pensions	4,339	4,919
	72,398	**70,801**

Staff costs include employment termination indemnities totalling €219 thousand (previous year: €37 thousand). Expenses relating to social security include defined contribution plans governed by German legislation (statutory pension insurance) totalling €3,976 thousand (previous year: €2,861 thousand; attributable to SIMONA AG). As regards the internal multifinanced defined contribution plan, the total expense for SIMONA AG was €29 thousand (previous year: €24 thousand) in the period under review.

[11] RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to €3,950 thousand in the period under review (previous year: €3,608 thousand). Expenses are mainly comprised of staff costs, material costs and depreciation of property, plant and equipment. No development costs were capitalised in the financial year under review.

[12] OTHER EXPENSES

in € '000	2016	2015
Outward freight	14,893	15,142
Other selling expenses	10,398	8,318
Maintenance expenses	11,039	10,438
Other administrative expenses	8,199	8,235
Expenses for packaging material	7,640	7,233
Other operating costs	2,186	2,332
Rental and lease expenses	1,789	2,400
Losses from disposal of assets	319	108
Expenses from foreign currency translation	2,452	3,567
Other	3,253	2,261
	62,168	**60,034**

The rental and lease expenses are mainly attributable to rental agreements for dispatch warehouses and the property for the production facility in the United States. The rental agreements have various contractual maturities (3 to 30 years); some of the rental agreements include options for the extension of rental periods. All rental and lease agreements are structured as operating leases within the meaning of IAS 17. As at 31 December 2016, no finance leases existed within the Group.

[13] NET FINANCE INCOME/COST

in € '000	2016	2015
Finance income	**212**	**153**
of which from the measurement of derivatives	0	16
of which from loans and receivables	163	60
of which others	49	77

in € '000	2016	2015
Finance costs	**2,374**	**2,195**
of which interest expenses from termination benefits	2,078	1,970
of which from borrowings and financial liabilities	296	225

These items relate solely to interest income and interest expenses.

[14] INCOME TAXES

The principal elements of income tax expense for the 2016 and 2015 financial years are as follows:

GROUP INCOME STATEMENT

in € '000	2016	2015
Current tax		
Current tax expense	6,845	5,045
Adjustments of current tax attributable to previous periods	–32	–10
Deferred tax		
Origination and reversal of temporary differences	–995	1,564
Change in loss carry forwards and tax credits recognised	2,799	887
Income tax expense reported in the Group income statement	**8,617**	**7,486**

Reconciliation between income tax expense and the product of profit for the year carried in the statement of financial position and the tax rate applicable to the Group for the 2016 and 2015 financial years is as follows:

in € '000	2016	2015
Profit before taxes	**28,152**	**24,793**
Income tax expense at German tax rate of 29.48 % (previous year: 29.48 %)	8,299	7,309
Adjustments of current tax attributable to previous periods	–32	–10
Unrecognised deferred tax assets relating to tax losses	394	370
Loss carryforwards used in connection with deferred tax assets not recognised in previous year	–795	–419
Capitalisation of deferred tax assets relating to tax losses	0	–2,529
Tax effect of non-deductible expenses	104	289
Tax rate differences	601	159
Tax-free dividend income	23	22
Other tax-free income	–595	–118
Tax effects of permanent differences	0	565
Adjustments to carrying amount for loss carryforwards and tax credits	366	553
Other tax effects not attributable to the period	0	953
Other	252	342
Income tax expense at effective tax rate of 30.6 % (previous year: 30.2 %)	**8,617**	**7,486**
Income tax expense reported in the Group income statement	**8,617**	**7,486**

Changes to the tax rates of the consolidated subsidiaries are presented below: On 27 November 2014, a gradual reduction in corporation tax was agreed in Spain, taking effect on 1 January 2015. In 2016, the corporation tax was reduced from 28 per cent to 25 per cent (2015 from 30 per cent to 28 per cent). A reduction in corporation tax in the United Kingdom from 21 per cent (2015) to 20 per cent in 2016 was implemented under the provisions of the Finance Act 2016.

At 31 December 2016, the potential credit for the reduction of corporation tax, which results from the provisions set out in Section 37 and 38 KStG, was €739 thousand (previous year: €1,478 thousand). In the period under review, the credit for the reduction of corporation tax was measured at the present value to €718 thousand (previous year: €1,410 thousand). The payout of the remaining corporation tax credit will be made in one remaining annual instalment of €739 thousand in 2017. To the extent that these payments do not fall due within one year, the items are accounted for in the statement of financial position as non-current assets. Payments due within one year are carried as current assets.

Deferred tax

At the end of the reporting period, deferred tax assets and deferred tax liabilities were as follows:

GROUP STATEMENT OF FINANCIAL POSITION

in € '000	31/12/2016	31/12/2015
Deferred tax liabilities		
Goodwill	1,512	1,011
Other intangible assets	–492	–114
Non-current assets	7,987	7,701
Inventories	2,926	3,380
Receivables and other assets	2,598	2,712
Other provisions and liabilities	96	19
Other items	2	1
	14,629	**14,710**
Deferred tax assets		
Provisions for pensions	17,767	15,011
Other provisions and liabilities	265	207
Inventories	41	309
Receivables and other assets	9	11
Loss carryforwards and tax credits	528	3,327
Non-current assets	154	29
Other items	356	8
	19,120	**18,902**
Set-off	–11,479	–14,511
Deferred tax assets	**7,641**	**4,391**
Deferred tax liabilities	**–3,150**	**–199**
Net balance sheet position	**4,491**	**4,192**

The net balance sheet position of deferred taxes changed as follows:

in € '000	2016	2015
Beginning of the period 1 January	**4,192**	**9,561**
Income tax expense	–1,804	–2,451
Amount recognised directly in equity (total comprehensive income)	2,244	–2,301
Currency translation	–141	96
Other adjustments	0	–713
End of period 31 December	**4,491**	**4,192**

At the end of the reporting period, loss carryforwards amounted to €6,098 thousand (previous year: €8,227 thousand). Deferred tax assets of €1,446 thousand (previous year: €6,545 thousand) were recognised for €492 thousand (previous year: €3,054 thousand) of the loss carryforwards mentioned above. Beyond this, no other deferred tax assets were recognised, as the losses may not be used for the purpose of set-off with the taxable profit of other Group companies. Furthermore, the loss carryforwards are attributable to subsidiaries that have incurred losses over a period of several years, and at present there is no reasonably reliable indication that the earnings situation of these entities will improve so significantly in the short term that future taxable profit will be available against which the unused tax losses can be utilised.

Expiry date of tax loss carryforwards:

in € '000	2016	2015
Between 3 and 20 years	3,343	8,227
Indefinite carryforward	0	0
	3,343	**8,227**

Deferred tax assets of around €28 thousand (previous year: €2,235 thousand) are expected to be realised in the subsequent financial year.

[15] EARNINGS PER SHARE

For the calculation of basic earnings per share, the profit or loss attributable to ordinary equity holders of the parent entity shares is divided by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects in the 2016 financial year or prior-year reporting period.

The following table presents the amounts relevant to the calculation of basic and diluted earnings per share:

in € '000 or units of 1,000	2016	2015
Profit or loss attributable to ordinary equity holders of the parent company	19,486	17,270
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating basic earnings per share	600	600
Dilutive effects	0	0
Weighted average number of ordinary shares (without treasury shares) for the purpose of calculating diluted earnings per share	600	600
Basic earnings per share (in euro)	32.48	28.78
Diluted earnings per share (in euro)	32.48	28.78

No transactions with ordinary shares occurred between the end of the reporting period and the preparation of the consolidated financial statements.

[16] PAID AND PROPOSED DIVIDENDS

During the financial year a dividend, attributable to the ordinary shares of the parent company, in the amount of €10.00 (previous year: €8.00) per share was declared and distributed. The total payment made in the financial year under review amounted to €6,000 thousand (previous year: €4,800 thousand).

A dividend proposal of €12.00 per share (previous year: €10.00 per share) will be submitted to the Annual General Meeting of Shareholders. The proposed total dividend was not recognised as a liability at the end of the reporting period. The corresponding payment would total €7,200 thousand (previous year: €6,000 thousand).

NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

[17] INTANGIBLE ASSETS

31. DEZEMBER 2016

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2016 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,316	5,549	27,065	33,930
Additions	302	0	0	302
Transfer	43	0	0	43
Depreciation/amortisation during the financial year	–441	–934	0	–1,375
Transfer depreciation/ amortisation	200	–200	0	0
Effects of changes in foreign currency exchange rates	–34	135	876	977
Balance at 31 December 2016 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**1,386**	**4,550**	**27,941**	**33,877**
Balance at 1 January 2016				
Cost of purchase or conversion (gross carrying amount)	8,354	7,305	27,781	43,440
Accumulated depreciation/ amortisation	–7,038	–1,756	–716	–9,510
Carrying amount	**1,316**	**5,549**	**27,065**	**33,930**
Balance at 31 December 2016				
Cost of purchase or conversion (gross carrying amount)	8,131	7,545	28,657	44,333
Accumulated depreciation/ amortisation	–6,745	–2,995	–716	–10,456
Carrying amount	**1,386**	**4,550**	**27,941**	**33,887**

Goodwill was as follows:

in € '000	31/12/ 2015	Addi- tions/ disposals	Amortisa- tion	Change in foreign exchange rate	31/12/ 2016
Boltaron Inc., USA	24,547	0	0	805	25,352
SIMONA AMERICA Inc., Laminations Inc., USA	2,375	0	0	71	2,446
Other	143	0	0	0	143
	27,065	**0**	**0**	**876**	**27,941**

In accordance with the method applied in the previous year, patents and licences are amortised systematically over their economic life of three to five years by using the straight-line method; customer relationships are amortised over an economic life of five to ten years by using the straight-line method. The residual book value of customer relationships resulting from acquisitions is as follows:

31/12/2016	Residual book value in € '000	Remaining period of amortisation
Boltaron Inc., USA	4,104	4 years
SIMONA AMERICA Inc./ Laminations Inc., USA	446	7 years
Total	**4,550**	

31/12/2015	Residual book value in € '000	Remaining period of amortisation
Boltaron Inc., USA	4,923	5 years
SIMONA AMERICA Inc./ Laminations Inc., USA	626	8 years
Total	**5,549**	

Impairment of goodwill

The Group conducts the mandatory annual impairment test for significant goodwill in the fourth quarter of the financial year, applying the method outlined in Note [5] "Impairment of Assets". As part of the impairment test conducted in the financial year under review in respect of the cash-generating units (CGU), the recoverable amounts on the basis of the value in use were estimated to be higher than the carrying amounts. No impairment losses were required as part of the goodwill impairment test conducted for the financial year under review.

The fundamental assumptions made in connection with the impairment test are based primarily on projected market growth rates as well as Group estimates/assessments provided by the respective sales and purchasing departments. The assumptions in the financial year under review are based on the parameters presented in the following table. Projections relating to cash flows are based on a period of four years, subsequently transitioning into perpetuity.

GOODWILL IMPAIRMENT TEST

		31/12/2016	31/12/2015
Boltaron Inc.			
Revenue growth forecasting period	%	4.0 – 5.0	3.0
EBITDA margin forecasting period	%	32 – 34	26 – 27
Duration forecasting period	years	4	4
Revenue growth at end of forecasting period	%	1.5	1.5
EBITDA margin at end of forecasting period	%	34	26.3
Discount rate at end of forecasting period	%	8.9	9.3
Carrying amount goodwill	€ '000	25,352	24,547
Recoverable amount (value in use of the CGU)	€ '000	152,865	78,677
Required reduction in carrying amount	€ '000	–	–

An increase or decrease in the discount rate by plus 0.5 per cent or minus 0.5 per cent does not result in an impairment of goodwill. No reduction in the carrying amount would be required even in the event of a significant and unexpected deterioration in the assumptions made.

		31/12/2016	31/12/2015
SIMONA AMERICA Inc./Laminations Inc.			
Revenue growth forecasting period	%	1.5 – 2.0	1.8 – 5.3
EBITDA margin forecasting period	%	9.0 – 9.5	4.6 – 6.8
Duration forecasting period	years	4	4
Revenue growth at end of forecasting period	%	1.5	1.5
EBITDA margin at end of forecasting period	%	9.4	6.8
Discount rate at end of forecasting period	%	7.6	8.8
Carrying amount goodwill	€ '000	2,446	2,375
Recoverable amount (value in use of the CGU)	€ '000	43,233	33,720
Required reduction in carrying amount	€ '000	–	–

The value in use of the CGU SIMONA AMERICA Inc./Laminations Inc. would correspond to the carrying amounts if the following key assumptions were to be changed separately:

		from	to
Revenue growth forecasting period	%	1.5 – 2.0	0.5 – 1.3
EBITDA margin forecasting period	%	9.0 – 9.5	4.5 –5.0
Revenue growth at end of forecasting period	%	1.5	0.4

31 DECEMBER 2015

in € '000	Patents and licences	Customer base	Goodwill	Total
Balance at 1 January 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	1,362	5,826	24,343	31,531
Additions	142	0	0	142
Transfer	–444	0	716	272
Depreciation/amortisation during the financial year	–447	–931	0	–1,378
Transfer depreciation/amortisation	716	0	–716	0
Effects of changes in foreign currency exchange rates	–13	654	2,722	3,363
Balance at 31 December 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**1,316**	**5,549**	**27,065**	**33,930**
Balance at 1 January 2015				
Cost of purchase or conversion (gross carrying amount)	8,655	6,164	24,343	39,162
Accumulated depreciation/amortisation	–7,293	–338	0	–7,631
Carrying amount	**1,362**	**5,826**	**24,343**	**31,531**
Balance at 31 December 2015				
Cost of purchase or conversion (gross carrying amount)	8,354	7,305	27,781	43,440
Accumulated depreciation/amortisation	–7,038	–1,756	–716	–9,510
Carrying amount	**1,316**	**5,549**	**27,065**	**33,930**

[18] PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2016

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2016 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	38,700	62,788	12,345	113,833
Additions	1,846	5,693	7,912	15,451
Transfer	2,403	6,222	–8,668	–43
Transfer depreciation/amortisation	–83	83	0	0
Disposals	–9	–561	0	–570
Depreciation/amortisation during the financial year	–2,042	–10,283	0	–12,325
Effects of changes in foreign currency exchange rates	207	106	31	344
Balance at 31 December 2016 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**41,022**	**64,048**	**11,620**	**116,690**
Balance at 1 January 2016				
Cost of purchase or conversion	75,652	239,860	12,345	327,857
Accumulated depreciation/amortisation and impairments	–36,952	–177,072	0	–214,024
Carrying amount	**38,700**	**62,788**	**12,345**	**113,833**
Balance at 31 December 2016				
Cost of purchase or conversion	79,055	240,669	11,620	331,344
Accumulated depreciation/amortisation and impairments	–38,033	–176,621	0	–214,654
Carrying amount	**41,022**	**64,048**	**11,620**	**116,690**

Prepayments (€4,002 thousand) and assets under construction (€7,618 thousand) relate primarily to investments to expand operations at the site in Ringsheim, Germany, as well as investment projects at the plants in the United States and Jiangmen, China.

31 DECEMBER 2015

in € '000	Land and buildings	Plant and equipment	Prepayments and assets under construction	Total
Balance at 1 January 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	37,307	60,517	9,461	107,285
Additions	1,525	7,258	7,262	16,045
Transfer	868	3,385	–4,525	–272
Reclassification to disposal group classified as held for sale	–563	0	0	–563
Disposals	0	5	–121	–116
Depreciation/amortisation during the financial year	–2,043	–9,997	0	–12,040
Effects of changes in foreign currency exchange rates	1,606	1,620	268	3,494
Balance at 31 December 2015 (Cost of purchase/conversion, taking into account accumulated amortisation and impairments)	**38,700**	**62,788**	**12,345**	**113,833**
Balance at 1 January 2015				
Cost of purchase or conversion	76,054	228,224	9,461	313,739
Accumulated depreciation/amortisation and impairments	–38,747	–167,707	0	–206,454
Carrying amount	**37,307**	**60,517**	**9,461**	**107,285**
Balance at 31 December 2015				
Cost of purchase or conversion	75,652	239,860	12,345	327,857
Accumulated depreciation/amortisation and impairments	–36,952	–177,072	0	–214,024
Carrying amount	**38,700**	**62,788**	**12,345**	**113,833**

The useful life of property, plant and equipment was estimated as follows:

Buildings	20 – 40 years
Plant and equipment	5 – 20 years

[19] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the entity accounted for as an associate that sells products of the US subsidiaries in the United States on a commission/agency basis in its capacity as a sales representative. West Coast Plastic Sales, LLC, Washington, USA, was merged into CARTIERWILSON, LLC, Marietta, USA, effective from 1 January 2016. The investment amount recognised is €293 thousand (previous year: €205 thousand). The profit from investments accounted for using the equity method was €159 thousand (previous year: €130 thousand).

ASSOCIATES

	Ownership interest in %
CARTIERWILSON, LLC, Marietta, USA	25.0

[20] INVENTORIES

in € '000	31/12/2016	31/12/2015
Raw material and consumables used	26,161	25,994
Work in progress	847	781
Finished goods and merchandise	41,390	38,914
Prepayment for inventories	805	1,188
	69,203	**66,877**

The amount relating to inventory impairments recognised in cost of material rose by €90 thousand year on year to €4,183 thousand in the period under review; of this amount, write-downs relating to the net realisable value of finished goods totalled €273 thousand (previous year: €363 thousand).

[21] TRADE RECEIVABLES

Trade receivables are not interest-bearing and are generally due within 30 to 90 days.

in € '000	31/12/2016	31/12/2015
Carrying amount	**52,186**	**51,140**
Neither impaired nor past due at the end of the reporting period	40,623	37,486
Past due and not impaired within the following time ranges		
up to 30 days	6,130	5,120
between 31 and 60 days	1,680	1,718
between 61 and 90 days	616	878
between 91 and 120 days	535	428
more than 120 days	2,149	1,956

As regards the trade receivables that were neither impaired nor past due, there were no indications at the end of the reporting period that customers will fail to meet their payment obligations.

The changes to valuation allowances for trade receivables are outlined below:

in € '000	31/12/2016	31/12/2015
Balance of specific allowances at 1 January	1,961	1,956
Exchange differences	+111	+27
Allocated	+288	+296
Utilised	–47	–285
Reversed	–84	–33
Balance of specific allowances at 31 December	**2,229**	**1,961**

The following table includes expenses attributable to the derecognition of trade receivables as well as income from amounts received in connection with derecognised trade receivables. Expenses attributable to the derecognition of trade receivables are reported as other expenses, while income attributable to amounts received in connection with derecognised trade receivables is accounted for as other income.

in € '000	2016	2015
Expenses attributable to the derecognition of trade receivables	235	140
Income attributable to amounts received in connection with derecognised trade receivables	57	80

[22] OTHER ASSETS AND TAX ASSETS

in € '000	31/12/2016	31/12/2015
Receivables from value-added tax	546	1,853
Prepayments	51	1,290
Advance payments for future periods	1,001	762
Receivables from energy tax	691	66
Other receivables	341	639
	2,630	**4,610**

At the end of the reporting period, other assets were neither impaired nor past due.

Total tax assets of €768 thousand (previous year: €1,690 thousand) include a reimbursement right in respect of credits for the reduction of corporation tax relating to SEStEG.

[23] ASSETS HELD FOR SALE

Assets held for sale include property, plant and equipment of €3,785 thousand (previous year: €4,696 thousand). This item related to the amalgamation of production sites in the Americas segment. Within the context of ongoing sales activities an estate agent determined a value indication, on the basis of which an impairment of €461 thousand was recognised. This impairment was included in other expenses. The effect of currency translation is equivalent to €113 thousand. An interested party is considering the purchase of this property. The sale is expected to be transacted over the course of the 2017 financial year. In July 2016 an office and storage facility owned by the sales company in France was sold; this related to the segment covering Europe. The gain on disposal was €1,032 thousand and has been recognised in profit and loss as other income.

[24] CASH AND CASH EQUIVALENTS

in € '000	31/12/2016	31/12/2015
Bank balances and cash on hand	74,759	31,892
	74,759	**31,892**

Bank balances bear interest on the basis of floating interest rates applicable to balances payable on demand. No restraints on use are known apart from the local statutory restrictions applicable to the subsidiaries in China. At the end of the reporting period cash attributable to the Chinese entities amounted to €1,895 thousand (previous year: €2,715 thousand).

As at 31 December 2016, the Group had undrawn borrowing facilities of €18,873 thousand (previous year: €42,775 thousand). The year-on-year decline is attributable primarily to the utilisation of KfW loans of €21,980 thousand as well as undrawn KfW funds of €4,520 thousand.

[25] EQUITY

Changes in equity are presented in a separate Group statement of changes in equity.

Issued capital

As at 31 December 2016, the share capital of SIMONA AG was divided into 600,000 no-par-value shares. These shares are classified as ordinary bearer shares. Each no-par-value share has a notional interest of €25.83 in the company's share capital. The ordinary shares have been issued and fully paid in.

in € '000	31/12/2016	31/12/2015
Share capital	15,500	15,500
	15,500	**15,500**

As was the case in the previous financial year, SIMONA AG has no treasury shares.

Capital reserve

in € '000	31/12/2016	31/12/2015
Share premium from the issuance of stock	15,274	15,274
	15,274	**15,274**

Capital reserve include the share premium from the issuance of SIMONA AG stock. There was no increase in capital reserve in the period under review.

Other reserves

in € '000	31/12/2016	31/12/2015
Currency translation effects	12,354	11,167
	12,354	**11,167**

Other reserves include currency translation effects attributable to exchange differences occurring upon translation of the financial statements of foreign subsidiaries as well as the foreign exchange effects (accounted for in equity) of translating net investments in foreign subsidiaries.

Non-controlling interests

This item relates solely to non-controlling interests in DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland. The non-controlling interests correspond to the applicable voting rights and amount to 49 per cent. There are no restraints in place as regards the right of SIMONA AG to access or use assets of this subsidiary and to meet contractual obligations. Revenue generated by this entity amounted to €2,137 thousand in the period under review (previous year: €2,012 thousand). The total payment made in the financial year under review amounted to €29 thousand (previous year: €18 thousand). The company's balance sheet total stands at €989 thousand and is mainly composed of current assets (€983 thousand) and current liabilities (€413 thousand).

[26] FINANCIAL LIABILITIES

Financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2016	31/12/2015
Non-current financial liabilities			
Pro-rata bank loan of €26,229 thousand (nominal amount), principal repayments due after 31/12/2017	2018 – 2024	22,111	3,851
		22,111	**3,851**
Current financial liabilities			
Bank overdrafts	Immediately	0	2,538
Pro-rata bank loan of €26,229 thousand (nominal amount), principal repayments due up to 31/12/2017	01/2017 –12/2017	3,444	398
		3,444	**2,936**

As regards loans from banks, fixed interest rates of between 1.8 per cent and 2.1 per cent have been agreed in respect of KfW funds. Interest is computed either on the basis of the nominal amount of the loan or the remaining amount of the loan.

The overdraft facility of SIMONA AG is subject to a floating interest rate based on EONIA (Euro Over Night Index Average).

Other financial liabilities are comprised of the following items:

in € '000	Due date	31/12/2016	31/12/2015
Non-current other financial liabilities			
Liabilities due to purchase price obligations	04/2017	0	2,060
Other		58	127
		58	**2,187**
Current other financial liabilities			
Liabilities due to purchase price obligations	04/2017	2,174	2,096
Accounts receivable with credit balances	Immediately	1,184	1,268
		3,358	**3,364**

[27] PENSIONS

The majority of employees within SIMONA AG are entitled to post-employment benefits attributable to pension plan agreements. The aforementioned plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff, including members and former members of the Management Board. These relate to benefits in respect of retirement, disability and surviving dependants.

In order to mitigate the risks associated with defined benefit plans, particularly as regards longevity, inflation and salary increases, SIMONA introduced multifinanced defined contribution plans for employees joining the company on or after 1 January 2009.

With the exception of payments to SIMONA Sozialwerk GmbH, no contributions are made to funds, cf. Note [28].

The following table includes a breakdown of the expense items recognised in the Group income statement in connection with retirement benefits as well as the amounts carried in the statement of financial position for the respective plans.

The changes in the liabilities of defined benefit obligations (DBO) are as follows:

in € '000	31/12/2016	31/12/2015
DBO at beginning of reporting period	60,808	60,790
Service cost	1,664	1,801
Interest cost	1,377	1,288
Remeasurement	5,642	–1,430
Actuarial gains/losses due to changes in financial assumptions	6,004	–1,693
Actuarial gains/losses from changes in the entitlement base	–362	263
Benefits paid	–1,624	–1,641
DBO at end of reporting period	67,867	60,808
of which non-current liability	**66,157**	**59,144**
of which current liability	**1,710**	**1,664**

The Group anticipates benefit payments of €1,710 thousand (previous year: €1,664 thousand) in connection with defined benefit pension plans for the 2017 financial year.

The assumptions made for the purpose of determining the pension obligations are as follows:

Parameters	31/12/2016	31/12/2015
Discount rate	1.80 %	2.30 %
Salary increase	2.50 %	2.50 %
Pension increase	1.87 %	1.87 %
Mortality (mortality tables published by Prof. Dr. K. Heubeck)	2005 G	2005 G

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2016 would increase or decrease the DBO as outlined below. This was determined on the basis of the projected unit credit method as well as the parameters mentioned:

Parameters	**Change in DBO if parameters are changed by half a percentage point as at 31/12/2016 in € '000 (previous year)**	
	Increase	**Decrease**
Discount rate	–6,004 (–5,164)	6,929 (5,935)
Salary increase	1,401 (1,263)	–1,325 (–1,192)
Pension increase	4,869 (4,304)	–4,386 (–3,885)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2016 would increase by €2,374 thousand (previous year: €2,019 thousand) following a reduction in the mortality rate by 10% and would decrease by €-2,110 thousand (previous year: €–1,802 thousand) following a 10 % increase in the mortality rate.

The weighted average duration of the DBO attributable to defined benefit pension plans of SIMONA AG is 18.9 years (previous year: 18.2 years).

[28] COMPANY WELFARE INSTITUTIONS

SIMONA Sozialwerk GmbH is structured as a long-term employee benefit fund within the meaning of IAS 19.8. Under the Articles of Association, the entity operates solely for the purpose of ensuring that former employees of SIMONA AG as well as their dependants receive retirement benefits. The beneficiaries of pensions are entitled to all the assets belonging to the entity as well as all income derived from these assets while the entity is in existence as well as in the case of liquidation or insolvency of the entity. SIMONA AG has no access rights to assets held by SIMONA Sozialwerk GmbH. In the event of liquidation of the entity, the entity's assets are to be allocated to the recipients of benefits or are to be secured for the purpose of providing future benefits for said recipients. Thus, even in the event that SIMONA AG becomes insolvent, the creditors identified in connection with insolvency have no rights in respect of the assets of SIMONA Sozialwerk GmbH.

The assets of SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH may be utilised solely for benefit-related purposes relating to SIMONA Sozialwerk GmbH. The agreed plans are structured as final salary pension plans in the case of both personnel employed on the basis of collective wage agreements and managerial staff. The defined benefit plans are associated in particular with risks in respect of longevity, inflation and salary increases.

Funding of SIMONA Sozialwerk GmbH is performed in observance of tax regulations.

in € '000	**31/12/2016**	**31/12/2015**
DBO at beginning of reporting period	66,854	66,647
Service cost	2,646	2,813
Interest cost	1,523	1,420
Remeasurement	6,676	–2,903
Actuarial gains/losses due to changes in financial assumptions	7,883	–2,215
Actuarial gains/losses from changes in the entitlement base	–1,207	–688
Benefits paid	–1,187	–1,123
DBO at end of reporting period	**76,512**	**66,854**
Fair value of plan assets at beginning of year	36,270	34,908
Returns on plan assets	821	738
Remeasurement	5,142	1,747
Benefits paid	–1,187	–1,123
Fair value of plan assets at end of year	**41,046**	**36,270**
Deficit of plan assets	**–35,466**	**–30,584**

The Group anticipates benefit payments of €1,364 thousand (previous year: €1,214 thousand) in connection with indirect defined benefit pension plans for the 2017 financial year.

As regards the basic assumptions for determining the pension obligations, please refer to the details in Note [27].

A surplus relating to plan assets is not accounted for in the consolidated financial statements of SIMONA AG, as SIMONA AG has no control over these assets. In accordance with the provisions set out in IAS 19.8, the plan assets are available to be used only to pay or fund employee benefits.

The change in the deficit as at 31 December 2016 is attributable primarily to the remeasurement implemented due to the change in financial assumptions and the increase in value of plan assets.

A change of half a percentage point each in the above-mentioned basic assumptions used for the purpose of determining the DBO as at 31 December 2016 would increase or decrease the DBO as follows (cf. also Note [27]):

Parameters	Change in DBO if parameters are changed by half a percentage point as at 31/12/2016 in € '000 (previous year)	
	Increase	Decrease
Discount rate	–7,883 (–6,684)	9,245 (7,810)
Salary increase	2,916 (2,498)	–2,683 (–2,298)
Pension increase	5,486 (4,617)	–4,974 (–4,197)

The decline in mortality rates by 10 per cent results in an increase in life expectancy dependent on the individual ages of each participant. The DBO as at 31 December 2016 would increase by €2,793 thousand (previous year: €2,327 thousand) following a reduction in the mortality rate by 10 % and would decrease by €–2,492 thousand (previous year: €–2,085 thousand) following a 10 % increase in the mortality rate.

The composition of plan assets is presented below:

FAIR VALUE AT

in € '000	31/12/2016	31/12/2015
Category of assets		
Shares in SIMONA AG	26,460	21,900
Bonded loans	2,999	3,010
Time deposits	2,598	2,499
Investment funds	7,583	5,658
Cash and cash equivalents	1,406	3,203
Total plan assets	**41,046**	**36,270**

The shares in SIMONA AG and the interests in investment funds are quoted in an active market.

The weighted average duration of the DBO relating to defined benefit pension plans of SIMONA Sozialwerk GmbH is 22.2 years (previous year: 21.6 years).

The liability recognised in the statement of financial position with regard to this pension plan changed as follows:

in € '000	31/12/2016	31/12/2015
Liability at beginning of reporting period	30,584	31,739
Service cost	2,646	2,813
Net interest expense	702	681
Remeasurement	1,534	–4,649
Actuarial gains/losses due to changes in financial assumptions	7,883	–2,215
Actuarial gains/losses from changes in the entitlement base	–1,207	–688
Remeasurement from plan assets	–5,142	–1,746
Liability at end of reporting period	**35,466**	**30,584**

[29] OTHER PROVISIONS

in € '000	Personnel-related obligations	Guarantees/ warranties	Other	Total
Balance at 1 January 2016	**1,252**	**3,423**	**9**	**4,684**
Allocated	37	311	61	409
Used	211	530	0	741
Reversed	0	129	12	141
Exchange differences	0	26	0	26
Effect of time value of money	15	16	0	31
Balance at 31 December 2016	**1,093**	**3,117**	**58**	**4,268**
Current provisions	294	1,211	58	1,563
Non-current provisions	799	1,906	0	2,705
Balance at 31 December 2016	**1,093**	**3,117**	**58**	**4,268**

in € '000	Personnel-related obligations	Guaran-tees/ warranties	Other	Total
Balance at 1 January 2015	**1,829**	**3,479**	**163**	**5,471**
Allocated	78	1,203	9	1,290
Used	395	350	62	807
Reversed	278	1,237	101	1,616
Exchange differences	0	13	0	13
Effect of time value of money	18	315	0	333
Balance at 31 December 2015	**1,252**	**3,423**	**9**	**4,684**
Current provisions	418	1,523	9	1,950
Non-current provisions	834	1,900	0	2,734
Balance at 31 December 2015	**1,252**	**3,423**	**9**	**4,684**

Personnel-related provisions encompass obligations in connection with agreements regarding part-time employment of staff approaching retirement and provisions relating to anniversaries. Personnel-related provisions are measured on the basis of actuarial figures.

At the reporting date, obligations in connection with agreements regarding part-time employment of staff approaching retirement amounted to €68 thousand (previous year: €260 thousand). This item is composed of obligations for performance-related arrears, additional compensation and severance payments.

Provisions for guarantees are recognised in connection with warranties for products sold in preceding years. The calculation is based on historical claims from guarantees and warranties. Guarantee-related provisions at SIMONA AG are recognised for ongoing, regularly occurring warranty cases as well as for individual cases that occur on an irregular basis and are associated with the risk of above-average claims.

As regards regularly occurring warranty cases, a provision is calculated on the basis of experience over what is adjudged to be a probable average claim period of 5 years. For the purpose of measuring the provision, the expenses actually incurred in connection with customer credits/refunds from warranty obligations as well as the thus resulting direct costs of processing a complaint are analysed in detail. Within this context, the weighted average warranty expense of the past 5 years is used for calculation purposes.

The portion of warranty provisions calculated in respect of individual cases occurring on an irregular basis is recognised only when the utilisation of the provision is considered likely, a payment relating thereto is deemed probable and a reliable estimate can be made.

The portion of the warranty provision whose utilisation is not due within one year after the reporting date is discounted.

[30] OTHER LIABILITIES

Other liabilities comprise the following items:

in € '000	31/12/2016	31/12/2015
Payables to workforce	9,158	7,578
Payables relating to social security	1,312	1,455
Liabilities relating to credit notes and commissions	1,034	1,334
Tax payables	864	817
Payables relating to outstanding invoices	0	502
Other	2,103	1,901
	14,471	**13,587**

[31] STATEMENT OF CASH FLOWS

The statement of cash flows presents changes to cash and cash equivalents during the financial year by outlining cash inflows and outflows. In accordance with IAS 7, the statement of cash flows includes information relating to cash flows from operating activities, investing activities and financing activities.

As at 31 December, total cash and cash equivalents were as follows:

in € '000	31/12/2016	31/12/2015
Cash and cash equivalents	74,759	31,892
	74,759	**31,892**

The effects of changes to cash and cash equivalents attributable to exchange rates were €–53 thousand (previous year: €1,069 thousand) at Group level.

Cash flows from investing and financing activities are accounted for directly, i.e. on a payments basis. Cash flows from operating activities are determined indirectly on the basis of earnings before taxes, i.e. via changes to operating items in the Group statement of financial position, having eliminated changes relating to acquisitions and currency translation.

[32] RELATED PARTY DISCLOSURES

Entities and persons with control over the SIMONA Group or who are exposed to the significant influence of SIMONA AG, as well as associated entities and persons, including close members of the family and intermediate entities, with significant influence over the financial and operating policies of the SIMONA Group are to be disclosed in accordance with IAS 24. The Management Board and the Supervisory Board are considered to be management in key positions.

Management Board

- Wolfgang Moyses, Chairman, Kirn
- Dirk Möller, Deputy Chairman, Kirn
- Fredy Hiltmann, Kirn

Supervisory Board

- Dr. Rolf Goessler, Bad Dürkheim, Diplom-Kaufmann
  Chairman of the Supervisory Board
  - Member of the Supervisory Board of J. Engelsmann AG, Ludwigshafen
- Roland Frobel, Isernhagen,
  Managing Director of ROSSMANN CENTRAL EUROPE B.V., Renswoude, Netherlands
  Deputy Chairman of the Supervisory Board
  - Chairman of the Advisory Board of Saxonia Holding-Gesellschaft mbH & Co. KG, Wolfsburg
  - Member of the Supervisory Board of GBK Beteiligungen AG, Hannover
  - Member of the Supervisory Board of Hannover 96 GmbH & Co. KGaA, Hannover
  - Member of the Supervisory Board of Deutsche Beteiligungs AG, Frankfurt am Main (until 25/02/2016)
- Dr. Roland Reber, Stuttgart
  Managing Director of Ensinger GmbH, Nufringen
- Joachim Trapp, Biberach, Qualified Lawyer
  - Member of the Management Board of Kreissparkasse Biberach, Biberach
  - Managing Director of SparkasseImmobilien BC GmbH, Biberach
  - Managing Director of SparkasseImmobilien BC Grundstücksverwaltungsgesellschaft mbH, Biberach
- Andy Hohlreiter, Becherbach
  Employee Representative (as from 01/03/2017)
- Markus Stein, Mittelreidenbach
  Employee Representative (as from 01/03/2017)
- Gerhard Flohr, Bergen
  Employee Representative (until 28/02/2017)
- Jörg Hoseus, Monzingen
  Employee Representative (until 28/02/2017)

Wolfgang Moyses performs executive or controlling duties in the following entities:

- Customer Advisory Board member Landesbank Rheinland-Pfalz
- Advisory Board of CW Brabender Instruments Inc., South Hackensack/USA
- Supervisory Board member of SURTECO SE, Buttenwiesen-Pfaffenhofen

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

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

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

Dr. Roland Reber, member of the Supervisory Board of SIMONA AG, is also the Managing Director of Ensinger GmbH, Nufringen. In the financial year under review, product sales amounting to €3,483 thousand (previous year: €1,867 thousand) were transacted between SIMONA AG and the entities of the Ensinger Group.

Beyond this, companies of the SIMONA Group entered into no significant transactions with members of the Management Board or the Supervisory Board of SIMONA AG and/or entities to which these persons have been appointed in an executive or controlling capacity (revenues less than €25 thousand in total). This also applies to close family members of the aforementioned persons. Payables to related parties consist of compensation to Supervisory Board members of SIMONA AG for the 2016 financial year and amount to €133 thousand (previous year: €109 thousand). There are no other outstanding balances or obligations towards related parties.

As part of its ordinary operating activities, SIMONA AG provides various services for the subsidiaries included in the consolidated financial statements. Conversely, the respective Group companies render services within the SIMONA Group in the context of their business purpose.

Business relationships exist with associates on a commission/agency basis in respect of the sale of products in the United States; this business totals €2,712 thousand (previous year: €2,654 thousand).

The supply and business relations between the respective persons and companies are conducted on arm's length terms.

Compensation of members of the Management Board and Supervisory Board

MANAGEMENT BOARD COMPENSATION ACCORDING TO IAS 24.17

in € '000	2016	2015
Short-term benefits		
Fixed salary and fringe benefits	906	1,012
Annual bonus	1,067	715
	1,973	**1,727**
Other long-term benefits	702	335
Total compensation	**2,675**	**2,062**

COMPENSATION DISCLOSURE PURSUANT TO SECTION 314(1) NO. 6 HGB

in € '000	2016	2015
Non-performance-based compensation		
Fixed salary and fringe benefits	906	1,012
Performance-based compensation		
Annual bonus	1,067	715
Compensation with long-term incentive effect	517	335
Total compensation	**2,490**	**2,062**

The variable component of Management Board compensation is based on earnings performance within the Group and a long-term incentive programme. In the period under review, a new long-term incentive programme was implemented effective from 1 January 2015. It uses average Group NOPAT (net operating profit after taxes) as the key performance indicator, calculated on the basis of a three-year performance period. The first performance period with regard to the new method of calculation encompasses the financial years 2015 – 2017 and the second performance period comprises the financial years 2016 – 2018. Payment occurs subsequent to the adoption of the consolidated financial statements for the final year of the respective performance period. Members of the Management Board do not receive grants in respect of state-managed defined contribution plans, nor do they receive share-based payments or loans.

Post-employment benefits of €18,861 thousand (previous year: €16,333 thousand) have been provisioned for active members of the Management Board, former members of the Management Board and their surviving dependants. The allocation to provisions for active members of the Management Board was €1,957 thousand (previous year: €454 thousand). Full allocations have been made to pension provisions for former members of the Management Board. At the end of the reporting period, these amounted to €8,276 thousand (previous year: €7,706 thousand).

Compensation of former Management Board members and their surviving dependants amounted to €470 thousand (previous year: €486 thousand).

At Group level, Supervisory Board compensation for 2016 amounted to €160 thousand (previous year: €131 thousand). Supervisory Board compensation encompasses no variable components. Alongside their Supervisory Board compensation, staff representatives appointed to the Supervisory Board received remuneration in the form of wages and salaries during the 2016 financial year, which included retirement benefit obligations in the generally applicable amount in respect of work performed for the company. The company does not grant share-based payments or loans to members of the Supervisory Board.

[33] FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principles of risk management

Some of the assets, liabilities and planned transactions of SIMONA AG are exposed to risks associated with changes to foreign exchange rates and interest rates. The principal aim of financial risk management is to mitigate risks attributable to ongoing operating and finance-related transactions. Depending on the risk, the aim is to restrict the level of associated risk by means of derivative financial instruments and non-derivative hedging instruments. All hedging instruments are used solely for the purpose of hedging cash flows.

Interest-rate risk

In accordance with IFRS 7, interest-rate risks are addressed in the form of sensitivity analyses. These present the effects of changes in market interest rates on interest income, interest expense and items in the statement of financial position. The company's short-term bank overdraft is the financial instrument generally exposed to interest-rate risk. It remained undrawn at the end of the 2016 financial year. Therefore, a sensitivity analysis of interest rates was of no relevance.

Currency risks

The SIMONA Group is exposed to risks associated with exchange rate fluctuations within the area of investing and financing activities. Risks attributable to foreign currencies are hedged to the extent that they affect the cash flows of the Group. The risk of exchange rate fluctuations associated solely with the translation of assets and liabilities into the reporting currency of the consolidated financial statements (euros) remains unhedged.

At an operating level, the respective entities within the Group conduct the majority of their business transactions in their functional currency. The parent company is responsible almost solely for managing transactions in foreign currencies and hedges these activities within specified parameters as part of treasury management. As at the reporting date, no foreign exchange forward contracts and currency options were used for the purpose of hedging currency risks associated with operating activities.

IFRS 7 requires entities to present risk on the basis of sensitivity analyses. These analyses show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the end of the reporting date. Exchange rate movements may occur in the case of primary financial instruments that are beyond the hedged parameters or that are hedged by means of financial derivatives in the form of forward foreign exchange transactions or currency options.

If, as at 31 December 2016, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,530 thousand lower (€5,537 thousand higher).

The hypothetical effect on profit of minus €4,530 thousand (plus €5,537 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	**Effect on profit before taxes**	
EUR/USD	–2,913	(3,560)
EUR/GBP	–72	(88)
EUR/CHF	–391	(478)
EUR/CZK	776	(–949)
EUR/PLN	–83	(102)
EUR/HKD	–810	(991)
EUR/CNY	–865	(1,057)
EUR/RUB	–95	(116)
EUR/INR	–77	(94)
	–4,530	**(5,537)**

If, as at 31 December 2015, the euro had appreciated (depreciated) by 10 per cent against all other currencies, earnings before taxes would have been €4,595 thousand lower (€5,616 thousand higher).

The hypothetical effect on profit of minus €4,595 thousand (plus €5,616 thousand) is attributable to the following sensitivity to exchange rates:

in € '000	Effect on profit before taxes	
EUR/USD	–2,956	(3,613)
EUR/GBP	–110	(134)
EUR/CHF	–309	(377)
EUR/CZK	434	(–530)
EUR/PLN	–84	(103)
EUR/HKD	–961	(1,175)
EUR/CNY	–522	(638)
EUR/RUB	–86	(105)
	–4,595	**(5,616)**

Credit risk

SIMONA AG is exposed to credit risk as part of its operating activities. Financial assets outstanding – principally trade receivables – are monitored on a decentralised basis, i.e. by each legally separate company within the Group, and reports are issued as part of monthly statements. Depending on the credit rating of the customer, receivables are subject to the risk of default, which is mitigated with the help of trade credit insurance. On average, around 60 per cent of sales revenue generated by SIMONA AG, having factored in a deductible, is safeguarded by a trade credit insurance policy. Receivables exposed to probable credit risk are identified and monitored on a regular basis; credit risk relating to such items is accounted for by means of specific allowances on an item-by-item basis. Impairments are mainly determined on the basis of past-due receivables (>90 days) as well as information available with regard to financial difficulties of specific business partners. The maximum potential credit risk is limited to the net carrying amount (less value-added tax) of the financial assets. Given the scope of sales markets and the wide range of customers, there was no evidence of significant concentrations of risk in the reporting period.

Liquidity risk

In order to ensure solvency and maintain financial flexibility, the Group continuously monitors liquidity levels associated with operating activities as well as anticipated payments attributable to commitments arising from capital investment orders of the respective companies. The state of liquidity is monitored and reported daily within SIMONA AG and once a week within the Group.

Alongside cash and cash equivalents amounting to €74.8 million (previous year: €31.9 million), the SIMONA Group has undrawn borrowing facilities of €18.9 million (previous year: €42.8 million). The Group's objective is to maintain a well-judged balance between ongoing coverage of cash requirements and sustained flexibility through the utilisation of bank overdrafts and loans.

Credit risk relating to cash exists solely as a result of business relationships with banks, which have the following long-term issuer rating:

ISSUER RATING CASH

in € '000	31/12/2016	31/12/2015
A1	4,387	639
A2	4,388	–
Aa2	9,844	6,436
Aa3	16,736	3,569
Baa1	9,300	13,464
Baa2	6,030	–
Baa3	11,951	–
No rating	12,123	7,784
	74,759	**31,892**

As at 31 December 2016, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	3,444	13,776	8,335	25,555
Other financial liabilities	3,358	58	0	3,416
Trade payables	15,152	0	0	15,152
	21,954	**13,834**	**8,335**	**44,123**

As at 31 December 2015, the maturity structures of payment obligations relating to the financial liabilities of the Group were as follows:

in € '000	Up to 1 year	2–5 years	More than 5 years	Total
Financial liabilities	2,936	2,125	1,726	6,787
Other financial liabilities	3,364	2,187	0	5,551
Trade payables	11,722	0	0	11,722
	18,022	**4,312**	**1,726**	**24,060**

As in the previous financial year, at 31 December 2016, there were no foreign exchange forward contracts and no currency options that would result in amounts due to the entity or payment obligations.

Capital management

As at 31 December 2016, the equity ratio was 53 per cent (previous year: 57 per cent). The level of debt stood at 89 per cent (previous year: 72 per cent). Among the key financial goals of the SIMONA Group are objectives to raise enterprise value in a sustainable manner, ensure solvency at all times and achieve an equity ratio of at least 50 per cent. At the same time, safeguarding sufficient cash reserves is considered particularly important. The Group manages its capital structure mainly on the basis of its equity ratio and makes adjustments in response to changing economic conditions where such action is deemed appropriate. External financing is mainly conducted via short- and long-term bank borrowings and bank loans.

[34] FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of all financial instruments recognised by the Group:

FINANCIAL INSTRUMENTS		CARRYING AMOUNT		FAIR VALUE	
in € '000		31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-current financial assets					
Financial assets	AfS	340	340	340	340
Investments accounted for using the equity method	AfS	293	205	n/a	n/a
Current financial assets					
Trade receivables	LaR	52,186	51,140	52,186	51,140
Other financial assets	LaR	836	4,831	836	4,831
Cash and cash equivalents	LaR	74,759	31,892	74,759	31,892
Non-current financial liabilities and other financial liabilities					
Loans	FLAC	–22,111	–3,851	–22,111	–3,851
Other financial liabilities	FLAC	–58	–2,187	–58	–2,187
Current financial liabilities and other financial liabilities					
Bank overdrafts	FLAC	0	–2,538	0	–2,538
Loans	FLAC	–3,444	–398	–3,444	–398
Trade payables	FLAC	–15,152	–11,722	–15,152	–11,722
Other financial liabilities	FLAC	–3,358	–3,364	–3,358	–3,364
Total by measurement category					
AfS		633	545	340	340
LaR		127,781	87,863	127,781	87,863
FLAC		–44,123	–24,060	–44,123	–24,060

AfS = Available for Sale, LaR = Loans and Receivables, FLAC = Financial Liabilities Measured at Amortised Cost

The fair value of loans was determined by discounting the expected future cash flows on the basis of the prevailing market rate of interest as well as by applying option pricing models. Within this context, the calculation takes into account that the loans are subject to floating or fixed interest rates on the basis of standard market terms and conditions.

Short-term deposits held as Loans and Receivables (LaR) include time deposits with a maturity of three months at most.

The following table presents the net gains and losses from subsequent measurement of financial instruments recognised in the statement of financial position, listed according to the respective measurement categories:

2016: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total
AfS	0	0	0	0	0
LaR	163	0	1,543	–642	1,064
FLAC	–152	0	–177	5	–324
	11	**0**	**1,366**	**–637**	**740**

2015: NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

in € '000	Interest	Fair value	Currency translation	Impairment loss/ Disposal	Total
AfS	0	0	0	0	0
LaR	61	0	–222	–51	–212
HfT	0	16	0	0	16
FLAC	–85	0	755	–152	518
	–24	**16**	**533**	**–203**	**322**

The Group uses the following hierarchy for the purpose of determining and disclosing the fair values of financial instruments per measurement method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: methods for which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly; and
- Level 3: methods that use inputs which have a significant effect on the recognised fair value and are not based on observable market data

With the exception of derivative financial instruments, no fair value hierarchy is disclosed for financial assets and liabilities, as the carrying amount is a reasonable approximation of fair value.

Hedging transactions

Cash flow hedging instruments

As at 31 December 2016, as was the case in the previous financial year, the Group held no forward currency contracts or currency options.

[35] OTHER INFORMATION

Subsidiaries

Alongside SIMONA AG as the parent, the consolidated financial statements include the following entities. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

OWNERSHIP INTEREST

	in %
SIMONA Beteiligungs-GmbH, Kirn, Germany	100.0
SIMONA UK Ltd., Stafford, United Kingdom	100.0
SIMONA S.A.S., Domont, France	100.0
SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0
SIMONA-PLASTICS CZ s.r.o., Prague, Czech Republic	100.0
SIMONA FAR EAST Ltd., Hong Kong, China	100.0
SIMONA AMERICA Inc., Hazleton, USA	100.0
Laminations Inc., Archbald, USA	100.0
Boltaron Inc., Newcomerstown, USA	100.0
DANOH, LLC, Akron, USA	100.0
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd. Shanghai, China	100.0
SIMONA ASIA Ltd., Hong Kong, China	100.0
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0
64 NORTH CONAHAN DRIVE HOLDING, LLC, Hazleton, USA	100.0
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0
OOO SIMONA RUS, Moscow, Russian Federation	100.0
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	100.0

SIMONA INDIA PRIVATE LIMITED, Mumbai, India, was fully consolidated for the first time in the 2016 financial year. There were no changes to the ownership interests held in subsidiaries in the financial year under review.

Financial assets

SIMONA AG holds at least a one-fifth interest in the following entities, without being able to control or significantly influence the financial and operating policies of the entities in question. Unless otherwise specified, the ownership interest in the previous year was identical to that of the financial year under review.

COMPANY

	Company	Equity 31/12/2015	Profit/loss 2015
	in %	in € '000	in € '000
SIMONA Sozialwerk GmbH, Kirn, Germany	50.0	12,413	–32
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn, Germany	50.0	3,349	362

Owing to its classification as a pension fund, SIMONA Sozialwerk GmbH is not included in the consolidated financial statements, as specified in IAS 19.8.

SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH is not included in the consolidated financial statements because the assets of this entity may be utilised solely for funding purposes in respect of SIMONA Sozialwerk GmbH and thus remain outside SIMONA AG's scope of economic control.

The interests in SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are accounted for at book value, as the fair value is not reliably determinable. The book values of SIMONA Sozialwerk GmbH and SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH are €10 thousand and €13 thousand respectively.

Average number of staff employed in the financial year:

GROUP

	2016	2015
Industrial staff	694	734
Clerical staff	543	505
Employees	**1,237**	**1,239**
School-leavers (apprentices)	46	40
Total number of employees	**1,283**	**1,279**

Contingent liabilities and other financial commitments

Contingent liabilities relate in particular to extended warranty periods regarding the sale of plastic products. No information on the financial implications and uncertainties relating to the amount or timing of any outflow has been disclosed as it is not practicable to do so. At present, SIMONA does not expect any outflow from contingent liabilities.

OTHER FINANCIAL COMMITMENTS

in € '000	31/12/2016	31/12/2015
Commitments from operating rental and lease agreements		
Due within:		
1 year	633	611
2 – 5 years	1,309	298
after 5 years	520	42
	2,462	**951**

PURCHASE COMMITMENTS

in € '000	31/12/2016	31/12/2015
Investment projects	15,107	10,741
Raw material orders	12,870	–
	27,977	**10,741**

The share of intangible assets in total commitments is negligible.

Declaration of Conformity regarding the German Corporate Governance Code

In accordance with Section 161 AktG, the company filed a Declaration of Conformity for 2016 on 23 February 2017. It has been made permanently available to shareholders on its corporate website at www.simona.de.

Directors' holdings – Shares held by members of the Management Board and Supervisory Board of SIMONA AG

As at 10 June 2016 (date of the Annual General Meeting of Shareholders) the members of the Management Board reported a total holding of 70,909 shares; this corresponds to approx. 11.82 per cent of the share capital of SIMONA AG.

As at 10 June 2016 (date of the Annual General Meeting of Shareholders) the members of the Supervisory Board reported a total holding of 1,300 shares; this corresponds to approx. 0.22 per cent of the share capital of SIMONA AG.

In accordance with Section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG.

Audit fees

The total fees invoiced by the independent auditor of SIMONA AG and subsidiaries were €318 thousand. These fees were attributable to the following items: year-end audit services €247 thousand, tax consulting services €39 thousand and other services €32 thousand.

Events after the Reporting Period

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report that has been combined with the management report of SIMONA Aktiengesellschaft, Kirn, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kirn, 31 March 2017
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

DETAILS OF SHAREHOLDINGS
OF SIMONA AG FOR THE FINANCIAL YEAR 2016

Company	Ownership interest	Equity	Profit/loss of last financial year
	%	in € ’000	in € ’000
Indirectly			
SIMONA IBERICA SEMIELABORADOS S.L., Barcelona, Spain	100.0	357	71
SIMONA S.A.S., Domont, France	100.0	4,017	958
SIMONA S.r.l. Società UNIPERSONALE, Cologno Monzese (MI), Italy	100.0	314	144
SIMONA UK Ltd., Stafford, United Kingdom	100.0	2,148	–14
64 NORTH CONAHAN DRIVE HOLDING, LLC, Hazleton, USA	100.0	3,106	–337
Laminations Inc., Archbald, USA	100.0	15,992	781
Boltaron Inc., Newcomerstown, USA	100.0	19,729	9,685
DANOH, LLC, Akron, USA	100.0	202	159
CARTIERWILSON, LLC, Marietta, USA*	25.0	352	685
SIMONA ENGINEERING PLASTICS TRADING Co. Ltd., Shanghai, China	100.0	743	–334
SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd., Jiangmen, China	100.0	4,333	–1,221
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	0.01	251	–13
Directly			
SIMONA Beteiligungs-GmbH, Kirn **	100.0	1,834	0
SIMONA Sozialwerk GmbH, Kirn ***	50.0	12,413	–32
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH, Kirn ***	50.0	3,349	362
SIMONA Plast-Technik s.r.o., Litvinov, Czech Republic	100.0	20,495	1,174
SIMONA-PLASTICS CZ, s.r.o., Prague, Czech Republic	100.0	105	–5
SIMONA POLSKA Sp. z o.o., Wrocław, Poland	100.0	1,082	164
DEHOPLAST POLSKA Sp. z o.o., Kwidzyn, Poland	51.0	575	100
OOO SIMONA RUS, Moscow, Russian Federation	100.0	-28	210
SIMONA AMERICA Inc., Hazleton, USA	100.0	34,886	–329
SIMONA ASIA Ltd., Hong Kong, China	100.0	4,306	106
SIMONA FAR EAST Ltd., Hong Kong, China	100.0	958	31
SIMONA INDIA PRIVATE LIMITED, Mumbai, India	99.99	251	–13

* Preliminary financial results
** Control and profit transfer agreement with SIMONA AG
*** Financial year 2015

REPRODUCTION OF THE AUDITOR'S REPORT

"We have audited the consolidated financial statements of SIMONA Aktiengesellschaft, Kirn, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report of SIMONA Aktiengesellschaft, Kirn, which has been combined with the management report of the Company, for the financial year from 1 January to 31 December 2016. The Management Board of the Company is responsible for the preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a(1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations in accordance with these requirements. The combined management report is consistent with the consolidated financial statements, complies with statutory regulations, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, 5 April 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Kwasni	ppa. Christopher Schlig
German Public Auditor	German Public Auditor

OTHER INFORMATION

RESPONSIBILITY STATEMENT PURSUANT TO SECTIONS 297(2), 315(1) HGB

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

Kirn, 31 March 2017
SIMONA Aktiengesellschaft
The Management Board

Wolfgang Moyses Dirk Möller Fredy Hiltmann

SHAREHOLDINGS
OF SIMONA AG

SIMONA AG, KIRN

SIMONA Beteiligungs-GmbH Kirn, Germany	100.0 %
— **SIMONA S.A.S.** Domont, France	100.0 %
— **SIMONA S.r.l. Società UNIPERSONALE** Cologno Monzese (MI), Italy	100.0 %
— **SIMONA UK Ltd.** Stafford, United Kingdom	100.0 %
— **SIMONA IBERICA SEMIELABORADOS S.L.** Barcelona, Spain	100.0 %
— **SIMONA INDIA PRIVATE LIMITED** Mumbai, India	0.01 %
SIMONA Sozialwerk GmbH Kirn, Germany	50.0 %
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH Kirn, Germany	50.0 %

SIMONA-PLASTICS CZ, s.r.o. Prague, Czech Republic	100.0 %
SIMONA Plast-Technik s.r.o. Litvinov, Czech Republic	100.0 %
SIMONA POLSKA Sp. z o.o. Wrocław, Poland	100.0 %
DEHOPLAST POLSKA Sp. z o.o. Kwidzyn, Poland	51.0 %
SIMONA AMERICA Inc. Hazleton, USA	100.0 %
— **64 NORTH CONAHAN DRIVE HOLDING, LLC** Hazleton, USA	100.0 %
— **Laminations Inc.** Archbald, USA	100.0 %
— **Boltaron Inc.** Newcomerstown, USA	100.0 %
— — **DANOH, LLC** Akron, USA	100.0 %
— — — **CARTIERWILSON, LLC** Marietta, USA	25.0 %
SIMONA FAR EAST LIMITED. Hong Kong, China	100.0 %
— **SIMONA ENGINEERING PLASTICS TRADING (SHANGHAI) Co. Ltd.** Shanghai, China	100.0 %
SIMONA ASIA LIMITED. Hong Kong, China	100.0 %
— **SIMONA ENGINEERING PLASTICS (Guangdong) Co. Ltd.** Jiangmen, China	100.0 %
OOO SIMONA RUS Moscow, Russian Federation	100.0 %
SIMONA INDIA PRIVATE LIMITED Mumbai, India	99.99 %

As at 31 Dec. 2016

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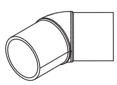
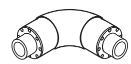
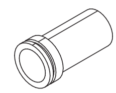
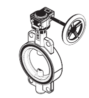
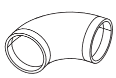
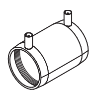
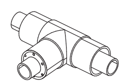
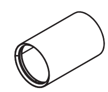
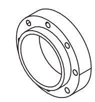
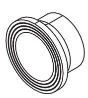
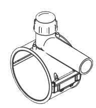
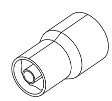
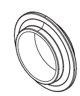
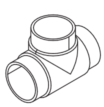
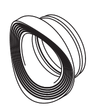
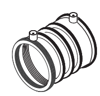
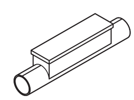
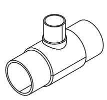
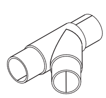
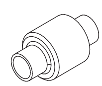
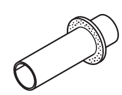
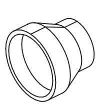
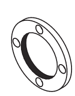
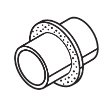
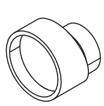
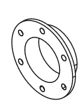
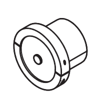
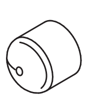
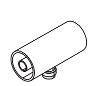
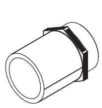
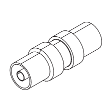
Financial Calendar 2017

Publication of SIMONA Group Consolidated Financial Statements and SIMONA AG Financial Statements for FY 2016	26 April 2017
SIMONA Annual Press Conference in Frankfurt	26 April 2017
SIMONA Annual General Meeting at 11 a.m., Gesellschaftshaus der Stadt Kirn, Neue Straße 13, 55606 Kirn	9 June 2017
Publication of Group Interim Report for the First Half of 2017	2 August 2017

SIMONA Products at a Glance

SHEETS	RODS AND PROFILES	WELDING RODS	FINISHED PARTS	PIPES
Extruded sheets	Solid rods	Welding rods	Chain guides	Pressure pipes
Pressed sheets	Hollow rods	3D printing filaments	Cable runners	Sewer pipes
Foamed sheets	U-profiles		Steel channels	Multilayer pipes
Multilayer sheets	Square pipes		Sliding rails for chains	Double-containment pipes
Cross-ribbed twin-wall sheets			Guide rails	Drainage pipes
Lengthways-ribbed twin-wall sheets				Interconnecting modules
TWS corners				Coils
				Ovoid pipes

FITTINGS		DOUBLE-CONTAINMENT PIPE FITTINGS	CUSTOMISED FITTINGS	VALVES & FLANGES
 Elbows	 Fixing points for pipe clamps	 SIMODUAL² bends	 Connectors	 Valves
 Bends	 Electrofusion sockets	 SIMODUAL² tees	 Double sockets	 Flanges
 Stub flanges	 Tapping saddles	 SIMODUAL² reducers	 Pipe collar wall seals	
 Tees, standard	 External saddles	 SIMODUAL² electrofusion sockets	 Inspection boxes	
 Tees, reduced	 Branches	 SIMODUAL² transition fittings	 Shaft connections	
 Reducers, concentric		 SIMODUAL² spacers	 Shaft liners	
 Reducers, eccentric		 SIMODUAL² fixing points	 Coned flanges	
 End caps		 SIMODUAL² leak adaptor pieces		
 Adaptors		 SIMODUAL² fixing points for pipe clamps		

This document is published in German and as an English translation.
Only the German original shall be deemed authoritative.

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