# **SIMONA**



Annual Report 2001

SIMONA Group		2001	2000	1999
Revenue	EUR million	177.1	184.7	154.0
Change on previous year	%	-4.1	+19.9	+0.6
Abroad revenue	EUR million	101.8	106.9	85.5
Abroad revenue	%	57.5	57.9	55.5
Staff costs	EUR million	43.2	40.2	37.1
Pre-tax result	EUR million	14.7	18.9	13.5
Net profit	EUR million	9.5	10.4	7.5
Cashflow	EUR million	22.9	23.8	21.0
EBITDA	EUR million	27.9	32.3	26.7
EBITDA	%	15.7	17.5	17.3
Balance sheet total	EUR million	133.9	128.9	122.5
Shareholders'equity	EUR million	90.4	84.7	77.9
Non-current assets	EUR million	48.2	43.3	46.3
Investments in tangible assets	EUR million	17.2	9.6	18.3
Depreciations of tangible assets	EUR million	12.4	12.8	13.3
Employees at year end		1,035	997	971
Average number of employees for the year		1,027	982	916
Revenue per employee	EUR '000	172	188	168
Earnings per share	EUR	15.3	16.8	13.3
Dividend	EUR	6.50	6.50	5.50
Dividend yield		3.2	5.0	4.5
Price-earnings ratio		13.2	11.0	13.0
Market capitalisation over equity		1.35	1.32	1.34
Price as at 31 December		202	185	173

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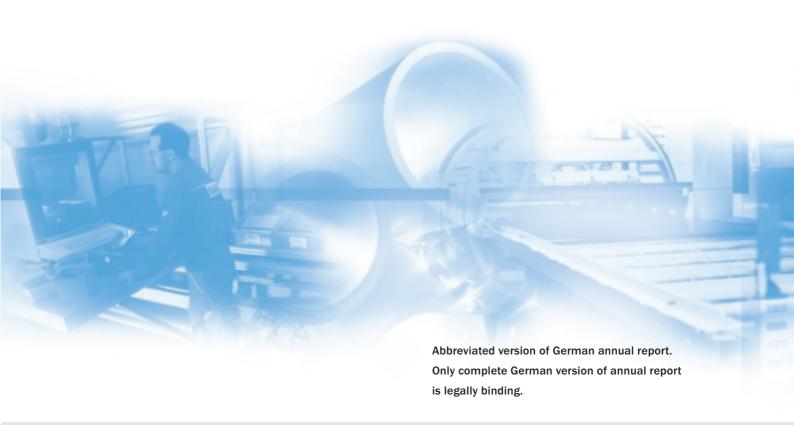
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# Members of the Management Board and the Supervisory Board

# Members of the Management Board



Wolfgang Moyses Chairman of the Management Board

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



Walter W. Janshen

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

# Members of the Supervisory Board

**Dr. Wolfgang Bürkle** Chairman

Manager,

Manager,

Kirn

Hans-Wilhelm Voss Deputy Chairman

Manager, Simmertal **Roland Frobel** 

Tax Consultant, Langenhagen

Hans-Werner Marx

Bernd Meurer Employee Representative

Hennweiler

Karl-Ernst Schaab Employee Representative

Bergen

# To the shareholder

#### Dear Shareholder.

Operating within a difficult economic environment throughout 2001, SIMONA AG was able to hold its ground. Indeed, we took up the gauntlet and produced stable sales volumes in relation to the preceding financial year, which had been outstanding. Having said this, declining raw material costs and the concomitant pressure on prices resulted in a year-on-year reduction in consolidated revenue of 4.1 per cent, taking this figure to  $\leqslant$  177.1 million. Within the AG, i.e. the parent company, revenue declined by 4 per cent to  $\leqslant$  166.1 million.

Sheets, rods, profiles and welding rods produced at the company's Kirn-based plant, experienced a 1.5 per cent decline in terms of sales volume. However, the detrimental effects of the economic downturn were more apparent in the aforementioned segment than in the area of pipes and fittings, which bucked the general market trend and grew by 3 per cent in terms of sales volume. Thus, we were unable to meet our ambitious goal for 2001, which had been to increase our overall sales volume by 3.7 per cent. One of the main determinants within this respect was the sustained economic weakness witnessed in the domestic market and the fall in demand from abroad during the fourth quarter of 2001. Moreover, the pronounced slump within our high-purity business unit had an unfavourable effect.

Consolidated profit before tax amounted to  $\in$  14.7 million, 22.1 per cent down on the previous year's figure; profit before tax for the AG stood at  $\in$  14.7 million, which corresponds to a 15.6 per cent decline. In particular, business performance within our high-purity segment had a detrimental effect on earnings, as did stock-building aimed at enhancing our delivery capabilities and the increase in staff costs and social security expenditure, which was attributable to our strengthened personnel structure.

In view of the current volatility witnessed throughout the economy, it is extremely difficult to present accurate forecasts for the 2002 financial year at this moment in time. It is impossible to present clearly defined forecasts on the basis of the current projections available to us for our core markets. In the year under review, we were able to bolster the company both in terms of technological capabilities and human resources. Therefore, we are well positioned to take advantage of the tentative upturn in the economy, which is expected to materialise somewhat later in the case of capital goods. Based on this, we are confident that sales volumes will remain stable. But it will be difficult to emulate the level of earnings achieved in the financial year just ended, due to the prevailing economic conditions.

Kirn, May 2002

Wolfgang Moyses

Dirk Möller

Walter W. Janshen



# About us

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, based in the German town of Kirn. Today, SIMONA AG is recognised as one of Europe's leading manufacturers and distributors of semi-finished thermoplastics.

# 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, electro fusion fittings and high-purity piping components. The materials used in production include polyethylene (PE), polypropylene (PP), polyvinylchloride (PVC-U) rigid and foamed, polyethylene terephthalate (PETG), polyvinylidene fluoride (PVDF) and ethylene-chlortrifluorethylene (E-CTFE), as well as specialist materials, e.g. for applications within the area of orthopaedics.

SIMONA AG is based in Kirn, a town located in the German state of Rhineland-Palatinate. Sheets, rods, profiles and welding rods are manufactured at this location, in Plants I and II. Plant III for pipes and fittings is located in the town of Ringsheim, in the German state of

Baden-Wurttemberg. In addition, SIMONA produces high-purity piping components at its clean-room plant, Plant IV, in the neighbouring town of Ettenheim. Supported by extensive storage capacities at the two main warehouses in Kirn and Ringsheim, as well as decentralised distribution warehouses, SIMONA is committed to efficient and on-time delivery of its products. In addition, the company can rely on 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.

# Made by SIMONA - quality at its best

One of the traditional areas of application for SIMONA products is chemical engineering. One of the main advantages within this context is the high level of resistance of SIMONA semi-finished plastics to a broad range of aggressive chemicals; they also form the basis for effective environmental protection. Quality made by SIMONA is also appreciated within the area of civil engineering, e.g. when it comes to the supply of drinking water, waste-water disposal and land-fill-site technology, as well as in the field of structural engineering, mechanical engineering and advertising.

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. Moreover, with its clean-room production of pipes and fittings made of PVDF-HP and PP-HP, SIMONA AG is rapidly emerging as a premier supplier of components for high-purity piping systems used within the semi-conductor industry, the pharmaceuticals and biotechnology sectors, as well as the food industry.

# **SIMONA Group**

	22.20
SIMONA S.A. (France)	96,6 %
SIMONA S.r.I. (Italy)	98,0 %
SIMONA U.K. Limited (Great Britain)	100 %
SIMONA-PLASTICS CZ, s.r.o. (Czech Republic)	100 %
SIMONA FAR EAST LIMITED (Hongkong)	51 %
SIMONA IBERICA SEMIELABORADOS S.L. (Spain)	100 %
SIMONA POLSKA sp. z o.o. (Poland)	100 %
SIMONA Sozialwerk GmbH	50 %
SIMONA Vermögensverwaltungsgesellschaft der Belegschaft mbH	50 %
SIMONA Beteiligungs GmbH	100 %



Operating and financial review

# **Economic environment**

Without doubt, 2001 was a year of contrast for the plastics industry. At the end of the year it became clear that the optimistic prognoses for this sector had not materialised. The year had begun quite positively for the plastics processing industry, with most companies boasting full order books. However, towards the end of the first half the noticeable downturn in the economy filled enterprises operating in this sector with foreboding. At the end of 2001, the plastics industry recorded a price-adjusted growth rate of just 0.5 per cent, in contrast to 4.4 per cent achieved in 2000.

In 2000, export activities had proved to be one of the main areas of support for the economy. This trend continued into 2001. Having said this, following two solid quarters export activities suffered slightly as the year progressed. In the end, the increase of 3.5 per cent generated by exports was enough to offset the 3 per cent decline registered by domestic business. The bottom-line result was a meagre 0.5 per cent growth for the industry as a whole.

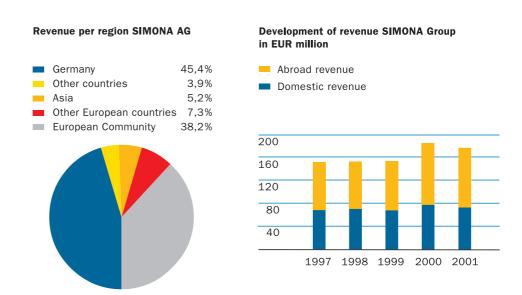
Overall growth for the plastics industry was bolstered mainly by a palpable increase in demand within the area of packaging materials and consumer goods. However, strong growth

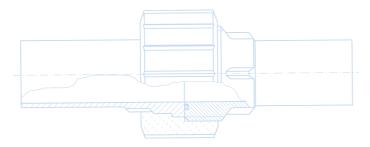
in the aforementioned segments was juxtaposed with a severe downward spiral in the area of semi-finished products and a slump in demand for construction-related goods. The 2.2 per cent decline registered by semi-finished products was almost enough to wipe out the gains achieved in this area in the course of 2000. This dire performance was mainly due to the general economic malaise in Germany. On the other hand, it was also the result of the ongoing reduction in overcapacity, particularly within the area of semi-finished products and the electronics industry.

Two of the key markets for SIMONA semi-finished products, namely the chemicals industry and engineering, recorded slight increases in output of 0.5 per cent. However, from the middle of the third quarter onwards they took a much more cautious approach when it came to capital expenditure, a decision prompted by the marked slowdown in the economy. As a result, capital goods demand registered a steep decline.

The advertising industry and the service sector focusing on trade fairs and exhibitions, both of which are key segments for foamed and transparent sheets, were affected heavily by the terrorist attacks in September 11. Many trade fair organisers were forced to cancel their events due to a lack of interest on the part of exhibitors, or they were faced with a reduced inflow of revenue. At the same time, many companies were cutting their advertising and exhibition budgets for economic reasons.

The semi-conductors industry, a high-potential segment of the market, announced farreaching factory closures and job cuts as a direct result of sluggish demand for mobile phones and computers. However, these restructuring measures failed to prevent the collapse of this sector in the third quarter of 2001.





#### SIMONA held its ground

Operating within this difficult economic environment, SIMONA AG was able to assert itself and hold its ground. Indeed, our total sales volume was merely 0.4 per cent lower than the particularly buoyant level achieved in the previous year. One of the main reasons for this was the favourable progression of business in the first half of the year, which boasted an increase in sales volume of 3.4 per cent. Having said this, this growth was offset by performance in the second half of the financial year under review. Owing to declining prices for semi-finished products in the second half of 2001, which affected all materials, total revenue for the AG was 4 per cent lower than in the previous financial year; total revenue for the AG amounted to Euro 166.1 million in the year under review. Within the Group, total revenue for 2001 stood at Euro 177.1 million, compared with Euro 184.7 million in 2000.

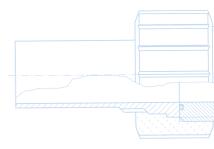
Semi-finished goods, i.e. sheets, rods, profiles and welding rods produced at our Kirn-based plant, experienced a 1.5 per cent decline in terms of sales volume. The detrimental effects of the economic downturn were more apparent in the aforementioned segment than in the area of pipes and fittings, which bucked the general market trend and grew by 3 per cent in terms of sales volume. Nevertheless, our performance within the semi-finished products segment was well above the general trend witnessed throughout the sector for semi-finished products: it declined by 3.5 per cent.

Declining prices for raw materials in the third and fourth quarter as well as the concomitant pressure on semi-finished products and pipes resulted in a less favourable performance with regard to revenues. This problem was compounded by a more intense competitive environment as a result of the economic downturn. The average prices achieved within the sector for semi-finished products fell extensively. This led to a year-on-year revenue decline of 4.9 per cent within the area of semi-finished products.

In spite of the fact that prices for pipes also had to be adjusted downwards, the 3.0 per cent increase in sales volumes in the area of pipes and fittings helped generate a slight revenue increase of 1.2 per cent. The main growth driver in the year under review was to be found in the area of fittings. New cooperation agreements with partners in Germany and abroad, combined with our own efforts to position SIMONA as a systems supplier to industrial pipeline engineering and construction companies, played a major role in providing forward momentum.

# Fresh impetus from exports

Exports proved to be one of the main driving forces behind the stable progression of business in the year under review. This was due to the fact that the economic downturn abroad lagged behind the domestic trend. Sales volumes achieved abroad within the segment for semi-finished products were 0.7 per cent better than those recorded in the previous year, whereas domestic volumes deteriorated by 4.4 per cent.



Recording foreign sales revenues of Euro 90.8 million within the AG, our export ratio of 54.6 per cent was 0.5 percentage points lower than in the previous financial year. In contrast, the export share calculated on the basis of sales volume improved by 0.8 per cent to 53.4 per cent. Within the Group, our revenue-based export ratio stood at 57.5 per cent, in contrast to 57.9 per cent in the previous year.

This positive performance abroad is a tribute to the good achievements of our foreign subsidiaries, who operate as sales and marketing units within their respective domestic markets. Around 70 per cent of foreign sales volume was generated via these subsidiaries. In fact, in the year under review our subsidiaries achieved growth of 3.9 per cent in terms of sales volume and 2.7 per cent with regard to revenue.

## Positive performance of the subsidiaries in their domestic markets

In France, SIMONA S.A. retained its leading position within the marketplace, despite a slight decline in business. This decline was mainly due to the general demise of the exhibition and display.

SIMONA ITALIA recorded a slight increase in terms of sales volumes and revenues in 2001. In particular, the favourable level of orders in the first half of the financial year provided a solid foundation for the subsidiary's overall performance in the year under review, despite the weakening economic climate in Italy.

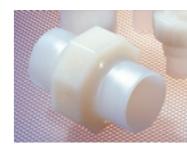
SIMONA U.K. forged ahead unrelentingly in 2001, clearly aided by its incisive restructuring measures initiated two years ago. Indeed, SIMONA U.K. achieved the highest level of growth of all our subsidiaries.

In the Czech Republic, SIMONA-PLASTICS CZ recorded a double-digit revenue growth, with an improvement in sales volumes.

In May 2001, as per agreement our joint venture with ANICO in Poland came to an end, and SIMONA AG acquired SIMONA POLSKA in its entirety. The change in ownership also prompted a revamp of the company's sales structure. This resulted in palpable improvements to business development, both in the area of industrial applications and in the advertising sector.







SIMONA FAR EAST was unable to buck the general downward trend witnessed throughout the semi-conductor and electronics sector as well as in instruments engineering. It was faced with sizeable shortfalls in its business with key accounts. This led to a reduction in sales volumes and revenues. In February 2001, SIMONA opened an office in Shanghai. Within a short period of time, its activities had contributed to bolstering our presence in China. The aforementioned office is part of SIMONA FAR EAST.

In May 2001, our Spanish subsidiary SIMONA IBERICA SEMIELABORADOS, located in Barcelona, commenced operations. Following the establishment of a warehouse to serve the Spanish market directly, the first revenue inflows were recorded in September. Feedback regarding SIMONA's presence within the Iberian peninsular has been very positive, and this would suggest that our future in this key European market is very bright indeed.

# Just pipped at the post

Despite our stable performance overall, we were not quite able to meet all our targets. Our 3.7 per cent growth target in terms of sales volume in 2001 – a target based on the very strong performance and solid order books at the end of 2000 – proved a little too ambitious for the year under review. One of the main determinants within this respect was the sustained economic weakness witnessed in the domestic market during the fourth quarter of 2001. Another major contributor was the 50 per cent revenue decline suffered within the area of high-purity piping components. As a result, we failed to meet our own expectations in terms of generating positive earnings in our high-purity segment.









# Earnings lower than in previous year

Neither the AG nor the Group was able to emulate the earnings performance of the previous year. Within the AG, earnings before taxes dropped by 15.6 per cent to Euro 14.7 million. Consolidated earnings were down by Euro 22.1 per cent to Euro 14.7 million. Our subsidiaries generated profits, with the exception of the newly established Spanish entity SIMONA IBERICA SEMIELABORADOS.

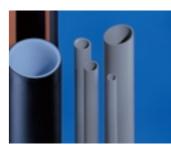
Business activities within our high-purity segment had a detrimental effect on earnings, as did stock-building and the increase in staff costs and social security expenditure. We acted with foresight within the area of high-purity activities, making appropriate provisions and adjustments. A new sales model has been developed to facilitate future growth within this segment and to secure capacity utilisation.

The increase in inventories is largely attributable to stock-building within the area of highpurity products. In view of supply bottlenecks at the beginning of the financial year under review, we also took the precaution of building stocks in the area of pressed sheets. This resulted in tangible improvements within the organisation in terms of our ability to supply standard products and gave us greater flexibility to react to short-term requirements within the marketplace.



Personnel and social security expenditure grew by 7.2 per cent to Euro 39.2 million in the year under review, mainly as a result of increased direct staff costs of Euro 1.2 million following recruitment of an additional 29 employees. These members of the team will enrich and strengthen middle and top management throughout the corporation – providing SIMONA with a formidable competitive edge. It should be noted that added expenditure within the area of personnel is also a result of the Government's decision to reduce Germany's age of pension eligibility to 28. It is also attributable to newly recruited staff and Germany's new legislation governing early retire benefits.

We were able to reduce expenditure on materials due to the falling raw materials prices in the last quarter of the financial year under review. In contrast, energy-related costs were considerably higher than in the previous year.



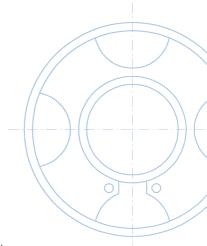




Capital expenditure

In the course of the 2001 financial year, SIMONA AG invested Euro 16.9 million in the further expansion and modernisation of its production facilities. The single largest investment amounted to roughly Euro 6 million in connection with the expansion of Plant II in Kirn. The installation of new extrusion lines for polyolefins in a separate building will allow us to extend our product offering for sheets by including new types and sizes, in line with market requirements. Moreover, we established the technical fundamentals needed to extrude transparent SIMOLUX sheets made of polyethylene terephthalate (PETG) in widths of two metres. We also enhanced our coextrusion capabilities. The thus resulting increase in production capacity has also provided us with a solid foundation when it comes to taking advantage of an upturn in the economy and further expanding SIMONA AG's market position.

The expanded production premises will also house new equipment to be used in research and development. Capital expenditure on the development of innovative products, technology and processes in connection with new materials will allow us to broaden our product base, with the express purpose of addressing – by means of diversification – cyclical risks emanating from the economy. This approach will also enable the company to strengthen its innovative prowess.



As part of the above-mentioned construction measures and the material-related alterations in connection with the extrusion lines, we expanded the mixing and silo facilities for polyolefins. This represents an important step forward in terms of optimising material flows and reducing costs when it comes to the supply of raw materials. Further capital expenditure was channelled into improving processes used in profile and welding rod extrusion, with the aim of achieving enhanced manufacturing tolerances and geometry factors – the basis of added value for our customers.

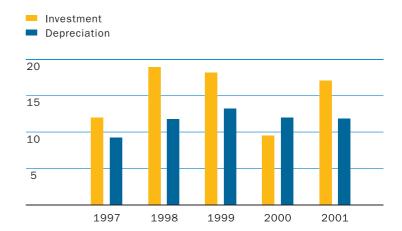
The single largest investment within the area of pipe extrusion for Plant III at our Ringsheim location was the construction of a granulating unit for PE 100, allowing the reintroduction of material cuts into the overall production cycle. Other investments were attributable to the purchase of new tools and equipment in order to extend our product offering in the area of injected fittings.

# **Company wide electronic network**

Alongside investments in production equipment, there was also an upgrade of SIMONA's electronic communication network, which covers the entire company. The main focus was on integrating the individual manufacturing locations and subsidiaries. In addition, our Intranet portal for future intragroup communication was completed and expanded in terms of content.

In the year under review, we also installed a new Customer Relationship Management System (CRM). Testing commenced at the beginning of the new financial year; this system is to replace our existing sales information systems. The new CRM system is to be seen as an important information tool and will allow us to further enhance our strategy of total customer orientation.







# **Employees**

The number of employees within the AG grew by 29 in fiscal 2001, up from 899 to 928 members of staff at the end of the year; the average number of staff during the year was 923 for the AG. We strengthened our team within the area of production, research and development, as well as applications engineering. Within the Group, the number of employees increased from 997 to 1,035 at the end of the financial year 2001.

# SIMONA reaffirmed its commitment to training

Once again, SIMONA AG reaffirmed its commitment to training in the year under review. In total, 62 school-leavers took part in German-style apprenticeships in 2001.

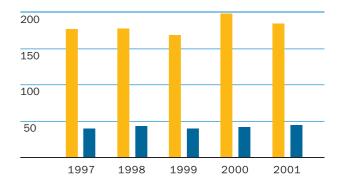
The ten additional school-leavers working within the company in the year under review were recruited to strengthen our production-related trainee resources in the area of pipe extrusion and injection moulding at Plant III. Training provided for school-leavers to become Process Mechanics in Plastics and Rubber Technology will ensure the future influx of know-how in an area driven by process optimisation as a source of competitive advantage; training within this field will also safeguard the company against risks arising from the employment market and

the economy. In the course of 2001, yet again our school-leaver trainees received special awards from the chamber of commerce and industry in honour of their outstanding exam results.

The results of an employee survey conducted in September 2001 will form the basis for further improving job satisfaction. We have established special task forces to analyse weaknesses that were brought to our attention as part of the study and to develop pertinent solutions. The main focus is on providing further qualifications and an environment of career advancement for our management team and our workforce.

# Revenue and staff costs per employee SIMONA AG

Revenue per employee in EUR '000Personnel cost per employee in EUR '000

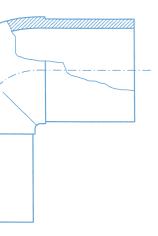


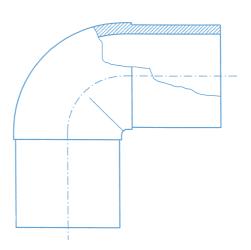
# Risk management

The risk management system implemented throughout the Group as part of German legislation aimed at improving corporate governance (Control and Transparency in Business – KonTraG) underwent further fine-tuning in the year under review. 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 monitored on a permanent basis, evaluated and ranked as part of a three-tier risk management report. The Management Board and the Supervisory Board are informed of all risks, evaluations and rankings on a regular basis as part of comprehensive quarterly reports.

The risk arising from receivables remains low – a tribute to thorough credit ratings and monitoring of our domestic and foreign customers. Trade receivables were pushed back by Euro 1.9 million to a level of Euro 32.5 million. We made appropriate provisions and adjustments within the area of high-purity products. Risks attributable to exchange rate fluctuations were addressed by means of hedging instruments. Market and country-related risks have been minimised as part of our product and sales diversification.

In order to reduce staff-related risks, future-orientated Human Resource management measures were introduced in fiscal 2001. The main focus was on strengthening leadership skills and enhancing cross-departmental communication. Furthermore, there were a number of key appointments with regard to positions within middle and top management.





# Quality management



## First-time certification of our environmental management system

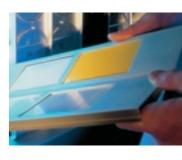
Alongside customer orientation, profitability and environmental protection, quality is one of the foremost corporate priorities at SIMONA AG. Therefore, SIMONA AG is committed to gaining certification for an integrated quality management system comprising ISO 9001, ISO 14001 and certification in line with the European directive on pressure equipment. As part of this realignment, we stepped up our efforts to introduce a process-orientated description of cross-departmental procedures. One of our main areas of interest is centred around the first-time certification of our environmental management system.

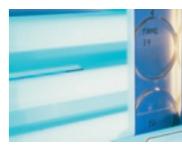
Certification is to take place in November 2002, and this process requires extensive preliminary work, which will also be beneficial in terms of streamlining and redesigning our quality management documentation. In parallel, we intend to introduce a comprehensive ratio-based system, which will allow us to define quality targets and set up appropriate control mechanisms in order to improve efficiency levels within the field of quality assurance.

One of the key performance ratios within a quality-orientated manufacturing enterprise is the so-called complaints ratio. In the year under review, the number of complaints fell by 6.9 per cent. The complaints ratio regarding complaints in relation to sales volume declined by 0.8 percentage points to 0.12 per cent in the financial year 2001. This positive trend was mainly attributable to the introduction of order and equipment audits within the company, as well as the ongoing training of staff and proactive involvement of employees in the quality assurance process.

Having implemented a computer-aided complaints assessment technique as part of our new CRM system, we are now able to reduce the time needed to process complaints by a considerable margin. Moreover, data relating to the current complaints status has become more transparent. With the help of this system, we are able to react faster to complaints, thus addressing an important issue highlighted by our customers.

We are also committed to reviewing and updating key technical product documentation and adapting our publications in line with ever-changing international standards. In doing so, SIMONA is able to provide its customers with in-depth information with regard to the processing and application of semi-finished plastics.





# Research and development

Once again we strengthened our personnel base in the year under review, with the express purpose of accelerating our in-house research and development activities. This underlines SIMONA AG's commitment to retaining its position as the world's leading-edge innovator in the area of semi-finished plastics manufacturing. Supported by higher staffing levels, we extended our lab facilities and installed special testing equipment for extrusion processes in our new building at Plant II.

Research activities focused on process optimisation with regard to the extrusion of foamed and rigid PVC sheets, the improvement of our formula used in the area of polyvinyl≠chlorides and the extension of our range of semi-finished products in the area of fluorine-based plastics and special materials.

# New solutions for the renewing of wastewater channels

SIMONA AG's PE 80 ovoid profile ducts represent an innovative and truly pioneering approach in the area of wastewater disposal. Pilot projects have already revealed a number of advantages related to the materials used in this product and the high levels of efficiency achieved in practical applications. The development of suitable connections for these ovoid profile ducts was of immense importance in terms of ensuring effective and efficient usage. In the year under review, we achieved an important breakthrough in this area.

Aided by cutting-edge research activities in 2001, in the spring of 2002 we were able to roll out a polyethylene with superior vacuum forming properties – suitable for a broad range of applications in plastics processing. The launch of sheets and rods made of PVC-C CORZAN® 4910 represents a major step forward for SIMONA AG in terms of providing semi-finished products for cleanroom environments; this product is based on a material that is recognised as providing increased fire protection. It should also be noted that SIMONA is Europe's sole supplier of extruded sheets made of this material.

The main focus of research activities in 2002 will be on developing and launching a homopolymer polypropylene with a finer and more stable alpha-crystalline structure. This polypropylene is produced with the help of special nucleation agents. It has an increased impact strength and an improved level of rigidity, thus providing users with a number of benefits – from optimised hydraulic properties and improved durability to a higher level of chemical resistance.

Another area we shall be concentrating on is that of transparent sheets made of polyethylene terephthalate (PETG). The launch in 2001 of UV-stabilised and opal-coloured SIMOLUX sheets to complement our clear standard sheets provided strong forward momentum within this product segment. The advertising and display industry is now eager to introduce additional colourings and surface characteristics.









# Outlook

In view of the current volatility witnessed throughout the economy, it is extremely difficult to predict what the 2002 financial year holds in store for us. In the first two months of the 2002 financial year we managed to stabilise the downward trend experienced towards the end of 2001. In fact, in January and February 2002 our sales volumes were slightly higher than our targets. Having said this, we must concede that they were far below the outstanding figures registered in the first two months of 2001.

Forecasts for our products' key target markets are relatively muted. The chemicals industry and the engineering sector are not expected to generate growth in 2002 and may even experience a slight decline. This will have a considerable impact on companies' capital spending, an area that is expected to languish in the doldrums for much of this year before gaining momentum towards the end of 2002. The trade fair and exhibition design sector will continue to be faced with extremely tight budgets in 2002, and therefore we believe that opportunities will only arise within this segment if we pursue our strategy of expanding the product range in foamed sheets, thus capturing the imagination of the marketplace in new areas of application.

There is a great deal of potential when it comes to new, highly innovative products. Our ?-nucleated PP pipes and fittings are now ready for mass production, an important step forward in terms of enhancing SIMONA AG's position as an innovation-driven supplier within the area of industrial pipeline construction. In order to extend our activities within this segment of the market, we have established a project management unit for industrial pipeline systems, which will act as a professional interface between external and internal teams.

Our sheets and rods made of flame retardant PVC-C CORZAN® 4910 represent a product offering that is tailored to the individual requirements of customers operating in the cleanroom segment. Moreover, this portfolio is the ideal complement to our PVDF range of products. Furthermore, the area of chemical instrument engineering would appear to be extremely interesting in terms of introducing new forms of PVC-Cs.

One of our main tasks within the area of high-purity products is to implement a new sales structure, with the aim of safeguarding capacity utilisation of our Plant IV production lines.

We intend to participate directly in the growth segment of sewage and duct repair, as well as environmental technology, by further improving our relining solutions and by introducing a standardised double containment piping system. Our product managers have channelled a great deal of time and effort into both of the aforementioned areas, thus enhancing our marketing activities and increasing brand awareness.

Having strengthened the company both in terms of technological capabilities and human resources during 2001, SIMONA AG is now ready and primed for action. Indeed, we have every chance of reaping the rewards of an economic upturn, which we believe will set in during the second half of the financial year 2002. We are expecting to see a stable performance with regard to sales volumes, with a possible increase towards the end of the year if the underlying economic climate proves to be propitious. Earnings will be dominated by the rise in raw material costs. In view of the current economic malaise, these price increases cannot be passed on to customers. Furthermore, the expected positive growth of our high-purity segment will also play a crucial part. Therefore, it will be extremely difficult to emulate our earnings performance of 2001. Having said this, this goal should not be seen as an unattainable, particularly if the economy picks up in the course of the financial year.







# Financial Statements SIMONA Group



# Consolidated Balance Sheet SIMONA Group

Assets				
EUR '000	31	Dec. 2001	31	Dec. 2000
Non-current assets				
Industrial property rights and similar rights	772		799	
Intangible assets		772		799
Land and leasehold rights and buildings, including buildings on third-party land	22,566		20,022	
Technical plant and machinery	12,999		13,405	
Other plant, operating and office equipment, furniture and fixtures	8,003		7,682	
Prepayments and assets under construction	3,815		1,339	
Property, plant and equipment		47,383		42,448
Investments in subsidiary companies	26		_	
Investments	23		23	
Financial assets		49		23
		48,204		43,270
Current assets				
Materials	9,069		8,141	
Finished goods	28,181		22,816	
Inventories		37,250		30,957
Trade receivables	29,749		33,682	
Other current assets	4,609		2,408	
Receivables and other assets		34,358		36,090
Treasury shares	133		133	
Other securities	6,418		7,952	
Securities		6,551		8,085
Cheques, cash on hand, demand deposits at banks		6,862		9,582
		85,021		84,714
Prepaid expenses		231		410
Deferred taxes		432		469
Total assets		133,888		128,863

Liabilities and	Shareholders'	Equity
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EUR '000	31 Dec. 2001		31 Dec. 2000	
Shareholders' Equity				
Issued capital		15,500		15,500
Capital reserves		15,032		15,032
Legal reserves	397		397	
Reserves for treasury shares	133		133	
Reserves required under company by-laws	2,847		2,847	
Other retained earnings	43,082		38,282	
Retained earnings		46,459		41,659
Consolidated retained earnings brought forward	2,814		1,513	
Net profit after minority interest	9,399		10,125	
Equity generated (after minority interest)		12,213		11,638
Minority interest		643		849
Equity differences due to foreign currency translation		460		_
		90,307		84,678
Special item with reserve component		106		158
Provisions				
Retirement benefit obligations	22,583		21,585	
Provisions for taxes	2,251		1,496	
Other provisions	8,392		7,500	
·		33,226		30,581
Liabilities				
Liabilities to banks	263		2,037	
Trade payables	5,057		5,819	
Notes payable	21		33	
Liabilities to related companies	931		549	
Other liabilities	3,977		5,008	
Otto nubinios	5,911	10,249	3,008	13,446
		10,243		13,440
Total Liabilities and Shareholders' Equity		400.000		128,863
		133,888		120,003

# Consolidated Income Statement SIMONA Group

EUR '000	31 Dec. 2001		31 Dec. 2000	
Revenue	177,135		184,696	
Increase in inventories of finished goods	5,365		1,144	
Gross performance		182,500		185,840
Other operating income		2,705		2,863
Materials and production supplies used	90,653		92,904	
Cost of services purchased	781		847	
Cost of materials		91,434		93,751
Wages and salaries	33,079		31,589	
Social security and pension costs	10,078		8,614	
Staff costs		43,157		40,203
Depreciation of property, plant and equipment, and amortisation of intangible assets		12,411		12,835
Other operating expenses		24,189		23,515
Other interest and similar income		868		866
Interest and similar expenses		139		335
Profit from ordinary operations		14,743		18,930
Income taxes		4,872		8,228
Other taxes		378		258
Net profit for the year		9,493		10,444
Minority interest's share of profits		94		319
Net profit after minority interest		9,399		10,125

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