

SIMONA

Annual Report 2003



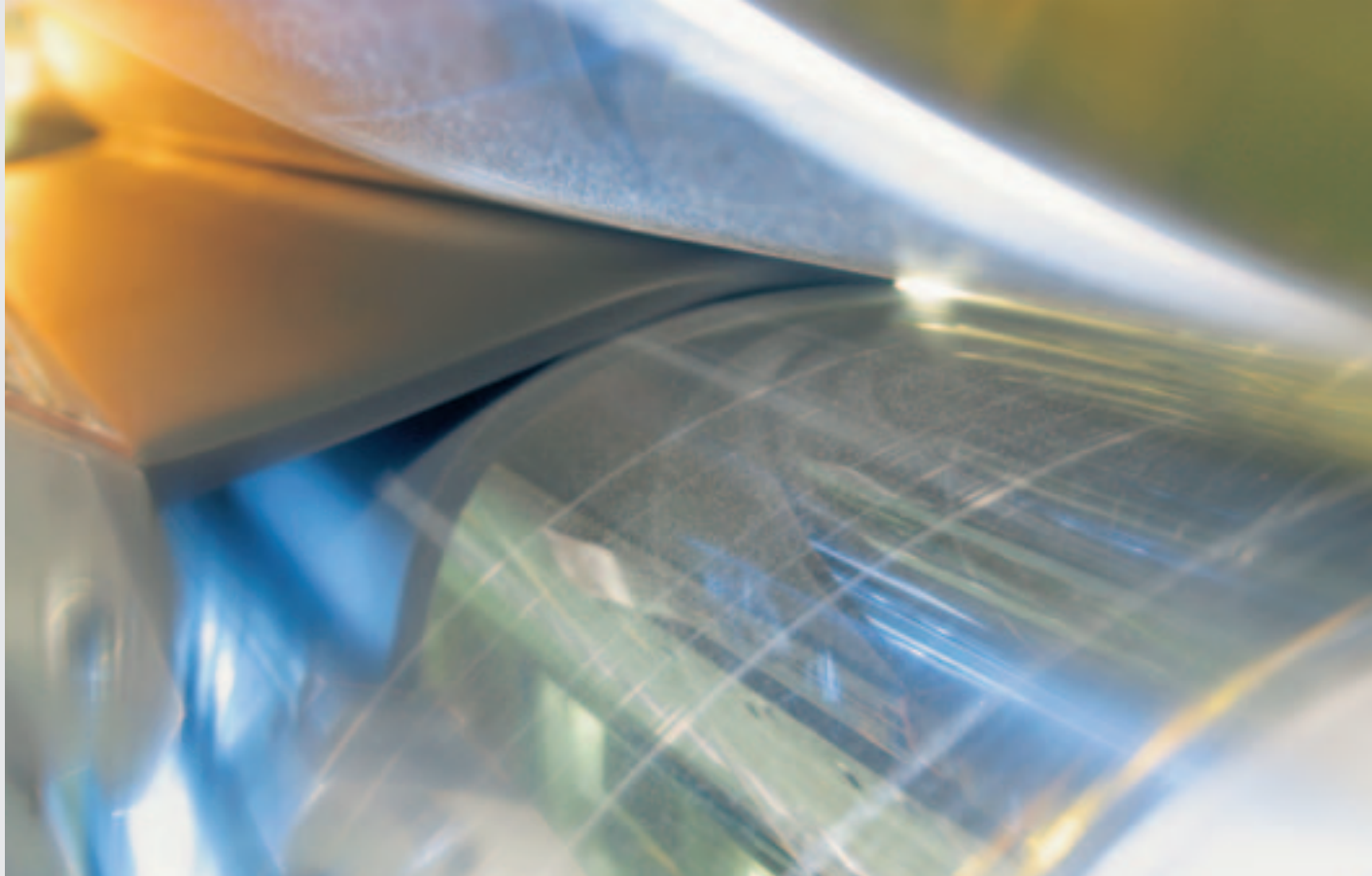
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Leaders in Quality

SIMONA AG is recognised as one of the world's leading manufacturers of thermoplastic semi-finished products. This premier position within the international arena is a tribute to our commitment to quality, our comprehensive product portfolio, our customer-orientated consulting services, and our all-embracing service offering. Equipped with such a formidable arsenal, we once again succeeded in augmenting our sales volumes over the course of 2003 – undaunted by the volatile economic climate. The following sections provide in-depth facts and figures on our performance in the 2003 financial year.

Dear Shareholder,

Letter to Shareholders
Kirn, May 2004

On the whole, 2003 was a year of mixed fortunes for the Company. Although we succeeded in increasing sales volumes by 2.9 per cent, we were unable to match the benchmark of 3.6 per cent growth achieved by the plastics processing industry as a whole. This was mainly a result of the global malaise affecting a number of our key sales markets, such as chemical equipment engineering as well as the advertising sector. The situation was compounded by a general state of inertia within the domestic economy. Semi-finished plastics bore the brunt of the aforementioned market downturn, while sales volumes within the area of pipes and fittings were propelled upwards by 6.8 per cent, thus significantly outperforming the industry as a whole.

The overall pressure on prices within the area of semi-finished plastics continued unabated over the course of 2003, resulting in a decline in revenue of Euro 0.8 million for the Aktiengesellschaft (AG), i.e. the parent company. Total revenue generated by the AG in the period under review amounted to Euro 162.0 million. Plummeting prices had a particularly adverse effect on our activities within the area of pipes and fittings, which recorded an 0.8 per cent decline in revenue despite an increase in sales volumes. The 0.5 per cent increase in consolidated revenue, taking the overall figure to Euro 173.8 million within the Group, was the direct result of improved own-account business within the subsidiaries. Overall, revenue generated abroad in relation to consolidated revenue for the Group increased to 58.2 per cent.

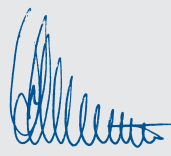
At Euro 10.8 million, profit from ordinary activities within the AG was Euro 2.7 million lower than in the previous financial year. Thus, we failed to achieve our target of earnings on a par with last year's figure. This was mainly due to increased inventory sell-offs, higher write-downs associated with obsolete inventories, and lower other income, as well as exceptional charges attributable to the increase in occupational pension provision. However, excluding the above-mentioned factors, the Company's operating result exceeded that posted in the previous financial year, thus underlining our solid earnings performance.

Our outlook for the future is cautiously optimistic. Although most economic indicators point to relatively insignificant growth, we are encouraged by the fact that our business activities over the first three months of 2004 were much more buoyant. Indeed, projects within the area of semi-finished plastics as well as pipes and fittings produced a palpable improvement in the Company's order books. Against this backdrop, we have forecast an increase in sales volumes of 3.6 per cent for the 2004 financial year. Total earnings for the AG are expected to rise to Euro 13.0 million.

In January 2004, SIMONA AMERICA Inc. commenced trading in the US. As a subsidiary of SIMONA AG, it has established a direct route of access to one of the world's foremost markets for plastics. Based on our incisive strategy of international expansion, we expect to increase consolidated revenue by 7 per cent to Euro 186 million in the current financial year.



Wolfgang Moyses
Chairman



Dirk Möller



Walter W. Janshen



Wolfgang Moyses
Chairman

Member of the Executive Board since 1999. Responsible for Finance, Purchasing, Controlling, Quality Management, Legal Affairs, and Personnel, as well as IT and Organisation. Kirn



Dirk Möller

Member of the Executive Board since 1993. Responsible for Production, Research & Development, as well as Occupational Safety. Kirn



Walter W. Janshen

Member of the Executive Board since 1993. Responsible for Sales, Logistics, Marketing and Applications Technology. Bad Kreuznach

Members of the Executive Board

Dr. Wolfgang Bürkle
Chairman

Manager,
Kirn

Hans-Wilhelm Voss
Deputy Chairman

Manager,
Simmertal

Roland Frobef

Tax Consultant,
Langenhagen

Members of the Supervisory Board

Hans-Werner Marx

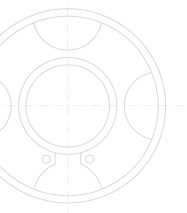
Manager,
Kirn

Bernd Meurer
Employee Representative

Fitter,
Hennweiler

Karl-Ernst Schaab
Employee Representative

Commercial Clerk,
Bergen



Company profile



SIMONA can look back on a rich and varied history dating back to the middle of the 19th century. In 1857, Theodor and Heinrich Simon established the leather factory Carl Simon Söhne, located in the German town of Kirn.

Plastics by SIMONA – truly ubiquitous

Our standard product range consists of extruded and pressed sheets, solid and hollow rods, profiles and welding rods, as well as pipes and fittings, electrofusion sockets, and valves. The materials used in production include polyethylene (PE), polypropylene (PP), compact and foamed polyvinyl chloride (PVC-U), polyethylene terephthalate glycol (PETG), polyvinylidene fluoride (PVDF), and ethylene-chlorotrifluoroethylene (E-CTFE), as well as specialist materials.

SIMONA AG is based in Kirn, a town located in the German state of Rhineland-Palatinate. The Kirn-based plants focus on the production of sheets, rods, profiles, and welding rods. Pipes and fittings are manufactured at the company's facility in Ringsheim. Supported by extensive storage capacities at the two central warehouses in Kirn and Ringsheim, as well as decentralised distribution units, SIMONA is committed to efficient and on-time delivery of its products.

In addition, the company has established a global network of subsidiaries and sales partners, thus guaranteeing a professional, customer-oriented service on all continents. The SIMONA Group includes subsidiaries in France, Italy, the United Kingdom, Hong Kong, Poland, Switzerland, the Czech Republic, and Spain; the company is also represented in Shanghai.

Access to the US market

In January 2004, SIMONA AG acquired the extrusion division of US-based HPG International Inc., Mountaintop, Pennsylvania (USA). The extrusion division of HPG International was transferred to SIMONA AMERICA Inc.; production will remain with HPG for a transitional period. Relocation to Company-owned manufacturing facilities has been planned for the near future. In the past, HPG processed approx. 27,000 t of polyolefins per annum within the areas of extruded sheets and calendered flexible products. Having concluded insolvency proceedings, HPG implemented a programme of corporate realignment, focusing on its range of flexible products. SIMONA AMERICA will continue the line of products and extend the current offering by incorporating new sizes and dimensions. The new company also intends to launch a number of specialist products tailored to the requirements of the chemical and semiconductor industries. In addition, foamed sheets for the advertising industry will play a prominent role in the overall product offering.



Established in January 2004, SIMONA AMERICA offers fast-track access to the US market.

Made by SIMONA – quality at its best

One of the traditional areas of application for SIMONA products is chemical instrument engineering. The high level of resistance of SIMONA semi-finished plastics to a broad range of aggressive chemicals, thus providing superior environmental protection, has proved to be a formidable source of competitive advantage within this area. Quality “made by SIMONA” is also appreciated within the area of civil engineering – e.g. when it comes to drinking water supply, waste-water disposal, and refuse-site technology – as well as in the field of structural engineering, advertising, or mechanical engineering. Increasingly, SIMONA is positioning itself as a provider of professional solutions for a diverse range of applications, particularly within the area of industrial pipeline construction, environmental management, and sewage-system redevelopment.



*since 9 January 2004

Operating and financial review

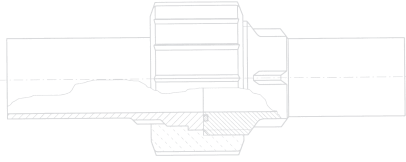


Following stagnation in the previous year, the plastics-processing industry is now showing signs of forward momentum.

Prevailing weakness within the domestic market

Economic development over the course of 2003 was dominated by the unrelenting global malaise that continued to affect many of our target markets. Germany's economy was forced to backtrack, recording a decline in GDP of 0.1 per cent. The plastics-processing sector, which – as a key supplier to major industries – is heavily dependent on the state of the economy as a whole, was faced with sluggish domestic demand over the course of 2003. However, despite the weakness of specific sales markets, it succeeded in achieving palpable growth within the area of exports. Supported by fresh impetus from abroad and recording a growth rate of 3.6 per cent, plastics processing as a whole thus managed to gain forward momentum after the period of stagnation experienced in the previous year.

The downturn witnessed in the domestic economy had a particularly adverse effect on key markets for semi-finished plastics: the chemical industry, mechanical engineering, construction, as well as the exhibition and trade fair sector. Buoyed by demand from abroad, the chemical industry registered an 0.5 per cent increase in production levels. Despite stable demand, polymer production within this sector declined by 5 per cent over the course of the year under review. Together with a contraction of manufacturing capacity, this led to a substantial increase in raw material prices, particularly in the first quarter of 2003.



An analysis of the long-term trends reveals that Germany's share of global sales within the chemical industry is gradually contracting, while that of Asia, Eastern Europe, and America is increasing. Having said that, German companies were quick to react by relocating their production facilities to the world's growth regions, the result being that their share of global manufacturing output has remained stable. As a sub-segment within this area, chemical equipment engineering has also seen a pronounced shift towards foreign manufacturing, thus prompting a steady decline in domestic sales volumes.



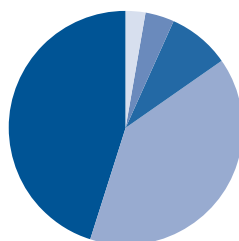
Mechanical engineering has suffered a similar fate. While Asia and Eastern Europe recorded growth over the course of 2003, recovery within the German economy remained tenuous. By the end of the year, machine production had fallen by one per cent in real terms, with stable revenue levels. Stagnation within this sector was closely linked to the Iraq conflict, which precipitated a sharp decline in exports in the second half of the year.

Germany's construction industry remains in the mire. Despite an upturn in the fourth quarter, the sector's poor performance in the first six months was enough to drag aggregate capital expenditure within the construction industry down by 3.4 per cent. Registering a year-on-year decline of 6 to 7 per cent, civil engineering fared worse than building construction, which recovered significantly towards the end of the year due to changes in legislation governing housing subsidies. Local-government budgets have come under immense pressure, thus highlighting the conflict between statutory maintenance requirements on the one hand and dwindling financial resources on the other. In fact, in some cases the level of local-government indebtedness has reached crisis proportions.

The trade-fair and exhibition sector also registered a downturn over the course of 2003. Compared with 2002, which had already been extremely sluggish, the sector as a whole had to contend with a 1.5 per cent decline in the number of exhibitors and a 4 per cent decrease in the number of visitors. Total floorspace sold for exhibition stands declined by a further 2 per cent in the year under review. Alongside the ongoing economic malaise and lower advertising budgets, SARS and the Iraq war were cited as the main contributors to market contraction.

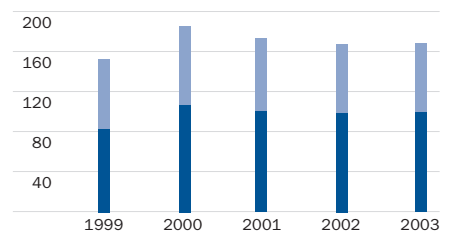
**Revenue by region
SIMONA AG in %**

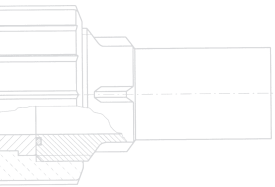
Germany	45,1
Other EU Countries	39,6
Rest of Europe	8,6
Asia	4,0
Others	2,7



**Development of
revenue SIMONA Group
in EUR million**

■ Foreign revenue
■ Domestic revenue





Despite growth in sales volumes, the continued pressure on prices for semi-finished plastics led to a decline in revenue of Euro 0.8 million in the AG.

Plastics industry shows fighting spirit

Germany's lacklustre economic performance had a bifurcated effect on the plastics-processing industry. Supported by buoyant foreign demand and a concomitant revenue increase of 3.6 per cent, plastics-processing companies recorded a growth rate that exceeded the average achieved by the manufacturing industry as a whole by roughly three per cent. However, at 1.5 per cent, manufacturing growth was significantly weaker in terms of value created due to the fact that the share of services and trade increased substantially over the same period. The highest level of growth – 6.8 per cent – was recorded by construction-related products, an area which benefited from export revenue generated with window profiles. Achieving growth rates of 4.9 per cent and 4.7 per cent respectively, packaging and semi-finished products also contributed to the general upturn witnessed within this sector. In contrast, technical components and consumer goods were significantly weaker, achieving an overall growth rate of just 1.2 per cent.

Growing sales volumes with stagnant revenues

SIMONA AG was able to hold its ground despite the challenges posed by a volatile economic environment. Sales volumes grew by 2.9 per cent, thus falling short of the growth rate achieved by the plastics industry as a whole. This is mainly attributable to the strong focus on market segments which are currently operating within a difficult business environment, e.g. the chemical equipment sector, mechanical engineering, the construction industry, and the trade-fair sector. For the third year in succession, net revenue failed to keep pace with sales volumes, declining by an additional Euro 0.8 million to Euro 162.0 million in total. This corresponds to a year-on-year decrease in revenue of 0.5 per cent. Within the Group, revenue grew by 0.5 per cent to Euro 173.8 million.

The decline in revenue generated by the AG, i.e. the parent company, was attributable to the significant fall in average prices for semi-finished plastics witnessed in 2002. The intense level of competition within this area precluded price adjustments in 2003. The increase in prices introduced in March for polyolefins – polyethylene and polypropylene – and PVC, which was as a direct result of the higher cost of raw materials, had to be phased out again as early as June due to the subsequent decline in raw-material prices and intense competition. Price adjustments within the area of PVC foam were reversed in July as a result of competitive pressures. The dramatic decline in prices witnessed within the area of pipes over the course of 2002 continued unabated in the period under review. Average prices for PE 80 and PE 100 pipes fell by approx. 3.0 and 7.3 per cent respectively, while the average price for PP pipes contracted by 3.6 per cent. Lower prices and the weak dollar resulted in a slight year-on-year decline in revenue for the AG – despite the highest level of output achieved since the Company's inception.



Significant growth in pipes and fittings business

In terms of sales volume, our semi-finished products – sheets, rods, profiles, and welding rods – emulated the slight increase in volumes recorded in the previous year by achieving an overall growth rate of 1.6 per cent in the period under review. Having said this, the fresh impetus provided within SIMONA's traditional sales markets was not sufficient to propel us beyond the growth rates recorded by the plastics-processing industry as a whole. Achieving an increase of 0.3 per cent, we succeeded in halting the downward revenue trend witnessed within the area of semi-finished plastics. Benefiting from a number of project-related contracts, our pipes and fittings unit outperformed the industry as a whole by producing an impressive 6.8 per cent increase in sales volumes. In contrast, this segment recorded an 0.8 per cent decline in revenues due to significant price cuts, particularly in the case of PE 100.

Overall, semi-finished products as well as pipes and fittings performed very differently as regards domestic and foreign sales within the AG. In fact, the Company's domestic sales activities developed much more favourably than previously anticipated. Achieving an increase in sales volumes of 4.4 per cent, revenues declined by just 0.7 per cent to Euro 73.1 million in total. Buoyed by demand for sheets, domestic sales volumes recorded within the area of semi-finished products remained stable in the year under review, while our pipes and fittings business generated a growth rate of approx. 13 per cent in terms of volumes produced. The strong level of growth experienced in foreign sales over the course of the past few years was reined back slightly in 2003. Overall, the volume of products sold abroad increased by 1.7 per cent in the year under review. Faced with dramatic price cuts of more than 4 per cent on average within this area, we were forced to concede a decline in revenue for the first time in many years. Thus, revenue attributable to foreign sales was Euro 1.4 million lower than in the previous financial year. This corresponds to a 1.6 per cent decline, taking the total figure to Euro 88.9 million. Sales volumes achieved within the area of semi-finished products improved by 2.8 per cent, while the lack of projects for our pipes and fittings unit had an adverse effect on output; the latter recorded a 2.5 per cent decline in sales volumes. This situation was compounded by the steady erosion of prices for pipes, thus resulting in a decline in revenue of 5.1 per cent.

The AG's share of foreign business in relation to its total sales volumes remained stable at 54.6 per cent, following a slight increase of 0.1 per cent. The proportion of revenue generated abroad in relation to total revenue declined by 0.6 percentage points to 54.9 per cent overall. Within the Group, our revenue-based export ratio fell by 0.2 percentage points to 58.2 per cent overall.

Euro exchange rate dominates performance of subsidiaries

There were marked differences between the performances of SIMONA's subsidiaries in the year under review, and business activities were generally dominated by volatile exchange rates. Overall, the share of foreign sales volumes attributable directly to the subsidiaries increased by 1.9 percentage points to 74.2 per cent in total. Total sales volumes achieved by the subsidiaries as part of their own activities increased by 4.8 per cent compared with the previous financial year. As a result of exchange rates and price structures, total revenue generated by SIMONA's subsidiaries declined by 0.2 per cent to Euro 64.5 million.

As in the past, growth in sales volumes of pipes and fittings outstripped that of semi-finished products, thus contributing substantially to higher aggregate sales volumes.



The subsidiaries increased their own share of the Group's foreign business and lifted the proportion of foreign sales to 58.2 per cent of consolidated revenue.

SIMONA S.A. had to contend with an increasingly sluggish French domestic market over the course of the 2003 financial year. Lower demand within the area of chemical engineering had a detrimental effect on semi-finished plastics, an area of business which remained stagnant in the year under review. Owing to a lack of projects, the pipes and fittings unit was unable to compensate for the general decline witnessed within the area of standard products. A spate of insolvencies within its customer base, coupled with intense competition initiated by an Italian manufacturer, resulted in further pressure. Consequently, sales volumes declined by 4.4 per cent, while revenue fell by 5.7 per cent. In conjunction with exceptional charges relating to restructuring measures and the loss of rent from existing properties, this situation translated into a below-par result of Euro 0.2 million before taxes.

Recording an impressive 10.6 per cent increase in sales volumes, SIMONA ITALIA performed admirably within the fast-track Italian market. The subsidiary managed to attract new customers not only within the area of semi-finished products but also in the pipes and fittings segment. Market share was also recaptured within the highly competitive area of pressed sheets. Having said this, at 1.0 per cent, revenue growth was substantially lower as a direct result of continued pressure on prices.

SIMONA U.K. continued to benefit from buoyant demand for sheets used in door manufacturing, as well as from a number of orders placed by new customers. Our UK-based team continued its relentless pursuit of growth, recording a 15.5 per cent increase in sales volumes and an impressive 14.0 per cent increase in revenue, calculated on the basis of domestic currency. As a result of the pound/euro exchange rate, revenue growth effectively amounted to 5.3 per cent. The sustained performance of the UK-based subsidiary bears testimony to the success of our incisive restructuring measures introduced in the year 2000.

In the Czech Republic, SIMONA-PLASTICS CZ succeeded in expanding its market share by a substantial margin. Indeed, sales volumes within the area of semi-finished products almost doubled year on year, supported by a number of special projects. Yet again, the exchange rate had a slight influence on the effective level of revenue growth. After a loss before taxes of approx. Euro 35K in the 2002 financial year, the period under review produced above-par earnings of around Euro 49K.

Poland also recorded a significant increase in sales volumes of 17.7 per cent, coupled with revenue growth of around 19.8 per cent, expressed in local currency. As a result of the euro/zloty exchange rate, the effective level of revenue growth was substantially lower, weighing in at just 2.2 per cent. The encouraging performance of our Polish subsidiary is the result of an extended customer base and our success in further integrating large retail/wholesale companies as effective sales channels.



In the wake of Severe Acute Respiratory Syndrome (SARS), SIMONA FAR EAST was faced with a difficult first quarter and a substantial decline in business; it was unable to compensate fully for these adverse effects over the remainder of the financial year. This situation was compounded by increasing competition from domestic suppliers within all product categories. Operating against this backdrop of uncertainty, sales volumes declined by 13.5 per cent, while revenue contracted by 10.4 per cent (adjusted for the effects of exchange rates). In this case, the euro exchange rate effectively resulted in a sales decline of almost 25 per cent. For the first time, SIMONA FAR EAST posted a loss before taxes of around Euro 64K.

Our Spanish subsidiary SIMONA IBERICA SEMIELABORADOS managed to stabilise its business performance within the area of standard products. However, the lack of major project-specific business, after two large-scale projects completed in the previous year, meant that sales volumes remained virtually unchanged. Business within the area of automotive supplies remained sluggish over the course of the financial year as a result of tentative capital expenditure within this segment of the market. Thus, the subsidiary's activities within the area of industrial pipes lacked the necessary stimulus required in order to gain forward momentum.

Earnings just short of target for 2003

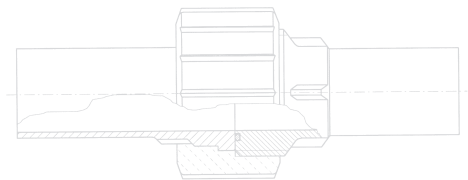
With a 2.9 per cent increase in sales volumes, we managed to accelerate growth within this area over the course of the 2003 financial year. However, we fell short of the 3.3 per cent target we had initially set ourselves. For the third year running, price structures within the area of semi-finished products, particularly as regards pipes, were dominated by intense competition, thus impacting on our earnings performance. Profit from ordinary activities amounted to Euro 10.8 million for the AG, a decline of 20.0 per cent compared with the total of Euro 13.5 million achieved in the previous financial year. Thus, our profit margin for the AG declined from 8.3 per cent to 6.7 per cent. Within the Group as a whole profit from ordinary activities, affected heavily by exchange rates, declined by 7.5 per cent to Euro 11.5 million, after a total of Euro 12.4 million posted in the previous year. Based on this performance, we failed to meet our initial target of achieving earnings comparable to the previous year's level. However, we slightly exceeded our forecast of Euro 10 million announced as part of our interim report for the first six months.

Overall, our subsidiaries posted a pre-tax profit of Euro 44K from independent activities. The year-on-year decline in total profits was mainly attributable to a contraction of gross profit margins as a direct result of increasing pressure on prices, a loss in competitiveness due to the strong euro, as well as below-par results for our subsidiaries SIMONA S.A. and SIMONA FAR EAST.

The first full financial year for Georg Fischer SIMONA Fluoropolymer Products GmbH, our joint venture with Georg Fischer AG, Schaffhausen (Switzerland), within the field of high-purity pipes and components, was dominated by the severe malaise currently rampant throughout the semiconductor industry. Order books were slightly fuller towards the end of the financial year. Expenses resulting from the lack of capacity utilisation were charged to both joint venture partners, thus allowing the entity to post a break-even result from operations.



Lower prices for semi-finished products and fittings had an adverse effect on financial performance – together with non-recurring effects this situation resulted in substantially lower pre-tax profit.



Having implemented a stringent policy on corporate spending and incisive measures to reduce costs, we succeeded in reining back other expenses despite continued growth.

Improvement in operating performance – adjusted for non-recurring effects

Despite stable revenue, the AG's gross profit declined by Euro 4.4 million to Euro 81.6 million in the 2003 financial year, as a result of increased inventory sell-offs, higher write-downs associated with obsolete inventories, and lower other income. Adjusted for this effect, and excluding the exceptional charge attributable to the increase in occupational pension provision, the AG's operating result exceeded that reported in the previous year.

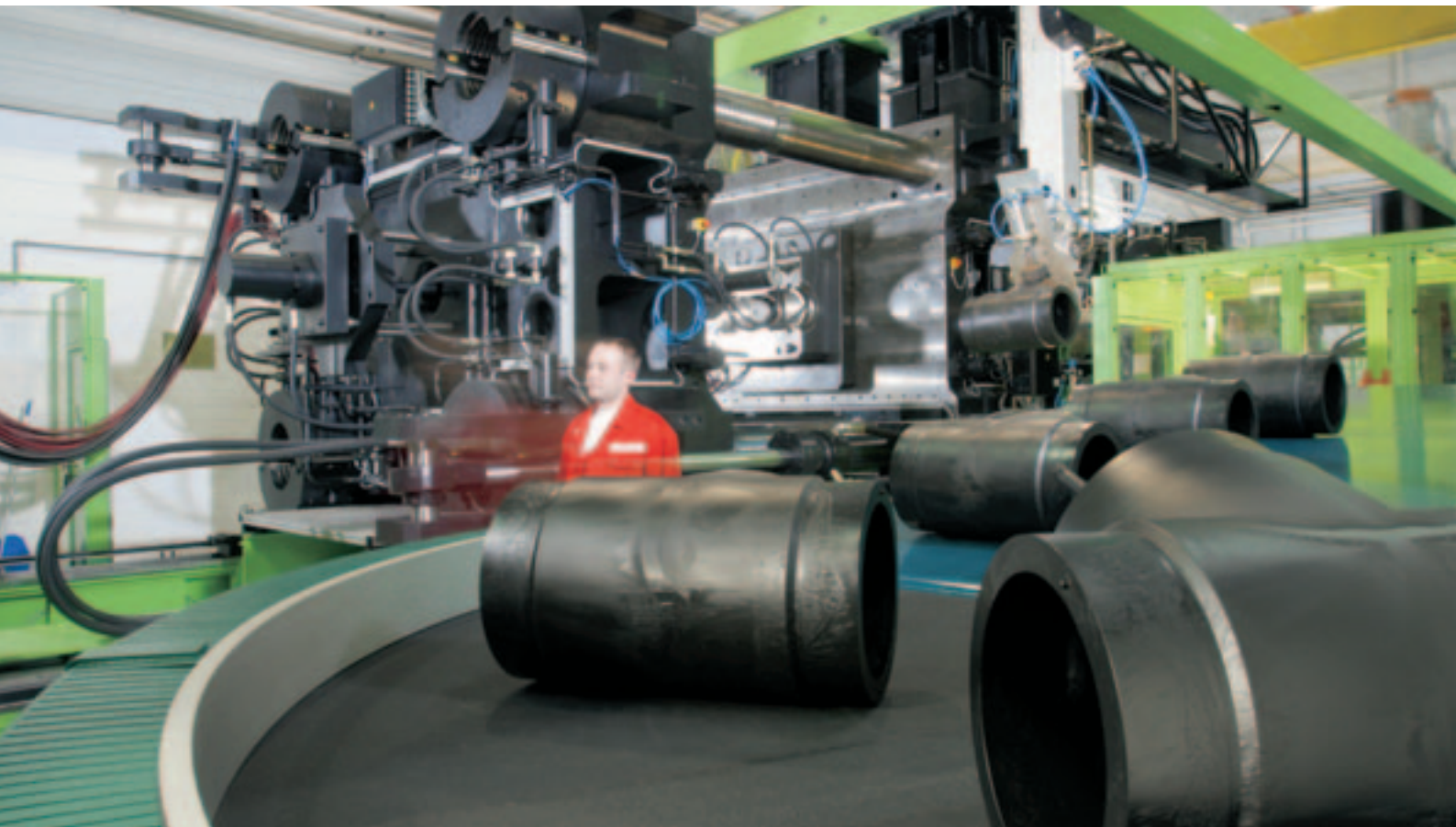
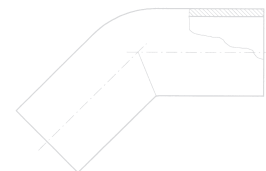
Staff costs associated with wages and salaries were reined back by Euro 0.5 million to Euro 30.7 million as a direct result of personnel changes relating to the Georg Fischer SIMONA Fluoropolymer Products GmbH joint venture and a more conservative human-resources policy. However, the 10 per cent increase in occupational pension provision resulted in a non-recurring charge of Euro 0.9 million and a concomitant increase in social security expenses of 9.7 per cent to Euro 9.9 million. In total, staff costs thus rose by 0.9 per cent to Euro 40.6 million. This figure includes Euro 1.8 million in expenses of a provident nature attributable to occupational pension provision and Euro 0.4 million in allocations to provisions for part-time employment of staff approaching the retirement age.

By pursuing a policy of stringent cost management and restricted capital expenditure, we were able to push back other operating expenses by Euro 0.5 million to Euro 21.9 million and write-downs by Euro 2.3 million to Euro 9.1 million. In spite of this decisive action, we were unable to prevent a decline in profit from ordinary activities of Euro 2.7 million, taking the total figure to Euro 10.8 million. Among other things, this was influenced by an increase in energy-related costs as well as higher insurance premiums, which led to additional expenses of approx. Euro 0.9 million.

Significant increase in liquidity

The balance sheet total of the AG, i.e. total assets = total liabilities and equity, rose by 4.9 per cent to Euro 140.3 million. This was mainly due to changes within current assets. The level of finished goods declined as a result of increased sell-offs accounting for approx. Euro 1.2 million as well as comparable write-downs associated with obsolete inventories. Owing to the difficult financial position of many customers, trade receivables remained at a level that was virtually unchanged year on year, while receivables from subsidiary companies were reined back by Euro 0.9 million. The improved level of liquidity within the AG is underlined by a Euro 1.4 million increase in securities, as well as a Euro 7.8 million improvement in cash resources; this is the direct result of streamlined inventory management and lower investment activities. Revised terms of payment with a number of key suppliers resulted in a Euro 2.6 million increase in trade payables reflected in the level of cash held by the Company. This was due to the fact that amounts were not debited until after the end of the financial year.

Capital expenditure



In the course of the 2003 financial year, SIMONA AG invested Euro 10.2 million in the further expansion and modernisation of its production facilities. The single largest investment, amounting to roughly Euro 1.2 million, was associated with the expansion of our main warehouse in Kirn. As part of these improvements, the handling system for empty pallets was fully automated, the units responsible for incoming and outgoing goods were separated and given their own locations within the warehouse, additional storage capacity was created for new product lines, and the safety of goods handling in the storage area was improved significantly. The newly introduced automated pallet-management system has eliminated the former transportation of more than 70,000 pallets with fork-lift trucks. In addition, throughput times for the management of pallets have been substantially reduced.

Within the area of sheet extrusion, our main focus was on expanding the level of extrusion-specific capacity and enhancing the processing methods used in these operations. One of the key purchases made within this area was a state-of-the-art extruder unit for approx. Euro 0.6 million, which features a new rheology tailored specifically to the extrusion of PVC. This investment will further enhance our leading-edge position as a supplier of extruded PVC sheets.

In 2003, we commenced production of fittings up to 500 mm in diameter, deploying an injection-moulding machine installed in the previous year.



Targeting the automotive sector

In the financial year under review, significant investments were made to accelerate development work on a polyethylene-based multi-layer sheet used in the manufacture of tanks for vehicles. This project was completed with great success. Within this context, we developed a completely new production system which is to be put into full-scale industrial operation in April 2004.

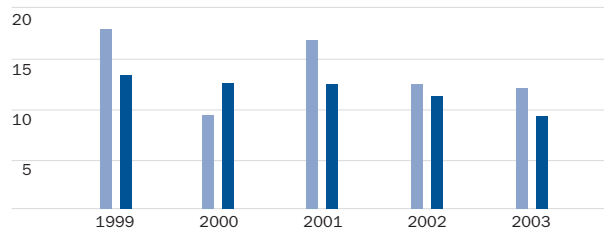
A second area in which we invested heavily in the course of the 2003 financial year was pipes and fittings production. The single largest investment within this area was an additional injection-moulding machine for the production of mid-sized fittings with a clamping force of 800 t. The injection-moulding machine with a clamping force of 2,700 t, which had been installed towards the end of the preceding year, was taken into operation in 2003. Thus, SIMONA is the only European-based manufacturer capable of injection-moulding fittings with a diameter of up to 500 mm and an injection weight of up to 108 kg.

Investments within this area have allowed us to expand capacity levels and enhance our product range, thus contributing to our sustained competitive advantage. As a direct result, we will continue to be able to react quickly to ever-changing market requirements, penetrate new segments, satisfy growing demand for customised products, and extend our position within the marketplace.

Alongside investments in production equipment, there was also an upgrade of SIMONA's electronic communication network in the period under review. Within this context, the main focus was on fine-tuning our tailor-made Customer Relationship Management system (CRM system) taken into full operation in the preceding year.

Investments and depreciation
Property, plant and equipment
SIMONA Group in EUR million

- Investments in property, plant and equipment
- Depreciation of property, plant and equipment



Employees



The number of employees within the AG declined by 7 in the 2003 financial year, down from 898 to 891 members of staff at the end of the year; the average number of staff employed during the year was 893 for the AG. Within the Group, the number of employees fell from 1,029 to 1,020 at the end of the 2003 financial year.

The level of staff absences due to illness fell slightly in the year under review. As a result, our average staff absence ratio dropped to 4.94 per cent.

An investment in the future

Once again, SIMONA AG reaffirmed its commitment to training by investing in the career development of new members of the team. In total, 63 school-leavers took part in German-style apprenticeships in 2003. In the year under review, 19 apprentices successfully completed their training at SIMONA. In total, 17 apprentices were offered positions with the Company. The integrated training programme initiated in 2001, which includes a part-time degree course at the University of Applied Sciences Ludwigshafen, has borne fruit. In the period under review, an additional four apprentices were recruited; they commenced their integrated studies at SIMONA AG in August 2003. Thus, six apprentices are currently participating in SIMONA's programme dedicated to part-time studies.

The Continuous Improvement Process (CIP) represents an important tool to include staff in decision-making processes.

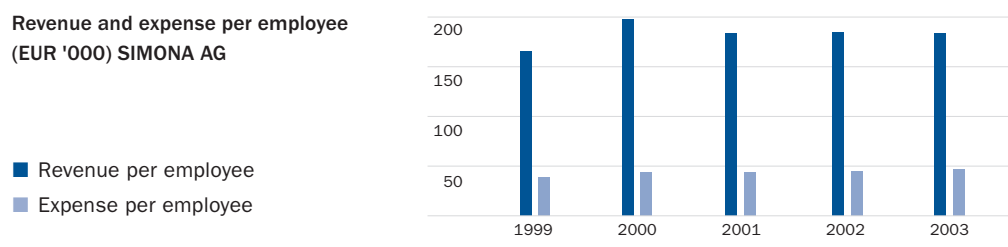


In the period under review, SIMONA AG granted a scholarship to an apprentice in recognition of his outstanding performance – a first for the Company. He commenced his degree course in combined Computer and Engineering Studies at Kaiserslautern University of Applied Sciences in September 2003. In return, he is obliged to sign an employment contract with SIMONA AG covering a period of at least three years once the degree course has been completed.

In total, 14 employees are on parental leave. By the end of 2003, the number of employees who had opted for part-time employment until they are eligible for retirement increased by 13, taking the total number to 30. Six members of staff were released from employment duties, while one member of the team went into retirement upon completion of a period of part-time employment.

As in the past, we also staged several training events designed to improve our employees' qualifications. These included special shift-related training sessions for the respective manufacturing units, cross-departmental seminars, as well as subject-specific product and application workshops. As an integral part of our corporate training concept, the "Active Learning" programme focuses on product expertise and service-orientated customer management within our sales units, the objective being to provide sales staff with ongoing training to improve key product- and sales-related skills.

**Revenue and expense per employee
(EUR '000) SIMONA AG**



Apprenticeships at SIMONA

Process Mechanics
Plastics and Rubber Technology

Electronics Engineers,
specialising in Operations Technology

Industrial Mechanics,
specialising in Operations Technology

Specialists in Inventory Management

Industrial Clerks
(Diplom-Betriebswirt,
integrated part-time degree course)

Computer Specialists

Research and development



The main focus of our research activities in the financial year under review was on developing a multi-layer sheet used in the manufacture of motor-vehicle tanks, optimising extrusion methods for foamed and compact PVC sheets, and the development of PC-Blend sheets used in door fabrication. We also worked on enhancing our formulae used within the area of polyvinyl chlorides.

The development of multi-layer sheets with varying structures and diffusion barriers, which will be introduced to full-scale production over the course of 2004, constitutes an important step forwards in terms of penetrating the automotive market. The solution developed by SIMONA provides the basis for the production of complete tank systems as part of a seamlessly integrated process, thus eliminating any potential weaknesses in the diffusion barrier. Thus, the new method is far superior to the traditional approach used when connecting tanks and fluid lines. Within this area, SIMONA has secured a multi-year contract for the supply of semi-finished products to be used in the series production of automotive tanks for a new off-road vehicle.

Multi-layer sheets for the manufacture of tanks used in motor vehicles represent a key opportunity to penetrate the automotive market.

SIMONA's PC-Blend sheets are a high-quality alternative to other solutions used within the door manufacturing industry.

Optimised weatherability and heat resistance

PC-Blend sheets are an effective alternative to conventional products used by door manufacturers, particularly as the range of products traditionally deployed within this area often prove to be of sub-standard quality. Door elements made of conventional composite materials often display signs of ageing when exposed to heat or ultraviolet rays over a longer period of time. The result: discoloration, warping, and cracks in the deep-drawn profiles and reliefs. The newly developed PC-Blend sheets, which are premium-quality solutions within our SIMONA® ProDoor Product Range for Professional Door Manufacturers, feature long-term UV stability and outstanding resistance to extreme temperature fluctuations, thus making them non-susceptible to cracking.

In 2002, SIMONA successfully launched a range of pipes made of SIMONA® PP AlphaPlus, a homopolymer polypropylene with a finer and more stable alpha-crystalline structure. Having successfully completed the changeover of pipes to SIMONA® PP AlphaPlus for all pressure ratings and dimensions, we turned our attention to fittings. This process was completed in 2003, and from January 2004 onwards we will be in a position to offer customers comprehensive polypropylene solutions within the area of pipes and fittings. This provides a number of benefits, from longer durability to higher chemical resistance and improved hydraulic properties.



Quality and environmental management

In addition to customer orientation, profitability, and environmental protection, quality is one of the foremost corporate priorities at SIMONA AG. Committed to excellence within this area, SIMONA AG further enhanced its integrated quality management system comprising “Quality Management ISO 9001” and “Environmental Management ISO 14001” in the year under review.

Fresh impetus for quality assurance

The penetration of new markets, in particular within the automotive sector, has brought with it a number of new requirements associated with quality management. Preparations to certify our QM system in accordance with ISO/TS 16949 : 2002 for the automotive industry are currently in full swing. Both automotive suppliers and car manufacturers have established far-reaching standards relating to zero-defect production, customer-oriented processes, efficient resource management, and continuous improvement of all processes and units involved. Committed to meeting these requirements, our entire team views this as a strong incentive within the field of total quality management. We introduced a number of well-defined departmental and unit-specific quality targets and integrated these into our annual objectives for 2004, thus fulfilling the requirements of ISO/TS 16949 : 2002 with regard to consistent targets for all areas of the company involved in activities that may influence quality.

One of the key performance ratios within our quality-orientated manufacturing enterprise is the so-called complaints ratio. The complaints ratio, which represents recognised complaints in relation to sales volume, stood at 0.2 per cent in the financial year 2003; the level of expenses related to complaints was comparable to that recorded in the previous financial year. Technical product documentation and regular updates within this area to reflect technological advance and ever-changing international standards are integral to our service and quality management activities. Committed to excellence, SIMONA AG offers its customers comprehensive information that is tailored to the production of semi-finished plastics.



Risk report



Benefiting from an approach of broad positioning within several non-related markets, our Company enjoys a high level of protection against sector-specific risks.

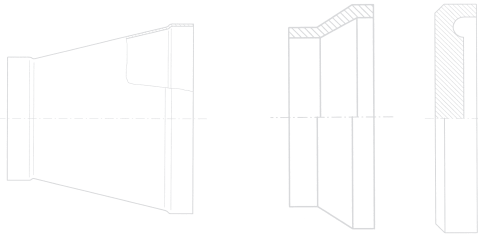
In the course of the financial year under review, the Company refined and updated its risk management system introduced in accordance with Section 91 paragraph 2 of the Stock Corporation Act (Aktiengesetz – AktG).

This system is centred around an intranet-based information portal that spans the entire Company. As part of this system, possible risks have been documented from a corporate as well as a segment-specific and departmental perspective. These risks are permanently monitored, evaluated and ranked as part of a three-tier risk management report. As part of this system, the Company has defined early-warning indicators which are able to identify risks as soon as specific thresholds have been exceeded. Appropriate measures are initiated to counteract the risks identified within the system. The Management Board and the Supervisory Board were kept informed of all risks and evaluations as part of comprehensive quarterly reports, which are an integral part of the Company's active risk management. Neither risks that are considered to jeopardise the Company as a going concern nor concentration of risks associated with the Company's trading environment and sector are deemed to have existed in the period under review or at the time the management report was published.

Diversification to counteract specific sector-related risks

Risks relating to the Company's trading environment and sector are limited chiefly to economic risks such as the general performance of specific industries as well as product portfolios associated with the respective sectors in which the Company operates. Within the area of chemical engineering, SIMONA is mainly affected by contraction in the Central and Western European region following the relocation of production to Asia and Eastern Europe. Committed to spreading market risk, we are currently developing new products for sectors in which SIMONA AG had not previously been represented. This includes the automotive sector. As a result of this approach, we have secured a certain degree of independence from individual markets, which area often exposed to specific economic risks. Overall, it should be noted that the Company continues to be exposed to an intense level of competition within a volatile trading environment. Operating against this backdrop, the Company will once again find it difficult to implement an increase in prices for semi-finished products, pipes, and fittings over the course of the 2004 financial year. Increased pressure on earnings is currently being counterbalanced by streamlined cost structures within the area of product development and efficiency improvements within manufacturing, as well as optimised logistical processes.

There were no risks related to corporate strategy within the area of investments or locations in the year under review. The Company's joint venture with Georg Fischer AG, Georg Fischer SIMONA Fluoropolymer Products GmbH, had to contend with the ongoing crisis witnessed in the semi-conductor industry. Having said this, the fourth quarter saw a slight improvement in the level of incoming orders. Risks within this area were limited to SIMONA AG's obligation to cover expenses for the provision of capacities not utilised by the Company. In total, this amounted to Euro 0.4 million.



Risk associated with receivables remains low

In the financial year under review, there was no evidence of performance-related risks subject to disclosure requirements. The risk arising from receivables remains low, which is a tribute to thorough credit ratings and monitoring of our domestic and foreign customers. Supported by stringent credit investigations within the AG, trade receivables remained stable year on year at Euro 15.0 million. Default-related risk associated with specific customers was limited by credit insurance and the timely cut-off of deliveries in the case of outstanding payments. The carrying amounts of inventories were assessed on a regular basis, and we took precautionary measures and made appropriate adjustments in the form of allowances in the amount of Euro 1.2 million.

There were no personnel-related risks associated with fluctuation or resignation in key positions in the financial year under review. Appropriate succession plans and provisions were defined as part of our HR risk management system. The introduction of a career advancement programme is designed to enhance loyalty among SIMONA staff. In addition, the Company stepped up its efforts within the area of fully integrated degree courses, with the express purpose of attracting and retaining young professionals. The increase in occupational pension provision by ten per cent represents another key instrument which is designed to provide a long-term incentive to employees. Having implemented back-up solutions and a hardware security concept, the Company is suitably protected when it comes to the accessibility of electronic data, and the risk of data loss has been minimised. Firewall systems offer protection for corporate networks against unauthorised external access. As a result, there were no risks within this area that are deemed to be subject to disclosure requirements.

Euro exchange rate affects earnings

There were no significant financial risks requiring specific disclosure in 2003. The level of liquidity within the Company increased by Euro 7.8 million in the year under review. Risks attributable to exchange rate fluctuations were addressed by means of forward cover or hedging insofar as this was possible within the commercial framework. Other operating expenses contain losses of Euro 1.3 million attributable to exchange rate differences and gains amounting to Euro 0.4 million. The balance corresponds to an additional expense of Euro 0.3 million compared with the previous financial year and is attributable to the strength of the euro against the US dollar. Risks associated with securities were minimised by investing the majority of funds within the area of fixed-interest bonds.

REACH, the new European regulation governing chemicals, only has a minor impact on the plastics-processing industry and is therefore considered to be much less invasive than anticipated in the chemical industry, both in terms of organisational and financial structures. The main area of impact for SIMONA is to be found within the area of additives. Having said this, the main responsibility in terms of fulfilling new requirements regarding documentation and handling will mainly lie with the Company's suppliers. The Company was not exposed to other risks, in particular those relating to legal proceedings and organisational structures or risks due to the complete or partial lack of management and control systems.



Outlook



Presenting an outlook is extremely difficult, given the divergent economic forecasts currently available. However, there appears to be an air of cautious optimism within the capital goods industry. Improved economic indicators in the US have clearly given fresh impetus to the global economy as a whole. Key economic data for Europe would also appear to suggest that the euro-zone is gradually gaining momentum. Growing demand from abroad would benefit the export-orientated German economy. Initial estimates for Germany point to a 3.3 per cent increase in capital expenditure on equipment.

Growth within target markets bodes well

Despite the decline in producer prices, the chemical industry has forecast an increase in sales volumes and revenues of 1.5 per cent. Within this area, it is hoped that exports will become the main driving force behind recovery. The industry as a whole is not expecting to see any significant improvement in margins over the course of 2004. As a result, capital expenditure within the chemical industry is likely to remain suppressed and limited to replacement investments. The situation within the area of mechanical engineering would appear to be more encouraging. An invigorated global economy may prove to be a panacea for this sector, allowing it to outperform all other industrial sectors in terms of growth.

The overall situation within the construction industry is expected to remain unchanged in 2004 with regard to incoming orders and business development. Within this context, dependence on the domestic economy is considered to play a pivotal role. The exhibition and trade fair sector recorded a significant upturn in business over the course of the first two months of the year. Against this backdrop, *Ausstellungs- und Messe-Ausschuss der deutschen Wirtschaft e.V.* (Association of German Exhibition and Trade Fair Industry) has forecast an above-par result for the industry as a whole – for the first time since 2001.

Palpable improvement expected in plastics industry

Based on these forecasts, the German Association of the Plastics Processing Industry has predicted a palpable improvement in business over the course of 2004. As in previous years, the main impetus is expected to come from exports. In contrast, the performance of Germany's domestic economy is less encouraging. Similarly, prices are unlikely to show any signs of recovery in 2004. In fact, more than 80 per cent of companies operating within the plastics-processing sector are bracing themselves for stagnating or even declining prices for plastics.

The order backlog for January and February 2004 would appear to confirm our approach of cautious optimism. Sales volumes and revenues were above target and higher than in the same period a year ago. Based on the general economic outlook and in view of our enhanced product portfolio, we are confident that both sales volumes and revenues will develop favourably. Overall, we expect to see a 3.6 per cent increase in sales volumes for 2004. Provided that prices do not deteriorate any further, revenues generated by the AG are expected to augment by four per cent. Benefiting from the acquisition of extrusion operations from HPG International Inc., Mountaintop, Pennsylvania (USA), and the establishment of Company-owned production facilities located in the United States, we expect to increase consolidated revenues by 7 to 8 per cent.

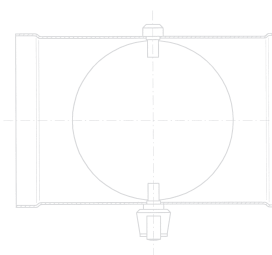
This more upbeat forecast is based on our incisive marketing activities within a number of key areas of application, as well as the expansion of our product portfolio and the thus resulting penetration of new markets. Some of the overriding priorities within this context are the industrial production of multi-layer sheets for vehicle tanks, the UK market rollout of our range of sheets for door fabrication, the introduction of additional low-flammability PVC-C solutions to be deployed in chemical engineering, and the extension of our PVC range of foamed sheets to include an integral skin foam sheet that features a number of key benefits in terms of printing and backing.

Risk factor: prices for semi-finished products

While sales volumes and revenues have developed well, our earnings performance has not been quite as encouraging. Higher raw material prices, particularly in the first two months, have had a detrimental effect on profit margins. Operating against this backdrop, it is essential that we maintain our pricing policy within the area of semi-finished products, which was implemented in March as a direct reaction to the hike in raw material costs. The principal risks within this area are related to competitive pressures – also as a result of new market entrants from Central and Eastern Europe with lower wage structures – and the general willingness of



We are cautiously optimistic for 2004 and expect to benefit from a continued upturn in our business.





US market entry represents an important milestone when it comes to pursuing a strategy of international growth.

certain enterprises to capture or retain market share with the help of price reductions and discounts. Supported by a more restrictive investment policy, a targeted HR programme, and the continued improvement of our processes – thereby enhancing efficiency levels –, we intend to bolster the Company's earnings performance on a sustainable basis. Profit from ordinary activities is expected to increase by 20 per cent to Euro 13.0 million, particularly in view of the fact that earnings for the preceding financial year had been adversely affected by extraordinary items. Our confidence within this area is also founded on a number of opportunities which we intend to pursue over the course of 2004.

Seizing opportunities in new regional markets

The acquisition of the extrusion operations of HPG International Inc., Pennsylvania, marked a new era for SIMONA. In January 2004, we commenced production activities in the United States. We are of the firm belief that growth in the US can only be accomplished with the help of local production. Supported by the existing sales structure in the US, we succeeded in meeting our targets for the first two months of the financial year both in terms of sales volumes and revenue. The expansion of our production portfolio is to be seen as a launch pad for the accelerated growth of SIMONA AMERICA Inc. Furthermore, production in the US will minimise risks associated with exchange rates and prices, a situation that we previously had to contend with as a European-based manufacturer.

Exponential growth in Eastern Europe and China is also considered to be a key opportunity for the Company. Our subsidiaries in Poland and the Czech Republic represent a strong foundation for continued expansion in Eastern Europe. In addition, we shall assess the possibility of further enhancing our presence as a local operator. We are also keeping a watchful eye on customers who are currently relocating production facilities to Asia in response to prior restructuring measures implemented by large multinationals within the chemical and automotive industries. Here too, we shall evaluate whether local production facilities may strengthen our own position as a key supplier committed to sustained operations.

Drawing on our technological prowess built up and enhanced over the past years, SIMONA AG is well equipped to seize these opportunities.



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

The new legal framework is designed to make corporate governance and reporting systems of exchange-listed companies more transparent and more efficient. The German Corporate Governance Code adopted by the German Corporate Governance Code Commission in the revised version of May 21, 2003, forms the basis for our activities within this area.

SIMONA AG has met the majority of requirements specified within the Code. The Supervisory Board and the Management Board reacted to the legal requirements of the Code by implementing appropriate measures within the Company, insofar as these were necessary to supplement the corporate governance system already in place at SIMONA.

Independence of auditors

Prior to putting forward the name of an auditor to be appointed by the General Meeting of Shareholders, the Audit Committee of the Supervisory Board shall request a written statement from the auditor specifying any possible business relations with SIMONA AG that may cast doubt on the independence of the auditor in question. Furthermore, the Audit Committee shall agree with the auditor that the former will be informed immediately of any grounds for disqualification or impartiality occurring during the audit, insofar as these cannot be rectified immediately.

Exercising shareholders' rights – a more efficient approach

Our invitation to the General Meeting of Shareholders, as well as counterproposals, and the annual report are published on our website; on request, they are also dispatched by e-mail. If shareholders are unable to attend the Meeting in person or via a representative, the Management Board appoints a representative of the Company to cast a proxy vote in accordance with the shareholder's instructions. This representative is also available for consultation during the Meeting of Shareholders. Live broadcasts of the General Meeting of Shareholders via the internet are not deemed necessary.

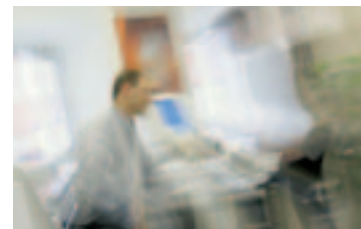
Deviations from the German Corporate Governance Code

There are several Company-specific characteristics which preclude SIMONA AG from adopting all the points outlined in the Code. The deviations from the German Corporate Governance Code are as follows:

Transparency of remuneration

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

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



SIMONA AG is firmly committed to meeting the requirements of the German Corporate Governance Code, with the express purpose of strengthening the rights of shareholders.

- “Compensation of the members of the Management Board shall be reported in the Notes to the consolidated financial statements, subdivided according to fixed, performance-related, and long-term incentive components. These details should be presented in an individualised format.”

As part of our Annual Report 2003, remuneration details for the Management Board have been disclosed within the consolidated financial statements, subdivided according to fixed and performance-related components. Within this respect, the recommendations of the Commission have been accepted. In addition, the principles of the Company’s remuneration system as well as the specific structure of remuneration components with a long-term incentive and attendant risks are published on the corporate website and discussed in the annual report. However, in contrast to the Corporate Governance Commission, the Company does not believe that an individualised disclosure of Management Board emoluments would be of any particular benefit.

- “Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.”

Supervisory Board compensation shall be reported in the Notes to the consolidated financial statements, using an individualised format which outlines the specific components. The level of remuneration is commensurate with the responsibilities and duties of the Supervisory Board members. In the opinion of the Supervisory Board of SIMONA AG, performance-related compensation of the Supervisory Board members would not encourage or promote independent actions of the Supervisory Board members. Supervisory Board compensation is disclosed as part of the consolidated financial statements, using an individualised format.

Reliable reporting

- “The Supervisory Board shall set up an Audit Committee which, in particular, addresses issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points, and the fee agreement. The Chairman of the Audit Committee should not be a former member of the Management Board of the company.”

The Business Committee established within the Supervisory Board is responsible for the same issues as an Audit Committee. The entire Supervisory Board of SIMONA AG is regularly furnished with detailed information related to the Company’s reporting and risk management; it also holds in-depth discussions with the auditors as regards the Company’s financial statements.

Our area of business calls for comprehensive knowledge of products, markets, and processes. Therefore, the Supervisory Board is of the opinion that the appointment of a former member of the Management Board as Chairman of the Business Committee is beneficial to the efficient running of the Committee rather than counterproductive.

Transparency

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

The specific shareholdings of Supervisory and Management Board members are disclosed as part of the consolidated financial statements. In addition, this information is published on the internet.

- “The consolidated financial statements and interim reports shall be prepared under observance of internationally accepted accounting principles.”

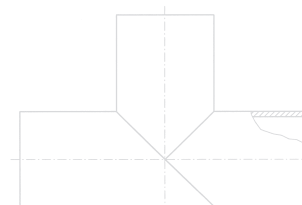
The Supervisory Board and Management Board of SIMONA AG have decided to utilise the time frame specified by the authorities; the Company will prepare consolidated financial statements in accordance with internationally accepted accounting principles from the financial year 2004 onwards. In the meantime, the financial statements of the Group and the AG, as well as the interim reports, will be prepared in accordance with the German Commercial Code (HGB).

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

SIMONA AG will make the consolidated financial statements and the interim reports available to the public within the statutory time frames. We are committed to accelerating our Company’s financial reporting as part of our efforts to expand our international network and in line with the changeover to internationally accepted accounting principles.

Disclosure on the internet

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



Compensation report of SIMONA AG

Our compensation report outlines the key principles applied when determining remuneration levels for the Management Board of SIMONA AG. It also presents the structure and extent of compensation for the Management Board. In addition, this report outlines the general principles applied and the extent of compensation for the Supervisory Board, as well as providing details regarding shareholdings of Management Board and Supervisory Board members.

I. Compensation of the Management Board

1. Determining Management Board compensation

The Personnel Committee within the Supervisory Board is responsible for determining the level of compensation for the Management Board. The Personnel Committee is composed of the Chairman of the Supervisory Board Dr. Wolfgang Bürkle, the Deputy Chairman of the Supervisory Board Hans-Wilhelm Voss, as well as the member of the Supervisory Board Hans-Werner Marx.

2. Structure of Management Board compensation

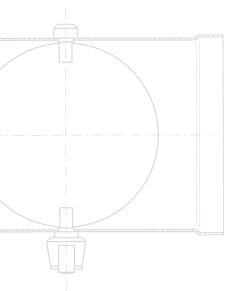
Compensation for the members of the Management Board of SIMONA AG is calculated on the basis of the size of the Company, its commercial and financial position, as well as the level and structure of compensation granted to Management Board members of similar enterprises. In addition, the duties and the contribution of the respective Management Board members are taken into account. Management Board compensation is performance-orientated. It is comprised of a fixed level of remuneration as well as a variable component in the form of a bonus. Both of the aforementioned components are assessed on an annual basis. In addition, both components are subject to thorough analyses in intervals of three to five years, based on a comparison with compensation figures applicable to executive staff of similar enterprises. The most recent assessment was conducted in 2003.

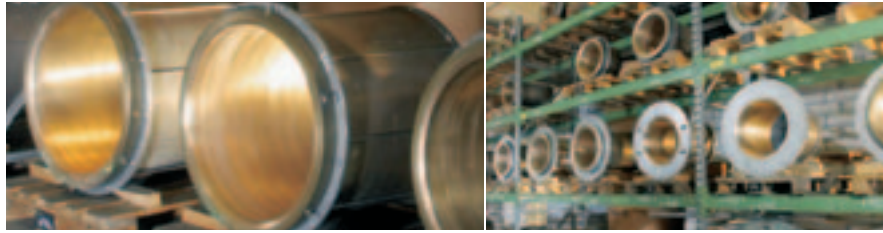
The target remuneration defined for the 2003 financial year was comprised of a fixed component of compensation (salary) of 73 per cent and a variable component (bonus) of 27 per cent.

- Salary: The fixed component of compensation is paid as a salary on a monthly basis.
- Bonus: The members of the Management Board receive a bonus, the level of which is dependent on attaining specific financial targets which are mainly calculated on the basis of the Company's revenue and earnings performance.

3. Management Board compensation for the 2003 financial year

Total compensation for the Management Board amounted to Euro 759 thousand (FY 2002: Euro 702 thousand) for the 2003 financial year. This figure was comprised of Euro 552 thousand in fixed-level remuneration and Euro 207 thousand in bonus payments. The Company does not grant loans to members of the Management Board.





II. Supervisory Board compensation

Supervisory Board compensation is determined by the General Meeting of Shareholders and is subject to the provisions of the Bylaws.

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 receive supplementary compensation.

Supervisory Board compensation comprises fixed components. The members of the Supervisory Board receive a fixed amount of Euro 7,500. The Chairman of the Supervisory Board receives an amount equivalent to double the standard level of compensation, the Deputy receives an amount equivalent to one and a half the standard level of compensation. All expenses associated directly with a position on the Supervisory Board, as well as sales tax, are reimbursed.

In 2003, Supervisory Board compensation amounted to Euro 56 thousand (FY 2002: Euro 56 thousand) in the AG and Euro 87 thousand (FY 2002: Euro 85 thousand) in the Group. The distribution of compensation was as follows :

	AG	Group
Dr. Wolfgang Bürkle, Chairman	15.0 EUR '000	30.4 EUR '000
Hans-Wilhelm Voss, Deputy	11.3 EUR '000	26.7 EUR '000
Hans-Werner Marx	7.5 EUR '000	7.5 EUR '000
Roland Frobél	7.5 EUR '000	7.5 EUR '000
Bernd Meurer	7.5 EUR '000	7.5 EUR '000
Karl-Ernst Schaab	7.5 EUR '000	7.5 EUR '000

The Company does not grant loans to members of the Supervisory Board.

III. Shareholdings of the Management Board and the Supervisory Board

Pursuant to the disclosure regulations of Section 25 paragraph 1 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), we hereby declare that, as at April 4, 2002, members of the Management Board held 11.6 per cent of the share capital and members of the Supervisory Board held 24.2 per cent of the share capital of SIMONA AG.

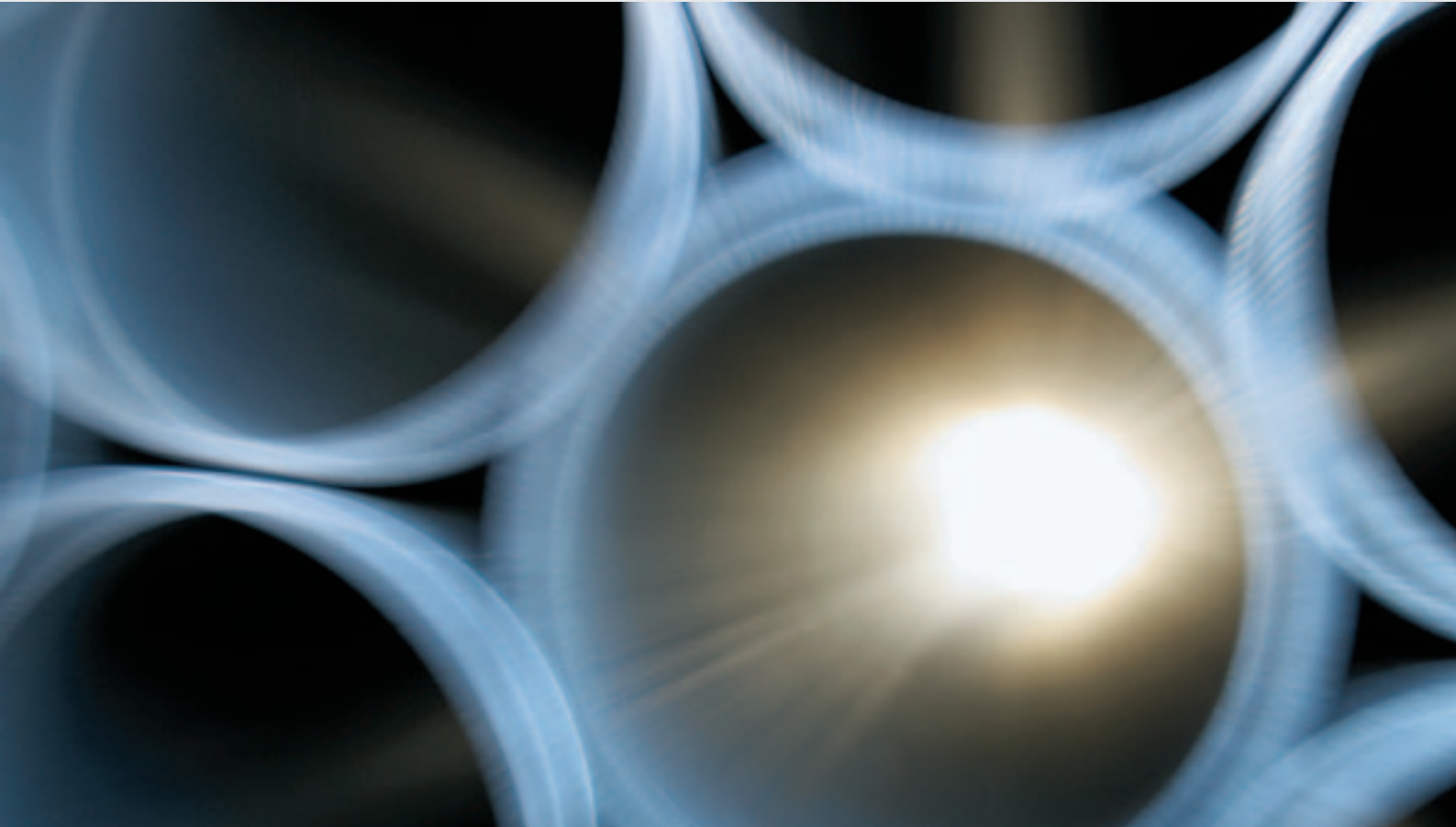
In accordance with Section 15 WpHG, the members of the Supervisory Board and the Management Board, as well as related parties, are legally obliged to disclose all significant acquisitions or disposals of shares in SIMONA AG. In the period under review, no transactions of this kind were reported to the Company.

Financial Statements SIMONA Group and SIMONA AG



The annual financial statements for the SIMONA Group and SIMONA Aktiengesellschaft (AG) are discussed in a joint section. Specific items relating to the balance sheet and the income statement have been aggregated in order to provide a more efficient overview.

Owing to the presentation of figures in thousands of euros (EUR '000), some figures reported in the balance sheet and in the income statement schedule for the Group and the Aktiengesellschaft may contain rounding errors.



the future is bright

Today, many a technically challenging project can only be brought to fruition with the help of semi-finished plastics. Thus, plastics have become synonymous with innovation and pioneering spirit. That is why we are firmly committed to investing in production, sales, and consulting. In doing so, we are able to offer our customers state-of-the-art products and unrivalled service – worldwide. This is the secret of our success.

Balance Sheet SIMONA Group

Assets		
EUR '000	31.12.2003	31.12.2002
Non-current assets		
Industrial property rights and similar rights	837	638
Intangible assets	837	638
Land and leasehold rights and buildings including buildings on third-party-land	21,220	21,830
Technical plant and machinery	16,740	15,655
Other plant, operating and office equipment, furniture and fixtures	8,548	6,738
Prepayments and assets under construction	1,808	1,676
Property, plant and equipment	48,316	45,899
Investments	23	23
Financial assets	23	23
	49,176	46,560
Current assets		
Raw materials and consumables	9,362	8,946
Finished goods	24,180	27,174
Inventories	33,542	36,120
Trade receivables	31,506	30,776
Receivables from related companies	1,611	1,286
Other current assets	4,131	5,315
Receivables and other assets	37,248	37,377
Treasury shares	133	133
Other securities	6,369	5,030
Securities	6,502	5,163
Cheques, cash, demand deposits at banks	18,120	9,981
	99,412	88,641
Prepaid expenses	461	506
Deferred taxes	720	741
Total assets	145,769	136,448

Equity and liabilities

EUR '000

31.12.2003

31.12.2002

Shareholders' equity		
Issued capital	15,500	15,500
Capital reserves	15,032	15,032
Legal reserves	397	397
Reserves for treasury shares	133	133
Statutory reserves	2,847	2,847
Other revenue reserves	52,617	47,984
Revenue reserves	55,994	51,361
Accumulated profits	3,283	3,503
Net profit after minority interest	6,417	8,190
Equity generated (after minority interest)	9,700	11,693
Adjustment for interests of non-Group shareholders according to their equity share	449	561
Currency translation differences	33	102
	96,708	94,249
Special item with reserve component	0	168
Provisions		
Retirement benefit obligations	25,112	23,473
Provisions for taxes	173	117
Other provisions	8,470	7,961
	33,755	31,551
Liabilities		
Liabilities to banks	92	0
Trade payables	7,505	4,641
Notes payable	3	11
Payables to related companies	376	541
Other liabilities	7,330	5,287
	15,306	10,480
Total equity and liabilities	145,769	136,448
Contingent liabilities	148	172

Balance sheet SIMONA AG

Assets		
EUR '000	31.12.2003	31.12.2002
Non-current assets		
Industrial property rights and similar rights	828	629
Intangible assets	828	629
Land, leasehold rights and buildings	20,614	21,146
Technical plant and machinery	15,424	14,466
Other plant, operating and office equipment, furniture and fixtures	7,815	5,977
Prepayments and assets under construction	275	1,666
Property, plant and equipment	44,128	43,255
Investments in subsidiary companies	2,135	2,135
Investments	2,023	2,023
Financial assets	4,158	4,158
	49,114	48,042
Current assets		
Raw material and consumables	8,919	8,587
Finished goods	20,313	22,670
Inventories	29,232	31,257
Trade receivables	15,001	15,020
Receivables from subsidiary companies	17,306	18,208
Receivables from related companies	2,226	1,823
Other current assets	3,728	4,774
Receivables and other assets	38,261	39,825
Treasury shares	133	133
Other securities	6,369	5,030
Securities	6,502	5,163
Securities, cash, demand deposits at banks	16,800	8,979
	90,795	85,224
Prepaid expenses	345	431
Total assets	140,254	133,697

Equity and liabilities

EUR '000	31.12.2003	31.12.2002
Shareholders' equity		
Issued capital	15,500	15,500
Capital reserves	15,032	15,032
Legal reserves	397	397
Reserves for treasury shares	133	133
Statutory reserves	2,847	2,847
Other revenue reserves	55,577	52,617
Revenue reserves	58,954	55,994
Net profit	7,605	8,538
	97,091	95,064
Special item with reserve component	229	168
Provisions		
Retirement benefit obligations	25,111	23,466
Provisions for taxes	111	114
Other provisions	7,439	7,058
	32,661	30,638
Liabilities		
Liabilities to banks	0	103
Trade payables	6,533	3,975
Payables to related companies	2	361
Other liabilities	3,738	3,388
	10,273	7,827
Total equity and liabilities	140,254	133,697
Contingent liabilities	24	41

Income Statement SIMONA Group

EUR '000	31.12.2003	31.12.2002
Revenue	173,765	172,838
Increase/decrease in inventories of finished goods	(2,994)	(1,007)
Total operating performance	170,771	171,831
Other operating income	2,334	4,280
Raw materials and consumables used	80,734	81,278
Cost of services purchased	455	440
Cost of materials	81,189	81,718
Wages and salaries	34,469	34,631
Social security and pension costs	10,993	9,976
Staff costs	45,462	44,607
Depreciation of property, plant and equipment, and amortisation of intangible assets	9,431	11,748
Other operating expenses	26,176	26,798
Income from investments	0	500
Other interest and similar income	712	741
Interest and similar expenses	97	85
Profit from ordinary operations	11,462	12,396
Income taxes	4,782	3,919
Other taxes	301	247
Net profit for the period	6,379	8,230
Minority interest's share of profits	38	(40)
Net profit after minority interest	6,417	8,190

Income Statement SIMONA AG

EUR '000	31.12.2003	31.12.2002
Revenue	162,045	162,828
Increase/decrease in inventories of finished goods	(2,357)	(1,119)
Total operating performance	159,688	161,709
Other operating income	1,952	3,998
Raw materials and consumables used, and goods purchased	79,999	79,700
Cost of services purchased	79	28
Cost of materials	80,078	79,728
Wages and salaries	30,717	31,231
Social security and pension cost	9,902	9,024
Staff costs	40,619	40,255
Depreciation of property, plant and equipment, and amortisation of intangible assets	9,090	11,343
Other operating expenses	21,887	22,318
Income from investments	56	646
Other interest and similar income	805	828
Interest and similar expenses	28	36
Profit from ordinary operations	10,799	13,501
Income taxes	4,752	4,115
Other taxes	126	120
Net profit for the period	5,921	9,266
Accumulated profit brought forward	8,538	7,798
Dividend payment	3,894	3,893
Allocation to other revenue reserves	2,960	4,633
Balance sheet profit	7,605	8,538

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