MAG **19** ANNUAL REPORT **2019**

POLYTEC

POLYTEC SOLUTION FORCE

WE TRANSFORM VISIONS
INTO PLASTIC SOLUTIONS

AT 0000 A00XX9

POLYTEC

FOUNDED IN 1986, THE **POLYTEC GROUP** IS A LEADING DEVELOPER AND MANUFACTURER OF HIGH-QUALITY PLASTIC SOLUTIONS.

For more than 30 years, the Austria-based company with some 4,300 employees worldwide has been offering its customers experience and know-how, not only as a complete supplier in the injection moulding field, but also as a specialist for fibre-reinforced plastics, a producer of original accessories made from plastic and special steel, and a developer of individualised industrial solutions in polyurethane, as well as the machines and plants needed for this purpose.

POLYTEC numbers globally renowned automotive and commercial vehicle manufacturers among its customers, but is also increasingly supplying other markets outside this sector. The most important criteria in both cases consist of innovative technologies, perfect quality and absolute punctuality of delivery in combination with competitive prices. In both the automotive and non-automotive areas, POLYTEC provides excellent value-added depth in every segment. This incorporates design and project development, as well as the production of tools and semis for fibre compound materials, component simulation and testing, and virtually all the available plastics processing technologies. In addition, POLYTEC supplies excellent performance in the shape of downstream processes such as painting, assembly and just-in-time or just-in-sequence delivery.

€ 627.1 MILLION

SALES REVENUES

€ 32.6 MILLION

EBIT

€ ~260 MILLION

INVESTMENTS 2015–2020

POLYTEC

KEY FIGURES

Key figures from the consolidated income statement	Unit	2019	2018	2017	2016	2015
Sales	EUR million	627.1	636.4	676.4	650.4	626.5
thereof passenger cars & light commercial vehicles	EUR million	388.8	387.9	434.1	425.4	420.1
thereof commercial vehicles	EUR million	158.4	174.7	165.0	147.4	148.1
thereof smart plastic & industrial applications	EUR million	79.9	73.8	77.3	77.6	58.3
EBITDA	EUR million	68.4	67.1	82.3	80.1	59.7
EBITDA margin (EBITDA/sales)	%	10.9	10.5	12.2	12.3	9.5
EBIT	EUR million	32.6	40.1	55.1	52.4	36.6
EBIT margin (EBIT/sales)	%	5.2	6.3	8.1	8.1	5.8
Earnings after tax	EUR million	23.1	30.0	39.0	37.0	24.2
Earnings per share	EUR	1.02	1.32	1.74	1.65	1.08

Balance sheet key figures	Unit	2019	2018	2017	2016	2015
Balance sheet total	EUR million	605.6	557.6	516.5	501.4	485.1
Equity ratio (equity/balance sheet total)	%	41.7	42.7	42.1	37.9	33.6
Investments in fixed assets	EUR million	48.2	42.6	38.4	34.4	134.4
Net working capital	EUR million	125.4	95.2	75.5	40.1	50.5
Net working capital/sales	%	20.0	15.0	11.2	6.2	8.1
Average capital employed	EUR million	400.4	341.8	297.5	274.8	219.1
ROCE before tax (EBIT/average capital employed)	%	8.2	11.7	18.5	19.1	16.7
Net debt (+)/assets (-)	EUR million	156.0	101.8	78.7	69.9	99.1
Net debt (+)/assets (-) to EBITDA	-	2.28	1.52	0.96	0.87	1.66
Gearing (net debt (+)/assets (-)/equity)	-	0.62	0.43	0.36	0.37	0.61

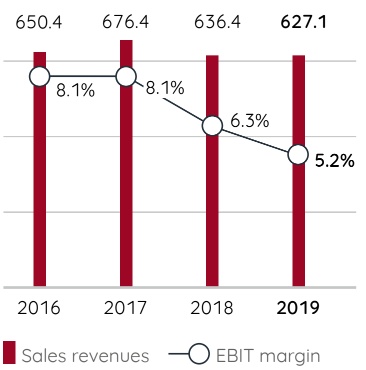
Consolidated cash flow key figures	Unit	2019	2018	2017	2016	2015
Cash flow from operating activities	EUR million	24.4	30.9	38.3	70.7	51.3
Cash flow from investing activities	EUR million	-48.6	-39.4	-38.0	-28.8	-69.2
Cash flow from financing activities	EUR million	6.1	25.2	-22.7	-20.0	-36.4

Personnel key figures	Unit	2019	2018	2017	2016	2015
Employees on annual average	FTE[1]	4,344	4,465	4,527	4,449	4,247
Employees as of 31 December	FTE	4,406	4,315	4,522	4,427	4,223
Sales per employee	EUR k	144.4	142.5	149.4	146.2	147.5

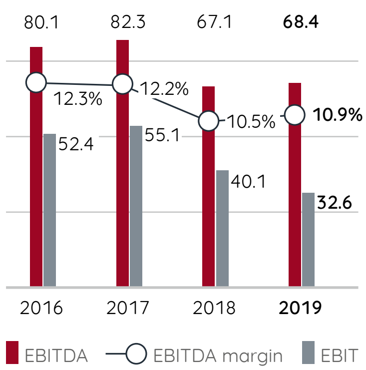
[1] FTE: full-time equivalents incl. leasing personnel

POLYTEC share (AT0000A00XX9)	Unit	2019	2018	2017	2016	2015
Year-end closing price	EUR	8.65	8.38	18.50	10.39	7.66
Highest closing price during the year	EUR	10.64	21.00	22.38	10.60	8.45
Average closing price during the year	EUR	8.89	13.29	16.46	7.89	7.52
Lowest closing price during the year	EUR	8.05	8.38	10.40	6.65	6.20
Market capitalisation at year-end	EUR million	193.1	187.1	413.1	231.9	171.0
Money turnover (daily average, double counting)	Shares	47,768	93,591	83,317	35,937	45,660
Earnings per share	EUR	1.02	1.32	1.74	1.65	1.08
Proposed dividend per share	EUR	0.25	0.40	0.45	0.40	0.30
Dividend yield on the basis of the average closing price	%	2.8	3.0	2.7	5.1	4.0

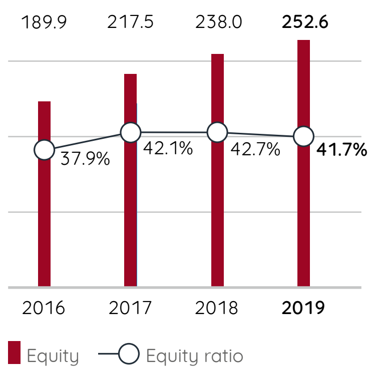
SALES REVENUES, EBIT MARGIN



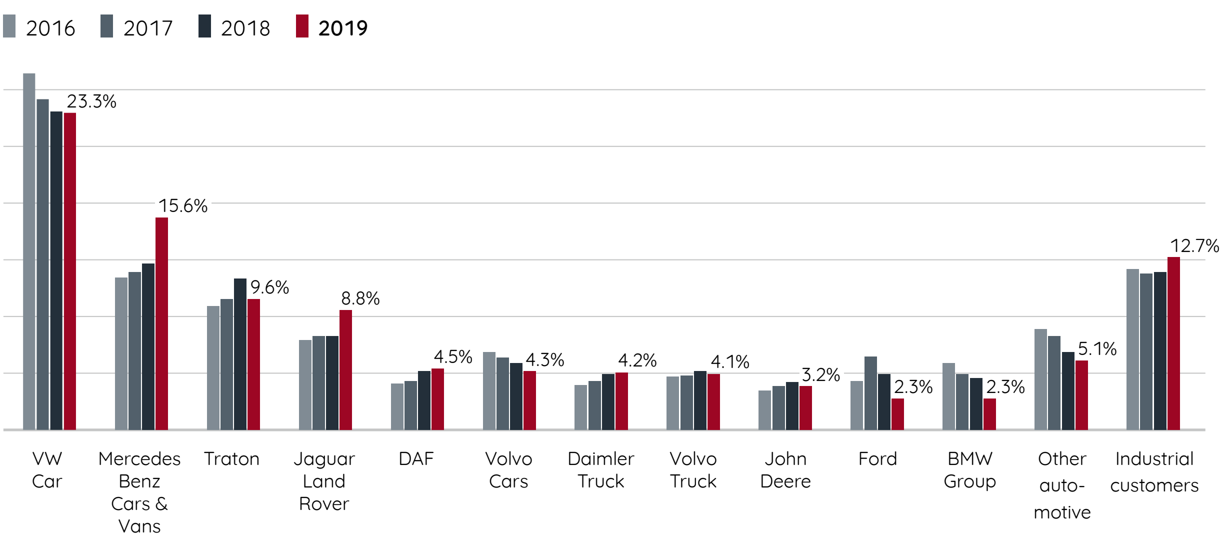
EBITDA, EBITDA MARGIN, EBIT



EQUITY, EQUITY RATIO



GROUP SALES BY CUSTOMER



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NEW CHANCES

THE BOARD OF DIRECTORS IN CONVERSATION REGARDING THE AUTOMOTIVE INDUSTRY AND FRESH OPPORTUNITIES AND PERSPECTIVES FOR THE POLYTEC GROUP.

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POLYTEC SOLUTION FORCE

HOW POLYTEC HAS REACTED PROACTIVELY TO A MARKET IN TRANSITION WITH ANOTHER STEP IN THE DIRECTION OF THE CUSTOMER.

CONTENTS

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A SUSTAINABILITY ROLE MODEL

AT ITS INJECTION MOULDING PLANT IN EBENSEE, POLYTEC HAS IMPLEMENTED A PACKAGE OF MEASURES THAT HAVE REDESIGNED PRODUCTION AS VIRTUALLY CO_2-NEUTRAL.

The editorial closing date was 5 March 2020, which was prior to the introduction of the measures against the spread of the coronavirus.

TRANSFORMING VISIONS INTO SOLUTIONS

As repeatedly and successfully practiced in the past, we have used the genuinely difficult year in 2019 to consolidate our positioning and thus prepare for the future. Precisely in a volatile environment such as the one that we are currently experiencing in the automotive and automotive supply industry, not only with regard to the coronavirus, but also in the economy and society in general, this is of decisive importance for sustained company success. Therefore, on the one hand we have made our group leaner by means of the closure of plants that were no longer competitive and by overcapacity reductions, while on the other strengthening our capacity and performance by means of extensive investments and a takeover in the CAR STYLING business unit.

Simultaneously, with the reorganisation of our portfolio in accordance with product lines and, above all, the launch of the POLYTEC SOLUTION FORCE, we have probably initiated the most important strategic initiative of recent years. We are concentrating the various competences from across the entire POLYTEC GROUP in a targeted manner and are thus demonstrating our technological diversity to even better effect. An important leitmotif within this context is value added for our customers, who we now offer a compact sales, engineering and project management package that traverses the boundaries of our business units. As a result we have boosted our market presence and become an even more capable partner that is able to meet the strictest demands: from innovative, customised development to first-class production and logistics. Expressed simply, in the words of the motto of the POLYTEC SOLUTION FORCE: **We transform visions into plastic solutions.**

Yours sincerely,
Markus Huemer

POLYTEC SOLUTION FORCE

TRANSFORMING VISIONS INTO PLASTIC SOLUTIONS

POLYTEC HAS BEEN TURNING PLASTICS INTO TOP-QUALITY PRODUCTS FOR A DIVERSITY OF APPLICATIONS FOR MORE THAN THIRTY YEARS. IN 2019 IT LAUNCHED THE POLYTEC SOLUTION FORCE INITIATIVE. ITS GOAL IS TO DEVELOP HOLISTIC PRODUCT SOLUTIONS BY NETWORKING THE MULTIFACETED COMPETENCES AND TECHNOLOGIES WITHIN THE GROUP TO AN EVEN GREATER EXTENT THAN WAS THE CASE BEFORE.

“What is a washing machine doing at an international automotive exhibition?” This question was asked by numerous visitors to the POLYTEC GROUP’s stand at the IAA in Frankfurt during September 2019. The design of the washing machine is both sleek and elegant, the touchscreen of the control panel fits seamlessly into the curve of the housing and the overall impression created is more reminiscent of a smartphone, a games console or a Bluetooth loudspeaker than a domestic appliance. As an automotive supplier, POLYTEC deliberately chose this somewhat provocative exhibit for the IAA, as it demonstrates clearly that POLYTEC’s application technology range knows virtually no limits and alongside the automotive sector can also be employed for products in other fields. →

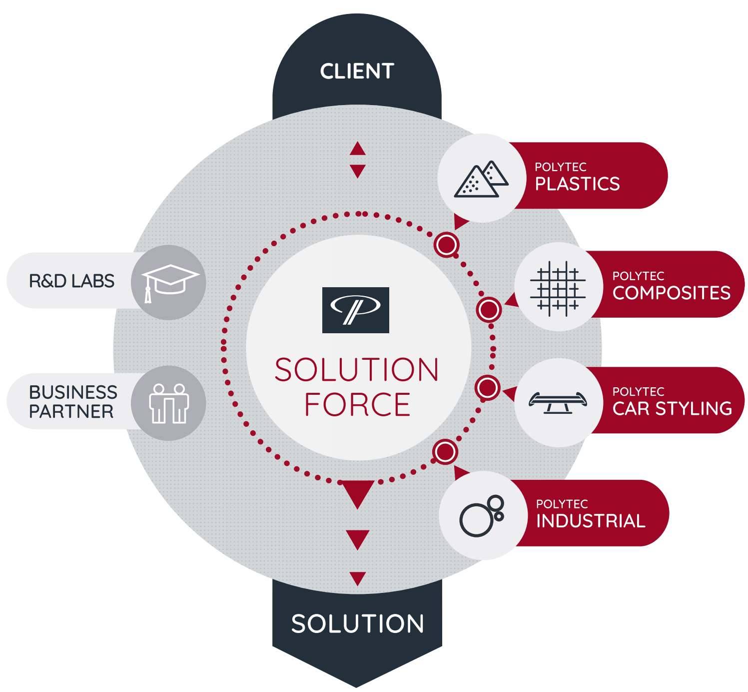
In addition, the new POLYTEC washing machine concept embodies the capability with which the company has long established itself in the automotive industry, namely the capacity to create product solutions that combine the key functions and characteristics of several components in a single module. In this case, the product replaces forty individual parts, which in a standard washing machine require complex assembly. Apart from the considerable cost advantages emanating from such functional integration, the plastics utilised offer virtually unlimited design freedom.

The POLYTEC SOLUTION FORCE: turning visions into reality

On the basis of simplification, user-orientation, performance and cost efficiency, over the years POLYTEC has already successfully captured and implemented numerous automotive projects, which, to name but a few, include noise-absorbent engine covers, oil pans with oil separation, complex underbody solutions and ultra-light battery housings for e-cars. The group now wishes to further strengthen and expand its portfolio in other areas of application and under the motto, “We Transform Visions Into Plastic Solutions”, since 2019 the POLYTEC SOLUTION FORCE has taken the creation of individual plastic solutions for individual customer requirements to another level of intensity. For this purpose, the entire know-how of the POLYTEC GROUP has been networked and an individual team of specialists is created for every development project. As a result, POLYTEC’s customers can rest assured that outstanding material, technological and managerial expertise flows into each of their projects.

Preparations on every level

The groundwork for the POLYTEC SOLUTION FORCE already commenced in 2014 with the POLYTEC Performance System, a lean management programme for the improvement of operative performance. This had the primary objective of simplifying and harmonising processes of critical importance to success and hence retaining control over the steady increase in the comprehensive nature of requirements and ever-greater technological complexity. In 2015, the ONE POLYTEC programme followed, which was intended to strengthen the anchorage of individual responsibility and foster an entrepreneurial approach amongst the workforce. The programme dealt intensively with the topics of leadership, communications, employee qualifications and the standardisation of organisational procedures. In addition, in 2016 the group launched the development of a network organisation with competence focal points and the reconfiguration of its entire IT organisation. Since then, within the scope of a major digitalisation offensive,



On the basis of specific customer requirements, the POLYTEC SOLUTION FORCE integrates internal and external know-how to form bespoke solutions.

WASHING MACHINE CONCEPT

LIGHT, STYLISH, FUNCTIONAL

The fact that apart from automotive manufacturers, customers from other industries have long been interested in POLYTEC solutions is clearly evidenced by a washing machine that was developed during 2019 by the POLYTEC SOLUTION FORCE. The machine is made almost entirely of plastic, which as compared to the usual metal models, not only provides a substantial weight saving, but also facilitates its exceptionally stylish design. In addition, the POLYTEC plastic module fulfils all the functions that in a standard washing machine require the installation of up to forty individual parts.

Advantages at a glance

- Functional integration
- Design freedom
- Flexible colour range
- Adjustable acoustic characteristics
- Lower costs
- Modern operating concept

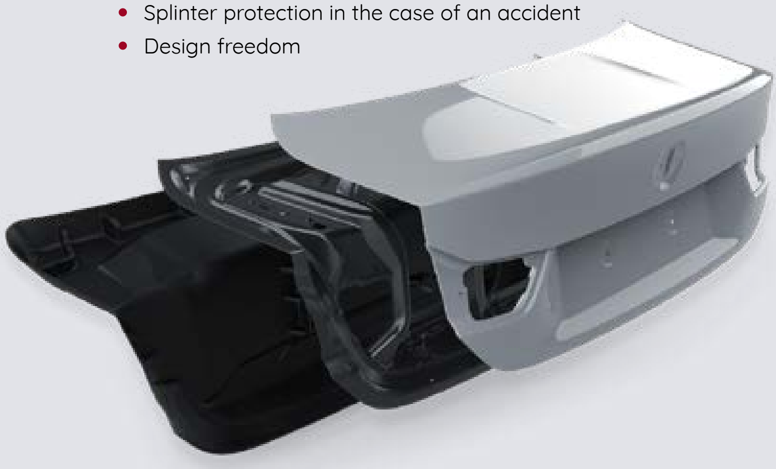
TRUNK LID CONCEPT

IMPRESSIVELY SIMPLE

In 2019, POLYTEC presented an innovative trunk lid concept. This consists of a module comprised of only three parts, which was developed by the POLYTEC SOLUTION FORCE using a combination of differing production technologies from across the group. Both the structural element and the inner and outer trim of the module consist of differing materials, which offer both low weight and sufficient rigidity. Moreover, in-mould decoration provides surfaces that are attractive from both an optical and haptic standpoint. All of the POLYTEC GROUP's business units contributed to the trunk lid concept with their material and manufacturing competences, which range from injection moulding and PUR foam for noise and splitter protection, to SMC with Class A painting.

Advantages at a glance

- An optimum combination of differing production technologies and materials
- Functional integration
- Cost savings
- User orientation
- Noise insulation
- Splinter protection in the case of an accident
- Design freedom



POLYTEC GROUP STRATEGY

The POLYTEC name is a synonym for the top quality development and production of plastic parts and component systems that are both light and complex. Indeed, in the market the group has a reputation as a trustworthy partner for high-grade technological and manufacturing solutions. It supplies numerous respected customers in both the automotive and industrial sectors and investors value the POLYTEC GROUP for its solid and sustainable strategy, which is based on three cornerstones.

STRENGTHENING OF THE MARKET POSITION IN EUROPE

In its core European market, POLYTEC relies on close, long-term cooperation with its customers on the basis of uncompromising quality and punctuality of delivery. At the same time, the group continually further consolidates its competitiveness through efficiency measures and personnel development. In addition to organic growth it also has a constant focus on potential acquisition opportunities.

DEVELOPMENT OF NEW TECHNOLOGIES AND APPLICATIONS

On the basis of digitalised and efficient processes, POLYTEC supplies its customers with high-quality, tailor-made plastic solutions. In this connection, the group acts as both a manufacturer and development partner that with the aid of in-house developed material combinations and technologies offers complete component systems. For such product solutions, POLYTEC employs the vast technological diversity available across the group.

A FOCUS ON CUSTOMER BENEFITS

POLYTEC places customer needs at the heart of its activities. Accordingly, the POLYTEC SOLUTION FORCE combines know-how and technologies from throughout the group to create holistic product solutions. Within a product line organisation the development, project management and sales activities are attuned precisely to these requirements. Moreover, on a selective basis POLYTEC also accompanies the international expansion of its customers in strategically interesting growth regions.

standardised digital solutions have been developed and rolled out for the resource planning, production, product quality and administration areas. The main aim of this drive is to make information of relevance to decision-making available in real time at all of the POLYTEC GROUP's locations and thus enhance its competitiveness, agility and innovative capacity. In the run-up to the digitalisation offensive, the legacy structures of the POLYTEC GROUP, which generally consisted of locally and functionally defined units, were scrutinised with regard to their efficiency and subsequently streamlined and harmonised. These initiatives were and are accompanied by an investment programme, which between 2015 and 2020 saw group-wide spending of around EUR 260 million on buildings, infrastructure, new machinery and automation. Apart from the cumulative, positive impact of these measures upon the group's overheads structure and process reliability, they have, in particular, consolidated its trans-technological, group-wide teamwork. They have thus facilitated a further intensification of the pooling of those competences which are essential to the combination of technologies and materials for the creation of new product solutions.

So-called line walks, during which customer pain points are evaluated, furnish the basis for successful development work.

Ready and waiting for new challenges

With the POLYTEC SOLUTION FORCE, the group intends to establish a still more permanent position in a market that is constantly in motion and places rising demands and expectations upon its players. In the past, suppliers received precise specifications from their customers covering everything from the exact dimensions of the required module, to minutely detailed stipulations regarding the material mix. Today, the information relating to a new order frequently consists solely of the required function and the available space for installation. Consequently, everything else from the development and testing of parts and whole component systems is in the hands of the supplier. Basically, the POLYTEC GROUP sees this as positive development, as in this new constellation it is even better able to impress with its know-how and experience with respect to technological combinations and innovation. Indeed, as compared to many of its competitors, which frequently only have mastery of a single core technology, POLYTEC can draw upon a wealth of material, technological, development and production expertise. A diversity that in future the group intends to employ to a greater extent for orders from outside the automotive industry.

Solutions take centre stage

In tune with the fundamental idea underlying the POLYTEC SOLUTION FORCE, POLYTEC also completely restructured its product portfolio. Instead of technologies, product lines in conformity with areas of applications and solutions (please see the product portfolio on page 22) have now moved into the spotlight. In the past, an internal perspective provided the starting point and hence the question, “What technologies does POLYTEC possess?” However, this has now shifted considerably in the direction of the customer viewpoint and has thus become, “What solution does POLYTEC offer for my project?” POLYTEC answers this question through the selective use of several technologies and materials in the production of an individual module. Comprehensive solutions result, which exploit the advantages of differing material characteristics to the full and simultaneously achieve an optimum combination of functionality and costs.

POLYTEC IS COUNTERING MARKET CHANGES BY **FURTHER INTENSIFYING THE NETWORKING** OF ITS MULTIFACETED KNOW-HOW

New concepts for new customers

The group thus wishes to address new customer groups. These include start-ups, which not only profit from POLYTEC products, but also from a level of development know-how over which many youthful enterprises do not (yet) dispose. Not least, POLYTEC intends to use the teamwork with start-ups for the market launch of product innovations because, as a rule, start-ups are more open to the new and less shackled to well-established production concepts. They therefore offer an ideal platform for the placing of new concepts in the market. Furthermore, apart from the opportunity to participate in the success of young companies, POLYTEC is attracting projects with start-ups as proof of concept and is employing them for new contracts from other customers.

In order for the POLYTEC SOLUTION FORCE concept to also be well received in the market, sales, new business development and project management work together closely to draw up holistic solutions. Depending upon concrete requirements, they not only combine internal POLYTEC know-how, but also external expertise such as that provided by the Aachen Innovation Hub and the premium partnership with the Aachen Center for Integrative Lightweight Production (AZL) of the Rheinisch-Westfälische Technische Hochschule (RWTH) Aachen.

Agile, versatile, customer-orientated

A central element of the POLYTEC SOLUTION FORCE is that it does not constitute a separate business unit or

TRUNK WELL CONCEPT

ONE ANSWER FOR EVERY WISH

During 2019, POLYTEC developed a trunk well concept, which demonstrates clearly that user orientation forms the focal point of its development work. Cooperation between various business units culminated in a product that in line with customer requests can be designed as a pet box, a shadow board, a cooler or storage container. Moreover, a system advantage derives from the fact that irrespective of the variation selected, the basic module remains unchanged, which secures markedly lower part prices. The surface finish of the module is also worthy of note, as a PUR layer provides top-quality haptics. In addition, PUR foam improves the acoustics, which represent an increasingly important factor in the e-car segment.

Advantages at a glance

- Diverse design possibilities
- Individual surface finishes
- Reduced costs
- Improved acoustics
- Splinter protection in the case of an accident

SUCTION JET PUMP AND OIL SEPARATOR

WELLNESS FOR THE ENGINE

For the optimised cleaning of venting gases in crankcases, POLYTEC has developed an oil separator regulated by differential pressure and a multi-stage suction jet pump. In combination, these two parts ensure that fewer soot particles are created in the engine combustion chamber, which in turn provides efficient sooting protection of the turbocharger in both an idle and full power mode. A further advantage of the system is that enhanced oil removal performance and reduced engine oil consumption permit longer service intervals.

Advantages at a glance

- Improved oil separation performance
- Low costs
- Universally applicable
- Elimination of electrical elements

THE POLYTEC SOLUTION FORCE THINKS AHEAD

In order to be able to be a player in a dynamic market in the long term, POLYTEC constantly develops its product portfolio further and continually offers existing and potential customers trendsetting, top-quality product solutions made from plastic. The prerequisites in this regard are competence with respect to systems, processes and materials, innovative strength and agility. They form the foundations for the unique advantages that POLYTEC products offer to their users:

SIMPLIFICATION

Functional integration reduces the individual part requirement and hence assembly expense, complexity and overall costs.

USER ORIENTATION

The needs of end customers, i.e. those persons that ultimately use the product on a daily basis, represent the clear focus of new product developments.

PERFORMANCE

Product characteristics are optimised by weight reduction, enhanced surface quality, paintability, increased tensile strength and the substitution of metals by plastics.

COST EFFICIENCY

This involves a streamlining of production processes, design freedom and intelligent tool concepts, which guarantee the ongoing monitoring and optimisation of overall expenditure.

Proactive development work also assists the opening up of new customer segments.

a new, demarcated department, but instead a team to which, if needed, ultimately every single POLYTEC employee can contribute his or her know-how to the realisation of the concept. Depending upon requirements, teams are formed that deal with the project in hand on a multidisciplinary basis. This is preceded by an evaluation of the customer's pain points, or in other words, its specific problems, during which, if required, a team of POLYTEC specialists undertakes a so-called line walk through the production facilities of existing or new customers. This inspection provides a platform for the analysis of possible product and production optimisation potential. Subsequently, the POLYTEC SOLUTION FORCE team selects a development crew composed of exactly the internal and external experts best suited to the solution of project requirements.

Predevelopment

Proactive predevelopment is also very much part of the POLYTEC SOLUTION FORCE concept. This is partly triggered by specific customer orders for which concepts for new and innovative products are prepared. Internal and external research bodies, such as the Valuable Plastic Solutions Department or the Innovation Hub in Aachen, carry out research into new material combinations, applications and manufacturing processes. Moreover, the New Business Development Department contributes its expertise with regard to the possible market chances of a new product. One result of these proactive development activities is the aforementioned washing machine concept, which not only attracted attention at the IAA, but has also resulted in exciting development contracts in the household appliance field. A further example is the acquisition of an order for MAN truck cabin components. Here, too, POLYTEC implemented the POLYTEC SOLUTION FORCE concept through the close co-operation of different business units during the completion of what was a wide-ranging order.

In all probability, this list of successes is set to grow considerably in the coming months when the POLYTEC SOLUTION FORCE gathers momentum. In the meantime, interested observers can await with anticipation POLYTEC's latest novel exhibit at the next automotive trade fair.

"... IN 2019 WE COMPLETELY REDIRECTED OUR MARKET DEVELOPMENT ACTIVITIES ..."

A CONVERSATION WITH MARKUS HUEMER, PETER HAIDENEK, HEIKO GABBERT AND PETER BERNSCHER, THE MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS.

Mr Huemer, in 2018 the crisis in the German automotive industry also impacted POLYTEC GROUP sales revenues. How did the situation evolve during 2019?

Markus Huemer: Anyone who has followed the media coverage regarding the automotive industry will easily understand that in several respects, for us 2019 was another difficult year. The entire supply branch is confronted with losses owing to the fact that in combination with stagnating registration figures in Europe, we are currently seeing massive structural shifts that can neither be mastered easily, nor, most importantly, quickly. The reasons for this situation are manifold and range from the bans on diesels and the advance of e-mobility, to the aftershocks emanating from the WLTP testing procedure and geopolitical upheavals.

Consequently, power train business stagnated at the reduced level of the second half of 2018 and we were particularly hard hit because of the disruptions in the engine programmes in this segment. Nevertheless, we can already sense a certain bottoming out in this connection.

Although the first half-year was strong, 2019 also saw an easing of commercial vehicle business. This was due to a combination of the expiry of projects, the general market trend and new regulations that led to pre-emptive purchases. The domestic commercial vehicle market in Turkey collapsed completely in 2019 and in the UK our new painting plant became operative, but due to Brexit-related project postponements and falling sales on the part of our main customer, the use of capacity was lower than we would have wished. However, thanks to intensive order acquisition and production changes within the plant, things should improve in 2020.

How exactly have you counteracted these developments?

Markus Huemer: We have used this difficult phase for consolidation and slimming down. As announced, we closed the plants in Cornberg and Weiden, reduced our workforce by around 300 employees and introduced temporary short-time working at several locations. As a result, additional redundancies have largely been avoided. At the beginning of 2020, we shut down our plant in Turkey and we are now also planning the closure of the works in Putte and Rastatt, which will permit a further consolidation of our injection moulding and painting capacity.

Conversely, with the acquisition of the automotive activities of Wayand AG in Weierbach (Idar-Oberstein) we have succeeded in achieving a significant enlargement of our car styling business and hence a marked increase in both our capacity and competence in this →

„THE POLYTEC SOLUTION FORCE PROBABLY REPRESENTS THE MOST IMPORTANT STRATEGIC INITIATIVE OF RECENT YEARS.“

MARKUS HUEMER, CEO

„USING OUR TECHNOLOGICAL DIVERSITY AS A BASE, WE WISH TO SERVE AS A VALUABLE DEVELOPMENT PARTNER FOR OUR CUSTOMERS.“

PETER BERNSCHER, CSO

interesting niche. At the same time, the construction of our new plant in South Africa has proceeded as scheduled and we have also invested extensively in plant technology at other locations for important new launches. Last, but not least, with the POLYTEC SOLUTION FORCE we have completely redirected our market development activities.

How is this all reflected in numerical terms?

Peter Haidenek: If one looks at the actual figures, then in 2019 sales revenues again weakened slightly to stand at EUR 627 million and the EBIT margin also slipped to 5.2 per cent. However, under the prevailing circumstances, despite being unsatisfactory, this was still a performance worthy of note. We were also able to complete the plant closures of the past year without impacting the result and assume that overall the pending shutdowns will likewise have no substantial negative effects.

Our net debt has risen considerably owing to investments and the high capital commitment for toolings for imminent project start-ups, but in 2020 we anticipate tangible returns from tooling clearing. Incidentally, with the takeover of Wayand's automotive activities, which are now operating under the name POLYTEC CAR STYLING Weierbach, we also acquired roughly 400 new employees. As a result, in spite of the plant closures, on the balance sheet date our workforce had grown by around 100 people.

You have already mentioned the e-mobility trend. Are you generating sufficient impulses in this area and what can you offer the market in this regard?

Peter Bernscher: Irrespective of one's subjective opinion, hybrid and purely electrically powered vehicles will play a significant role in the mobility of the future. Moreover, it is generally estimated that this co-existence will last for quite some time. Therefore, we are also placing an emphasis on this market segment and are integrating our know-how into a diversity of product lines that include lightweight construction and acoustics, as well as functional components and drive trains. Indeed, we can demonstrate far more development competence and innovative capacity in all these areas than other suppliers. Consequently, we can certainly envisage interesting potential in this field and in the coming decade intend to obtain up to 40 per cent of our automotive sales revenues from vehicles with purely electric or hybrid drive systems.

We also see our newly created "painted exterior/special series" product line as offering great promise. Today, we are already supplying complete car sets, assembled front and rear bumpers, sills and spoilers that are finish painted and fitted with all the accompanying electronic and mechanical components.

We anticipate that overall numerous niche vehicles will be manufactured in smaller batches and this will mean that the penetration, i.e. the revenue per vehicle, will be higher.

In 2019 you purchased the bankrupt exterior component specialist Wayand. In view of the uncertainties in the market how is this acquisition to be judged?

Markus Huemer: For us, Wayand is of interest in a number of ways and with the takeover we have obtained far more than just a highly modern, automated painting plant of a type that we ourselves had long wished to build. The facility has an extremely favourable geographic location and purchasing it cost far less than the construction of a new shop. Moreover, we have acquired new and interesting car styling clients along with simultaneous opportunities to address potential customers.

The Wayand purchase has also markedly increased the scope of our complete system deliveries, which constitute the premium products in this field, and to date could only be offered in the UK. As a result, for a number of clients such as Mercedes AMG and Audi Sport we have been promoted to the role of a strategic supplier in this product area. A further advantage lies in the synergies that we see between Wayand and our existing plants and now wish to exploit in targeted fashion.

And what is the situation in the commercial vehicle area …

Peter Bernscher: Up to now, the commercial vehicle market area has afforded us a good deal of success. However, it is hotly contested. In addition, customer demands are also changing in this field due to new regulations and trends such as autonomous driving and alternative drive systems. Therefore, innovation is again the order of the day and in this segment we will do everything possible to support our customers in overcoming the upcoming challenges in optimum fashion. The fact that we are able to do so, is evidenced by an order for a large part of the exterior components of the new MAN model generation, the production of which will commence in 2020. We have thus once again demonstrated our competence in the truck area more than impressively.

… and non-automotive?

Peter Bernscher: Equally, we intend to employ our technological diversity as the basis for being a valuable development partner for our customers in this field and also have ambitious plans for our new "smart plastic applications" product line. With features such as functional integration, material substitution and solution competence we have a great deal to offer in this area and have now further underlined this fact with the concept of the POLYTEC SOLUTION FORCE. As far as the areas of application are concerned, I am thinking of the topics of energy storage, charging infrastructure and household appliances. All in all, we wish to roughly double our revenues in this area by 2025.

Where do you perceive other market opportunities and potential and how can these be opened up?

Peter Bernscher: Undoubtedly, proximity to the customer, a solution orientation and the ideal combination of know-how and cost efficiency are the most important factors for the retention of market success. For us, this implies even more intensive efforts with regard to both technological and product development, as well as customer contact and service. Aside from the aforementioned industrial applications, above all in this connection I can imagine topics such as alternative mobility and drive concepts. If we succeed in developing the technologies and solutions required for this purpose, we will be better able to open up the respective customer segments. However, naturally enough we must also make the necessary additional resources available.

How have you at POLYTEC reacted to the marked escalation in the sustainability debate during the past two years?

Heiko Gabbert: In the course of all of our recent investments, not only for reasons of cost we have focused on the largest possible energy savings, as our production is energy-intensive. However, apart from this consideration we take the social demand for resource conservation and climate protection seriously and are in the process of formulating an integrative sustainability strategy for the entire group. Energy management systems, a cut in the number of rejects, water-soluble paints and group-wide environmental certification are just some of the buzzwords within this context. We thus also fulfil the expectations of our customers, who in this regard are likewise scrutinising their supply chains with increasing frequency. I should also mention that our plant in Ebensee already operates on a virtually CO_2-neutral basis and in the long term, as far as the technical and economic possibilities allow, we wish to achieve a similar situation at our other locations.

During 2019 you completely restructured your product programme and under the designation POLYTEC SOLUTION FORCE placed a greater emphasis on pre development and user orientation. Have you established new contentual focal points?

Markus Huemer: The POLYTEC SOLUTION FORCE, or PSF for short, probably represents the most important strategic initiative of past years and forms a type of climax to the programme launched in 2014, which is intended to enhance the performance and sustainability of our group. PSF has the aim of improving the linkage between our

„OUR PLANTS ARE SUBJECT TO CONSTANT SCRUTINY WITH REGARD TO EFFICIENCY AND USE OF CAPACITY.“

HEIKO GABBERT, COO

various business areas, in order to turn our technological diversity into a strong USP through the ideal combination of differing technologies under the banner of customer benefits. An important cornerstone in this respect is formed by uniform standards across the group, information transparency and a more efficient organisation.

Peter Bernscher: One should add that the PSF is not an abstract concept, but rather a package of concrete, tightly networked activities that really do provide the customer with value added. For example, sales, engineering and project management join forces across business unit boundaries for the respective product groups contained in our new product lines. Within this context it is important that the perspective of the customers and their structures are reflected in our organisation because this enables us to answer every question in a far more focused and competent manner. Incidentally, in order to make this reorientation externally visible, we also redesigned our brand image in 2019.

The POLYTEC SOLUTION FORCE would have been virtually inconceivable without the organisational measures and investments of recent years, which aside from networking, increased efficiency and capacity enlargement, were targeted primarily on digitalisation and automation. What progress was made in this area during 2019?

Markus Huemer: As far as digitalisation is concerned, during 2019 we succeeded in drawing up a group-wide process blueprint in just a few months. Our initial pilot operation already went live at the Ebensee plant in the middle of the year, complete with enterprise resource planning (ERP), a manufacturing execution system (MES) and quality management. This year a roll-out is planned for Lohne, which is our largest and most complex plant, prior to the other locations following in succession. One important aspect for inter-group teamwork in this connection and especially against the background of PSF is the “collaboration” digitalisation stream. We need structures and systems that facilitate comprehensive and rapid cooperation and the experiences gathered to date are most promising. This also applies to the initial use of robot process automation (RPA) with which in future we wish to further reduce manual work in the administrative area.

Heiko Gabbert: In order to make further progress with automation, at present we are working on the development of a standardised organisation, the fundamental elements of which should be uniform in all plants. Another significant step is automated monitoring in the technology area, which has the objective of also enabling the control and guidance of complex processes on the basis of clearly defined parameters. During the period under report, three pilot projects provided important findings in this regard, which will help us to attain additional increases in efficiency in procedures that are already automated. For example, through a reduction of rejects and reworking.

I should add that for the aforementioned commercial vehicle project we have also automated SMC manufacturing and this could provide a role model for the whole of composite production. In other areas such as polyurethane and thermoplastics, the degree of automation is already very high, which is vital in order to be able to compete in the price war.

One constant objective of the measures implemented in recent years was the optimisation of plant cost structure and production footprint …

Heiko Gabbert: Actually our plants are constantly being examined with regard to their efficiency and use of capacity. Indeed, we react swiftly and decisively through the expansion and development of competitive locations on the one hand and the closure of plants for which no appropriate utilisation rate can be anticipated in the long term on the other hand. As mentioned previously, in 2019 we closed the works in Cornberg and Weiden, while simultaneously enlarging both Chodová Planá and Wolmirstedt because they both offer favourable cost structures and logistical preconditions.

At the beginning of 2020, we shut down the plant in Turkey and at the end of the year this will be followed by Putte, where we are currently negotiating a social plan. At the same time, this year will witness the commissioning of our new plant in South Africa, where we are preparing for the start of production of the entire underbody cover for a new Daimler platform. Incidentally, this is the first occasion on which with PLASTICS and COMPOSITES, we have been able to offer several technologies at a single location. Therefore, this provides a good practical example for our new product lines and the PSF concept. →

When you create increased capacity at individual locations, even though the market as a whole is problematic, do you envisage short-term possibilities for the generation of additional sales?

Heiko Gabbert: The expansion in Wolmirstedt and Chodová Planá has allowed us to do precisely that. We were able to take over projects from competitors who had got into difficulties at short notice and thus further strengthen our standing with the affected customers. The fact that they entrust us with such transfers results from our blend of flexibility, reliability, pragmatic and rapid implementation, and high level of technical competence.

Will you continue to consolidate your location network in the coming years?

Heiko Gabbert: This depends largely on future market developments. However, what is already certain is that we wish to further raise the levels of teamwork between our locations as well as their efficiency. In general, we see POLYTEC as being in a growth scenario because in spite of closures we wish to continue to expand in 2020. This growth must be provided by the initial complete year consideration of the new plant in Weierbach, while the restructuring of our range in product lines and PSF should also contribute.

Markus Huemer: Apart from organic growth and increased order acquisitions, expansion could again emanate from acquisitions. Difficult times are especially favourable in this regard.

In 2019, you reorganised your management team, not least with the aim of increasing your innovative capacity and furthering group integration. What have you actually achieved in these areas to date?

Markus Huemer: Reference has already been made to a large number of the activities that took place in the past year and I would like to merely offer a reminder of the PSF launch, the new product lines, the investments in our plants, the progress made with respect to digitalisation and automation and the acquisition of Wayand.

These measures were accompanied by the creation of showcases with which we can provide striking demonstrations of how we can transfer existing competences to new products. One important example is an innovative concept for a washing machine, which not only raised eyebrows in Frankfurt during the IAA automotive exhibition in September, but also immediately attracted exciting development orders in the domestic appliance field. Another new feature are the line walks, during which, together with the customer, we seek to uncover the potential available from their production and products. Furthermore, we continue to make intensive use of the POLYTECDays format in order to present our competences directly to the customer.

One attractive example of the success of these initiatives in 2019 was the receipt of an order for the exterior panels and underbody structure of a new electric vehicle, which simultaneously represents an important step in the direction of e-mobility.

In the period from 2015 to 2020 you realised an infrastructure and production plant investment programme worth some EUR 260 million. What were the focal points in 2019?

Peter Haidenek: In 2019, the most important elements were undoubtedly the building of the new plant in South Africa and the enlargement of the works in Wolmirstedt, where the production and logistics area has been increased by around 30 per cent. In addition, we have installed new plant and machinery at the plants in Ebensee, Gochsheim and Sládkovičovo. This took place largely for the launch of major projects, which, in particular, these included the previously mentioned large-scale order from MAN for truck exterior parts. In total, even without the takeover of the automotive activities of Wayand, investments during the past year amounted to around EUR 48 million.

Is there sufficient capital available for possible acquisitions and what is the general situation as far as the balance structure and financing are concerned?

Peter Haidenek: We have sufficient room for financial manoeuvre. At the end of 2019 our current assets amounted to roughly EUR 56 million, our equity ratio stood at 41.7 per cent, gearing at 0.6 and the net debt to EBITDA ratio at 2.3. Therefore, as compared to some of our competitors we are in a strong position. At present, we have a high level of committed capital because we have made sizeable investments in toolings and machinery for forthcoming project launches. However, we anticipate

„DURING THE PAST YEAR, WE INVESTED SOME EUR 48 MILLION IN NEW PROJECT PREPARATIONS.“

PETER HAIDENEK, CFO

returns in this connection during 2020 and further positive impulses should derive from the anticipated rise in sales revenues.

On balance, with a gain of only 3.2 per cent, one could say that in general the POLYTEC share price demonstrated lateral movement. How do you perceive the capital market at present and when can investors anticipate a return to price rises?

Peter Haidenek: In my opinion, the share price is suffering from two factors. Firstly, our earnings and profit patterns of the past two years and secondly, the general downgrading of the automotive industry. Unfortunately, this also affects the listed supply companies and in the current assessments, our financial robustness is obscured. Indeed quite the reverse is true, as we are one of the issuers whose market cap lies well below equity. However, this alone allows me to hope that in the mediumterm investors can again expect a share price rise.

And what is the outlook for 2020?

Markus Huemer: It is still too early for a definitive forecast regarding the outlook for our group in 2020. Alone the volatile economic situation and the radical changes to automotive drive technologies render this impossible. Even from a short-term perspective the needs of our customers are difficult to assess and this applies equally to any market-related adjustments to our production capacities that may be necessary. Furthermore, the sharp increase in uncertainty in relation to the effects of the coronavirus make any prognosis even more difficult.

The interview took place prior to the announcement of the countermeasures against the spread of the coronavirus.

NEW MOBILITY & STRUCTURAL INNOVATIONS

1

SMART PLASTIC APPLICATIONS

2

TRUCK, BUS & AGRICULTURAL APPLICATIONS

3

PAINTED EXTERIOR/ SPECIAL SERIES

4

FUNCTIONAL INTEGRATION
SYSTEM INTEGRATION
LIGHTWEIGHT CONSTRUCTION
ALL-ROUND COMPETENCE
RESEARCH AND DEVELOPMENT

POLYTEC SOLUTIONS

POWERTRAIN SOLUTIONS

5

POWERTRAIN ACOUSTICS

6

UNDERBODY SOLUTIONS

7

INDUSTRIAL APPLICATIONS

8

POLYTEC SOLUTIONS

PRODUCT LINES

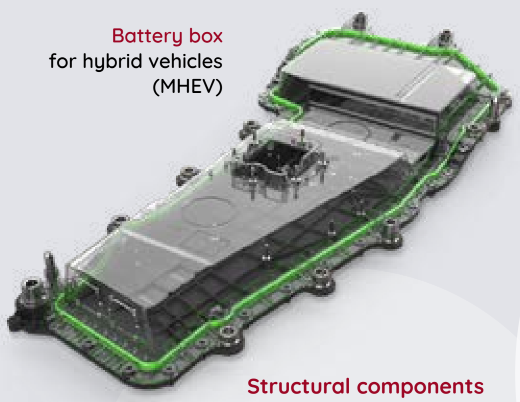
WITH ITS PRODUCT PORTFOLIO AND MULTI-FACETED TECHNOLOGICAL KNOW-HOW, THE POLYTEC GROUP DELIVERS INNOVATIVE SOLUTIONS IN EIGHT PRODUCT LINES, WHICH EXTEND FROM THE AUTOMOTIVE TO THE INDUSTRIAL SECTOR.

Multiple use transport box

SMART PLASTIC APPLICATIONS

POLYTEC is the ideal partner for the optimisation or development of demanding products and complex systems for applications in a diversity of areas.

Drying unit
for a washer-dryer

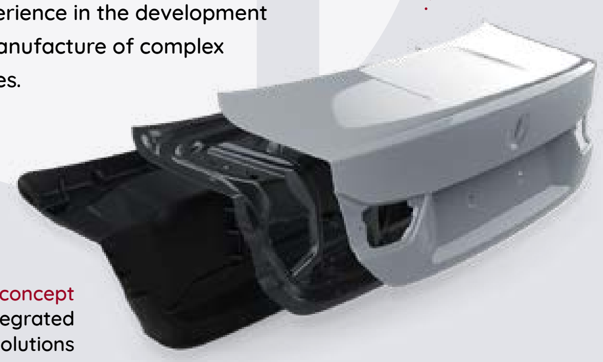


Battery box
for hybrid vehicles
(MHEV)

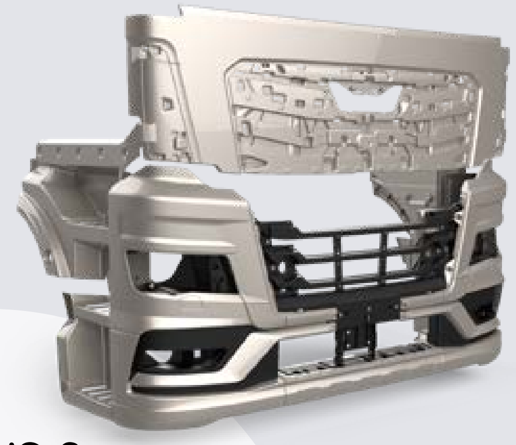
Structural components
On the basis of material combinations and production technologies that are repeatedly new, POLYTEC manufactures extremely strong structural components made from plastic. As opposed to metal, these enable the achievement of significant savings with regard to weight, fuel consumption and CO_2 emissions.

NEW MOBILITY & STRUCTURAL INNOVATIONS

POLYTEC offers companies seeking completely new lightweight construction solutions innovative and unconventional product ideas, a comprehensive range of technologies, secure production and a wealth of experience in the development and manufacture of complex modules.



Trunk lid concept
for innovative, integrated
mobility solutions



Truck
cabin exterior

TRUCK, BUS & AGRICULTURAL APPLICATIONS

As a specialist for commercial vehicle components, POLYTEC develops exterior, aerodynamic and structural components for trucks and agricultural vehicles and machinery. In particular, the products stand out owing to their innovative design and low weight.

Tractor
engine hood

INTERESTED IN MORE DETAILS?
Find more information about the POLYTEC SOLUTION FORCE on the internet.
www.polytec-group.com/en/solution-force

ADDED VALUE MADE BY POLYTEC

FUNCTIONAL INTEGRATION
POLYTEC “thinks” in plastics and through the integration of several functions in a single component reduces the number of individual parts required and hence overall product complexity.

SYSTEM INTEGRATION
POLYTEC combines a wide variety of complex systems in industrial fashion. In this way, the group unites multifarious components to form a single, ready-to-install product.

LIGHTWEIGHT CONSTRUCTION
On the basis of a constant flow of new material combinations, POLYTEC continues to exploit the potential of plastics in the lightweight construction field to an evergreater degree and thus contributes to a reduction in vehicle fuel consumption.

ALL-ROUND COMPETENCE
The POLYTEC GROUP concentrates the know-how and expertise of its international locations in the fields of innovation, engineering and design, production, technology, validation and testing.

RESEARCH AND DEVELOPMENT
POLYTEC supplements its comprehensive in-house expertise through close cooperation with leading research bodies. For example, the teamwork with the Aachen Center for Integrative Lightweight Production serves to secure the group’s innovative strength for the future.

POLYTEC 2019 | COMPANY

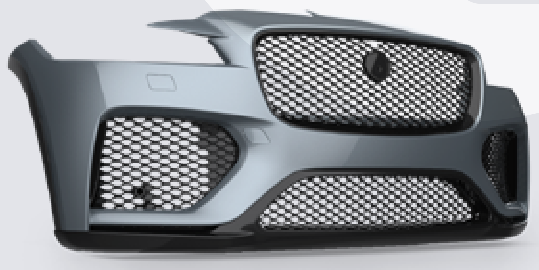
Full body kits
POLYTEC specialises in small batches and employs a variety of technologies for the optimised manufacture of outstanding products.

Spoilers & Wings
POLYTEC produces aerodynamic components in both large and small numbers, and supplies everything from development to painting on a one-stop-shop basis.

Individual solutions for performance cars incorporate total commitment

PAINTED EXTERIOR/ SPECIAL SERIES

POLYTEC also employs its full range of design and production know-how during the manufacture of small series. Especially in the automotive sector, this results in individual solutions without any loss of cost and quality consciousness.



Car bumper

Oil pan with integrated functions

POWERTRAIN SOLUTIONS

For the engine compartments of cars and commercial vehicles, POLYTEC offers its customers an extensive selection of complex and cost-efficient product solutions. Among many others, these include cylinder head covers, oil separators and pans, air intakes, crankcase ventilation systems, covers and products for use in fuel cells.

Soft engine cover

POWERTRAIN ACOUSTICS

POLYTEC numbers among the most important innovators in the field of PUR foam acoustic elements. Above all, apart from high levels of noise absorption, engine covers must also meet the demand for perfect surfaces. In this regard, with its patented one-shot process POLYTEC has established a new industrial benchmark. Moreover, as a result of the continual further development of the PUR foam process, numerous new customer requirements for e-vehicle acoustic components could be fulfilled.

Oil separation
When used in modern combustion engines, POLYTEC-developed suction jet pumps provide considerable cost advantages. Other high-potential areas of application for the module include hydrogen fuel cell technology. In combination with a differential pressure regulated oil separator, the system offers an enhanced level of combustion exhaust gas cleaning and reduced engine oil consumption in both diesel and petrol driven vehicles.

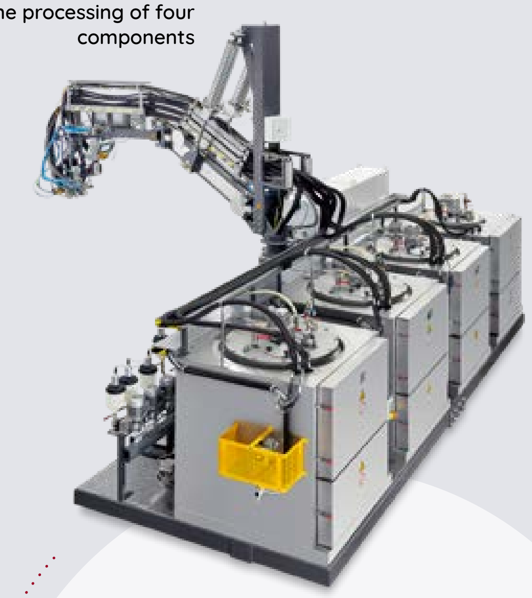
Differential pressure regulated oil separator and suction jet pump

UNDERBODY SOLUTIONS

Using a patented production process, POLYTEC manufactures cost-efficient underbody solutions that combine optimum aerodynamics and protection against moisture, noise and heat in a single component. One special achievement is the integration of lightweight LWRT sections in stable D-LFT supports, which are compacted together in a one-shot process. Apart from technical advantages, LWRT also provides considerable cost advantages, which are achieved by means of POLYTEC's intelligent tooling concepts.

Underbody solution using a material combination

Mixing and dosing systems for the processing of four components



INDUSTRIAL APPLICATIONS

POLYTEC manufactures customised polyurethane components and coatings for a diversity of industrial applications. In addition, it develops and produces complex machinery and plant for the dosing and processing of liquid reactive plastics.

Suction nozzle housing for a road-sweeping machine

POLYTEC 2019 | COMPANY

LOCATIONS

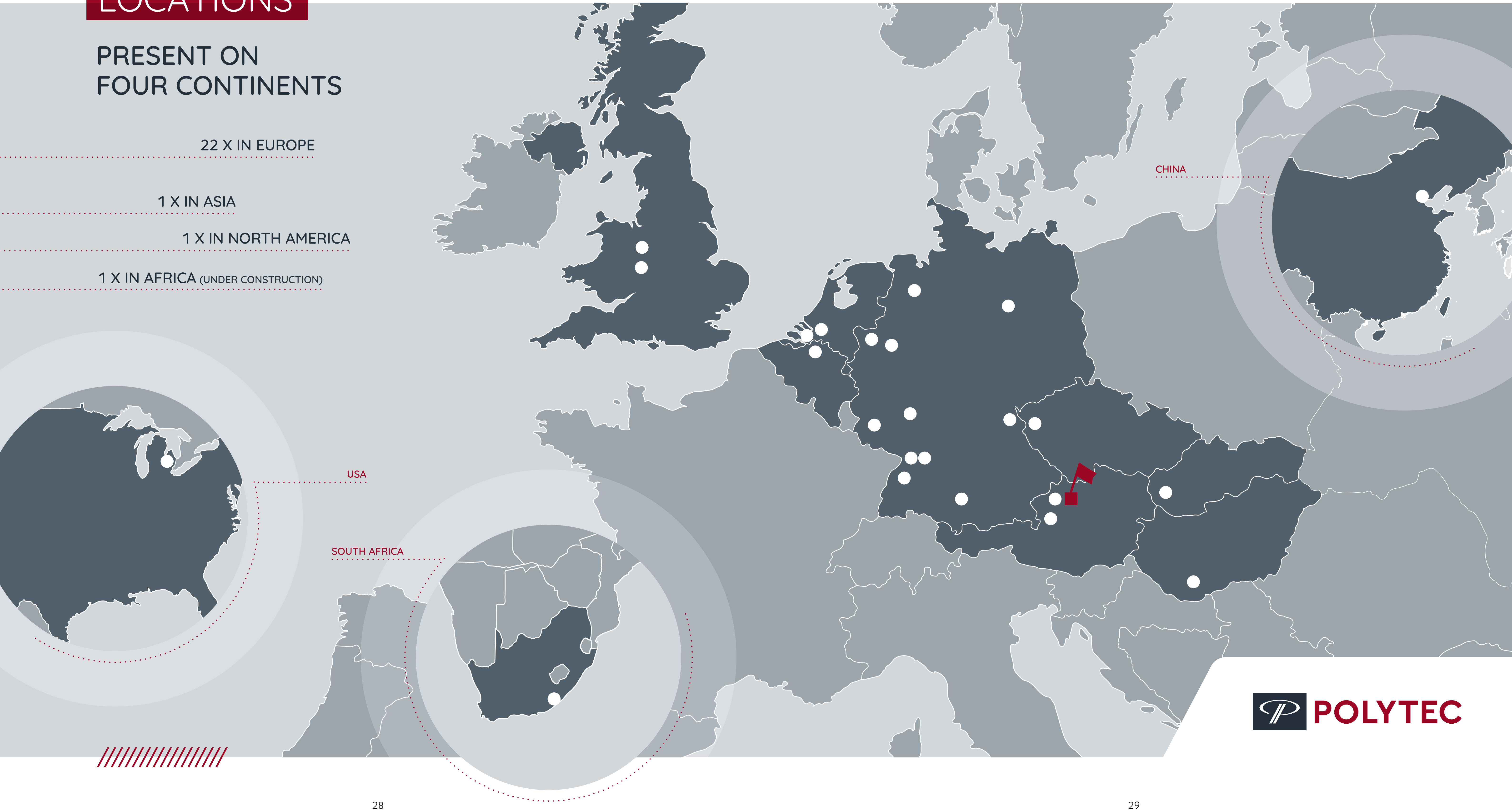
PRESENT ON FOUR CONTINENTS

22 X IN EUROPE

1 X IN ASIA

1 X IN NORTH AMERICA

1 X IN AFRICA (UNDER CONSTRUCTION)



CO_2-NEUTRAL PRODUCTION IN EBENSEE

CO_2-NEUTRALITY AND INDUSTRIAL PRODUCTION ...

THE FEASIBILITY OF FUTURE CO_2-NEUTRAL PRODUCTION THROUGHOUT THE POLYTEC GROUP CAN ALREADY BE SEEN AT ITS PLANT IN EBENSEE. WITHIN THE GROUP THIS LOCATION IS SERVING AS A MODEL FOR DIGITALISATION AND SUSTAINABILITY, AS ITS PRODUCTION AND OPERATION ARE VIRTUALLY CO_2-NEUTRAL.

… ARE NOT A CONTRADICTION IN TERMS

In Ebensee, injection moulding processes are employed primarily for the manufacture of transport boxes for IFCO and plastic exterior components for cars and commercial vehicles. Despite a comparatively small energy requirement, the plant processes some 16,000 t of material annually. This is possible owing to efficient machinery and the appropriate operational infrastructure, which includes process cooling and the supply of compressed air.

Economical machinery

In Ebensee, hybrid injection moulding machines are employed, which are partly powered by e-motors. As opposed to standard drives, which are purely hydraulic, in general the hybrid versions not only need less electricity, but also have a markedly lower cooling requirement. For the latter, POLYTEC uses the groundwater reserves in Ebensee, pumping as much as 200 litres per second up to the surface. This is then →

Efficiency is a major priority at the Ebensee plant that also applies to its energy consumption.

At the Ebensee plant, the injection moulding machines are cooled with groundwater.

circulated to reduce the temperature of the processing cooling water. In this system electrical current is used solely to operate the pumps and in order to prevent groundwater contamination, the cooling process takes place in two separate circuits.

Efficient compressed air production

Over the years, POLYTEC has invested widely in the efficient production of compressed air, and such initiatives, which are aimed at cutting related electricity consumption, have not only been implemented at the Ebensee location, but also at the plants in Gochsheim, Lohne and Wolmirstedt. This is because compressed air production constitutes the most energy-intensive aspect of the production process. In Ebensee, new compressors, an intelligent control system and additional accumulators were installed and the compressed air lines optimised. With the help of these measures, system pressure in the plant has been reduced by around 11 per cent, which in turn has resulted in a roughly 25 per cent cut in specific energy consumption during compressed air production.

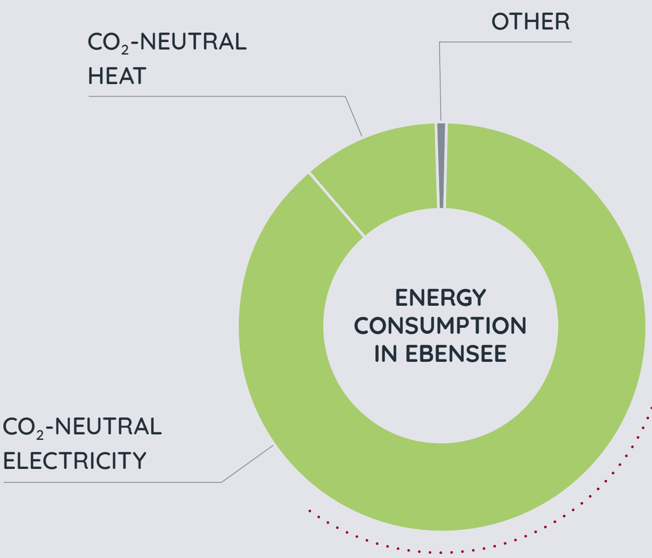
Renewable energy sources

In order to ensure that the electric power needed for the operation of the injection moulding machines and the production of compressed air can be provided in the most environmentally compatible manner possible, since 2013 POLYTEC has obtained all its electricity from renewable energy sources. In addition, the heating of the roughly 36,000 m² of production halls and offices in Ebensee is equally climate-friendly. This is because POLYTEC generates the required heating energy in a biomass heating plant located directly adjacent to the plant premises. The plant employs woodchips as a fuel because wood is a replenishable raw material, which when burned only releases the volume of carbon dioxide that it has retained from the atmosphere during the growth phase. Consequently, heat production in Ebensee is more or less CO_2-neutral.

Against the background of global warming, industrial production processes must become climate-neutral in the long term. Indeed, POLYTEC's customers are also increasingly demanding that this be the case. Therefore, comprehensive measures are necessary with regard to energy efficiency and sustainable energy supplies and in Ebensee POLYTEC has already taken important steps in this direction. On the basis of the experience thus obtained, POLYTEC also plans new investments in line with sustainable and economic principles at its other production facilities. Moreover, the success of the measures in Ebensee not only indicates the way ahead for the POLYTEC GROUP's plants, but also demonstrates to the entire industrial branch that CO_2-neutrality and industrial production do not represent a contradiction in terms.

Wood as an energy source.
CO_2-neutral heat for the production facilities and offices is generated in the biomass heating plant.

A ROLE MODEL FOR THE POLYTEC GROUP: CLIMATE-NEUTRAL COOLING, HEATING AND PRODUCTION IN EBENSEE



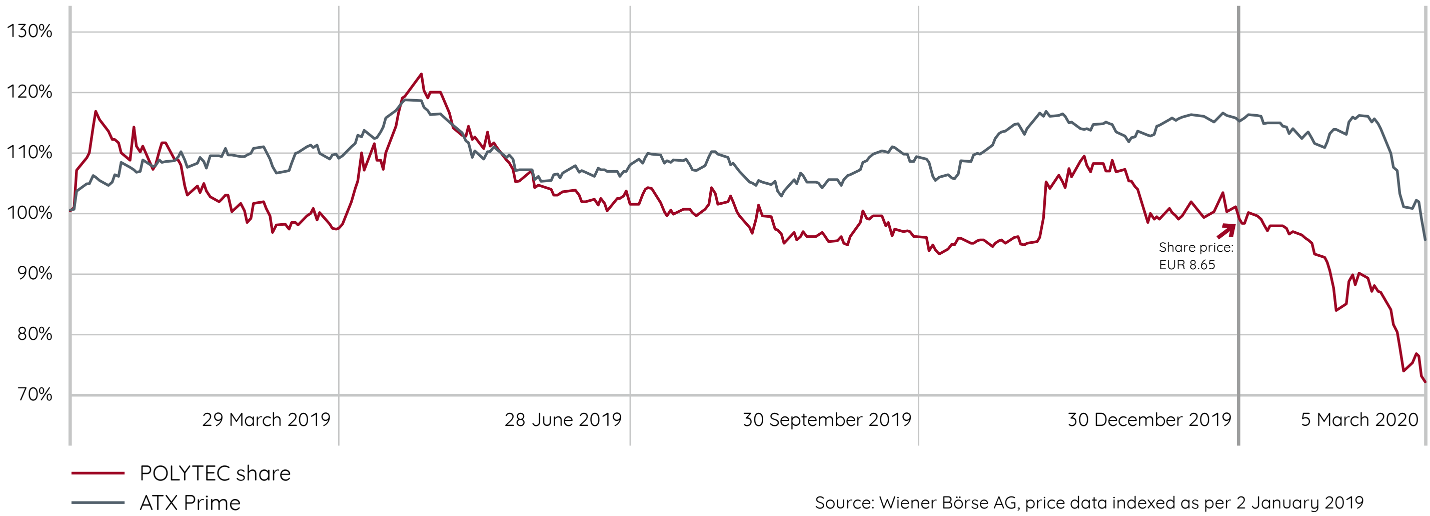
SHARE & CORPORATE GOVERNANCE

SHARE & INVESTOR RELATIONS

POLYTEC SHARE PRICE DEVELOPMENT

As at 30 December, the last stock exchange trading day in the 2019 financial year, the POLYTEC share (ISIN: AT0000A00XX9) closed at EUR 8.65 and was thus EUR 0.27, or 3.2%, above the end value of the previous year (EUR 8.38).

The annual mean price of the share amounted to EUR 8.89 (2018: EUR 13.29) and year-end market capitalisation totalled EUR 193.1 million (2018: EUR 187.1 million).



Source: Wiener Börse AG, price data indexed as per 2 January 2019

The POLYTEC share started the 2019 stock exchange year at an initial closing price of EUR 8.67. During the first half of January, the price rose prior to correction up to the end of March. It then recovered during April and on 23 April 2019, at EUR 10.64, reached its closing price high for the year. Subsequently, a downward trend ensued, which continued until the end of October. At around the date of the publication of the half-yearly report at the beginning of November, an above-average trading volume occurred, which was accompanied by an upturn in closing prices during the month. In December, the POLYTEC share eased before closing the 2019 stock exchange year with a slight plus of 3.2%.

As compared to the preceding year, in 2019 the average daily trading volume of the POLYTEC share was roughly halved. During the 252 days of trading on the Vienna Stock Exchange, which for the first time included trading on a number of holidays, the average trading volume amounted to 47,768 shares per day (2018: 93,591, both figures using double counting). On 22 January 2019, the busiest trading day, 193,864 POLYTEC shares (double counting) were traded on the exchange.

In the course of 2019, the ATX Prime index rose by 15.8% to 1,607.62 points. The index STOXX® Europe 600 Automobile & Parts (SXAP) closed the year with 509 points (2018: 439) and was thus 15.9% higher than in the preceding year.

POLYTEC share (AT0000A00XX9)	Unit	2019	Change	2018	2017	2016	2015
Year-end closing price	EUR	8.65	3.2%	8.38	18.50	10.39	7.66
Highest closing price during the year	EUR	10.64	-49.3%	21.00	22.38	10.60	8.45
Average closing price during the year	EUR	8.89	-33.1%	13.29	16.46	7.89	7.52
Lowest closing price during the year	EUR	8.05	-3.9%	8.38	10.40	6.65	6.20
Market capitalisation at year end	EUR m	193.1	3.2%	187.1	413.1	231.9	171.0
Vienna Stock Exchange money turnover (double counting)	EUR m	107.2	-64.2%	299.7	347.9	71.7	84.6
Vienna Stock Exchange share turnover (double counting)	Shares m	12.0	-48.1%	23.1	20.6	9.0	11.3
Share turnover (daily average, double counting)	Shares	47,768	-49.0%	93,591	83,317	35,937	45,660

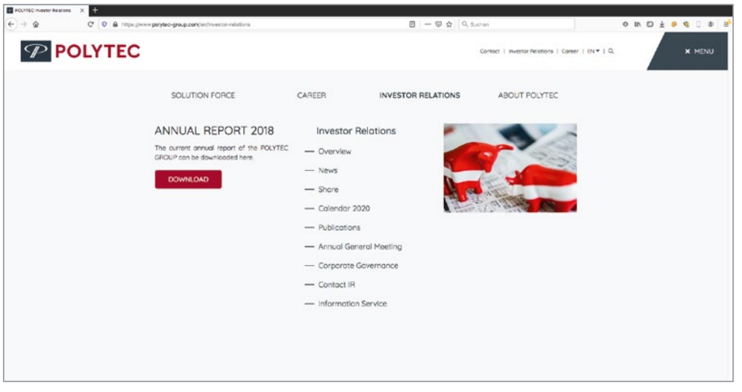
Source: Wiener Börse AG

After the 2019 reporting period, the POLYTEC share continued on its downward path in the months of January and February 2020, and at the end of February and in March, like many other stocks was dragged into the massive corrections on the international stock exchanges caused by the uncertainties surrounding the coronavirus.

INVESTOR CONTACTS

In order to secure a comprehensive, timely and transparent presentation of POLYTEC GROUP information of relevance to the capital markets, the Board of Directors and the Investor Relations team maintain constant contacts with stockholders. During the 2019 financial year, POLYTEC presented road shows and arranged investors' meetings at European venues, and participated in several investor conferences with the aim of reporting upon the current business figures and development of the company. During the International Automobile Exhibition (IAA), which was held in Frankfurt in September 2019, apart from numerous specialist visitors, some forty investors viewed and were duly convinced by the POLYTEC GROUP's innovative product developments. In addition, investor visits to POLYTEC headquarters in Hörsching were again organised along with tours of various group plants. Moreover, a regular dialogue was continued with institutional and private investors and analysts by means of frequent telephone conferences.

In order to intensify its corporate communications, as part of a comprehensive rebranding project during 2019, POLYTEC repositioned its brand image. The group website was also redesigned and in this connection reference should be made



Screenshot of the newly designed website www.polytec-group.com

to the investor relations pages, on which financial market information of interest, reports and news are now available in an even clearer form.

DIVIDEND POLICY

POLYTEC's dividend policy is based on the profitability, strategic growth perspectives and capital requirements of the group. In the 2019 business year, POLYTEC Holding AG's net profit amounted to EUR 134.3 million (2018: EUR 139.0 million). Therefore, the Board of Directors and the Supervisory Board will propose the distribution of a dividend of EUR 0.25 per eligible share to the 20th Ordinary Annual General Meeting to be held on 18 May 2020. This corresponds to a gross dividend payment of around EUR 5.5 million (2018: EUR 8.8 million) and the pay-out ratio amounts to 24.5%. The dividend thus lies in the middle of the 20% to 30%

distributable earnings range. On the basis of an average closing price for the year of EUR 8.89, a dividend yield of 2.8% results. 22 May 2020 is the ex-dividend day and 26 May 2020 the dividend pay-out day.

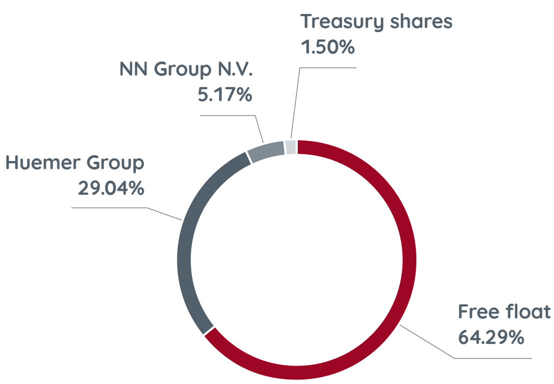
POLYTEC share (AT0000A00XX9)	Unit	2019	Change	2018	2017	2016	2015
Earnings per share	EUR	1.02	-22.7%	1.32	1.74	1.65	1.08
Proposed dividend per share	EUR	0.25	-37.5%	0.40	0.45	0.40	0.30
Pay-out ratio	%	24.5	-5.8% pt.	30.3	25.9	24.2	27.8
Dividend yield on the basis of the average closing price	%	2.8	-0.2% pt.	3.0	2.7	5.1	4.0

SHAREHOLDER STRUCTURE

As at the balance sheet date of 31 December 2019, the share capital of POLYTEC Holding AG remained unchanged at EUR 22.3 million divided into 22,329,585 bearer shares. The group has no other types of shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange.

On the 31 December 2019 balance sheet date, the Huemer Group was the only investor owning more than 10.0% of share capital. The Huemer Group holds 29.04% (16.00% Huemer Holding GmbH and 13.04% Huemer Invest GmbH) of POLYTEC Holding AG share capital. As compared to the 31 December 2018 balance sheet date, the participation in companies belonging to POLYTEC Holding AG that can be attributed to Friedrich Huemer remained unchanged. Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no stockholders with an interest in excess of 10.0% of share capital. No stockholder disposes over special control rights.

During the 2019 financial year, POLYTEC Holding AG received no voting right communications from stockholders in accordance with § 130 of the 2018 Austrian Stock Exchange Act. As at 31 December 2019, on the basis of the 22,329,585 issued shares, the shareholder structure of POLYTEC Holding AG remained identical to that on 31 December 2018 and had the following form:



POLYTEC Holding AG was not informed of any further changes in material shareholdings after the balance sheet date.

DIRECTORS' DEALINGS

During the 2019 financial year, POLYTEC Holding AG received no reports regarding directors' dealing transactions pursuant to Article 19 MAR from legal personages undertaking managerial assignments within POLYTEC Holding AG, or persons with whom they have an arm's length relationship (natural or legal). The attention of POLYTEC Holding AG was also not drawn to any directors' dealings after the balance sheet date.

TREASURY SHARES

During the 2019 financial year, the company did not purchase or sell any treasury shares. On the balance sheet date of 31 December 2019, POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which represented a holding of roughly 1.5% of share capital. The stock market value of these shares on the closing date amounted to around EUR 2.9 million (2018: EUR 2.8 million) and their acquisition value to approximately EUR 1.9 million. The authorisation of the Board of Directors to purchase treasury shares, which is based on a resolution passed by the 19th Ordinary Annual General Meeting on 10 May 2019, remains valid until 9 November 2021.

AUTHORISED CAPITAL

The resolution for the renewed creation of authorised capital (§ 169 Austrian Stock Corporation Act) within a maximum of three years following entry into the company register and thus up to 4 September 2022, for the purpose of an increase in cash or capital in kind up to a nominal amount of EUR 6,698,875.00 with the possibility of the exclusion of subscription rights if share capital be raised by a contribution in kind from companies, operations, part operations or participations in one or several domestic or foreign companies, was approved together with the corresponding amendment to the Articles of Association by the 19th Ordinary Annual General Meeting on 10 May 2019 with the required majority.

RESEARCH COVERAGE

Coverage of the POLYTEC GROUP by national and international investment banks is an important element in its comprehensive investor relations activities and plays a highly significant role in the visibility of the POLYTEC share within the investor community.

During the 2019 financial year the following financial institutions published regular reports on the POLYTEC GROUP and the recommendations and price targets up to the editorial closing date of this report at the beginning of March 2020 are contained in the following table. The current recommendations and price targets can be accessed on the new company website, www.polytec-group.com in the Investor Relations, Share, Share price, Research section.

Institute	**Recommendation**	**Latest price target**
BAADER Helvea Equity Research	Buy	EUR 12.0
ERSTE Group Research	Hold	EUR 9.8
M.M.Warburg Research	Buy	EUR 12.5
Raiffeisen CENTROBANK Research	Hold	EUR 9.5

DETAILS REGARDING THE POLYTEC SHARE

ISIN	AT0000A00XX9
Total number of shares issued	22,329,585
Ticker symbols	Vienna Stock Exchange: PYT; Bloomberg: PYT.AV; Reuters: POLV.VI; WKN: A0JL31
Listing on the Vienna Stock Exchange	prime market
The POLYTEC share is also traded at the following on- and off-floor exchanges	Berlin, Düsseldorf, Frankfurt, London Trade Rep., Munich, Stuttgart, Baader Bank, Gettex, Lang & Schwarz, LS Exchange, Tradegate, Quotrix

As at 31 December 2019, the POLYTEC share was also listed in the following Vienna Stock Exchange indices:

Abbreviation	**Full name**
ATX PRIME	ATX Prime
ATX CPS	ATX Consumer Products & Services
ATX FMLY	ATX Family
ATX FMLY NTR	ATX Family Net Total Return
ATX FMLY TR	ATX Family Total Return

Abbreviation	**Full name**
ATX PC8	ATX Prime Capped 8
ATX PC8 NTR	ATX Prime Capped 8 Net Total Return
ATX PC8 TR	ATX Prime Capped 8 Total Return
WBI	Wiener Börse Index

CORPORATE CALENDAR 2020

27 March 2020	Friday	Publication of the financial statements and annual report for 2019
7 May 2020	Thursday	Publication of the interim report for Q1 2020
8 May 2020	Friday	Record date “AGM”
18 May 2020	Monday	20th Ordinary Annual General Meeting for the 2019 financial year, Hörsching, 10 a.m.
22 May 2020	Friday	Ex-dividend day
25 May 2020	Monday	Record date “Dividends”
26 May 2020	Tuesday	Dividend pay-out day
7 August 2020	Friday	Publication of the financial report for HY1 2020
6 November 2020	Friday	Publication of the interim report for Q3 2020

CORPORATE GOVERNANCE

1. COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

The key elements in an active corporate governance culture consist of a high degree of transparency for all stakeholders and a long-term and sustainable increase in corporate value. Their realisation necessitates efficient teamwork between the company's governing bodies, the protection of shareholders' interests and open corporate communications.

Since its IPO, POLYTEC Holding AG has committed itself to compliance with the Austrian Corporate Governance Code in its respective current form. During the 2019 financial year, the version of the code from January 2018 applied and therefore all the information and statements provided in this report pursuant to § 243c and 267b of the Austrian Commercial Code (UGB) are based on this edition. The complete text of the Austrian Corporate Governance Code can be accessed from the website of the Austrian Working Committee for Corporate Governance (www.corporate-governance).

POLYTEC Holding AG complies with all the compulsory "L Rules" (Legal Requirements) and all the "C Rules" (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of C-Rule 62 and C-Rule 83. According to C-Rule 62, the company should allow the regular evaluation of adherence to the C-Rules of the code by an external institution at least every three years and to date this has not taken place. In addition, C-Rule 83 states that on the basis of the documentation presented, the auditors should adjudge risk management functionality and report their findings to the Board of Directors. The company justifies the failure to implement these two rules with the related high costs, but is nonetheless convinced that adherence to the C-Rules and transparency are secured through internal audits and measures. The corporate governance report for the 2019 financial year is publicly available via the POLYTEC Holding AG's corporate website (www.polytec-group.com), which is registered in the Austrian Company Register.

2. POLYTEC HOLDING AG GOVERNING BODIES

BOARD OF DIRECTORS

BOARD ORGANISATION AND WORKING METHODS

In accordance with the Articles of Association, the Board of Directors of POLYTEC Holding AG consists of one, two, three, four or five members. The Supervisory Board appoints the members of the Board of Directors. The Board of Directors manages the company in accordance with the relevant laws, the Articles of Association and the internal rules of procedure, which are subject to Supervisory Board approval. In addition to other items, the internal rules of procedure regulate the collaboration and distribution of responsibilities amongst the members of the Board of Directors, as well as business transactions requiring approval. Details concerning the competences of the individual board members are provided in their personal descriptions.

The members of the Board of Directors are in constant contact with each other in order to exchange information, assess corporate progress and take any necessary decisions in a timely manner. As a rule, the POLYTEC Holding AG Board of Directors meets every two weeks in order to discuss the current development of the POLYTEC Group. At least once a quarter, the Board of Directors provides the Supervisory Board with regular assessments of the course of business that incorporate the risk situation, risk management and the status of the company within the context of future group development. The Chairman of the Supervisory Board is informed immediately of significant events and is in regular contact with the Chairman of the Board of Directors. Ongoing discussions are also held regarding strategy, business trends and company risk management.

All of the serving members of the Board of Directors in 2018 were granted a discharge at the 19th Annual General Meeting on 10 May 2019 with the required majority.

THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN THE 2019 FINANCIAL YEAR:

Markus Huemer (CEO)

- Born: 1981
- Chairman of the Board of Directors
- Date of initial appointment: 1 January 2014
- End of current term of office: 31 December 2022
- Areas of responsibility: M&A, investment management, corporate strategy, corporate communications, purchasing, IT, human resources
- Supervisory Board mandates: none

Peter Haidenek (CFO)

- Born: 1965
- Member of the Board of Directors
- Date of initial appointment: 1 February 2011
- End of current term of office: 31 December 2022
- Areas of responsibility: finance, controlling, accounting, investor relations, internal audit, legal affairs
- Supervisory Board mandates: none

Heiko Gabbert (COO)

- Born: 1968
- Member of the Board of Directors
- Date of initial appointment: 1 January 2019
- End of current term of office: 31 December 2022
- Areas of responsibility: operations, innovation, industrial engineering
- Supervisory Board mandates: none

Peter Bernscher (CSO)

- Born: 1968
- Member of the Board of Directors
- Date of initial appointment: 1 August 2018
- End of current term of office: 31 December 2022
- Areas of responsibility: sales, engineering, marketing
- Supervisory Board mandates: none

SUPERVISORY BOARD

BOARD ORGANISATION AND WORKING METHODS

The Supervisory Board advises the Board of Directors with regard to its strategic planning and projects. It has the task of monitoring the Board of Directors' management of the company. The laws and regulations that apply to listed companies in Austria and, in particular, the Austrian Stock Corporation Act and the Austrian Stock Exchange Act, govern the Supervisory Board's scope of activities. In addition, the Supervisory Board is obliged to comply with the rules of the Austrian Corporate Governance Code. As far as internal company regulations are concerned, the Articles of Association and the rules of internal procedure are of primary importance. In accordance with the POLYTEC Holding AG Articles of Association, the Supervisory Board consists of at least three and no more than six members, elected by the Annual General Meeting. The members of the Supervisory Board are obliged to conduct an annual self-assessment of their activities.

All five serving members of the Supervisory Board in the 2018 financial year were granted a discharge at the 19th Annual General Meeting on 10 May 2019 with the required majority.

THE FOLLOWING FIVE PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2019

Fred Duswald

- Born: 1967
- Chairman of the Supervisory Board
- Date of initial appointment: 2006
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other Supervisory Board mandates: none
- Independent

Manfred Trauth

- Born: 1948
- Deputy Chairman of the Supervisory Board
- Date of initial appointment: 2007
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other Supervisory Board mandates: none
- Independent

Viktoria Kickinger

- Born: 1952
- Member of the Supervisory Board
- Date of initial appointment: 2006
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other Supervisory Board mandates: none
- Independent

Robert Büchelhofer

- Born: 1942
- Member of the Supervisory Board
- Date of initial appointment: 2005
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other Supervisory Board mandates: none
- Independent

Reinhard Schwendtbauer

- Born: 1972
- Member of the Supervisory Board
- Date of initial appointment: 2010
- End of current term of office: Annual General Meeting regarding the 2019 financial year
- Other Supervisory Board mandates: none
- Independent

INDEPENDENCE OF THE SUPERVISORY BOARD

The members of the Supervisory Board are deemed to be independent if they have no business or personal relationships with the company or its Board of Directors that could result in a material conflict of interest and thus influence the members' conduct. One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan transactions. The members of the POLYTEC Holding AG Supervisory Board have committed themselves to compliance with the criteria of independence pursuant to C-Rule 53 of the Austrian Corporate Governance Code and have declared their independence. The requirements of C-Rule 54 of the Code are fulfilled.

BUSINESS TRANSACTIONS OF THE SUPERVISORY BOARD MEMBERS REQUIRING PRIOR APPROVAL

During the 2019 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to L-Rule 48.

SUPERVISORY BOARD COMMITTEES

In accordance with the Austrian Stock Corporation Act, the POLYTEC Holding AG Supervisory Board has established an audit committee, which carries out the scheduled controlling and monitoring functions. The chairperson of the audit committee disposes over the appropriate knowledge and practical experience with regard to financing, accounting and reporting (financial expert). Apart from the supervision of accounting and the auditing process for both the financial statements and the consolidated financial statements, the proposal for the distribution of profits, the audit planning and, in particular, the effectiveness of the internal control and risk management systems were monitored. Moreover, consultations were held regarding the strategic focal points of the audits and the procedures of the committee in the light of new legal stipulations. Last but not least, the committee is required to examine the corporate governance report and reporting with regard to Austrian sustainability and diversity improvement legislation.

During the 2019 financial year, the audit committee sat twice, whereby at both these meetings the (group) auditors were present. During this period a total of four Supervisory Board meetings were held and no additional sittings were required. Two decisions were passed by circulating the motion. No Supervisory Board member was absent from more than half of the meetings. In addition to the mandatory establishment of the audit committee, a nomination committee and a risk management committee have been formed.

The areas of responsibility of the individual Supervisory Board members in the respective committees are shown in the following table:

COMPOSITION OF THE COMMITTEES

Committee	Chairperson	Members
Audit committee	Reinhard Schwendtbauer	Robert Büchelhofer, Fred Duswald
Nomination committee	Fred Duswald	Manfred Trauth, Viktoria Kickinger
Risk management committee	Viktoria Kickinger	Manfred Trauth, Fred Duswald

As the current mandates of all the Supervisory Board members expire at the Ordinary General Meeting called for 18 May 2020, the Supervisory Board members will be newly elected at the same event.

REMUNERATION REPORT

REMUNERATION OF THE BOARD OF DIRECTORS

When determining the total remuneration of the members of the Board of Directors, the Supervisory Board has to ensure that this is commensurate with their individual tasks and performance, the company's economic position and the customary levels of remuneration, while providing long-term incentives for sustainable company development. Remuneration contains fixed and variable components. Apart from the achievement of the performance-related targets set for each individual board member, the development of the return on capital employed (ROCE – EBIT/average capital employed) is the most important parameter for the calculation of the variable remuneration components. There are no stock option plans or similar share-based remuneration systems currently in place, which would be subject to IFRS 2. There is no company pension system for members of the Board of Directors. On the balance sheet date of 31 December 2019, no loans or advances to either current or former members of the Board of Directors existed. Transactions with related persons or companies corresponded with acknowledged business standards and where necessary were approved by the Supervisory Board in advance.

In the 2019 financial year, total remuneration to all of the members of the Board of Directors including performance-related components amounted to EUR 1,468 k (2018: EUR 2,269 k). Unpaid variable remuneration for 2019 is recognised in the current provisions for personnel.

REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2019 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable remuneration component	Total
Markus Huemer	461	0	461
Peter Haidenek	225	30	255
Heiko Gabbert	276	100	376
Peter Bernscher	276	100	376
Total	**1,238**	**230**	**1,468**

Amounts in EUR k, gross salaries

REMUNERATION OF THE SUPERVISORY BOARD

The amount of the remuneration of the members of the Supervisory Board is sanctioned within the framework of the Annual General Meeting for the respective financial year expired. Total remuneration of the members of the Supervisory Board for the 2018 financial year was approved unanimously during the 19th Ordinary Annual General Meeting held on 10 May 2019 and totalled EUR 132,000. For the 2019 financial year, a sum of EUR 132,000 for the total remuneration of all members of the Supervisory Board was again recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 20th Ordinary Annual General Meeting to be held on 18 May 2020 as total emoluments to the Supervisory Board. Subject to prior approval by the Annual General Meeting, this sum will be distributed among the individual members of the Supervisory Board as follows:

REMUNERATION OF THE SUPERVISORY BOARD IN THE 2019 FINANCIAL YEAR

Member of the Supervisory Board	Function	Remuneration
Fred Duswald	Chairman of the Supervisory Board	35
Manfred Trauth	Deputy Chairman of the Supervisory Board	28
Viktoria Kickinger	Member of the Supervisory Board	22
Robert Büchelhofer	Member of the Supervisory Board	25
Reinhard Schwendtbauer	Member of the Supervisory Board	22
Total		**132**

Amounts in EUR k

In accordance with C-Rule 43, during the 2019 financial year both the Supervisory Board and the Board of Directors considered the fundamental remuneration principles (remuneration strategy) that apply to the members of both bodies and owing to new statutory requirements, are to be employed for the first time in the 2020 financial year. A new remuneration policy has been drawn up and should be adopted following presentation to the 20th Ordinary Annual General Meeting, which has been called on 18 May 2020. Pursuant to §98a in combination with §78 Para.1 of the Austrian Stock Corporation Act, at a minimum the remuneration policy is to be put to the vote at the Annual General Meeting every four years.

3. OTHER INFORMATION

CODE OF CONDUCT AND COMPLIANCE

For the POLYTEC GROUP conduct in accordance with the law and strict ethical standards represents a matter of course. However, compliance in this connection means far more than merely the implementation of current rules and regulations. In fact, compliance is a matter of corporate culture. Therefore, the acceptance of responsibility and actions in accordance with ethical principles have been integrated into the POLYTEC GROUP's corporate values and mission statement in unequivocal form, and tabulated in the Code of Conduct, which can be accessed via the group's website.

As a listed corporation, POLYTEC Holding AG is obliged to fulfil the complete range of stipulations regarding adherence to capital market legislation. In order to prevent insider dealings, employees and other persons acting on behalf of POLYTEC Holding AG are informed continually of the ban on the misuse of insider information, and internal guidelines have been issued for the transfer of information within the company. Adherence to the latter is monitored and suitable organisational measures have been taken in order to prohibit the improper use or passing on of insider information. The related tasks constitute a major element within the compliance organisation of the company. The members of the Supervisory Board and the Board of Directors receive comprehensive information regarding compliance activities at regular intervals.

In addition to capital market compliance content, the POLYTEC GROUP holds regular training sessions regarding data protection, anti-corruption and anti-trust law. The awareness levels of employees are raised with respect to issues of data protection, competition and anti-trust law relevance, as well as correct conduct when dealing with data, gifts and invitations. The aim is to protect both employees and the group against infringements of the law and to offer practice-related support during the application of the relevant regulations. No breaches of compliance were determined during the period under review.

DIVERSITY AND THE PROMOTION OF WOMEN

The POLYTEC GROUP now has a workforce of around 4,300 on four continents. As a result of this internationality, diversity, respect, equality of opportunity and the integration of employees from differing cultures represent integral elements within corporate culture. Any form of personal discrimination whether due to origin, gender, skin colour, age, religion, sexual orientation or handicap is strictly rejected.

During recruitment for vacant positions, a focus is placed on performance orientation, knowledge, skills, equal opportunity and treatment. New team members are selected primarily on the basis of the best possible qualifications and experience, which the candidates can then contribute to the POLYTEC GROUP.

When electing members of the Supervisory Board, the Annual General Meeting has to account for requirements relating to professional and personal qualifications, as well as the balanced specialist composition of the board. Furthermore, diversity aspects have to be taken into reasonable account with regard to the representation of both genders, age structure and internationality. Newly elected Supervisory Board members must inform themselves appropriately regarding the structure and activities of the company and their tasks and responsibilities.

The POLYTEC Holding AG Supervisory Board has had a female member for over a decade and during the 2019 financial year one of the five Supervisory Board positions was therefore occupied by a woman, which corresponded to a 20% share of membership. L-Rule 52 is thus fulfilled, as at present the POLYTEC Holding Supervisory Board does not consist of at least six persons.

In the 2019 financial year a woman was not represented on the POLYTEC Holding AG Board of Directors. On 31 December 2019, women accounted for some 43.8% (2018: 47.6%) of the POLYTEC Holding AG workforce. As at the 31 December 2019 balance sheet date, women held around 11.4% of the managerial posts with long-term personnel responsibility at the POLYTEC GROUP's companies (2018: 10.0%). However, the workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily technically oriented. On 31 December 2019, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.2% (2018: 21.3%).

D&O INSURANCE POLICY

POLYTEC Holding AG has concluded a directors and officers (D&O) insurance policy for the members of the company's Board of Directors, Supervisory Board and POLYTEC GROUP executive managers. The company or the subsidiaries pay the premiums for this insurance policy.

AUDITOR

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was recommended by the Supervisory Board as the auditor of POLYTEC Holding AG's financial statements and consolidated financial statements for the 2019 financial year. This proposal was unanimously approved at the 19th Ordinary Annual General Meeting held on 10 May 2019. In 2019, total expenses for auditing purposes amounted to EUR 207 k (2018: EUR 208 k). A more detailed breakdown of these expenses into the single fields of activity is available in the notes to the consolidated financial statements.

CHANGES AFTER THE REPORTING DATE

No changes to matters subject to obligatory reporting occurred between the reporting date and the editorial closing date of the corporate governance report at the beginning of March 2020.

Hörsching, 5 March 2020

The Board of Directors of POLYTEC Holding AG

Markus Huemer
Chairman – CEO

Peter Haidenek
Member of the Board – CFO

Heiko Gabbert
Member of the Board – COO

Peter Bernscher
Member of the Board – CSO

REPORT OF THE POLYTEC HOLDING AG SUPERVISORY BOARD FOR THE 2019 FINANCIAL YEAR

In the financial year expired, the Board of Directors of POLYTEC Holding AG provided the members of the Supervisory Board and its committees with regular information about the business performance and financial situation of the company. During both Supervisory Board meetings and informal discussions, communications between the Board of Directors and the Supervisory Board were characterised by a high degree of openness, which allowed the Supervisory Board to comprehensively assess the management of the company at all times and support the Board of Directors with regard to key decisions. The Supervisory Board executed its duties pursuant to the Austrian legal provisions and the company's Articles of Association, as well as in compliance with the Austrian Corporate Governance Code (version January 2018).

During the 2019 financial year, the committees formed in accordance with the Austrian Corporate Governance Code (audit, nomination and risk management committees) convened as stipulated. The meetings dealt largely with the discussion of the course of business and resolutions regarding business matters and measures of importance. The Supervisory Board of POLYTEC Holding AG is currently composed of five shareholder representatives and is committed to compliance with the Austrian Corporate Governance Code. All of the Supervisory Board members are deemed to be independent according to the definition contained in the Austrian Corporate Governance Code.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the financial statements including the management report, the consolidated financial statements and the group management report of POLYTEC Holding AG in its capacity as the auditors for the 2019 financial year. The auditors granted both the 2019 financial statements and consolidated financial statements of POLYTEC Holding AG an unqualified opinion. On the basis of this audit, apart from the clarification of key auditing matters, among other aspects it was confirmed that the annual financial statements and the consolidated financial statements comply with all legal requirements and provide a true and fair view of the asset and financial situation as at 31 December 2019, as well as the profit situation for the financial year ending on this closing date. Pursuant to the opinion of the auditors, the annual financial statements were prepared in accordance with the stipulations of Austrian commercial law and the consolidated financial statements in line with the International Financial Reporting Standards, as applied in the EU, (IFRS) and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code).

At its meeting on 12 March 2020, together with the auditors, the audit committee of the Supervisory Board studied in detail the annual financial statements including the management report, the corporate governance report, the consolidated financial statements including the group management report and the auditors' report. Following its own examination, the audit committee endorsed the findings of the auditors' report and informed the Supervisory Board accordingly.

The Supervisory Board examined the annual financial statements, the consolidated financial statements, the management report, the group management report and the corporate governance report and endorsed the result of the audit of the financial statements and consolidated financial statements. The Supervisory Board concurred with the annual financial statements 2019, which are thus adopted pursuant to § 96 Para.4 of the Austrian Stock Corporation Act. The Supervisory Board also agreed with the recommendation of the audit committee and will propose to the Annual General Meeting that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as the auditors for the 2020 financial year.

Furthermore, the Supervisory Board concurs with the recommendation of the Board of Directors to distribute a dividend of EUR 0.25 per eligible share for the 2019 financial year.

On behalf of the Supervisory Board, I would like to express my gratitude to the Board of Directors and all the members of the POLYTEC GROUP workforce for their endeavours and great commitment during the 2019 financial year. I would also like to thank the POLYTEC GROUP's shareholders and customers for their trust.

Hörsching, March 2020

Fred Duswald
Chairman of the Supervisory Board

FINANCIALS 2019

POLYTEC

POLYTEC HOLDING AG GROUP MANAGEMENT REPORT FOR THE 2019 FINANCIAL YEAR

BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

1. AUTOMOTIVE INDUSTRY DEVELOPMENT 2019

REGISTRATIONS OF NEW CARS IN THE MAJOR INTERNATIONAL MARKETS

in units	2019	Share	2018	Share	Change
China	21,045,000	39.4%	23,256,300	41.8%	-9.5%
USA	16,965,200	31.8%	17,215,200	31.0%	-1.5%
European Union	15,340,200	28.8%	15,159,300	27.2%	1.2%
Total of the three major markets	**53,350,400**	**100%**	**55,630,800**	**100%**	**-4.1%**
Other selected countries					
Japan	4,301,100		4,391,200		-2.1%
India	2,962,100		3,394,700		-12.7%
Brazil	2,665,600		2,475,400		7.7%
Russia	1,759,500		1,800,600		-2.3%

In 2019, the global car market declined for the second year in succession. In 2018, the three most important markets already demonstrated a combined fall of 0.8 million units, or 1.4%, and in 2019 this downward trend accelerated markedly with shrinkage that was three times larger than that of the preceding year. All in all, new car registrations in the main Chinese, US and European Union markets during 2019 dropped by over 2.3 million units, or 4.1%, to approximately 53.4 million. Of these markets, in 2019 the European Union alone showed a slight rise in new registrations (+1.2%) over the previous year. Nonetheless, this expansion represented the sixth consecutive increase in the annual figure for new car registrations. Conversely, 1.5% fewer light vehicles were sold in the USA, and in China, the world's largest car market, the slump in registrations that commenced in 2018 continued with an almost 10% decrease in volume.

In Japan, a total of 4.3 million new cars were sold in 2019, which was 2.1% less than in 2018, and with a double-digit minus of 12.7%, India also failed to maintain the positive result of the year before. However, following a phase of prolonged weakness, the Brazilian market expanded for the third year running and registered growth of 7.7%. By contrast, after two strong years, the Russian car market lost impetus and in 2019, new registrations were 2.3% down on the 2018 figure.

China sees another year of car market contraction

For decades, China was seen as a guarantor for high growth rates in the automotive sector and as in previous years, in 2019 it remained the nation with the highest number of new car registrations worldwide. However, as compared to 2018, in the past year the volume of the Chinese car market shrank by 9.5% to 21.0 million new vehicles (2018: -3.8%), thus reflecting to a disproportionate extent the overall weakening in the Chinese economy, which not least was influenced by earlier and impending international trade barriers.

Registrations in the USA fall to below 17 million units for the first time since 2014

In 2019, the US light vehicle market (cars and light trucks) saw sales of 16.9 million vehicles. As opposed to the previous year, this represented a fall in volume of 250,000 units, or 1.5%. While sales of limousines dropped by 11%, the demand for off-roaders and pick-ups remained strong, as demonstrated by growth of 3% in this segment. Light trucks accounted for 72% of the US market as a whole in 2019 and in absolute terms registrations amounted to over 1.6 million units and therefore again exceeded the total of new registrations in Europe.

REGISTRATIONS OF NEW CARS IN THE EUROPEAN UNION

in units	2019	Share	2018	Share	Change
Germany	3,607,300	23.5%	3,435,800	22.7%	5.0%
United Kingdom	2,311,100	15.1%	2,367,200	15.6%	-2.4%
France	2,214,300	14.4%	2,173,500	14.3%	1.9%
Italy	1,916,300	12.5%	1,910,700	12.6%	0.3%
Spain	1,258,300	8.2%	1,321,400	8.7%	-4.8%
Other EU countries	4,032,900	26.3%	3,950,700	26.1%	2.1%
European Union	**15,340,200**	**100%**	**15,159,300**	**100%**	**1.2%**

Strong growth in the last four months of the year/from September to December helps the EU car market to expand again in 2019

During 2019, a total of more than 15.3 million cars were newly registered in the European Union, which was 1.2% more than in the preceding year (15.2 million). The number of new car registrations in the EU thus rose for the sixth time in succession and this was in spite of the fact that the European car market started 2019 weakly, which was probably due to the continued ramifications of the introduction of the WLTP in September 2018. Consequently, on the basis of the low comparative figures for the same period of 2018, it was the high demand in the final four months of 2019 that resulted in renewed growth for the year as a whole.

At 22.7%, growth in December 2019 was the highest ever recorded for this month. Of the EU-28, 25 countries demonstrated double-digit growth rates and only Portugal, Spain and the UK remained in single figures. Both Sweden (+109.3%) and France (+27.7%) recorded very sizeable expansion, due probably to the prior announcement that from 2020 onwards car tax would be newly calculated on the basis of CO_2 emissions. With a plus of 113.9%, the Netherlands also demonstrated anticipatory effects following the decision of the Dutch government to raise the tax on company e-cars from 4% to 8% as from January 2020.

If the five main European markets are viewed for the year as a whole, Germany registered the largest increase in new car registrations (+5.0%), followed by France (+1.9%) and Italy (+0.3%). Conversely, Spain (-4.8%) and the UK (-2.4%) showed falls as compared to the preceding year.

NEW CAR REGISTRATIONS IN THE EUROPEAN UNION BY DRIVE TECHNOLOGY

in units	2019	Share	2018	Share	Change
Petrol-driven cars	8,964,000	58.9%	8,521,400	56.6%	5.2%
Diesel-driven cars	4,650,600	30.5%	5,402,100	35.9%	-13.9%
Electric chargeable vehicles (ECV)	465,000	3.1%	303,000	2.0%	53.5%
Hybrid electric vehicles (HEV)	891,200	5.8%	596,000	4.0%	49.5%
Alternatively-powered vehicles (APV)	256,000	1.7%	229,300	1.5%	11.6%
European Union	**15,226,800**	**100%**	**15,051,800**	**100%**	**1.2%**

Fewer registrations of diesel cars in the EU, but an increase in other drive technologies
According to statistics from the European Automobile Manufacturers Association (ACEA), in 2019 petrol-driven vehicles represented roughly 60% of all new car registrations in the EU. Their share thus increased over the preceding year by 5.2%, while the share of newly registered diesel cars fell by 13.9% to 30.5%. In Germany, Europe's largest car market, this tendency was ignored and 41,600, or 3.7%, more diesel-fuelled cars were registered than in 2018. This rise emanated partly from the sales statistics for the fourth quarter of 2019, which were based on the low figures for the previous year.

Between October and December 2019, diesel car registrations revived in a number of markets. Apart from Germany (+4.3%), the large French market also showed a plus of 7.3% and Belgium (+17.7%), Sweden (+30.5%), Romania (+31.1%), Hungary (+18.4%) and Slovenia (+18.2%) all registered double-digit growth rates for diesel-powered cars.

In 2019 as a whole, 10.6% (2018: 7.5%) of new registrations already related to vehicles with drive systems other than exclusively petrol or diesel engines. These were divided up between electrically-chargeable vehicles (ECV) with 3.1% (2018: 2.0%), hybrid e-vehicles (HEV) with 5.8% (2018: 4.0%) and cars using alternative drives (e.g. liquid gas, ethanol or other fuels) with 1.7% (2018: 1.5%).

In 2018, Italy was the country with the absolute highest number of registrations of vehicles employing alternative drive technologies, but in 2019 Germany took over first place in this statistic with 16,600 units more than Italy. 317,600 vehicles (+74.6%) with alternative drive technologies were registered in Germany in 2019, while in Italy this figure totalled 301,000 (+18.6%). With 229,000 vehicles (+47.9%), the UK came in third amongst the five most important markets, followed by France with 176,900 (+25.9%) and Spain with 151,400 registrations (+39.6%).

REGISTRATIONS OF NEW COMMERCIAL VEHICLES IN THE EUROPEAN UNION

in units	2019	Share	2018	Share	Change
Light commercial vehicles ≤3.5t	2,115,700	83.0%	2,058,600	82.8%	2.8%
Medium commercial vehicles >3.5t to ≤16t	75,600	3.0%	72,400	2.9%	4.4%
Heavy commercial vehicles >16t	312,700	12.3%	312,500	12.6%	0.1%
Medium and heavy buses and coaches >3.5t	42,800	1.7%	42,000	1.7%	1.8%
European Union	**2,546,800**	**100%**	**2,485,500**	**100%**	**2.5%**

New commercial vehicle registrations in the EU during 2019 went up by some 61,300 units. This corresponded with growth of 2.5% (2018: 3.2%).

All five of Europe's biggest sales markets demonstrated an increase in registrations for the year as a whole. Germany showed the strongest growth with 6.1% and in absolute figures occupied third place with a total of 409,800 vehicles. With expansion of 4.3% to 541,400 new registrations, France was once more the largest market in this segment and in 2019 the UK saw a 3.0% return to growth (2018: -1.9%), with 431,000 commercial vehicles. The Italian market grew by 1.9% to 215,600, while Spain had a plus of only 0.3% to 243,000 units.

With a market share of 83.0%, light trucks with weights of up to 3.5t remained the EU's most important commercial vehicle segment by far and although the new WLTP standards, which also apply to light vans, led to fluctuating registration figures, growth was recorded once again. Consequently, in 2019 new registrations exceeded the two-million-unit mark for the second time in succession.

In 2019, sales of heavy trucks weighing more than 16t remained at just about the level of the previous year. The obligation to carry smart tachographs, which was introduced in mid-June 2019, resulted in pre-emptive purchases in the first half-year. In all of the remaining months of the year, sales were markedly weaker. Apart from the anticipatory sales effect, this decline was due to the beginning of a cyclical downturn that is likely to continue in 2020.

Sources: German Automotive Industry Association (VDA), the European Automobile Manufacturers Association (ACEA) and Automobil-Industrie

2. GROUP BUSINESS DEVELOPMENT AND STATUS

SALES REVENUES

As opposed to the preceding year, consolidated POLYTEC GROUP sales declined by 1.5% to EUR 627.1 million (2018: EUR 636.4 million).

For several quarters, the POLYTEC GROUP's core business has been subject to reductions in call-offs and sales revenue losses caused by the significant changes in the automotive industry. Nevertheless, on the basis of the low figures for 2018 and despite the initial consolidation as of 1 September 2019 of the newly founded POLYTEC CAR STYLING Weierbach GmbH, which continues the automotive business activities of the insolvent Wayand AG, sales in the passenger car and light commercial vehicle market segment remained at the level of 2018. However, as compared to last year, the commercial vehicle market segment, which in previous periods developed positively for the POLYTEC GROUP, showed a tangible fall in sales in the second half of 2019. By contrast, following a weak year in 2018, the smart plastic & industrial applications market area demonstrated a pleasing increase.

SALES BY MARKET AREA

in EUR m	2019	Share	2018	2017
Passenger cars & light commercial vehicles	388.8	62.0%	387.9	434.1
Commercial vehicles	158.4	25.3%	174.7	165.0
Smart plastic & industrial applications	79.9	12.7%	73.8	77.3
POLYTEC GROUP	**627.1**	**100%**	**636.4**	**676.4**

In the passenger cars & light commercial vehicles market area, which with 62.0% (2018: 61.0%) is the strongest sales area within the POLYTEC GROUP, including revenue of EUR 19.2 million from POLYTEC CAR STYLING Weierbach GmbH, sales rose by 0.2% to EUR 388.8 million (2018: EUR 387.9 million). The fall in call-offs emanated from both the continuing aftershocks of the switch to WLTP and lower demand for diesel-driven cars.

In comparison with the preceding year, sales revenues in the commercial vehicle market area (25.3%; 2018: 27.4%) fell by a sizeable 9.3% from EUR 174.7 million to EUR 158.4 million. Approximately 60% of the POLYTEC GROUP's truck-related revenues were obtained in the first half of 2019, while the second six months were characterised by markedly lower call-off figures.

In 2019, the smart plastic & industrial applications market area recovered, due mainly to increased call-offs from a major non-automotive customer. Sales were 8.3% up at EUR 79.9 million and this raised the market area's share in the POLYTEC GROUP's consolidated sales revenues from 11.6% to 12.7%.

SALES BY CATEGORY

in EUR m	2019	Share	2018	2017
Parts and other sales	567.7	90.5%	571.7	605.8
Tooling and other engineering sales	59.4	9.5%	64.7	70.6
POLYTEC GROUP	**627.1**	**100%**	**636.4**	**676.4**

As compared to the preceding year, in the series production area the POLYTEC GROUP recorded a fall of 0.6% to EUR 567.7 million. Tooling and other engineering sales are subject to cyclical fluctuations and were down by EUR 5.3 million, or 8.2%.

SALES BY REGION

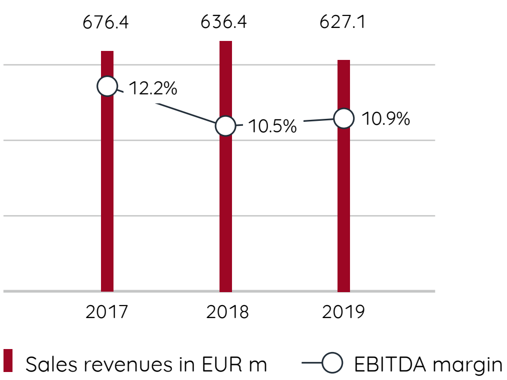
in EUR m	2019	Share	2018	2017
Austria	44.4	7.1%	26.4	23.4
Germany	329.4	52.5%	360.3	383.1
UK	59.2	9.5%	49.8	58.4
Sweden	31.6	5.0%	34.8	37.4
Hungary	25.3	4.0%	21.2	24.1
Other EU countries	97.0	15.5%	102.5	108.4
Other countries	40.2	6.4%	41.4	41.6
POLYTEC GROUP	**627.1**	**100%**	**636.4**	**676.4**

EARNINGS DEVELOPMENT

GROUP EARNINGS FIGURES

	Unit	2019	Change	2018	2017
Sales revenues	EUR m	627.1	-1.5%	636.4	676.4
EBITDA	EUR m	68.4	2.0%	67.1	82.3
EBITDA margin (EBITDA/sales)	%	10.9	0.4% pt.	10.5	12.2
EBIT	EUR m	32.6	-18.5%	40.1	55.1
EBIT margin (EBIT/sales)	%	5.2	-1.1% pt.	6.3	8.1
Result after income tax	EUR m	23.1	-23.1%	30.0	39.0
Average capital employed	EUR m	400.4	17.1%	341.8	297.5
ROCE before tax (EBIT/average capital employed)	%	8.2	-3.5% pt.	11.7	18.5
Earnings per share	EUR	1.02	-22.7%	1.32	1.74
Dividend per share (proposal to the AGM)	EUR	0.25	-37.5%	0.40	0.45

SALES AND EBITDA MARGIN DEVELOPMENT



MATERIAL EXPENSES

During the 2019 financial year, in line with the sales revenue trend, the material expenses of the POLYTEC GROUP declined by EUR 3.5 million, or 1.2%, to EUR 298.2 million. At 47.6%, the material ratio (material expense/sales revenues) remained virtually at the 47.4% level of 2018.

PERSONNEL EXPENSES

In 2019, the group's personnel expenses decreased by EUR 1.4 million from EUR 217.8 million to EUR 216.4 million. Conversely, the group's personnel ratio (personnel expense/ sales revenues) rose by 0.3 percentage points to 34.5% (2018: 34.2%). This was due largely to residual personnel costs in combination with lower sales revenues.

EBITDA

In the 2019 financial year, earnings from the disposal of fixed assets contributed to a rise in POLYTEC GROUP EBITDA to EUR 68.4 million (2018: EUR 67.1 million). As compared to the previous year, the EBITDA margin climbed by 0.4 percentage points from 10.5% to 10.9%.

AMORTISATION AND DEPRECIATION

Depreciation rose owing to both the initial adoption of the accounting and valuation methods pursuant to IFRS 16 Leases, which became obligatory on 1 January 2019, and increased investments in the modernisation of the POLYTEC GROUP's production plants.

EBIT

Group EBIT in 2019 totalled EUR 32.6 million (2018: EUR 40.1 million). In comparison with 2018, the EBIT margin fell by 1.1 percentage points from 6.3% to 5.2%.

FINANCIAL AND GROUP RESULT

Owing to an increase in the financial requirement, the financial result fell to minus EUR 3.8 million (2018: EUR -3.3 million). The POLYTEC GROUP tax ratio (income tax/ result before income tax) in the 2019 financial year amounted to 20.0% and was thus 1.6 percentage points higher than in the previous year. This was due primarily to the fact that the pre-tax results were generated largely in high-taxation countries such as Germany and the Netherlands. In terms of a yearly comparison, group net profit declined by 23.1%, or EUR 6.7 million, to stand at EUR 22.4 million (2018: EUR 29.1 million). This corresponds with earnings per share of EUR 1.02 (2018: EUR 1.32).

ASSETS AND FINANCIAL STATUS

INVESTMENTS

in EUR m	2019	Change	2018	2017
Investments in tangible assets	48.2	13.1%	42.6	38.4

During the 2019 financial year, investments in tangible assets rose by EUR 5.6 million to EUR 48.2 million. In particular spending focused on the South African location in the East London Industrial Development Zone, where a new plant is under construction. In addition, the POLYTEC GROUP undertook preparatory investments for a large-scale customer project in the commercial vehicle market area, as well as for improvements to its production plants and infrastructure.

KEY BALANCE SHEET AND FINANCIAL FIGURES

in EUR m	31.12. 2019	Change	31.12. 2018	31.12. 2017
Equity	252.6	6.1%	238.0	217.5
Equity ratio (equity/total assets) in %	41.7	-1.0% pt.	42.7	42.1
Total assets	605.6	8.6%	557.6	516.5
Net working capital[1]	125.4	31.7%	95.2	75.5
Net working capital/sales in %	20.0	5.0% pt.	15.0	11.2

[1] Net working capital = current assets less current liabilities

In 2019, total group assets increased by EUR 48.0 million to EUR 605.6 million

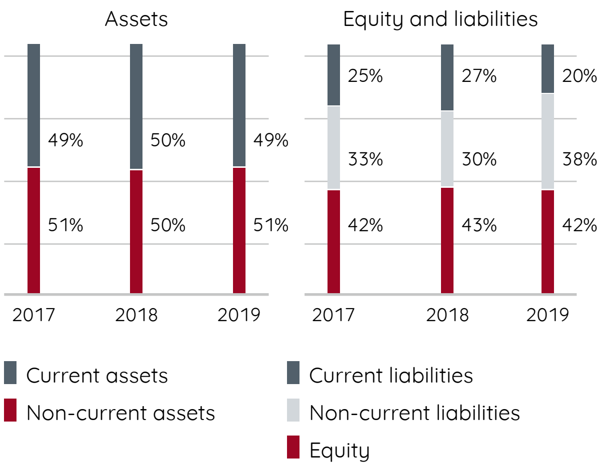
By and large, this rise was the result of the tangible increase in the working capital tied to tooling and engineering projects. As compared to the 2018 balance sheet date, net working capital climbed by roughly a third from EUR 95.2 million to EUR 125.4 million.

Moreover, the initial adoption of the accounting and valuation methods pursuant to IFRS 16 Leases resulted in an addition to the balance sheet, as since 1 January 2019, right-of-use and leasing liabilities are to be reported. With reference to these alterations, we would draw your attention to the information contained in the group notes.

As at 31 December 2019, the equity ratio amounted to 41.7%, which was one percentage point lower than on the balance sheet date of the previous year.

On the balance sheet date of 31 December 2019, the POLYTEC GROUP held 334,041 treasury shares (1.5% of share capital) with a stock market value on the closing date of around EUR 2.9 million (2018: EUR 2.8 million) and an acquisition value of around EUR 1.9 million. The company neither purchased nor sold treasury shares during the 2019 financial year.

BALANCE SHEET STRUCTURE OF THE POLYTEC GROUP



	Unit	2019	Change	2018	2017
Net debt (+)/assets (-)	EUR m	156.0	53.2%	101.8	78.7
Net debt (+)/assets (-)/EBITDA	-	2.28	50.0%	1.52	0.96
Gearing (net debt (+)/assets (-) /equity)	-	0.62	44.2%	0.43	0.36

Due primarily to the issue of further promissory note loans and an increase in liabilities to banks, as opposed to the 31 December 2018 balance sheet date, net debt was EUR 54.2 million higher at EUR 156.0 million. As a consequence, the key figure for fictitious debt repayment duration rose from 1.52 to 2.28. The gearing ratio went up from 0.43 to 0.62.

CASH FLOW

in EUR m	2019	Change	2018	2017
Cash flow from operating activities	24.4	-20.9%	30.9	38.3
Cash flow from investing activities	-48.6	23.3%	-39.4	-38.0
Cash flow from financing activities	6.1	-75.8%	25.2	-22.7
Change in cash and cash equivalents	-18.1	N/A	16.7	-22.4

In the 2019 financial year, the cash flow from operating activities fell by EUR 6.5 million to EUR 24.4 million. The cash flow from investing activities rose by EUR 9.2 million to minus EUR 48.6 million. The cash flow from financing activities amounted to EUR 6.1 million. On the balance sheet date, cash and cash equivalents totalled a final amount of EUR 55.6 million.

EMPLOYEES

During the past three years, in terms of full-time equivalents (FTE) the average number of POLYTEC GROUP employees (including leasing personnel) and their geographic spread were as follows:

in FTE	2019	Share	2018	2017
Austria	554	12.8%	566	539
Germany	2,089	48.1%	2,158	2,211
Other EU countries	1,508	34.7%	1,541	1,591
Other countries	193	4.4%	200	186
POLYTEC GROUP	**4,344**	**100%**	**4,465**	**4,527**
Sales per employee in EUR k	144.4		142.5	149.4

On the basis of an annual comparison, average group workforce numbers (including leasing personnel) fell by 121 (FTE), or 2.7%, to 4,344. The average leasing personnel quota totalled 8.8% (2018: 10.3%). At EUR 144.4 k, sales per employee (including leasing personnel) were marginally higher than in the previous year. On the 2019 balance sheet date, the POLYTEC GROUP workforce (excluding leasing personnel) numbered 4,099. In comparison with the 2018 balance sheet date (3,965 employees), this represented an increase of 134 employees, which was due to a company acquisition in September 2019.

3. REPORT ON EXPECTED GROUP DEVELOPMENT AND RISKS

AUTOMOTIVE INDUSTRY OUTLOOK

The global automotive industry continues to be subject to major challenges and watershed changes. Trends such as e-mobility, autonomous driving, connectivity and shared mobility demand the rapid development of new solutions and hence large-scale investments in future-proof technologies and products on the part of automotive manufacturers and their suppliers. In 2019, climate change evolved into an omnipresent global issue and the political pressure to bring about quick and effective countermeasures increased in numerous social and economic areas, and in particular in the automotive industry.

Automotive industry experts anticipate that the number of cars produced worldwide will continue to fall in 2020 and the years to follow. Major market players are already preparing for lower production figures and at the earliest expect an upturn in 2025. As a result, it will be necessary to modify the production structures and capacities designed for the higher demand of past years, and place an even greater focus on costs.

Following boom years in the commercial vehicles segment, a lateral shift is now expected with regard to new registrations. After a sharp fall in order intakes, the European truck manufacturers already cut back their output at the beginning of the year. The slowdown in economic growth and the relatively new truck fleets currently owned by freight companies may also culminate in a declining market. In 2020, for cyclical reasons the US truck market could also remain below the level of the preceding year.

What impact the outbreak of the new coronavirus at the beginning of the year will have upon the automotive industry and how other economic sectors will develop globally cannot be predicted at present.

Sources: German Automotive Industry Association (VDA), "Automobilwoche"

GROUP RESULT OUTLOOK

At the moment, it is too early to offer a reliable outlook concerning the development of POLYTEC GROUP results for the 2020 financial year. In particular, extreme economic volatility and market shifts relating to the drive technology of passenger cars make predictions problematic. Even in the short term, concrete customers requirements are difficult to plan and the effects of the further spread of the coronavirus cannot be estimated.

In addition, production capacity must be adapted to match both the current and pending market situation. The connotations of such measures also represent a further obstacle to an assessment of the outlook.

4. RISK REPORTING AND FINANCIAL INSTRUMENTS

The forecasts expressed by automotive company managers and economic experts at the beginning of 2019 regarding the challenges confronting the industry were confirmed in the course of the year. Above all, the markedly weaker development of the Chinese car market, the impact of the diesel crisis, stricter climate protection legislation, the structural transition in the direction of e-mobility and the slowdown in the global economy all served to provide the automotive branch with concerns during 2019. Analysts and experts also state that from the industry's perspective, the testing economic conditions are unlikely to improve in 2020. In all probability, a further fall in car and truck production and hence fewer new registrations can be awaited.

In view of this persistent trend, automotive manufacturers and their suppliers will continue to be beset by major economic challenges. Company decision-makers will have to keep an even sharper eye on costs and production structures and capacities must be matched to the change in conditions, as future call-off reductions and sales revenue losses cannot be excluded.

In addition to the generally weaker growth in the Chinese market, which was already burdened by existing and threatened international trade barriers, January 2020 witnessed the outbreak of the new coronavirus. According to experts, the virus, which also bears the name Covid-19, could have negative results for numerous economic branches and especially the automotive industry. This is because in view of China's central role in the automotive sector, the impact of the production losses triggered by the virus would be both rapid and painful. The country is both the largest sales market for new vehicles and an important production location for manufacturers as well as suppliers. Alone in the particularly hard hit province of Hubei, at least a dozen locations produce almost two million cars annually, which correspond with a roughly 8% share of total Chinese vehicle output. Overall, a total of more than 700 international and national supplier companies are thought to be active in the region. Therefore, because China is one of the world's largest exporters of vehicle components, limitations on production of an uncertain duration could have significant global consequences for the supply chain. Consequently, at present the logistical and economic effects of this respiratory infection upon the global automotive industry cannot be estimated.

Following repeated delays, the departure of the United Kingdom from the European Union finally took place on 31 January 2020. In order to avoid a hard Brexit, the EU and the UK now have to agree upon an extensive range of new regulations during a transitional phase leading up to the end of 2020. Like many others, the automotive industry hopes for legal certainty and simply designed trade agreements without tariffs and additional administrative barriers, which might lead to falling sales and production figures in Europe's second largest car market.

At the moment, it is impossible to offer a comprehensive assessment of whether in future the aforementioned and any other additional risks and uncertainties will exert an influence upon the POLYTEC GROUP's sales revenue and income development.

The management continues to monitor events closely and with regard to risk reporting we would refer you to the information contained under G.2 in the group notes.

5. RESEARCH AND DEVELOPMENT REPORT

During the 2019 financial year, the POLYTEC GROUP employed some EUR 14.8 million for research and development activities (2018: EUR 12.7 million). The research cost ratio (R&D costs/sales) rose to 2.4% (2018: 2.0%).

The development of new products and applications, primarily for the automotive industry, constitutes one of the POLYTEC GROUP's key competences. As a strategic cornerstone, it is an integral part of the group's foundations and over the past decades has made a major contribution to its success. Moreover, the requirements of the group's long-term customers represent the constant focal point of the numerous and labour-intensive, new and further developments.

The POLYTEC GROUP endeavours to impress its customers proactively at an early stage with innovative applications and technology combinations, as well as complete product and manufacturing concepts, which are also aimed at strengthening group competitiveness. In this connection, the group does not think in terms of technologies, but rather solutions and thus convinces during the engineering phase with an imposing depth of value added that extends from material production and concept development to simulation. At POLYTEC, almost 200 engineers develop and plan innovative solutions in a diversity of plastic technology areas on the basis of comprehensive experience and profound specialist knowledge.

In combination with the latest production know-how, an enormous diversity of materials and processes ranging from injection moulding and various fibre composites to polyurethane applications enables the POLYTEC GROUP to supply its customers with tailor-made solutions that offer top quality at an attractive price-performance ratio. Apart from the integration of an increasing number of functions in plastic parts and the ongoing expansion of the possibilities for the substitution of metals, the development of new materials and processes aimed at making plastic parts still lighter and more stable represents one of the POLYTEC GROUP's core activities.

The experience gathered by POLYTEC during the manufacture of highly complex vehicle parts and systems can also be utilised in the smart plastic & industrial applications area. Not merely development, material and production know-how is involved in this connection, but also logistics, product complexity and operational excellence. Above all, this makes POLYTEC's capabilities interesting for customers seeking solutions for products subject to stringent demands regarding surface or strict technological requirements, as well as multi-stage production processes and complex logistical problems. In this connection, the POLYTEC GROUP possesses both the necessary competence and the required resources.

The topic of e-mobility offers clear-cut opportunities for the POLYTEC GROUP and in recent years, its development engineers have placed a special focus on the question as to which components in an e-vehicle can be manufactured from lightweight materials. This is because in view of the heavy batteries required for the drive system, e-powered vehicles should weigh as little as possible in every other regard.

In many cases, plastic components such as trunk lids, gear oil pans, battery boxes and complex acoustic solutions meet this demand for lightness to perfection. Conversely, the e-mobility trend also confronts POLYTEC with fresh challenges, as the components for e-vehicles partly require utterly different solutions to those needed by vehicles with conventional drive systems. This is exemplified by the Acoustic Solutions area, in which over the years the POLYTEC GROUP has established a strong position with regard to combustion engines. However, in e-vehicles the focus is no longer on engine noise attenuation, but rather the minimisation of exterior and road noise. Therefore, concepts have to be newly evolved and developed.

6. KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

The Board of Directors is responsible for implementing an appropriate internal control and risk management system for the accounting process and financial reporting. Suitable organisational measures and controls ensure that all the relevant legal requirements necessary for complete, correct, timely and orderly entries in the books and other records are met.

The entire process, from procurement to payment, is subject to strict regulations and group-wide valid guidelines that are intended to avoid any related risks such as CEO fraud scenarios. These measures and rules include, among others, the separation of functions, signature directives and signatory powers for payment authorisations on an exclusively collective basis that are restricted to a small number of employees, as well as system-supported checks by the software employed.

The most important management control instrument is the planning and reporting system, which has been implemented across the group. In particular, this includes medium-term planning with a three-year horizon, annual budget planning and monthly reporting. The promptly issued monthly financial reports, which are drawn up by POLYTEC GROUP Financial Services, show the current development of all group companies. The content of these reports has been standardised throughout the group and apart from an income statement and balance sheet, also contains the main extrapolated key indicators and a deviation analysis.

The Board of Directors is constantly kept up to speed regarding all relevant issues and risks by means of the uniform, group-wide financial reporting system and ad hoc reports on major events. At its meetings, which are held at least once a quarter, the Supervisory Board is informed about current business developments, operative planning and medium-term group strategy. In special cases the Supervisory Board is also provided with direct and immediate information. Among other topics, the audit committee meetings consider the internal control and risk management.

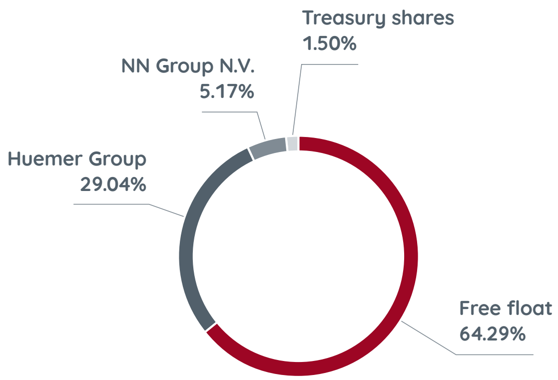
7. DISCLOSURES REGARDING CAPITAL, SHARE, VOTING AND CONTROL RIGHTS, AND ANY RELATED OBLIGATIONS PURSUANT TO § 243A OF THE AUSTRIAN COMMERCIAL CODE

As at the balance sheet date of 31 December 2019, the share capital of POLYTEC Holding AG remained unchanged at EUR 22.3 million divided into 22,329,585 bearer shares. The group has no other types of shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange.

On the 31 December 2019 balance sheet date, the Huemer Group was the only investor owning more than 10.0% of share capital. The Huemer Group holds 29.04% (16.00% Huemer Holding GmbH and 13.04% Huemer Invest GmbH) of POLYTEC Holding AG share capital. As compared to the 31 December 2018 balance sheet date, the participation in companies belonging to POLYTEC Holding AG that can be attributed to Friedrich Huemer remained unchanged. Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no stockholders with an interest in excess of 10.0% of share capital. No stockholder disposes over special control rights.

During the 2019 financial year, POLYTEC Holding AG received no voting right communications from stockholders in accordance with § 130 of the 2018 Austrian Stock Exchange Act.

As at 31 December 2019, on the basis of the 22,329,585 issued shares, the shareholder structure of POLYTEC Holding AG remained identical to that on 31 December 2018 and had the following form:



POLYTEC Holding AG was not informed of any further changes in material shareholdings after the balance sheet date.

DIRECTORS' DEALINGS

During the 2019 financial year, POLYTEC Holding AG received no reports regarding directors' dealing transactions pursuant to Article 19 MAR from legal personages undertaking managerial assignments within POLYTEC Holding AG, or persons with whom they have an arm's length relationship (natural or legal). The attention of POLYTEC Holding AG was also not drawn to any directors' dealings after the balance sheet date.

TREASURY SHARES

During the 2019 financial year, the company did not purchase or sell any treasury shares. On the balance sheet date of 31 December 2019, POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which represented a holding of roughly 1.5% of share capital. The stock market value of these shares on the closing date amounted to around EUR 2.9 million (2018: EUR 2.8 million) and their acquisition value to approximately EUR 1.9 million. The authorisation of the Board of Directors to purchase treasury shares, which is based on a resolution passed by the 19th Ordinary Annual General Meeting, remains valid until 9 November 2021.

AUTHORISED CAPITAL

The resolution for the renewed creation of authorised capital (§ 169 Austrian Stock Corporation Act) within a maximum of three years following entry into the company register and thus up to 4 September 2022, for the purpose of an increase in cash or capital in kind up to a nominal amount of EUR 6,698,875.00 with the possibility of the exclusion of subscription rights if share capital be raised by a contribution in kind from companies, operations, part operations or participations in one or several domestic or foreign companies, was approved together with the corresponding amendment to the Articles of Association by the 19th Ordinary Annual General Meeting on 10 May 2019 with the required majority.

OTHER INFORMATION

No indemnification agreements exist between the company and the members of the Board of Directors in the eventuality of a change in control. Equally, there are no indemnification agreements for the Supervisory Board members and employees or any other major agreements, which would be affected by a change in control or a public takeover bid. There are no provisions in the Articles of Association that go beyond the statutory provisions for the appointment of members of the Board of Directors and the Supervisory Board, or are intended for amending the Articles of Association. The POLYTEC HOLDING AG website is entered in the company register under: www.polytec-group.com

8. NON-FINANCIAL DECLARATION PURSUANT TO § 267A AUSTRIAN COMMERCIAL CODE

Non-financial declaration pursuant to § 267a of the Austrian Commercial Code and reporting with regard to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG).

BUSINESS MODEL

Founded in 1986, the POLYTEC GROUP is a leading developer and manufacturer of high-quality plastic components and has some 4,300 employees on four continents. For more than 30 years, the Austria-based company has been offering its customers experience and know-how, not only as a complete supplier in the injection moulding field, but also a specialist for fibre-reinforced plastics, a producer of original accessories made from plastic and special steel, and a leading developer of individualised industrial solutions in polyurethane, as well as the machinery and plant needed for this purpose.

POLYTEC numbers globally renowned marques from the car and commercial vehicle industry among its customers and is also increasingly supplying markets outside this sector. In both cases, the most important criteria for success consist of innovative technologies, resource-protective processing methods, perfect quality and absolute punctuality of delivery in combination with competitive prices. In both the automotive and non-automotive fields, POLYTEC provides outstanding value-added depth in every segment. This entails design and project development, as well as the production of tooling and semis for fibre composites, component simulation and examination, as well as virtually all the available plastics processing technologies. Furthermore, POLYTEC convinces through excellent performance with regard to downstream processes such as painting, assembly and just-in-time or just-in-sequence delivery.

MATERIALITY

POLYTEC GROUP stakeholders are personages or groups, who have a justifiable interest in the development of the enterprise. The prompt recognition of their interests and expectations leads to important findings in connection with opportunities and risks.

This information plays a significant role in the actions of the POLYTEC management and the following external and internal stakeholders have been identified as being of relevance to group activities:

CUSTOMERS

- OEMs
- Industrial manufacturers

EMPLOYEES

- Members of the Board of Directors and executive managers
- Blue- and white-collar employees (including leasing personnel)
- Employee representatives
- Recruitment market applicants

SUPPLIERS

- Suppliers of raw materials, materials, energy, etc.
- Subcontractors, suppliers for production (e.g. tooling)
- Plant and machinery manufacturers, building outfitters
- Services suppliers and consultants (maintenance, IT, legal matters, further education bodies)

PUBLIC SECTOR

- Legislators on a European Union, Republic of Austria, federal province and district level
- Agencies and authorities (especially for anti-trust and competition law, commerce, labour inspection, finance and taxation, financial market supervision)

CAPITAL MARKET

- Investors – the founding family Huemer
- Investors – institutional and private
- Debt capital markets
- Stock exchanges, banks and insurance companies, auditors, credit protection associations
- Analysts, proxy advisors, rating agencies
- Financial market media

OTHER STAKEHOLDERS

- Members of the Supervisory Board
- Media (specialist and social)
- NGOs (environmental, social), consumer protection
- Politicians, branch associations, trades unions, other interest group representatives
- Competitors and other market participants
- Universities, research bodies, schools
- Neighbours

IDENTIFIED MATERIAL ISSUES

A list of pertinent issues was drawn up on the basis of the POLYTEC GROUP's corporate strategy (relevance from a company perspective) taking into consideration the interests and expectations of internal and external stakeholders identified from ongoing communications. This list was then supplemented with the topics pinpointed by means of a benchmark analysis of selected competitors, customers and suppliers with the result that the following issues were defined and prioritised according to their materiality:

- Long-term business success and value increase
- Enhanced cost efficiency and value-added generation
- A consistent dividend policy
- Customer advantages and satisfaction
- Production of top-quality, innovative plastic products
- Compliance
- Work safety and occupational health protection
- Employee advancement
- Optimisation and digitalisation of company processes
- Efficient energy use
- Resource conservation through the efficient use of raw and other materials
- Waste avoidance and reduction

Information regarding these topics is contained in this and other sections of the management report. Issues not dealt with are currently the object of concept preparation.

RISK REPORTING

Within the scope of its business activities, the POLYTEC GROUP is subject to a variety of risks, which relate directly to corporate transactions. Risk management is an integral part of group strategy and all business processes. The comprehensive certifications required by an automotive industry supplier (e.g. TS ISO/16949:2016) already specify appropriate regulations, the observance of which is also monitored via external audits. In line with the organisational structure of the POLYTEC GROUP, risks are managed and monitored decentrally and close to the market, particularly in the course of ongoing business processes. However, group headquarters largely provides financial risk management.

The following major risk areas can be identified:

Specific company risks. This risk group includes general sales market, volume, sourcing market, investment and production risks.

Cyber crime. Like many other enterprises, the POLYTEC GROUP is also subject to the increasing threat of cyber crime attacks, but to date all such intrusions have been repulsed successfully. Nonetheless, the criminal professionalism in this regard has come to represent a serious threat to operative business. Therefore, both technical and economic protection mechanisms have been examined with risk minimisation in view. In addition, the POLYTEC GROUP's internal controls are being continually tightened and employee sensibility with regard to this topic is heightened and evaluated at regular intervals.

In order to allocate even greater significance to the topic of information security and promptly identify and counteract potential risks, the post of a Chief Information Security Office (CISO) has been created as a central contact point for questions regarding data confidentiality, availability and protection. Among the main assignments of the CISO are the safeguarding of POLYTEC against the potential damage caused by the misuse or unauthorised publication of information and the reduction of such risks to a minimum.

Financial risks. These include loan, liquidity, currency and interest rate change risk.

With respect to detailed risk reporting, in order to avoid redundant text, we would refer you to the information contained in section G. 2 of the group notes.

THE POLYTEC GROUP MISSION STATEMENT

In 2015, the group's targets, culture and self-perception were combined in the formulation of a new corporate mission statement, which defines the main areas of activity of a management programme for the individual business units on the basis of three strategic cornerstones. POLYTEC GROUP employees participate either directly or indirectly in the concretisation of the actions to be taken within the framework of this management programme and are thus able to make individual contributions to the realisation of the group's vision.

The new mission statement, which literally describes POLYTEC's "DNA" word for word, has been in force since the beginning of 2016. It provides the entire workforce with a point of reference and serves as a binding guideline for conduct with respect to many major issues, ranging from quality and environmental targets to activities, decisions and strategies. In particular, with its mission statement POLYTEC undertakes to constantly adhere to legal statutes, maintain an open dialogue with its customers, suppliers, authorities and the general public, and conserve natural resources. These basic principles are intended to guide the POLYTEC GROUP towards a successful future.

OUR VISION

We are European industry's first point of address and preferred supplier with regard to trendsetting plastics solutions of the highest technological standard. Our primary focus is on the automotive sector.

OUR MISSION

POLYTEC's highly motivated team creates sustained value for both our group and its customers. Using a high degree of system knowledge, we develop carefully conceived solutions along the entire value-added chain from the initial idea to just-in-sequence delivery and thus regularly surpass customer expectations. We meet individual requirements in optimum fashion through the use of numerous plastics technologies that match the respective application to perfection. Moreover, we attain a competitive price level and the lasting esteem of our customers by means of an efficient cost structure, coordinated procedures and best-in-class production and service processes.

As an international player, we combine uncompromising financial transparency with a strong sense of responsibility towards our entire business environment.

OUR VALUES

Passion …

Our desire to achieve ideal solutions inculcates every working phase.

… creates …

- We owe our problem-solving skills to people. Therefore, we ensure that we always have the right persons in the right places and support and challenge them accordingly.
- We are open-minded and cultivate the exchange of ideas. In this way we use the synergies within the POLYTEC GROUP to the full and thereby create top technologies and products with an optimum price-performance ratio.
- We accept responsibility and act only in accordance with ethical principles. This is because we also feel bound by conscience to the agreements made with our customers and partners.

… innovation

We serve our customers as a competent development partner. We act with esprit, reliability and purpose.

CODE OF CONDUCT

In our Code of Conduct we describe our mission statement, the values that we share and how we wish to work together. The code provides us with a clear goal for the employment of ethical norms such as integrity, openness, honesty and law-abidance. Adherence to all the mandatory regulations and internal rules that apply to POLYTEC Holding AG and its subsidiaries forms the basis of the cooperation of our employees with shareholders, owners, authorities, the public, customers, suppliers, service providers, colleagues, competitors and other stakeholders.

The Code of Conduct provides the foundation for the morally, ethically and legally correct conduct of all POLYTEC GROUP employees and business partners, and is therefore a significant part of our company culture.

Code of Conduct regulations

Behaviour in the business environment: adherence to the law, free and fair competition, the relationships to customers, competitors and suppliers, the avoidance of conflicts of interest and prevention of money laundering.

Behaviour towards colleagues and fellow-employees: equal treatment and non-discrimination, observance of human and employee rights, as well as health and safety.

Behaviour in society: sustainable environmental and climate protection, and public image.

Handling of information: reporting, confidential company information, the treatment of insider information and information of capital market relevance, as well as data protection and information security.

All POLYTEC GROUP employees are expected to examine their conduct in the light of the directives established in this Code of Conduct and ensure adherence. Infringements and evidence can be reported via a specially created channel. Access to such information is accessible only to the responsible employees and all reports are carefully examined and handled with complete confidentiality.

With regard to detailed information concerning the Code of Conduct, we would refer you to a document on the POLYTEC GROUP website, www.polytec-group.com, which is ready for downloading.

COMPLIANCE – COMBATTING CORRUPTION

For POLYTEC, legal conduct and high ethical standards represent a matter of course and for the group compliance means far more than the implementation of current rules and regulations. Instead, it is a matter of corporate culture. Therefore, in addition to capital market compliance content, regular coaching takes place within the group with regard to anti-corruption and anti-trust laws. Employees are thus made aware of issues of relevance to both competition and anti-trust legislation, and the correct handling of gifts and invitations. The aim is to protect both POLYTEC and its employees against infringements of the law and to provide practical support during the application of relevant regulations.

In addition to the available training measures, POLYTEC is currently updating its anti-corruption directive, which deals explicitly with the issues of corruption, conflicts of interest, bribery and the acceptance of gifts, as well as the expectations relating to all POLYTEC GROUP personnel and the consequences of misconduct. Consequently, the topic of anti-corruption measures has been allocated even greater significance and employees are subject to a binding obligation to act lawfully.

No breaches of compliance were determined during the period under report.

ENVIRONMENTAL PROTECTION

As an automotive industry supplier, the POLYTEC GROUP provides key solutions for the optimisation of new vehicle generations. Moreover, owing to its innovative capacity and flexibility, in the course of its more than 30-year existence POLYTEC has established an excellent reputation in the automotive sector. By means of comprehensive research and development work, POLYTEC makes a significant contribution to the ongoing improvement of the products of its customers, which ultimately has a positive effect upon the environment. For example, the dead weight of vehicles is lightened through material substitution and in the case of some components, as compared to steel, weight savings of up to 60% are possible. This lowers fuel consumption and hence CO_2 emissions.

Systematic ecological impact analyses represent a permanent feature of POLYTEC's product development processes and are carried out by the group's specialists in close coordination with its customers. In combination with perfect quality and absolute punctuality of delivery, optimisation successes in areas such as weight reduction, material substitution and savings, noise abatement, etc. constitute POLYTEC's main strengths and are greatly valued by its clientele.

However, POLYTEC does more than constantly upgrade the products and services supplied to its customers, as on the basis of a coordinated environmental, quality and lean management system, all internal production processes are analysed regularly with the aim of cutting in-house material and energy consumption. Plastics processing demands large quantities of resources and thus the careful use of production materials constitutes both an ecological and an economic necessity. In-group production phases are therefore continually improved with the same objectives in view and consequently process water and various cleaning solutions are virtually always utilised in closed cycles. As far as the use of paints is concerned, POLYTEC fulfils stringent indoor and waste air standards, which serve the protection of employees and the environment to an equal extent.

The majority of the parts, top-quality component modules and multifunctional plastics systems designed by POLYTEC are manufactured in accordance with certificated development and production processes. Accordingly, all of the POLYTEC business units involved in production for the automotive industry are certified according to the IATF 16949 quality management standard. In addition, the vast majority of group locations possess internationally recognised environmental and quality management norms such as ISO 14001 and ISO 50001, and furthermore must also meet numerous special customer standards. Facts that confirm clearly the long-term commitment and successes that POLYTEC can point to in the environmental protection field.

Within the scope of the POLYTEC GROUP's digitalisation offensive, the Hörsching location is currently implementing software for the improved control of specific customer requirements in connection with IATF 16949. Following a successful test phase, the software, which enables special customer demands to be met through the systematic allocation of processes and responsible personnel, will be made available to all other POLYTEC GROUP locations. The actuality of the data is ensured by the regular questioning of customer portals and a related check on any changes in client needs. These can then be passed on to POLYTEC suppliers in order that comprehensive adherence is secured along the entire delivery chain. The implementation of the software will thus create a valid group-wide standard and universal process.

STRATEGIC OBJECTIVES

Environmental and climate protection forms a key element in POLYTEC's business processes. This fact is underlined by the strategic environmental objectives that the group has been pursuing since 2015. These consist of a scaling down of raw material consumption, enhanced energy efficiency and intensified recycling. Over the years, POLYTEC has launched pilot projects relating to each of these focal points in individual group plants and following successful testing these have then been implemented successively at other locations.

In 2019, POLYTEC began the modification and fine-tuning of its environmental goals with the aim of anchoring the sustainability concept still more firmly within the group. The intention is that the resultant measures be implemented during the coming years as part of the organisation's environment and energy management. In the course of this adaptation process, the main items in POLYTEC's environmental strategy have been adjusted accordingly:

1. Resource conservation. In future, the previously defined strategic targets of reducing raw material consumption and intensifying recycling will be combined in the "resource conservation" focal point. The objective is to place a greater emphasis upon a holistic approach with the aim of ensuring that the protective use of all raw materials and intensified recycling are considered along the entire production process, in order to secure the conservation and optimum employment of the resources available. This involves the consumption of both natural resources such as water and the savings emanating from the lightweight design or functional integration of our components. In addition, raw material consumption is cut back further by means of the increased use of regranulate, modern dosing systems and the modified chemical composition of materials.

In spite of the economical handling of raw materials, the creation of waste cannot be prevented entirely. Therefore, the best possible separation of unavoidable waste is all the more important, as is its transfer to useful recycling whenever this is feasible. POLYTEC supports its personnel during correct waste classification by means of a uniform colour coding system. This not only reduces residual waste, but also the cost of its disposal.

2. Enhanced energy efficiency. A particularly important resource and thus cost factor for the POLYTEC GROUP is formed by energy. Therefore, the pursuit of maximum energy efficiency is not only worthwhile from an ecological perspective, but also an economic standpoint. In recent years, differing projects have resulted in the optimisation of important energy consumers across various locations and hence the achievement of sizeable savings. These are exemplified by the transition from heating oil to natural gas-fired systems with markedly higher efficiency levels, building insulation, the use of efficient compressed air compressors and similar other measures. Using energy management systems, individual production phases are examined with regard to their energy efficiency and if necessary, improvement measures are extrapolated from the findings. Heat recovery projects have already been concluded successfully and further schemes for a comprehensive switch to LED lighting technology have been partially completed.

3. Reduced environmental emissions. In order to place a more intensive spotlight upon the concept of sustainability, POLYTEC has adopted the reduction of environmental emissions as a strategic goal. Environmental protection now plays a central role within production in order to achieve the continual reduction of harmful emissions. Accordingly, from 2020 onwards the volumes of CO_2 (Scope 1 and Scope 2) emitted by the POLYTEC GROUP will be the object of increased logging and evaluation. The statistics thus gathered should subsequently lead to emission reduction measures, the results of which will then be measured. In addition, the group is also expanding its current programmes for waste prevention and a reduction in substances that constitute both a health and environmental hazard.

POLYTEC is well aware of its responsibilities as an industrial enterprise and via the aforementioned measures continually and systematically initiates further steps aimed at making its production processes more sustainable and resource protective.

SELECTED ENVIRONMENTAL PROTECTION MEASURES

Base load optimisation

During 2019, POLYTEC implemented projects for a reduction in electricity consumption outside working hours at its locations in Lohne and Wolmirstedt. Using the systematic evaluation of the consumption data from energy monitoring, it was possible to identify such energy waste and extrapolate measures for its reduction. On the one hand, these included the raising of employee awareness levels through encouragement to actively switch off power consumers after work and at weekends. On the other, POLYTEC implemented technical steps such as the exchange of defect batteries, which enable plant to be shut down without data losses. With the aid of these initiatives, the long-term success of which is guaranteed by ongoing checks, alone at the Lohne location the base load was cut by 250,000 kWh per year.

An energy monitoring system was also installed at the Idstein location in 2019. This has helped to establish the energy consumption at important measurement points, thereby facilitating the subsequent determination and implementation of energy savings potential.

The methodical expansion of energy monitoring at other plants and hence the resultant reduction in base load consumption will continue to be one of the central goals of POLYTEC GROUP sustainability management in 2020.

Switch to LED technology

In order to provide more efficient illumination, POLYTEC already defined uniform planning requirements for the employment of low-energy LED lighting in 2017 and one of these measures was also formed by a long-term partnership with an LED technology supplier. This holistic planning not only simplified the group-wide changeover to economic lighting, but also enhanced cost efficiency. For example in 2018 and 2019, the lighting in the production and logistics halls and the outdoor area at the Wolmirstedt location was replaced entirely by LEDs. As compared to conventional lighting, this step resulted in a reduction in electricity consumption of some 220,000 kWh per year.

Electricity consumption for compressed air production

The generation of the compressed air required by POLYTEC for its machinery and production plant is extremely energy intensive. Therefore, considerable savings potential is available and in 2019 numerous, comprehensive measures for a cut in consumption were implemented. These included the substitution of older compressors and the installation of superordinated, intelligent network controls for ideal compressor regulation. In addition, systematic analyses of the compressed air networks, the integration of additional compressed air reservoirs, the restructuring of line networks and the optimisation of consumers led to a lowering of system pressure. In total, POLYTEC partly slashed energy consumption at its Lohne, Gochsheim and Ebensee plants by around 25%. Depending on the location, this corresponds with a reduction in annual electricity consumption of between 60,000 kWh and 125,000 kWh.

Testing of a new hydraulic oil

Process optimisation is not the only source of energy savings, as these can also derive from working material improvements. In 2019, POLYTEC tested a new type of hydraulic oil for injection moulding machines, which has a lower viscosity level. Related measurements showed energy savings of 4% and even after lengthy, intensive testing no disadvantages with regard to oil service life or hydraulic component wear were determined. During 2020, the oil will be subjected to further exhaustive testing at another location and following a concluding positive assessment, will be utilised in numerous POLYTEC GROUP machines and plants, which should lead to significant energy savings.

One important target of POLYTEC's sustainability measures is to uncouple energy consumption from economic growth. In the long term, ways are to be found that facilitate sizeable cuts in energy requirements despite production output that remains stable or rises. POLYTEC thus intends to ensure conformity with the increasing demands for environmental and resource protection by means of new concepts for more effective energy use.

ENERGY AND ENVIRONMENTAL TARGETS

A list of the selected inter-plant targets in the energy and environmental field in the period up to 2020:

Target definition	Dimension	Basis	Key indicator
Increased electricity/raw material consumption efficiency	Yearly by 1%	Ratio of electricity consumption to the raw materials employed	kWh/kg
Adherence to the energy efficiency standards for Level D buildings	110 kWh/m² per year	Ratio of climate-adjusted heating gas consumption to heated areas	kWh/m² per year
Optimisation of the energy data logging system for main consumers	Number of consumers	Registered main consumers/main consumers	%
Reduction of environmental impact through a cut in total waste amounts	Yearly by 1%	Total volume of waste per year in tonnes in ratio to the tonnage of raw material used in kg	t/kg
Reduction in the volume of materials employed that represent an environmental or health hazard	Yearly by 10%	Quantity of materials used constituting an environmental or health hazard	%
Reduction of environmental impact through a search for environment- and health-friendlier materials	Yearly by 10%	Number of materials constituting an environmental or health hazard	Number

KEY INDICATORS

The key indicators shown include the plants of all fully consolidated companies.

Energy use

in MWh	2019	2018	2017
Electricity	134,915	133,337	140,139
Natural gas/oil	97,948	104,842	108,072
Heating	2,708	1,708	1,701
Other	2,811	1,083	3,068
POLYTEC GROUP	**238,382**	**240,970**	**252,980**

As opposed to 2018, during the 2019 financial year, energy consumption throughout the group fell by around 1.1%, or 2,588 MWh, to 238,382 MWh. In relation to sale revenues, the ratio rose slightly by approximately 0.1 percentage point to 38%.

Material use

in tonnes	2019	2018	2017
PP – polypropylene	25,851	23,414	28,893
PA – polyamide	8,892	9,929	10,678
ABS – acrylonitrile butadiene styrene	1,763	2,848	4,038
PUR – polyurethane	4,613	1,995	1,607
Glass fibres	7,498	8,384	8,457
Resins	4,462	4,959	4,913
Paints	1,493	1,004	1,003
Others	25,136	28,268	26,794
POLYTEC GROUP	**79,708**	**80,801**	**86,383**

As compared to 2018, materials consumption across the group in the 2019 financial year was down by around 1.4%, or 1,093 t, at 79,708 t. In relation to sale revenues the ratio remained unchanged over the value of the preceding year and thus amounted to 12.7%.

Waste volumes

in tonnes	2019	2018	2017
Non-hazardous waste	7,298	7,655	7,523
Hazardous waste	1,480	1,636	2,308
POLYTEC GROUP	**8,778**	**9,291**	**9,831**

During the 2019 financial year, the volume of hazardous and non-hazardous waste in the POLYTEC GROUP was cut by 5.5%, or 513 t, over the previous year to 8,778 t. In relation to sales revenues, the ratio fell marginally by 0.1 percentage point to 1.4%.

POLYTEC PERFORMANCE SYSTEM

The POLYTEC Performance System (PPS) is employed to improve the group's internal production and administrative processes. Concrete PPS measures consist of the thorough analysis and precise identification of optimisation potential and the reduction or elimination of waste and inefficiencies. PPS is part of the POLYTEC GROUP's comprehensive lean management programme, which has the objective of streamlining everyday working and achieving a long-term increase in productivity.

In 2019, PPS focused on the following:

1. The roll-out of shop floor managements (SFM). POLYTEC's standardised shop floor management is intended to analyse process performance and identify anomalies and upgrading potential on the basis of specific indicators from standardised processes and sequences in production, logistics and maintenance. This allows measures aimed directly at raising efficiency to be initiated immediately and directly on the spot. In addition, within the SFM framework, employees are encouraged to implement process improvements consequently and on their own initiative.

SFM has a three-part structure and incorporates the shop floor handover upon shift changes and the daily tour of all relevant areas during both of which deviations in process performance are analysed. The third structural element consists of a plant cockpit in which the key figures from the previous day and trend patterns are viewed and resultant measures extrapolated. SFM was developed and tested at the Putte and Rastatt locations and will be rolled out at other plants during 2020.

2. Group standards for set-up time optimisation. In the course of a project, which was launched at the Ebensee, Gochsheim and Lohne locations during 2019, POLYTEC has defined group-wide standards for a reduction in set-up times. Initially, in line with the prepared standards, sub-processes data was collated and analysed in detail and on this basis an understanding of the process was developed. Improvement potential was subsequently pinpointed through measures such as the elimination of superfluous work steps, the simplification of workflow paths and the identification of work phases, which can be completed while the plant is in operation. Finally, together with the affected personnel, the most efficient and waste-free possible target process is developed, the effectiveness of which is subject to ongoing surveillance. The project led to a shortening of the set-up times in Ebensee by roughly 22%, in Lohne by around 21% and in Gochsheim by approximately 40%. Moreover, in the case of some individual machines, the reduction was as large as 67%.

3. Systematic improvement of maintenance activities. In 2019, a further project was launched at the Hörsching, Wolmirstedt and Roosendaal locations. This was targeted on the systematic upgrading of maintenance activities through the avoidance or reduction of plant standstills by means of autonomous servicing. The employees that operate the equipment are trained to carry out certain cleaning and maintenance activities, including lubricant checks and filter changes. This is intended to increase the availability of machinery, as well as relieving maintenance. In addition, machine downtimes are cut back through preventive measures and servicing. In Hörsching the project resulted in a roughly 37% reduction in material waste from one machine, while the downtimes of a prioritised machine in Wolmirstedt were lowered by almost 50%. In Roosendaal, the technical availability of the entire machine park was raised by 6 percentage points to 94%.

PPS ROAD MAP

The PPS road map is an important instrument for the guidance of the POLYTEC GROUP's lean initiatives. It facilitates far-reaching insights into PPS activities at the group's current twelve main plants and documents their progress. The road map is intended to assist the transfer of solutions that have resulted in success at individual locations to the group as a whole and thus engender a full-coverage effect. However, the PPS road map is not to be understood merely as a reporting instrument for the Board of Directors, as it also supports plant managers during the realisation of internal projects and the assessment of their success. In 2019, 218 A3 reports, 388 PPS projects and 1,327 minor projects were completed at the twelve main plants and as a result of this high degree of performance and commitment, the POLYTEC GROUP achieved savings of EUR 10.2 million.

LEAN MANAGEMENT ACADEMY

Logically, only trained personnel are capable of successfully implementing the aforementioned measures. Therefore, the objective of the Lean Management Academy is to coach employees with regard to PPS methodology and principles. At present, POLYTEC has a variety of teaching modules in differing languages at its disposal, which are designed for both managers and the personnel manning plant and machinery. In 2019, 160 managers took part in twelve Lean Management Academy courses and in addition more than 500 employees have received coaching in PPS methods and content.

EMPLOYEES

Owing to the internationality of the POLYTEC GROUP, diversity, respect, equality of opportunity and the integration of employees from differing cultures represent integral elements within corporate culture. Any form of personal discrimination whether due to origin, gender, skin colour, age, religion, sexual orientation or handicap is strictly rejected. During recruitment for vacant positions, a focus is placed on performance orientation, knowledge, skills, equal opportunity and treatment. Candidates are selected primarily on the basis of the best passible qualifications and experience they can contribute to the POLYTEC GROUP as new team members.

The POLYTEC GROUP continually upgrades its personnel processes and brings them into line with current demands, changes and trends. This progress incorporates every area of modern personnel management from employer branding and recruiting, personnel and manager development, to working conditions such as work time models, health and a great deal more.

The external image of the POLYTEC GROUP was redesigned during the 2019 financial year. Under the motto, "More than right at POLYTEC – PASSION FOR PEOPLE" the employer branding and the career pages on the company website have been completely renewed.

Apart from the existing social media channels (XING, LinkedIn and Facebook), Instagram was added in 2019. The aim is to provide interested persons with a regular supply of current information, photos and videos and thus provide a comprehensive and attractive impression of the working world and career possibilities at POLYTEC.

In addition to digital communication, POLYTEC cultivates direct, personal contact with potential job applicants. For this purpose, in 2019 the group attended a total of 27 career fairs in Germany, Austria, the Netherlands and the UK, at which it showed possible career paths and job profiles at POLYTEC. These career fairs took place at universities, colleges of applied sciences, secondary schools and public event venues. Visitors were able to put their questions directly to POLYTEC specialists and managers and thus receive an intuitive insight into the group. As a result of such successful personnel marketing, during 2019 almost 5,000 persons applied for employment at POLYTEC and the ongoing efforts and activities aimed at furnishing interested parties and job applicants with comprehensive information and services were honoured with the award of the "Golden Quality Seal" in the automotive/vehicle category of the 2019 BEST RECRUITERS study. Overall, POLYTEC occupied the 17th place among over 500 tested companies.

Various POLYTEC locations offer opportunities for dual studies and trainee programmes, in order to awaken enthusiasm amongst talented youngsters for the group. The advantage of dual studies lies in the combination of regular professional practice and a university or vocational college education, which enables students to immediately implement teaching content in everyday circumstances. In line with its requirements, POLYTEC also offers trainee programmes in a variety of specialist areas. Over a period of one or two years, newcomers can pass through various stations within the group, acquaint themselves with internal procedures and thus acquire valuable experience.

Moreover, at its locations in Austria and Germany POLYTEC provides chances to learn one of 22 differing technical or commercial professions. POLYTEC also supplements this offer with the support of professional and personal development through further specialist training, team building events, joint workshops and excursions. Qualified trainers are on hand to lend the young adults advice and active assistance. In 2019, the Upper Austrian Chamber of Commerce recognised the quality of POLYTEC training with the INEO award.

POLYTEC supports the ongoing further training and personal development of its personnel, as ideally qualified and motivated employees play a decisive role in group success. During annual appraisal meetings, line managers and employees jointly agree basic and further training measures, which go beyond the statutory qualification requirements. In line with needs, corresponding offers and initiatives are provided at POLYTEC's locations. These group-wide measures are supplemented by programmes such as the P3 POLYPERSPECTIVE PROGRAMMES, the POLYTEC Leadership Academy and the Lean Management Academy.

At the POLYTEC Leadership Academy (PLA), executives receive coaching on the topic of (employee) leadership on the basis of group-wide managerial principles. In 2019, 44 participants from seven locations (2018: 29) successfully completed this qualification programme and since 2015 some 190 managers have passed through the PLA. The focal points of the programme are repeatedly updated and adjusted to new requirements. In addition to the dissemination of managerial skills, the PLA creates a platform for networking within the POLYTEC GROUP and an extensive exchange of experience. Coaching measures also continue after the official end of Academy training, in order to ensure that attendees are able to continually develop further and also receive support with regard to complex issues.

The P3 POLYPERSPECTIVE PROGRAMME (P3) commenced in 2019 and in cooperation with LIMAK, Austria's longest standing business school, the group offers tailor-made general management training. P3 is directed towards employees who are willing to accept a challenge, are seeking managerial responsibility and wish to develop further in a targeted manner. First-class experts from the worlds of science and business act as trainers and coaches and on the basis of concrete questions, the course attendees are able to employ the P3 teaching content during company projects. The goal is a multifaceted business training, which in the long term will enable the participants to successfully assume top managerial positions within POLYTEC.

As previously mentioned, the definition of professional development measures is established during appraisal meetings, which constitute an essential element in POLYTEC's management activities. In the course of these conversations, which take place at least once a year between January and March, line managers and employees review their joint cooperation during the past year and discuss the focal points and targets for work in the current year. Suggestions for improvements, problem solving and prevention are also major topics of this meeting, which for white-collar workers is obligatory. In recent years, the number of completed appraisal discussions has risen steadily across the group. If in 2016 the completion rate stood at around 60%, in 2017 it had increased to roughly 84%. The 2018 figure (88%) was also repeated during the past financial year.

WORK SAFETY TARGETS

A list of the selected inter-plant occupational safety targets in the period up to 2020:

Target definition	Dimension	Basis	Key indicator
Reduction in the frequency and severity of work accidents subject to mandatory reporting	Yearly by 5%	Number of work days lost due to working accidents in hours	Number
Reduction in the amounts of hazardous materials (toxic or CMR substances)	Yearly by 10%	Number of toxic and CMR substances	Number
Increase in the number of ergonomically designed work stations	Yearly by 10%	Number of ergonomically optimised work stations in ratio to the total number of workplaces	%

KEY EMPLOYEE INDICATORS

Employees excluding leasing personnel	Unit	2019	2018	2017
Key indicators by geography (as at 31.12.)				
Austria	FTE	521	509	486
Germany	FTE	2,092	1,943	1,966
Other EU countries	FTE	1,309	1,321	1,392
Other countries	FTE	177	192	202
POLYTEC GROUP	**FTE**	**4,099**	**3,965**	**4,046**
Key indicators by gender (as at 31.12.)				
Men	%	78.8	78.7	79.6
Women	%	21.2	21.3	20.4
Key indicators by age (as at 31.12.)				
<30 years	%	15.7	15.5	16.5
30–50 years	%	49.2	48.7	49.9
>50 years	%	35.1	35.8	33.6
Fluctuation rate (annual average)	%	17. 0	15.0	13.5
Work safety key indicators (yearly values)				
Notifiable work accidents	Number	100	112	135
Average accident-related sick leave	Days	19.2	14.6	15.4
Fatal work accidents	Number	1	0	0

The key indicators shown in the table relate to full-time employees and exclude leasing personnel. If the latter are included, on the 2019 balance sheet date the POLYTEC GROUP had a total workforce of 4,384. This represented a slight increase of 1.6%, or 69 persons (FTE – full-time equivalent) over the preceding year.

The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily technically oriented. As at 31 December 2019, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.2%, which was virtually identical with the figure for the previous year (21.3%). As far as the age group structure is concerned, roughly half of the group workforce is in the 30 to 50 years category.

The group fluctuation rate is calculated by dividing the number of leavers (terminations of employment by employees and employer, arrangements by mutual consent, as well as the expiry of short-term employment contracts) by the average total POLYTEC GROUP workforce multiplied by 100. The fluctuation rate in 2019 amounted to around 17.0% (2018: 15.0%).

In 2019, the number of work accidents subject to mandatory reporting was lower than in the preceding year, whereby the average length of accident-related sick leave rose from 14.6 to 19.2 days. To our deep regret, 2019 also saw a fatal occupational accident.

In order to prevent accidents at work, POLYTEC's focus with regard to the topics of health, safety & environment (HSE) is on raising awareness levels and requirements relating to personal protection equipment. Accordingly, reports on safety matters are televised repeatedly via the POLYTEC Information TV monitors and regular training also takes place. Numerous technical improvements such as better waste air extractors for the protection of the airways, improved working area lighting to ease the burden on the eyes and many other measures have all raised the general level of safety in the workplace throughout the group. The overall increase in production process automation has also reduced the dangers that can occur during manual work and therefore also prevents work accidents.

Hörsching, 5 March 2020

The POLYTEC Holding AG Board of Directors

Markus Huemer,
Chairman – CEO

Peter Haidenek, m. p.
Member of the Board – CFO

Heiko Gabbert
Member of the Board – COO

Peter Bernscher
Member of the Board – CSO

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE 2019 FINANCIAL YEAR

with comparative figures from the previous year

in EUR k	Note	2019	2018
Net sales revenues	E. 1	627,081	636,397
Other operating income	E. 2	11,862	7,308
Changes in inventory of finished and unfinished goods		1,739	1,786
Other own work capitalised		884	2,983
Expenses for materials and services received	E. 3	-298,188	-301,666
Personnel expenses	E. 4	-216,386	-217,787
Other operating expenses	E. 5	-58,592	-61,953
Earnings before interest, taxes and depreciation (EBITDA)		**68,399**	**67,067**
Depreciation		-35,752	-26,993
Earnings before interest and taxes = operating result (EBIT)		**32,648**	**40,073**
Interest result		-4,010	-3,388
Other financial income		209	117
Financial result	E. 6	**-3,801**	**-3,272**
Earnings before tax		**28,847**	**36,801**
Taxes on income	E. 7	-5,772	-6,784
Earnings after tax		**23,075**	**30,017**
thereof result of non-controlling interests		683	897
thereof result of the parent company		**22,391**	**29,120**
Earnings per share in EUR	E. 19	1.02	1.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2019 FINANCIAL YEAR

with comparative figures from the previous year

1.1.–31.12.2019

in EUR k	Note	Group	Non-controlling interests	Total
Earnings after tax		**22,391**	**683**	**23,075**
Items that will not be reclassified (recycled) in future periods in the income statement				
Remeasurement of defined benefit obligation, net of tax		-2,836	20	-2,816
thereof related, deferred income taxes		948	-5	943
	E. 21	**-1,888**	**15**	**-1,873**
Items that will be reclassified (recycled) in future periods in the income statement				
Currency translations		2,199	0	2,199
		2,199	**0**	**2,199**
Other result after tax		**311**	**15**	**326**
Total result		**22,702**	**698**	**23,400**

1.1.–31.12.2018

in EUR k	Note	Group	Non-controlling interests	Total
Earnings after tax		**29,120**	**897**	**30,017**
Items that will not be reclassified (recycled) in future periods in the income statement				
Remeasurement of defined benefit obligation, net of tax		352	0	352
thereof related, deferred income taxes		-85	0	-85
	E. 21	**267**	**0**	**267**
Items that will be reclassified (recycled) in future periods in the income statement				
Currency translations		-1,496	0	-1,496
		-1,496	**0**	**-1,496**
Other result after tax		**-1,229**	**0**	**-1,229**
Total result		**27,891**	**897**	**28,788**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019
with comparative figures from the previous year

ASSETS

in EUR k		Note	31.12.2019	31.12.2018
A. Non-current assets				
I.	Intangible assets	E. 8	4,776	5,303
II.	Goodwill	E. 8	19,180	19,180
III.	Tangible assets	E. 9	276,789	245,062
IV.	Other non-current assets		126	126
V.	Deferred tax assets	E. 10	7,245	8,225
			308,117	**277,895**
B. Current assets				
I.	Inventories	E. 11	40,875	41,632
II.	Trade accounts receivable	E. 12	53,413	54,036
III.	Revenues from contracts with customers	E. 13	104,774	86,491
IV.	Other current receivables	E. 14	31,399	23,367
V.	Income tax receivables		1,433	644
VI.	Cash and cash equivalents	E. 15	55,609	73,572
			287,504	**279,741**
VII.	Assets held for sale	E. 17	9,980	0
			297,484	**279,741**
			605,601	**557,636**

EQUITY AND LIABILITIES

in EUR k		Note	31.12.2019	31.12.2018
A. Shareholders' equity				
I.	Share capital		22,330	22,330
II.	Capital reserves		37,563	37,563
III.	Treasury stock		-1,855	-1,855
IV.	Retained earnings		197,772	184,204
V.	Other reserves		-11,286	-11,599
			244,525	**230,644**
VI.	Non-controlling interests		8,060	7,363
		E. 18	**252,585**	**238,007**
B. Non-current liabilities				
I.	Non-current, interest-bearing liabilities	E. 20	194,145	127,046
II.	Provision for deferred taxes	E. 10	4,275	5,829
III.	Provisions for employees	E. 21	30,616	27,447
IV.	Other long-term provisions	E. 22	1,753	4,430
			230,788	**164,753**
C. Current liabilities				
I.	Current interest-bearing liabilities	E. 23	17,454	48,337
II.	Liabilities on income taxes	E. 24	2,155	1,622
III.	Trade accounts payable	E. 25	52,908	54,306
IV.	Liabilities from contracts with customers	E. 13	2,889	2,382
V.	Other current liabilities	E. 26	29,760	28,597
VI.	Current provisions	E. 27	17,061	19,634
			122,228	**154,877**
			605,601	**557,636**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2019 FINANCIAL YEAR

with comparative figures from the previous year

in EUR k	Note	2019	2018
Earnings before tax		**28,847**	**36,801**
+ Depreciation on fixed assets		35,752	26,993
- Non-cash income from initial consolidation	E. 2/B. 1	-2,140	0
-(+) Interest result	E. 6	3,801	3,389
+(-) Other non-cash expenses and income	F.	337	-800
+(-) Increase (decrease) in non-current provisions for employees		866	102
-(+) Profit (loss) from fixed asset disposals	E. 2	-5,996	-224
-(+) Increase (decrease) in inventories		5,984	-6,731
-(+) Increase (decrease) in trade and other receivables and contractual revenues		-25,042	-5,799
+(-) Increase (decrease) in trade and other payables and contractual liabilities		-3,010	-6,780
+(-) Increase (decrease) in current provisions		-3,791	-8,910
= Consolidated cash flow from current activities		**35,607**	**38,041**
+ Interest received		128	1,342
- Interest paid		-3,815	-2,787
- Taxes paid		-7,506	-5,729
= Consolidated cash flow from operating activities		**24,414**	**30,867**
- Investments in fixed assets	F.	-45,776	-42,449
- Purchase of subsidiaries less acquired cash and cash equivalents	B. 1	-12,910	0
+ Payments from the disposal of intangible and tangible assets	E. 2	10,096	1,013
-(+) Increase (decrease) in interest-bearing receivables		0	2,029
= Consolidated cash flow from investing activities		**-48,590**	**-39,407**
+ Inflows from promissory note loans		28,500	47,000
- Outflows from promissory note loans		-39,500	0
+ Equity financing borrowings		29,950	-612
+ Real estate loan borrowings		5,610	0
- Repayments from real estate loans		-1,535	-4,275
- Repayments from loan financing		-2,900	-5,471
- Outflows from financial leasing agreements		-5,193	-1,549
- Third party dividends		-8,823	-9,898
+(-) Other equity changes		-25	0
= Consolidated cash flow from financing activities	F.	**6,084**	**25,195**
+(-) Consolidated cash flow from operating activities		24,414	30,867
+(-) Consolidated cash flow from investing activities		-48,590	-39,407
+(-) Consolidated cash flow from financing activities		6,084	25,195
= Change in cash and cash equivalents		**-18,091**	**16,654**
+(-) Effect from currency translations		128	19
+ Opening balance of cash and cash equivalents		73,572	56,899
= Closing balance of cash and cash equivalents		**55,609**	**73,572**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2019 FINANCIAL YEAR

with comparative figures from the previous year

in EUR k	Note	Share capital	Capital reserves	Treasury stock
As at 1.1.2019		**22,330**	**37,563**	**-1,855**
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
Comprehensive income		**0**	**0**	**0**
Dividend		0	0	0
As at 31.12.2019	E. 18	**22,330**	**37,563**	**-1,855**

in EUR k	Note	Share capital	Capital reserves	Treasury stock
As at 1.1.2018		**22,330**	**37,563**	**-1,855**
Effect of change in accounting methods: Period-related recognition of revenues from customised products (IFRS 15)		0	0	0
Adjusted amounts as at 1.1.2018		**0**	**0**	**0**
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
Comprehensive income		**0**	**0**	**0**
Dividend		0	0	0
As at 31.12.2018	E. 18	**22,330**	**37,563**	**-1,855**

Retained earnings	Other reserves: Actuarial profit/loss	Other reserves: Reserves from currency translation	Shares of POLYTEC Holding AG stockholders	Non-controlling interests	Total
184,204	**-4,609**	**-6,991**	**230,644**	**7,362**	**238,007**
22,391	0	0	22,391	683	23,075
0	-1,888	2,199	311	15	326
22,391	**-1,888**	**2,199**	**22,702**	**698**	**23,401**
-8,823	0	0	-8,823	0	-8,823
197,772	**-6,496**	**-4,791**	**244,525**	**8,060**	**252,585**

Retained earnings	Other reserves: Actuarial profit/loss	Other reserves: Reserves from currency translation	Shares of POLYTEC Holding AG stockholders	Non-controlling interests	Total
163,359	**-4,876**	**-5,495**	**211,028**	**6,465**	**217,493**
1,623	0	0	1,623	0	1,623
164,982	**-4,876**	**-5,495**	**212,651**	**6,465**	**219,116**
29,120	0	0	29,120	897	30,017
0	267	-1,496	-1,229	0	-1,229
29,120	**267**	**-1,496**	**27,891**	**897**	**28,789**
-9,898	0	0	-9,898	0	-9,898
184,204	**-4,609**	**-6,991**	**230,644**	**7,362**	**238,007**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2019 FINANCIAL YEAR OF POLYTEC HOLDING AG, HÖRSCHING

A. GENERAL INFORMATION

The POLYTEC GROUP is an Austria-based, globally operating corporation with a focus on the automotive and plastics industry. In the automotive industry field, the group acts as a supplier of components and modules used largely in the engine compartment, or on vehicle exteriors in the high-volume market segment, as well as a provider of original accessories and parts for small and medium volume series. Furthermore, the group manufactures various PUR moulded parts for other industries together with the related plant. The POLYTEC Holding AG's company address is: Polytec-Strasse 1, 4063 Hörsching, Austria.

The consolidated financial statements of POLYTEC Holding AG (hereinafter referred to as the "group" or "POLYTEC GROUP") for the 2019 financial year were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations in line with the EU standard practice. They also comply with the additional requirements of § 245a Para. 1 UGB (Austrian Commercial Code).

The consolidated financial statements were audited by KPMG Austria GmbH and released by the Board of Directors for transfer to the Supervisory Board on 5 March 2020. The Supervisory Board has the task of examining and stating its approval of the consolidated financial statements as at 31 December 2019. The Supervisory Board has an opportunity to require the alteration of the consolidated financial statements.

POLYTEC Holding AG headquarters are located in Hörsching, Austria, and the company is listed in the City of Linz Company Register under the number FN 197646 g.

All the standards that were mandatory for the 2019 and 2018 financial years were applied during the preparation of these consolidated financial statements.

The consolidated financial statements are presented in thousands of euros (EUR k). When collating rounded amounts and information given as a percentage, rounding differences may occur due to the use of automatic calculation systems.

The consolidated income statement of the group is prepared in accordance with the total cost accounting method.

Pursuant to § 245a UGB (Austrian Commercial Code), these consolidated financial statements replace the consolidated financial statements, which would otherwise have to be prepared in accordance with § 244 ff UGB.

1. NEW AND AMENDED STANDARDS FROM THE 2019 FINANCIAL YEAR

The following **new and amended standards** and interpretations were applicable for the first time in the 2019 financial year:

Standard	Interpretation	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2019
IFRS 16	Leases	1 January 2019	Yes
IAS 28	Investments in Associates and Joint Ventures	1 January 2019	Yes
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019	Yes
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	Yes
IAS 12, IAS 23, IFRS 3, IFRS 11	Amendments to a series of IFRS, as a result of the 2015–2017 improvement process	1 January 2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019	Yes

With the exception of **IFRS 16,** the initial application of these new and amended standards had no material effect upon the consolidated financial statements of the POLYTEC GROUP.

The key concept of the new IFRS 16 (Leasing) standard is that all the leasing contracts of the lessee and the related contractual rights and obligations be reported in the balance sheet. This requires the lessee to recognise a liability for the obligation to make future lease payments for all leasing arrangements. At the same time, the lessee recognises a right-of-use to the underlying asset, which basically corresponds with the present value of the future lease payments plus directly attributable costs. Therefore, in future the differentiation between financial and operating leasing agreements stipulated to date under IAS 17 will no longer be required from the lessee. By contrast, for lessors, the regulations in the new standard are very similar to those contained in IAS 17. Leasing agreements will continue to be classified as either financial or operating leasing relationships. Agreements under which all risks and opportunities derived from the property are largely transferred will be classified as financial leasing, whereas all other leasing agreements will be seen as operating leases. The criteria contained in IAS 17 were adopted for classification pursuant to IFRS 16.

The now obligatory recognition of assets (right-of-use) and debts (lease liabilities) for operating leasing and the rental of office, production and storage buildings, machinery and vehicles has an effect of EUR 15,587 k as of 1 January 2019, which results in an increase in non-current and total assets, as well as net financial debt on the initial application date. Owing to the simplification and exemption rule of the standard, short-term leases with a term of less than twelve months and the leasing and rental of low-value underlying assets are not recognised.

The POLYTEC GROUP adopted IFRS 16 Leases on 1 January 2019 and this resulted in changes to the accounting and valuation methods. Upon adopting IFRS 16, the POLYTEC GROUP applied the modified retrospective method, which meant that the accumulated effect from the changeover is reported as a correction to the balance from 1 January 2019 without adjustments to the comparable periods. Practical assistance was used in line with IFRS 16.C10 a), c), d).

The right-of-use-assets (or usufruct rights) are recognised in the consolidated balance sheet as of (or as at) 31 December 2019 for the first time in the non-current assets and are reported under the item fixed assets. The lease liabilities are recognised under the items non-current and current interest-bearing liabilities.

The group decided not to subject leasing agreements concluded before the transitional date to a new assessment as to if at the time of the initial application of IFRS 16 a contract represented or contained a leasing relationship, but instead retained the previous estimate pursuant to IAS 17 and IFRIC 4. The average weighted incremental borrowing rate of interest employed by the POLYTEC GROUP amounts to 1.0%.

The adjustment effect derived from IFRS 16 as at 1 January 2019 is as follows:

in EUR k	31.12.2018	IFRS 16 adjust-ment	1.1.2019
Tangible assets	245,062	15,587	260,649
Assets	**557,636**	**15,587**	**573,223**
Non-current interest-bearing liabilities	127,046	10,869	137,915
Current interest-bearing liabilities	48,337	4,719	53,056
Liabilities	**557,636**	**15,587**	**573,223**

Transfer pursuant IFRS 16.C12

in EUR k	1.1.2019
Operative leasing obligations as at 31 December 2018 (as reported)	15,907
Application relief for short-term leases	-231
Application relief for leases on low-value assets	-796
Subsequent recognition/Contract adjustment	1,041
Gross lease liabilities as at 1 January 2019	**15,921**
Discounting	-334
Lease liabilities as at 1 January 2019	**15,587**

In the 2019 financial year the right-of-use developed as follows:

in EUR k	Land and buildings	Technical equipment and machinery (including vehicles)	Total
As at 1 January 2019	12,156	3,431	15,587
Additions	747	1,582	2,329
Disposals	-76	-6	-82
Exchange rate differences	-5	258	253
Depreciation	-2,955	-2,238	-5,193
As at 31 December 2019	9,868	3,027	12,894

The detailed due dates of the lease liabilities reported on the balance sheet date are as follows:

Term of the leasing liability	in EUR k
< 1 year	5,054
1–5 years	7,590
> 5 years	250

In the 2019 financial year, the cash and cash equivalent outflows derived from leases amounted to EUR 5,717 k. The expenses for leasing contracts concluded in the 2019 financial year, which pursuant to IFRS 16 are designated as low-value or short-term, totalled EUR 1,830 k.

2. NEW AND AMENDED STANDARDS FROM THE 2020 FINANCIAL YEAR

The International Accounting Standards Board (IASB) is working on a large number of projects, which will initially affect the financial years commencing on 1 January 2020. The following new, amended or supplemented standards and IFRIC interpretations that have already been published by the IASB, but for which application is partially not yet mandatory in the EU, have not been applied prematurely by the POLYTEC GROUP and are consequently irrelevant for these consolidated financial statements:

Standard	Interpretation	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2019
Framework concept	Change in the references to the framework concept in the IFRS standards	1 January 2020	Yes
IFRS 3	Business Combinations	1 January 2020	No
IAS 1, IAS 8	Definition of Material	1 January 2020	Yes
IFRS 9, IAS 39, IFRS 7	IBOR reform	1 January 2020	Yes
IFRS 17	Insurance Contracts	1 January 2021	No
IAS 1	Classification of Liabilities as Current and Non-current	1 January 2022	No
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Undefined	No

With regard to the future application of additional standards and interpretations that as yet have not come into effect or been applied by the POLYTEC GROUP, no significant material changes to the reported assets, liabilities or other disclosures in the consolidated financial statements are expected.

B. PRINCIPLES OF CONSOLIDATION

1. SCOPE OF CONSOLIDATION

The scope of consolidation is determined in accordance with the principles of IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates). The parent company is POLYTEC Holding AG, Hörsching. The financial statements of POLYTEC Holding AG and the financial statements of the companies controlled by POLYTEC Holding AG as at 31 December of each year are included in the consolidated financial statements by way of full or equity consolidation.

The scope of consolidation of the POLYTEC GROUP currently includes 46 (2018: 44) fully consolidated companies of which 35 (2018: 33) are located outside Austria.

Control exists if the company has the power of decision over important activities, generates variable returns from the subsidiary and can influence these returns through such power of decision.

Accordingly, in addition to the parent company, ten (2018: ten) national and 35 (2018: 33) international subsidiaries were included, which are under the control of POLYTEC Holding AG. The seven companies (2018: eight), which were excluded, are also immaterial in total. The balance sheet date for all companies included in the consolidated financial statements was 31 December 2019.

An overview of the fully consolidated companies can be found in section G. 6.

As a rule, the annual financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date of disposal. A subsidiary is first included when control of its assets and business activities is actually assigned to the respective parent company. In the case of materiality, companies that have been founded or closed are included in the consolidated financial statements and where immaterial are excluded.

The scope of consolidation in the financial year was as follows:

Scope of consolidation	Full consolidation
As at 31.12.2018	**44**
Inclusion due to foundation	1
Inclusion due to materiality	1
As at 31.12.2019	**46**
thereof international companies	35

As in the previous year, in 2019 no interests were included in the consolidated financial statements using the equity method.

ACQUISITIONS, FOUNDATIONS AND RESTRUCTURING IN 2019

On 13 August 2019 a company purchase agreement was concluded in the course of an asset deal for the takeover by the newly founded POLYTEC CAR STYLING Weierbach GmbH (subsequently referred to as PCSW) of the automotive business activities of the insolvent Wayand AG, based in Idar-Oberstein, Germany. Pursuant to IFRS 3.8 the purchase date is 3 September 2019. For reasons of simplicity, the date of initial consolidation is 1 September 2019. Since the takeover, the business operation that is located in the Weierbach district of Idar-Oberstein, has been managed by PCSW, which is a fully owned POLYTEC GROUP subsidiary.

At present the business operation has a workforce of around 400 and in 2020 additional sales revenues of roughly EUR 50 million are expected. Output consists largely of plastic components and modules for European premium vehicle manufacturers. The company acquisition represents part of the implementation of POLYTEC's strategy of consolidating its market position in both Europe and the car styling business area. This step underlines the group's status as a leading producer of plastic-related solutions and original, plastic accessories. Moreover, current customer relationships have been strengthened and opportunities created for additional approaches to existing and new clients.

On the basis of the provisionally determined fair values, the purchase price on the date of acquisition was structured as follows:

in EUR k	2019
Purchase price paid in cash	12,910
Purchase price liability	290
Provisionally calculated net worth	15,340
Badwill	**2,140**

The income from badwill is reported under other operating earnings and emanates from the difference between the newly evaluated net worth and the burdens anticipated from the agreements concluded.

The fair values are based on an initial estimation of the documentation contained in the due diligence assessment, the inventory and the findings from ongoing post merger integration. A comprehensive scrutiny, examination and acceptance of all the contracts has yet to be completed, which means that pursuant to IFRS 3.45, changes may yet occur. The conclusion of post merger integration is planned for the second quarter of 2020.

To date, operative sales revenues of around EUR 21.0 million are reported in the consolidated income statement (period 1.9.–31.12.2019) and approximately EUR 1.1 million in the group result (excluding badwill).

Pro forma information regarding sales revenues and results subject to the assumption that the transaction was concluded on 1 January 2019 cannot be tabulated owing to the lack of complete information prior to the date of purchase and the transaction structure derived from the insolvency.

POLYTEC COMPOSITES South Africa (Pty.) Ltd., which was founded in 2018, was excluded from the consolidated financial statements as at 31 December 2018 owing to immateriality. However, as a result of the start of investment in South Africa, it was included fully in the consolidated financial statements for 2019.

RESTRUCTURING 2018

In 2018, POLYTEC Automotive Verwaltungs GmbH (not consolidated in the preceding year owing to immateriality) was merged with POLYTEC Deutschland Verwaltungs GmbH. In addition, POLYTEC Automotive GmbH & Co KG was merged with POLYTEC Deutschland Verwaltungs GmbH by way of an accretion.

2. METHODS OF CONSOLIDATION

FULL CONSOLIDATION

IFRS 3 (Business Combinations) was applied to acquisitions. Capital consolidation was therefore carried out on the basis of the revaluation method (recognition of all assets and liabilities at fair value even in the case of non-controlling interests and the complete disclosure of hidden reserves, independent of the amount of the non-controlling interests). The investment carrying amount is counterbalanced by the pro rata, newly evaluated equity of the subsidiary (purchase accounting).

Any remaining differences are capitalised as goodwill. All goodwill is subjected to an annual impairment test. A purchase at below the market value demands that prior to the recognition of a gain, an assessment of whether all the assets and debts have been identified correctly is undertaken. The remaining badwill is reported under other operating income.

Should the acquisition costs be lower than the net assets, the liabilities side difference (badwill) is recognised in the income statement for the acquisition period.

In accordance with IFRS 10, non-controlling interests are disclosed in the consolidated financial statements under group equity.

All accounts receivables and payables, as well as expenses and earnings resulting from transactions between companies within the scope of consolidation are eliminated while taking the principle of materiality into account. Interim results from internal group deliveries are also eliminated to the extent that they are not immaterial.

3. CURRENCY TRANSLATION

BUSINESS TRANSACTIONS IN FOREIGN CURRENCIES

In the individual group companies, transactions in foreign currencies were valued at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Resulting exchange rate differences are reported in the group's consolidated income statement.

TRANSLATION OF INDIVIDUAL FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

The functional currency of subsidiaries outside the eurozone is the corresponding national currency. Assets and liabilities of international subsidiaries were converted using the reference exchange rate of the European Central Bank on the balance sheet date. Positions in the group's consolidated income statement were converted using the average exchange rates of the financial year under review.

Exchange rate differences derived from monetary positions, which from an economic point of view belong to an international company, e.g. long-term receivables and loans, are netted against group equity without an effect upon income and reported under the position "Currency translation".

The following currency exchange rates were used:

	Average exchange rate		Exchange rate on the balance sheet date	
	2019	**2018**	**31.12.2019**	**31.12.2018**
CNY	7.7220	7.8125	7.8205	7.8751
CZK	25.6410	25.7069	25.4080	25.7240
GBP	0.8754	0.8859	0.8508	0.8945
HUF	322.5806	322.5806	330.5300	320.9800
TRY	6.3492	5.5556	6.6843	6.0588
USD	1.1192	1.1781	1.1234	1.1450
ZAR	16.1551		15.7773	

C. FAIR VALUE MEASUREMENT

The POLYTEC GROUP measures financial instruments at either amortised cost or fair value. Fair value is defined through the amount that would be received in an orderly business transaction between market participants on the valuation date for the sale of an asset, or paid for the transfer of a debt. During the measurement of fair value it is assumed that the business transaction in the course of which the asset sale or debt transfer occurs, takes place on the main market for the asset or the debt, or should a main market not exist, on the most advantageous market. The POLYTEC GROUP measures fair value using the assumptions employed by the market participants as a basis for pricing. It is presupposed that the market participants act in their best business interests.

During the measurement of the fair value of a non-financial asset, the ability of the market participant to generate economic advantage through maximum and best asset use is accounted for.

Evaluation techniques are employed for the determination of fair value, which are appropriate under the respective conditions and provide sufficient data for fair value measurement, whereby if possible observable input factors are used.

Depending upon the significance of the influential factors included in the valuation, a differentiation is made between three fair value levels, which clarify the extent to which observable market data is available for fair value measurement.

The levels of the fair value hierarchy and their application with regard to assets and liabilities can be described as follows:

Level 1:
Listed market prices for identical assets or liabilities in active markets.

Level 2:
Information other than listed market prices, which are directly (e.g. prices) or indirectly (e.g. extrapolated from prices) observable.

Level 3:
Information regarding assets and liabilities that is not based on observable market data.

D. ACCOUNTING AND EVALUATION PRINCIPLES

The principle of standardised accounting and evaluation is applied through directives that are valid throughout the entire group. Insubstantial deviations with regard to the individual financial statements of international group companies are retained. All financial statements are based on a going concern principle of the group.

1. INTANGIBLE ASSETS

Acquired intangible assets are valued at the cost of acquisition and subjected to scheduled amortisation and depreciation on a straight-line basis. The amortisation and depreciation rates range between 10.0% and 50.0%.

Expenses for research are shown as expenses in the year of their occurrence. Engineering costs also generally represent periodic expenses. These are capitalised when certain conditions can be proved and are cumulatively fulfilled. Among other aspects, it must be verifiable that engineering activities are very likely to result in the future accrual of funds, which not only cover standard costs, but also the related development expenses.

2. GOODWILL

Goodwill is measured at the cost of acquisition less accumulated impairment losses (see also D. 10 “Impairment”).

3. TANGIBLE ASSETS

Tangible assets are valued at the cost of acquisition or production less scheduled amortisation, or the lower achievable market price. Scheduled amortisation is determined using the straight-line method.

The following rates are used for the scheduled amortisation on depreciable tangible assets:

in %	
Buildings and leasehold improvements	2.5–20.0
Technical equipment and machinery	6.7–50.0
Fixtures, fittings and equipment	10.0–50.0

Interests on borrowed capital are not capitalised, as no substantial borrowing costs are incurred that are directly attributable to qualifying assets.

4. INVENTORIES

Inventories are reported at their acquisition or production costs, or the lower net realisable value on the balance sheet date. The determination of acquisition and production costs is performed for similar assets in accordance with the weighted average cost method, or comparable methods. Production costs only include directly attributable costs and proportionate overhead costs. Interests on borrowed capital are not capitalised, as no substantial borrowing costs are incurred that are directly attributable to qualifying assets. The risk derived from obsolete inventory stocks is accounted for by appropriate reductions in the carrying amounts, in order to approximately represent the net sales price.

The costs of engineering services and tooling are reported as inventories where no enforceable contractual claim to reimbursement exists, but which can be allocated directly to an ongoing or future series production order. In accordance with IFRS 15 (Costs to Fulfil a Contract) these contractual costs are capitalised and recognised in profit and loss as an expense over the contractual period. In such cases the surcharges imposed upon the component price for development services and tooling production are first recognised as sales revenues upon delivery of the serial products. Impairment is undertaken where the capitalised contractual costs exceed the expected compensation from the customer.

5. TRADE ACCOUNTS RECEIVABLE

Receivables are capitalised at the cost of acquisition.

Apart from the standard valuation of receivables on the basis of a past analysis and an estimate of future developments, which takes into account default, country risk and existing loan insurance, in the case of an individual impairment, the likelihood of a payment receipt is also evaluated. In particular, experiences with the customers, their creditworthiness, any hedging and the inclusion in the factoring programme with related loan insurance are taken into consideration. Notes regarding value adjustments and corrections resulting from price differences are shown in section E. 11.

6. CONTRACT ASSETS/LIABILITIES FROM CONTRACTS WITH CUSTOMERS

The revenue and result realisation of a contract with customers for the production of tooling and engineering services takes place in accordance with the percentage of completion method (period-based sales revenue recognition), to the extent that no possibility for alternative use and a right to payment including an appropriate margin exist. Progress is determined on the closing date on the basis of the ratio on the balance sheet date of the costs incurred to the estimated overall expense of the respective customer contract. Changes to the contractual work, the requirements and performance bonuses are included to the degree that their amount can be determined reliably and legal enforceability is given. The contractual asset values are reclassified as receivables if the rights become unreserved. As a rule, this occurs when the group presents the customer with an invoice.

Should it not be possible to reliably determine the result of customer contracts, the related income is only reported to the amount of the incurred contractual costs that are probably recoverable. Contractual costs are recognised as an expense in the period in which they occur. If it is anticipated that the entire contractual costs will exceed total contractual income, the anticipated loss is reported immediately as an expense (provision for impending losses).

If on the closing date the contractual costs plus recognised profits and minus recognised losses exceed the partial invoices, then the surplus from the construction contract is to be reported as a contract asset. In the case of contracts in which the partial invoices exceed the incurred costs plus recognised gains and minus recognised losses, the surplus is to be reported as a contract liability. Amounts received prior to the provision of production performance are reported in the consolidated balance sheet as "Liabilities from contracts with customers". Settled amounts for already completed performance that have not yet been paid by the customer are included in the consolidated balance sheet under the item "Trade accounts receivable" and as a rule are paid within a short deadline.

In the case of series parts, which do not offer an alternative possibility for use, the criteria for period-based sales revenue recognition are met when an order has already been received.

Regarding the contract assets which in the course of the contractual period, as well as due to the anticipated call-off volumes are reduced (amortisation receivables from tooling and engineering projects, admission fees and price reductions for ongoing orders), see D. 7 "Other receivables".

7. OTHER RECEIVABLES

The other receivables contain the contract assets (amortisation receivables from tooling and engineering projects already accepted by the customer, admission fees and price reductions for ongoing orders), which in the course of the contractual period and due to expected call-off volumes are reduced.

Amortisation receivables from tooling and engineering projects already accepted by the customer and for which customer agreements to the offsetting of claims via a surcharge on the part price exist, are capitalised and paid during the settlement for serial parts.

Admission fees for order obtainment are capitalised and repaid over the duration of the customer contract received.

Price reductions on ongoing contracts relate to a lowering of the price for the series in production in the course of the allocation of a follow-up order by the customer. Following the conclusion of the follow-up order with the customer, the agreed price reduction for the ongoing series will be capitalised as an advance customer payment and upon the start of series production for the follow-up order will be paid over the course of its runtime.

Where existent, the reported other receivables include any derivative financial assets that show a positive market value and are classified as "measured at fair value through profit or loss".

Non-current receivables are recognised at cash value on the basis of an interest rate in line with the market.

8. ASSETS HELD FOR SALE

Assets held for sale are valued at the carrying amount or the lower anticipated sales proceeds less selling costs. The anticipated sales proceeds are determined by means of the monitoring of comparable objects in the market and the initial price indications of interested parties.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, cheques and cash at banks.

10. IMPAIRMENT

Goodwill is subject to at least an annual impairment test shortly before the balance sheet date, or when there are event-related indications. All other intangible and tangible assets are tested if indications of impairment exist.

For the purpose of impairment testing, POLYTEC GROUP assets that generate independent cash flow are combined on the lowest level (cash-generating units). In particular, these are the CGUs Car Styling, Plastics, Composites and Industrial. Goodwill (E. 8.) is assigned to those cash-generating units, which are expected to benefit from synergies and represent the lowest group level in managerial cash flow monitoring.

Impairment is deemed to exist if the recoverable amount of the asset, or of the cash-generating unit is lower than the carrying amount. The recoverable amount is the higher of the value in use and the fair value less selling costs.

The value in use of the asset corresponds with the present value of the estimated future cash flow from its continuing use, subject to a standard market interest rate before taxes and adjusted to the specific risks of the asset. Cash flows derive from the current planning approved by the Board of Directors and the Supervisory Board. The estimation of the future cash flow is based on a three-year planning horizon. A perpetual annuity based on the third year estimates is assumed for the period beyond this planning horizon. The interest rate used for calculating the present value corresponds with the weighted average capital costs of the cash-generating units.

Impairment expense is disclosed to the amount by which the carrying amount of the individual asset or the cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of the fair value less selling cost and the value in use. Impairment losses recognised with regard to cash-generating units to which goodwill has been allocated are first applied against the carrying amount of goodwill. Any remaining impairment expenses reduce the carrying amounts of the assets of the cash-generating unit on a pro rata basis.

Should the reasons for impairment cease to exist, corresponding write-ups are performed for tangible and intangible assets up to the amortised costs. Goodwill, which has been amortised due to impairment, is no longer written up.

11. OBLIGATIONS TO EMPLOYEES

PROVISIONS FOR SEVERANCE PAYMENTS

Due to statutory obligations, employees of domestic group companies who joined the company prior to 1 January 2003 are entitled to a one-off severance payment in the event of the termination of their contract, or at the time of retirement. The payment amount depends upon the number of years of service and the relevant remuneration at the severance date. For all employment contracts concluded after 31 December 2002, payments are made to a company pension fund for employees and reported as an expense.

The provisions for severance payments are determined on the balance sheet date using the projected unit credit method, as well as by applying a discount rate of 0.90% (2018: 1.70%) and allowing for future remuneration increases of 2.00% (2018: 2.00%). A discount for employee turnover based on the years of service is included. The assumed uniform retirement age for men and women, taking into account certain temporary arrangements, is unchanged over the preceding year at 62. Service costs are divided over the entire period of service of employees from the date that they join the company until they reach the expected retirement age.

Pursuant to IAS 19, actuarial gains/losses are recognised under other comprehensive income in the year in which they occur. Current and past service costs are reported as personnel expenses in the consolidated income statement, while the interest expense related to provisions for severance payments is reported in the financial result.

PENSION OBLIGATIONS

Pension obligations exist for certain German group company employees. These obligations are reported in accordance with IAS 19. For this purpose, the current value of the defined benefit obligation (DBO) is determined. The pension provisions are calculated using the projected unit credit method, whereby depending upon the distribution of the obligations to entitlements and liquid pensions, and owing to the specific regulations of the individual pension funds, a discount rate of 1.10% (2018: 1.80%), as well as an increase of 2.00% (2018: 2.00%) is applied. The 2018G – Dr. Klaus Heubeck mortality tables are used for the actuarial calculations.

At the two operative Dutch companies, the entitlements of active pension scheme members are dealt with in the form of a defined contribution pension plan. The pension entitlements of former employees and beneficiaries are calculated as a percentage of the annual remuneration during each year of service. These benefits are handled via an insurance company and are indexed on an ongoing basis in line with the specifications of the branch pension fund. Companies are obliged to make future contributions should the earnings of the insurer prove insufficient to finance the promised increases in benefits. The resultant provision for pensions is calculated in accordance with the projected unit credit method using a discount rate of 1.10% (2018: 1.80%) and an increase of 2.00% (2018: 2.00%). The AG2018 projection table are employed for the actuarial calculations.

In accordance with IAS 19, actuarial gains/losses are recognised under other comprehensive income in the year in which they occur. Current and past service costs are reported as personnel expenses in the consolidated income statement, while the interest expense related to provisions for pensions is reported in the financial result.

Three POLYTEC GROUP companies in Germany have outsourced their performance-related pension commitments to a mutual insurance society (pension fund), which is monitored by the Federal Financial Supervisory Authority (BaFin). The pension fund covers retirement, disability and survivor pensions. Other insurance is not concluded. The pension fund insures both active and former employees from 28 company groups of which 26 share joint liability in order to fulfil their benefit obligations. The pension fund invests the paid contributions and secures the fulfilment of benefit commitments. As at 30 June 2016, the POLYTEC GROUP terminated all future contribution payments and will assume future pension payments through internal financing (future services). Previously vested benefits (past services) remain in the pension fund. Owing to insufficient information from the pension fund regarding the status of the pension obligation, in accordance with IAS 19.34ff, the POLYTEC GROUP reports these as contribution-oriented plans. On the date of its annual financial statements on 31 December 2018, the pension fund disclosed assets of EUR 485 million (2017: EUR 471 million) and obligations of EUR 473 million (2017: EUR 461 million), and therefore equity of EUR 12 million (2017: EUR 10 million). The POLYTEC GROUP holds a roughly 7% share of the net assets of the pension fund (2018: 7%). For further information, see uncertainties with regard to assesments and D.19.

OTHER LONG-TERM OBLIGATIONS TO EMPLOYEES

Owing to collective or other company agreements, employees are entitled to receive a certain bonus in line with their length of service. A provision has been formed for these obligations using the same amounts as those employed for pension obligations (with the exception of the discount for employee turnover).

12. TAXES

Tax receivables are reported as netted against tax liabilities when they relate to the same fiscal authority and a possibility for netting is available.

The income tax expense (the income tax credit) includes both actual and deferred taxes.

The group is unaware of any material tax risks. Moreover, in the course of the determination of the provision for taxes and deferred taxes, individual tax risks are countered by means of a cautious probability balance. In the case of current open tax audits, queries that have been raised but do not represent definitive issues within the context of an overall estimate of the total group tax burden are accounted for in the retained earnings. As a rule no deduction is made for the detection risk.

The actual taxes for the individual companies are calculated on the basis of the taxable income of the company and the applicable tax rate in the respective country.

In particular, deferred taxes are formed for timing differences between IFRS valuations and the tax balances of individual companies, as well as for consolidation processes. Pursuant to IAS 12, their determination takes place in accordance with the balance sheet liability method. The likely realisable tax advantage emanating from existing loss carryforwards is also included in the investigative process. Deferred tax assets are only formed on loss carryforwards when their use can be expected within five years. The calculation of deferred tax is based on the standard rate of national income tax.

13. LIABILITIES

The value of trade accounts payable results from the fair value of the services received at the time of their occurrence. Subsequently, these liabilities are valued at amortised acquisition costs.

Other liabilities, especially accrued interest-bearing liabilities, are reported with their repayment amount provided there is no substantial difference to fair value. Subsequent valuations are based on amortised acquisition costs using the effective interest method.

14. PROVISIONS

Provisions are formed when as a result of a past transactions or events, legal or de facto obligations to a third party exist, which are likely to lead to an outflow of assets that can be reliably determined. Provisions are reported at the anticipated settlement amount with due regard to all the identifiable risks attached. Within this context, the settlement amount with the highest possible likelihood of occurrence is employed. Non-current provisions are discounted if the discount effect is material and the discounting period can be estimated reliably.

Provisions for contingent losses and potential risks consist of the provisions for contingent losses pursuant to IAS 37 and for disadvantageous contracts in accordance with IFRS 3.

During the measurement of the provisions for disadvantageous contracts pursuant to IFRS 3, the contracts concluded in the course of the acquisition are analyzed regarding onerous, legal or de facto obligations. An existing burden or a disadvantage is taken into account by creating a provision-disadvantageous nature are accounted for through the formation of a provision.

A provision for restructuring measures is recognised as soon as the group has approved a detailed and formal restructuring plan and the related measures have either commenced or been announced publically. Future operational losses are not accounted for.

15. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the balance sheet should the group become a contractual party in relation to a financial instrument.

Financial assets are derecognised when the contractual rights from the assets expire, or the assets are transferred with all material rights and obligations. Financial liabilities are derecognised if the contractual obligations have been settled, deleted or have expired. Purchases and sales of financial instruments subject to customary market conditions are generally reported with the settlement date.

Financial assets are categorised as follows:
a. Financial assets measured at fair value through profit or loss
b. Financial assets measured at amortised cost

Financial liabilities are categorised as follows:
a. Financial liabilities measured at the residual carrying amount
b. Financial liabilities measured at amortised cost

Other possible categories pursuant to IFRS 9 are not applied and hedge accounting is also not employed.

Financial derivatives are only concluded for the hedging of basic business. Financial derivatives that do not correspond with hedge accounting pursuant to IFRS 9 are classified as assets or liabilities measured at fair value through profit or loss and recognised in the balance sheet at fair value. This corresponds with the current value, should one exist, or is determined using standard valuation methods employing the market data available on the valuation closing date. Fair value mirrors the estimated amount that the POLYTEC GROUP must pay or receive if this transaction were to be completed on the balance sheet date. Changes in value are recognised in the consolidated income statement through profit and loss.

16. REALISATION OF INCOME AND EXPENSES

As far as period-related revenue realisation is concerned, see 6. "Contract assets/liabilities from contracts with customers".

Operating expenses are recognised through profit and loss when the service is rendered or the expenses are incurred.

17. FINANCIAL RESULT

The interest result (expenses) includes the interest and interest equivalent expenses arising from debt financing and financial leasing transactions, as well as the interest components of the change in obligations to employees.

The interest result (revenues) includes the interest, dividends and similar revenues realised from the investment of funds and investment in financial assets. Interest income is realised proportional to time and the effective interest rate of the asset is taken into account. Dividend income is reported with effect from the date of the legal claim.

Profits and losses from the disposal of financial assets, impairment expenses from financial investments, exchange rate profits and losses in connection with financing activities, as well as the results from security transactions are reported in the other financial result.

18. GROUP CASH FLOW STATEMENT

The indirect method was selected for the consolidated cash flow from operating activities disclosed in the presentation of the group cash flow statement. The financial fund corresponds with the cash in hand and cash at banks.

19. UNCERTAINTIES WITH REGARD TO ASSESSMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements requires that the management prepares estimates and assumptions with regard to the application of accounting and evaluation principles, as well as potential future developments that might influence the reporting and value of the reported assets and liabilities, information regarding other obligations on the balance sheet date, and the recognition of income and expenses during the reporting period. The actual amounts to be realised in the future may deviate from these estimations.

In assessing the intrinsic value of goodwill, intangible and tangible assets management draws up estimates and future-related assumptions regarding the surplus inflows expected over the planning periods and the costs of capital of both the POLYTEC GROUP and individual cash-generating units. Such estimates are made in all good faith subject to the assumption that the group is a going concern. They are also based upon experience and take any remaining uncertainty into due account. However, changed assumptions or circumstances may necessitate corrections.

The revenue and result realisation of a customer contract for the production of tooling and engineering services takes place on the basis of the percentage of completion (period-related revenue realisation). This realisation is founded on estimates that incorporate all the information available on the balance sheet date and subsequent changes are possible that can lead to asset value adjustments and exert a material influence upon the results from subsequent periods.

In assessing the recoverability of deferred tax assets, the management evaluates the likelihood that all deferred tax assets will be realised. The final realisation of deferred tax assets is dependent upon the generation of future taxable income in those periods during which temporary differences become deductible. If the company is unable to generate sufficient future taxable income, no deferred tax benefits from operating loss carryforwards can be recognised and their value has therefore to be adjusted correspondingly. The assumptions regarding future payment surpluses and the future result subject to tax are based on medium-term group planning. Should these prove to be incorrect, this can have considerable effects on the assets reported in subsequent years. A sensitivity analysis has shown that, as in the preceding year, in comparison to medium-term planning, a

10% reduction in taxable income would not result in any additional value adjustment to the deferred tax assets from loss carryforwards.

The estimation of the useful life of fixed assets is either based on experience values resulting from the operation of comparable plant, or a shorter anticipated product lifecycle. In addition, during the determination of right-of-use an estimate regarding periods and any possible termination and prolongation options, as well as the extrapolation of the tax rate is of relevance.

The actuarial assessment of severance, pension and long-service obligations carried out by actuaries is based on a method that employs parameters such as the expected discount rate, increases in remuneration payments and pension contributions. In addition to the interest rate risk and the risk of a potential increase in remuneration payments and pension contributions, there is also a longevity risk. If the development of these relevant parameters differs significantly from the original expectations, this may have considerable effects upon the provisions and consequently upon the group's net expenses for severance payments and pension contributions. In order to present the impact of a change in the interest rate used to determine severance payment and pension obligations, a sensitivity analysis was carried out, which is explained in greater detail under E. 21 "Obligations to employees".

In view of existing and threatened contingent funding commitments to a pension fund, a provision of EUR 611 k (2018: EUR 981 k) was made in the "Other provisions" in the POLYTEC GROUP's consolidated financial statements. This amount was established on the basis of information provided by the management of the pension fund and relates to probable liquidity outflows prior to the restoration of the independent viability of the pension fund. The probable liquidity outflow derives from the restructuring plan drawn up by the pension fund management, which has been approved by the BaFin. Should the restructuring plan fail, the POLYTEC GROUP could be subject to a subsidiary liability to the former employer. At present, no material indications exist that point to a subsidiary liability becoming effective. In 2019, EUR 369 k (2018: EUR 953 k) was paid into the pension fund. A full repayment is anticipated for the 2020 financial year.

20. REPORTING

As compared to the previous year, the reporting of assets and liabilities, expenses and income, equity items and the cash flows in the cash flow statement remained basically unaltered in the 2019 financial year.

E. NOTES TO THE GROUP'S CONSOLIDATED INCOME STATEMENT, COMPREHENSIVE INCOME STATEMENT AND BALANCE SHEET

1. SALES REVENUES AND SEGMENT REPORTING

Following a comprehensive analysis of the reporting structure, it was concluded that the POLYTEC GROUP is a one-segment group. Therefore, the obligatory operating segment reporting for a single segment in the 2019 financial year is limited to inter-segmental disclosures in accordance with IFRS 8.31 ff.

As an automotive industry supplier, the group naturally depends upon a small number of major customers.

The distribution of sales according to customers is as follows:

in EUR k	2019	2018
VW	206,368	219,529
Daimler	124,071	104,107
Jaguar Land Rover	55,345	43,747
Other automotive	161,355	195,242
Non-automotive	79,943	73,771
Total	**627,081**	**636,397**

In 2019 and 2018, two respective customer groups provided more than 50% of the group's total sales. Due to the extensive range of models and marques of these key accounters, which as a rule operate in both the passenger car and commercial vehicle sectors, the customer-supplier relationship in both cases relates to all business areas, although to differing degrees.

The distribution of sales according to market segments is as follows:

in EUR k	2019	2018
Passenger cars & light commercial vehicles	388,762	387,895
Commercial vehicles	158,376	174,730
Industrial applications	79,943	73,771
Total	**627,081**	**636,397**

The disclosures concerning geographical areas to be made at group level (determined in the sales revenues area in line with the location of customers' business premises) on the balance sheet dates can be summarised as follows:

in EUR k	External sales		Intangible assets, goodwill and tangible assets	
	2019	2018	2019	2018
Austria	44,403	26,362	93,201	92,734
Germany	329,378	360,331	99,715	84,327
UK	59,220	49,804	32,896	36,331
Sweden	31,555	34,799	0	0
Hungary	25,311	21,203	38,340	3,274
Rest of EU	96,979	102,492	47,089	34,773
Other countries	40,235	41,407	24,004	18,105
Group	**627,081**	**636,397**	**300,745**	**269,544**

Period-related sales revenues are divided according to categories as follows:

in EUR k	2019	2018
Part sales and other revenues	567,651	571,735
Tooling and engineering sales	59,430	64,662
Total	**627,081**	**636,397**

2. OTHER OPERATING INCOME

in EUR k	2019	2018
Income from the disposal of and additions to fixed assets excluding financial assets	6,288	143
Income from cost reimbursements	549	907
Grants and receivables	22	119
Commission	14	34
Income from rents	376	722
Income from the release of obsolete accruals	200	800
Subsequent income from company disposals	0	1,979
Income from badwill	2,140	0
Other income	2,273	2,605
Total	**11,862**	**7,308**

The income from the disposal of fixed assets relates mainly to capacity adjustments and the sale of real estate with proceeds of EUR 10,096 k and a gain of EUR 6,288 k.

3. EXPENSES FOR MATERIAL AND OTHER SERVICES RECEIVED

in EUR k	2019	2018
Material expenses	225,021	220,105
Expenses for services received	73,167	81,561
Total	**298,188**	**301,666**

4. PERSONNEL EXPENSES

in EUR k	2019	2018
Wages and salaries	159,724	157,191
Expenses for leasing personnel	16,757	22,463
Statutory social expenses	30,566	30,401
Expenses for severance payments and pensions	5,562	5,426
Other personnel expenses	3,778	2,307
Total	**216,386**	**217,787**

The expenses for severance payments and pensions also include expenses for contribution-oriented plans. For the Austrian companies within the group, these expenses amounted to EUR 308 k (2018: EUR 273 k).

The number of employees of the POLYTEC GROUP (including leasing personnel) was as follows:

	2019	2018
Average number of employees	4,344	4,465
As at 31 December	4,406	4,315

The number of employees of the POLYTEC GROUP (excluding leasing personnel) was as follows:

	2019	2018
Average number of employees	3,961	4,006
As at 31 December	4,098	3,965

The average numbers of POLYTEC Holding AG employees (excluding leasing personnel) and of the Austrian subsidiaries of the POLYTEC GROUP were as follows:

	2019	2018
Blue-collar employees	298	301
White-collar employees	219	198
Total	**517**	**499**

5. OTHER OPERATING EXPENSES

in EUR k	2019	2018
Maintenance costs	16,420	17,631
Other operating costs	10,511	11,036
Other administrative costs	5,323	6,455
Outgoing freight	5,385	5,624
Rent for buildings	45	3,782
Other sales costs	4,154	3,572
Other rent and leasing costs	5,287	4,848
IT and communication costs	6,184	4,422
Legal and consulting costs	3,979	4,010
Taxes and charges not included in income tax	961	740
Risk provisions and damage cases	37	-248
Losses from the disposal of fixed assets excluding financial assets	307	81
Total	**58,592**	**61,953**

The other operating costs also contain the following expenses for the services provided by the group auditors.

in EUR k	2019	2018
Annual and group financial audit	195	197
Other services	19	11
Total	**214**	**208**

6. FINANCIAL RESULT

in EUR k	2019	2018
Interest income and income from securities	128	270
Interest component of pension commitments	-430	-466
Other interest expenses	-3,626	-3,192
Interest expense derived from IFRS 16	-83	0
Other financial income	209	117
Total	**-3,801**	**-3,272**

The interest component from pension commitments is a non-cash item. All other interest expenses or interest income are largely cash items.

The net result according to valuation categories is as follows:

in EUR k	**Operating result**		**Financial result**		
31.12.2019	**Value adjustment**	**Currency translation**	**Interest**	**Result from FV measurement**	**Net result**
Financial assets measured at amortised cost	684	0	0	0	**684**
Financial liabilities measured at amortised cost	0	129	-3,626	0	**-3,497**
Fair value through profit and loss (FVPL)	0	0	0	193	**193**

in EUR k	**Operating result**		**Financial result**		
31.12.2018	**Value adjustment**	**Currency translation**	**Interest**	**Result from FV measurement**	**Net result**
Financial assets measured at amortised cost	-267	0	270	0	**3**
Financial liabilities measured at amortised cost	0	14	-3,192	0	**-3,178**
Fair value through profit and loss (FVPL)	0	0	0	107	**107**

7. INCOME TAXES

in EUR k	**2019**	**2018**
Expenses for current taxes	5,935	5,489
thereof aperiodic	81	-394
Changes in deferred income taxes	-163	1,295
thereof aperiodic	-723	-3,092
Total	**5,772**	**6,784**
thereof aperiodic	-642	-3,486

The income tax expense for the 2019 financial year amounting to EUR 5,772 k was EUR 1,440 k lower than the calculated income tax expense totalling EUR 7,212 k, which would have resulted from the application of a tax rate of 25% on the result before income tax of EUR 28,847 k.

The reasons for the difference between the calculated and the disclosed group income tax expense can be summarised as follows:

in EUR k	**2019**	**2018**
Earnings before income tax	28,847	36,801
thereof 25% calculated income tax expense	7,212	9,200
Change in the value adjustment for deferred tax assets	626	1,026
Participation valuations	-2,235	0
Real estate sale	508	0
Permanent differences and other changes	432	38
Differences from the discrepancy between the local and consolidated tax rates	-129	6
Income tax for the reporting period	6,414	10,270
Aperiodic income tax income	-642	-3,486
Disclosed income tax expense	**5,772**	**6,784**

The aperiodic tax income amounting to EUR 642 k (2018: EUR 4,321 k) results from past losses recognised for the first time in the financial year.

8. INTANGIBLE ASSETS AND GOODWILL

The classification of the intangible assets shown in the consolidated balance sheet and their development are as follows:

in EUR k	Development costs	Rights	Goodwill	Advance payments made	Total
Acquisition costs					
As at 1.1.2018	**801**	**10,307**	**45,508**	**742**	**57,358**
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	0	0	0	0	0
Additions	0	1,790	0	1,983	3,773
Disposals	0	-53	0	0	-53
Transfers	0	103	0	-103	0
As at 31.12.2018	**801**	**12,147**	**45,508**	**2,622**	**61,078**
As at 1.1.2019	**801**	**12,147**	**45,508**	**2,622**	**61,078**
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	1	-2	0	0	-1
Additions	0	751	0	649	1,400
Disposals	-802	-356	0	0	-1,158
Transfers	0	1,416	0	-1,943	-527
As at 31.12.2019	**0**	**13,956**	**45,508**	**1,328**	**60,792**
Accumulated depreciation					
As at 1.1.2018	**801**	**7,939**	**26,328**	**0**	**35,068**
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	0	3	0	0	3
Scheduled depreciation	0	1,578	0	0	1,578
Impairments	0	0	0	0	0
Disposals	0	-53	0	0	-53
Transfers	0	0	0	0	0
Revaluations	0	0	0	0	0
As at 31.12.2018	**801**	**9,467**	**26,328**	**0**	**36,596**
As at 1.1.2019	**801**	**9,467**	**26,328**	**0**	**36,596**
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	1	0	0	0	1
Scheduled depreciation	0	1,903	0	0	1,903
Impairments	0	0	0	0	0
Disposals	-802	-353	0	0	-1,155
Transfers	0	-509	0	0	-509
Revaluations	0	0	0	0	0
As at 31.12.2019	**0**	**10,508**	**26,328**	**0**	**36,836**
Carrying amounts as at 31.12.2018	**0**	**2,680**	**19,180**	**2,622**	**24,482**
Carrying amounts as at 31.12.2019	**0**	**3,448**	**19,180**	**1,328**	**23,956**

The research and development expenses of the group during the financial year amounted to approximately EUR 14,848 k (2018: EUR 12,669 k).

IMPAIRMENTS

As in the preceding year, the impairment tests showed no need for goodwill impairment. This also applies to the other intangible assets.

GOODWILL

Goodwill is allocated to the following cash-generating units (CGUs):

in EUR k	31.12.2019	31.12.2018
CGU Car Styling	12,643	12,643
CGU Industrial	6,537	6,537
Total	**19,180**	**19,180**

The achievable amount for the CGUs, to which goodwill has been allocated, is determined on the basis of a discounted cash flow method. The respective amounts represent value in use. The underlying methods and assumptions employed are explained under D. 10.

The impairment tests were based on the following assumptions:

in EUR k	31.12.2019	31.12.2018
Cash flow planning period	3 years	3 years
Long-term perpetuity growth rate	0%	0%
Discount rate (WACC) before taxes – Car Styling	9.1%	11.8%
Discount rate (WACC) before taxes – Industrial	9.6%	13.9%

There are no conceivable alterations to material assumptions that could lead to impairment, as should material framework conditions change, the management has a wealth of possibilities to cushion and counterbalance negative effects upon the CGUs.

9. TANGIBLE ASSETS

The classification of the fixed assets shown in the consolidated balance sheet and their development is as follows:

in EUR k	Land and buildings	Real estate right-of-use	Technical equipment and machinery	Machinery right-of-use	Fixtures, fittings and equipment	Advance payments made and assets under construction	Total
Costs of acquisition							
As at 1.1.2018	**147,074**	**0**	**244,840**	**0**	**69,456**	**22,673**	**484,044**
Change in the scope of consolidation	0	0	0	0	0	0	0
Currency translation differences	-278	0	-340	0	-14	5	-627
Additions	5,350	0	11,453	0	4,900	17,151	38,854
Disposals	0	0	-7,071	0	-7,286	-226	-14,583
Transfers	12,230	0	13,882	0	582	-26,694	0
As at 31.12.2018	**164,376**	**0**	**262,764**	**0**	**67,638**	**12,909**	**507,688**
As at 1.1.2019	**164,376**	**0**	**262,764**	**0**	**67,638**	**12,909**	**507,688**
Change in the scope of consolidation	9,790	0	5,102	0	3,000	0	17,892
Initial adoption of IFRS 16	0	12,156	0	3,431	0	0	15,587
Currency translation differences	474	1	1,392	312	88	21	2,289
Additions	5,356	747	7,585	1,708	6,683	24,755	46,834
Disposals	-3,672	-96	-3,878	-19	-3,010	0	-10,675
IFRS 5 transfers	-8,424	0	-9,071	-91	-1,058	-2,401	-21,045
As at 31.12.2019	**167,900**	**12,807**	**263,895**	**5,341**	**73,341**	**35,285**	**558,569**
Accumulated depreciation							
As at 1.1.2018	**25,150**	**0**	**173,037**	**0**	**52,946**	**0**	**251,133**
Change in the scope of consolidation	0	0	0	0	0	0	0
Currency translation differences	-137	0	-110	0	-5	0	-252
Scheduled depreciation	4,050	0	16,989	0	4,330	0	25,369
Impairments	0	0	0	0	0	0	0
Disposals	0	0	-6,616	0	-7,008	0	-13,624
Transfers	0	0	0	0	0	0	0
As at 31.12.2018	**29,063**	**0**	**183,300**	**0**	**50,263**	**0**	**262,626**
As at 1.1.2019	**29,063**	**0**	**183,300**	**0**	**50,263**	**0**	**262,626**
Change in the scope of consolidation	0	0	0	0	0	0	0
Currency translation differences	61	0	468	45	50	0	624
Scheduled depreciation	4,397	2,955	18,788	2,278	4,897	3	33,318
Impairments	0	0	882	0	0	0	882
Disposals	-366	-15	-3,702	-8	-2,448	0	-6,539
IFRS 5 transfers	-1,388	0	-7,060	0	-682	0	-9,130
As at 31.12.2019	**31,767**	**2,939**	**192,675**	**2,315**	**52,081**	**3**	**281,781**
Carrying amounts as at 31.12.2018	**135,313**	**0**	**79,464**	**0**	**17,375**	**12,909**	**245,061**
Carrying amounts as at 31.12.2019	**136,133**	**9,868**	**71,219**	**3,026**	**21,261**	**35,281**	**276,789**

“Land and buildings” contains a real property value of EUR 37,979 k (2018: EUR 35,220 k).

As at 31 December 2019, the obligations relating to unpaid orders for the delivery of fixed assets amounted to EUR 6,271 k (2018: EUR 14,135 k).

As at 31 December 2019, the future expenses from non-terminable leasing agreements amounted to EUR 15,092 k (2018: EUR 15,907 k) and are due as follows:

in EUR k	IFRS 16 31.12.2019	IAS 17 31.12.2018
Within one year	6,993	5,772
Longer than one year and within five years	7,841	10,135
Longer than five years	258	0

Tangible assets with a carrying amount of EUR 98,075 k (2018: EUR 89,514 k) were mortgaged or pledged to banks as a surety for bank liabilities totalling EUR 84,589 k (2018: EUR 15,016 k).

IMPAIRMENTS

As a result of the withdrawal of projects, individual assets with a carrying amount of EUR 882 k were obsolete and thus entirely impaired, as their utilisation or further use is improbable. The compensation paid by the customer amounting to EUR 873 k is reported in the sales revenues.

Apart from this, completed impairment tests showed that there were no impairment requirements for the CGUs.

10. DEFERRED TAX CLAIMS/OBLIGATIONS

The discrepancies between the amounts stated in the tax and IFRS balance sheets result from the following differences and take effect on deferred taxes as follows:

in EUR k	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	2,993	3,287	1,853	2,089
Loss carryforwards	4,870	0	4,675	0
Trade accounts receivable	8	0	0	71
Contractual assets	0	4,680	0	5,367
Other assets	0	3,357	0	3,014
Provisions for pensions	3,481	0	2,698	0
Provisions for severance payments	416	0	654	0
Other provisions for personnel	94	0	106	20
Lease liabilities	0	0	14	0
Contractual liabilities	437	0	538	0
Other provisions	1,905	0	2,053	0
Other liabilities	91	1	364	0
Subtotal	**14,295**	**11,325**	**12,956**	**10,560**
Offsetting due to identical tax authorities	-7,050	-7,050	-4,731	-4,731
Deferred taxes pursuant to the balance sheet	**7,245**	**4,275**	**8,225**	**5,829**

In 2019, group companies reported net deferred tax assets on temporary differences and loss carryforwards totalling EUR 7,245 k (2018: EUR 8,225 k). These were regarded as realisable, as on the basis of current medium-term planning it is assumed that these companies will generate taxable profits in future.

As at 31 December 2019, group income tax loss carryforwards totalled EUR 41,609 k (2018: EUR 36,772 k) and demonstrated the following structure:

in EUR k	31.12.2019	31.12.2018
Total	**41,609**	**36,772**
of which capitalised loss carryforwards	28,105	20,407
of which applicable for an unlimited period	28,105	20,407
of which non-capitalised loss carryforwards	13,504	16,364

No deferred tax assets were recognised for deductible tax loss carryforwards amounting to EUR 13,504 k (2018: EUR 16,364 k), as a future taxable result against which unused tax losses can be employed is currently assessed as being insufficiently guaranteed. This equates to deferred tax assets of EUR 2,450 k (2018: EUR 3,043 k).

In accordance with IAS 12.39, no deferred taxes were created for temporary differences in connection with shares in subsidiaries amounting to EUR 35,802 k (2018: EUR 26,071 k), as it could be assumed on 31 December 2019 that the differences between the valuation of investments for tax purposes and the pro rata equity of subsidiaries included in the consolidated financial statements would remain tax free for the foreseeable future.

The deferred taxes contain deferred tax assets recognised in equity amounting to EUR 2,914 k (2018: EUR 1,971 k) and deferred tax liabilities recognised in equity amounting to EUR 0 k (2018: EUR 0 k).

11. INVENTORIES

Inventories are structured as follows:

in EUR k	31.12.2019	31.12.2018
Raw materials and supplies	33,188	35,330
Unfinished goods	1,957	1,408
Advance payments received	-513	-1,340
Finished goods and merchandise	128	282
Order costs	5,508	4,318
Advance payments made	607	1,633
Total	**40,875**	**41,632**

The unfinished goods and order costs totalling EUR 7,465 k (2018: EUR 5,726 k) relate to contractual costs pursuant to IFRS 15 in connection with engineering services and tooling without a customer agreement. No impairment for contractual costs occurred in the 2019 financial year.

The change (balance from formation and reversal) in the impairment losses on inventories recognised through profit and loss amounted to minus EUR 175 k in the year under review (2018: EUR -204 k). Inventories that were recognised as material expenses in the reporting period amounted to EUR 284,248 k (2018: EUR 291,083 k).

In the case of inventories with a carrying amount of EUR 6,274 k (2018: EUR 4,266 k), realisation is first anticipated after twelve months.

As in the previous year, no inventories were transferred as collateral or pledged as a surety for financial liabilities.

12. TRADE ACCOUNTS RECEIVABLE

The existing provisions for impairments to trade accounts receivable developed as follows in the financial year under review:

in EUR k	31.12.2019	31.12.2018
As at 1.1.	**2,810**	**2,891**
Use	-427	-348
Release		
Allocation		
Foreign exchange rate differences	1	0
As at 31.12.	**1,700**	**2,810**

The impairment provisions contain individual valuation adjustments and price differences (Level 3). Owing to the low loss quotas of the past, further pro rata impairment provisions can be regarded as insignificant. According to estimates made by the management, there are no substantial differences between the carrying amount and the current value of accounts receivable.

FACTORING

Since the 2008 financial year, factoring agreements have existed owing to which, banks and factoring companies are obliged to purchase certain POLYTEC GROUP trade account receivables with a monthly rotating nominal volume. For the receivables sold, once the purchase has been completed the default risk linked to the receivables (del credere risk) passes without recourse to the purchasing bank or factoring company.

As at 31 December 2019, the factoring agreements had a maximum usable nominal volume totalling EUR 65,000 k (2018: EUR 60,000 k). On the balance sheet date, receivables amounting to EUR 27,413 k (2018: EUR 27,843 k) had been sold and derecognised from the consolidated financial statements in accordance with IFRS 9.

As at 31 December 2019, the non-advanced amount of EUR 9,404 k (2018: EUR 10,540 k) was disclosed under "Trade accounts receivable". Owing to the short-term nature and good creditworthiness of the receivables, the carrying amount may be regarded as a reliable approximate figure for fair value.

13. REVENUES/LIABILITIES FROM CONTRACTS WITH CUSTOMERS

Receivables from construction contracts and service transactions, which pursuant to IFRS 15 are subject to period-related revenue recognition, are reported in the balance sheet under the position "Revenues from contracts with customers". In addition, the revenues from contracts with customers also include those unfinished and finished goods, which according to IFRS 15 owing to customised production are also subject to period-related revenue recognition.

The revenues from contracts with customers are thus divided as follows:

in EUR k	31.12.2019	31.12.2018
Unfinished customised goods	12,930	12,768
Finished customised goods	18,116	17,848
Receivables from tooling and engineering sales	73,728	55,876
Revenues from contracts with customers	**104,774**	**86,491**

The contractual liabilities totalling EUR 2,889 k (2018: EUR 2,382 k) consist of advance payments received for tooling and engineering activities. In the 2019 financial year, the sum of EUR 2,382 k reported as contractual liabilities at the beginning of the period was recognised as sales revenue.

Owing to the low default quotas of the past, the default risk can be seen as negligible. For details regarding impairment provisions, we would refer you to G. 2 "Risk reporting".

The amount of the impairment of contractual receivables as at 31 December 2019 was influenced by an increase of EUR 1,216 k (2018: reduction of EUR 1,314 k).

With regard to the contractual assets, which decline in the course of the contractual period, as well as due to the anticipated call-off volumes (amortisation receivables from tooling and engineering projects, admission fees and price reductions for ongoing orders) see E.14 "Other current receivables".

14. OTHER CURRENT RECEIVABLES

The other current receivables contain the following contractual assets:

in EUR k	31.12.2019	1.1.2019
Amortisation receivables	5,328	4,802
Admission fees	9,918	8,876
Price reductions for ongoing orders	5,754	3,427
Total	**21,000**	**17,105**

At the latest, the realisation of contractual assets takes place within the production cycle underlying the respective customer order.

In addition, tax receivables, supplier commission and sureties are disclosed under this item, of which EUR 10,399 k (2018: EUR 5,433 k) represent financial receivables.

Owing to the low default quotas of the past, default risk for contractual assets and other financial receivables can be seen as negligible. No impairments were undertaken. For details regarding impairment provisions, we would refer you to G. 2 "Risk reporting".

15. CASH AND CASH EQUIVALENTS

On the balance sheet date, none of the amounts included in this item were subject to restrictions as to their use.

16. FINANCIAL ASSETS

In the valuation categories contained in IFRS 9 as at 31 December 2019 and 31 December 2018 respectively, the carrying amount of financial assets disclosed at amortised cost represents a reasonable approximation of fair value. All the fair values of financial assets are allocated to Level 3 of the measurement hierarchy.

Cash and cash equivalents, trade accounts receivable and other financial receivables generally have short residual terms. Therefore, the carrying amounts of these assets correspond approximately with the fair value on the balance sheet date, taking into account the creditworthiness of the contractual parties. The default risk is accounted for by the formation of provisions.

17. ASSETS HELD FOR SALE

The item "Assets held for sale" relates to the closed plants in Turkey and Germany and, above all, the related real estate awaiting sale. The management has drawn up a sales plan and the active search for a purchaser has commenced. The closed plants are valued with the carrying amount, as the anticipated proceeds from the sale less sale costs are higher than the carrying amount. No accumulative earnings and expenses in connection with the asset values are contained in the income statement or have flowed into the other result.

18. GROUP EQUITY

On the balance sheet date POLYTEC Holding AG share capital amounted to EUR 22,330 k (2018: EUR 22,330 k) divided into 22,329,585 ordinary shares (2018: 22,329,585 ordinary shares) with a nominal value of EUR 1.00 each. The share capital is fully paid in.

The buyback of the 334,041 treasury shares held on the balance sheet date (equates to 1.5% of share capital) at an acquisition value of EUR 1,855 k and a market value on the reporting date of EUR 2,889 k (2018: EUR 2,799 k) took place in its entirety in accordance with the buyback programme approved at the Annual General Meetings held on 16 May 2012 and 14 May 2014.

	Shares	Treasury shares	Shares in circulation
31.12.2018	**22,329,585**	**-334,041**	**21,995,544**
Change in treasury share portfolio	0	0	0
31.12.2019	**22,329,585**	**-334,041**	**21,995,544**

In accordance with a resolution from the Annual General Meeting held on 10 May 2019, the Board of Directors is authorised to purchase treasury shares amounting to a maximum of 10% of share capital at a minimum price of EUR 1.00 and a maximum price that is 10% above the average, unweighted closing market price on the five days preceding purchase.

In addition, authorised capital was agreed with the passing of a resolution by the Annual General Meeting held on 10 May 2019. With the consent of the Supervisory Board, at the latest three years after the entry of the authorised capital, the Board of Directors is empowered to increase share capital by a nominal amount of EUR 6,698,875.00 through the issue of new shares at a minimum price of EUR 1.00 each. The issue of the new shares may also take place subject to the preclusion of the subscription rights of shareholders when share capital is increased in exchange for contributions in kind from companies, operations, part-operations or shares in one or several enterprises. The capital reserves derive from premiums in connection with capital increases and are therefore entirely committed.

NON-CONTROLLING INTERESTS

The following table shows summarised financial information regarding all non-controlling interests prior to intra-group eliminations. For reasons of materiality, it is presented on an aggregate basis for all non-controlling interests.

in EUR k	31.12.2019	31.12.2018
Non-current assets	18,506	17,558
Current assets	11,954	10,901
Non-current liabilities	-627	-611
Current liabilities	-2,961	-3,306
Net assets	**26,872**	**24,542**
Share of equity/voting rights without a controlling interest	30%	30%
Carrying amount of interests without controlling influence	8,060	7,363
Pro rata profit of interests without a controlling influence	683	897
Pro rata other result of interests without a controlling influence	15	0
Dividends on interests without a controlling interest	0	0

in EUR k	2019	2018
Cash flow from operating activities	5,079	2,753
Cash flow from investing activities	-1,835	-1,213
Cash flow from financing activities	-129	197

INFORMATION CONCERNING CAPITAL MANAGEMENT

POLYTEC GROUP's capital management strategy is aimed at safeguarding business operations, increasing goodwill, creating a solid capital basis to finance a profitable growth path and guaranteeing capital service and attractive dividend payments.

POLYTEC Holding AG is subject to the statutory minimum capital requirements of Austrian corporation law. Statutory minimum capital requirements do not apply. Nonetheless, the group considers a solid equity base as a key element in insolvency prevention. The ratio between equity capital and total capital can be summarised as follows:

in EUR k	31.12.2019	31.12.2018
Total equity	252,585	238,007
Balance sheet total	605,601	557,636
Equity ratio	**41.7%**	**42.7%**

For the POLYTEC GROUP, the term capital management means the control of equity capital and net financial liabilities. The POLYTEC GROUP's net financial liabilities are centrally monitored and steered. The objectives in this regard include securing long-term liquidity, the efficient use of debt financing and the adoption of appropriate measures for financial risk mitigation in tandem with the optimisation of both earnings and costs.

Apart from the equity ratio, the POLYTEC GROUP mainly employs the gearing and return on capital employed (ROCE) parameters for the monitoring of its capital. The entire costs of the capital employed and the risks related to the different types of capital are monitored on a permanent basis.

The POLYTEC GROUP strives to maintain a sustainable equity ratio of more than 30%. A small deviation from this target equity ratio would only be acceptable temporarily in cases of strategically important M&A transactions.

Gearing is defined as the ratio of net financial liabilities (non-current and current financial liabilities less cash and cash equivalents and interest-bearing receivables) to equity capital. Appropriate control instruments consist primarily of the issuance and repayment of financial liabilities, as well as the consolidation of the equity base through the retention of earnings or the adjustment of dividend payments. The POLYTEC GROUP management now regards a gearing ratio of 1.00 as being lastingly solid.

Gearing developed as follows:

in EUR k	31.12.2019	31.12.2018
Financial liabilities[1)]	211,598	175,383
- Cash and cash equivalents	55,609	73,572
Net financial liabilities (-)/(+) assets	**-155,989**	**-101,811**
/ Equity carrying amount	252,585	238,007
Gearing	**0.62**	**0.43**

[1)] Non-current and current interest-bearing liabilities

Net financial liabilities increased largely owing to the issue of promissory note loans and other loan financing, which was employed primarily for the financing of investments and working capital in the course of customer projects and the purchase of the POLYTEC CAR STYLING Weierbach GmbH business operation. Above all, a normalisation in the project financing area (assets from customer contracts) is foreseeable in 2020 and a sizeable reduction of the gearing ratio in the direction of 0.5 has been targeted.

ROCE is defined as the ratio between EBIT and the average capital employed. The capital employed includes the non-current operating assets (intangible and tangible assets, goodwill and other non-current receivables) less non-current provisions and net working capital (non-interest bearing current assets less non-interest bearing current liabilities).

ROCE represents the most important calculation parameter for the vast majority of the POLYTEC GROUP's executive bonus plans. ROCE developed as follows:

in EUR k	2019	2018
Average capital employed	400,418	341,770
EBIT	32,648	40,073
Return on capital employed (in %)	**8.2**	**11.7**

The ROCE target amounts to a minimum of 15% and in 2019 fell well short of this figure. First and foremost, this is explained by the increase in investment spending and the committed working capital for future contracts. As a result of the foreseeable normalisation of the capital requirement and higher profitability, the ROCE target remains unchanged at 15%.

The POLYTEC GROUP's dividend policy is oriented towards profitability, strategic growth perspectives and the group's capital requirements.

19. EARNINGS PER SHARE AND DIVIDENDS

Pursuant to IAS 33 (Earnings per Share), basic earnings per share result from the division of the net income for the period due to the shareholders (annual net profit of the group after income taxes and non-controlling interests) by the weighted average number of ordinary shares outstanding during the reporting period.

	Unit	2019	2018
Net income after income taxes and after non-controlling interests	EUR k	22,391	29,120
Average number of ordinary shares issued	Shares	22,329,585	22,329,585
Average number of retained treasury shares	Shares	334,041	334,041
Average number of shares in circulation	Shares	21,995,544	21,995,544
Earnings per share	EUR/share	1.02	1.32

The diluted earnings per share equate to the non-diluted earnings per share, as no financial instruments with a dilutive effect are currently in circulation.

In accordance with the provisions of the Austrian Stock Corporation Act, the separate financial statements of POLYTEC Holding AG prepared in accordance with the Austrian accounting regulations as at 31 December 2019 provide the basis for the payment of a dividend.

At the Ordinary Annual General Meeting held on 10 May 2019, a resolution was passed approving the payment of a dividend of EUR 0.40 per share for the 2018 financial year (dividend payment date: 17 May 2019).

The Board of Directors of POLYTEC Holding AG will propose to the Annual General Meeting for the 2019 financial year the payment of a dividend of EUR 0.25 per share.

In principle, dividends are subject to the deduction of a capital gains tax of 27.5%. For individuals subject to unlimited tax liability, this means that their income tax is settled (final taxation). Corporations subject to unlimited corporate income tax liability, which hold at least 10% of share capital, are exempt from the capital gains tax. For individuals subject to limited tax liability, all relevant double taxation treaties must be taken into due account.

20. NON-CURRENT INTEREST-BEARING LIABILITIES

This item includes all interest-bearing financial liabilities with a residual term of more than one year and can be structured as follows:

in EUR k	31.12.2019	31.12.2018
Borrower's note loans	144,215	115,739
thereof with a residual term > 5 years	12,000	21,000
Bank loans	39,748	11,255
thereof with a residual term > 5 years	10,140	161
thereof with collateral securities	10,544	7,482
Other interest-bearing liabilities	2,342	0
thereof with a residual term > 5 years	270	0
Leasing liabilities	7,841	52
thereof with a residual term > 5 years	250	0
Non-current interest-bearing financial liabilities	**194,145**	**127,046**

The group's expiring non-current and current interest-bearing liabilities to banks exist in the following currencies:

in EUR k	2019		2018	
	Share %	Average nominal interest	Share %	Average nominal interest
EUR	99.2	1.24	99.0	1.56
GBP	0.8	2.15	1.0	2.15

In the 2014, 2017, 2018 financial years and most recently in 2019, the POLYTEC GROUP issued promissory note loans with the following repayment dates:

in EUR k	30.09.2021	30.03.2022	07.11.2023	22.01.2024	30.03.2024	07.11.2025	07.11.2028	Total
Fixed	24,000	11,500	19,500	0	1,500	0	0	**56,000**
Variable	0	24,500	15,500	28,500	7,500	11,000	1,000	**88,000**
Total	**24,000**	**36,000**	**35,000**	**28,500**	**9,000**	**11,000**	**1,000**	**144,500**

21. OBLIGATIONS TO EMPLOYEES

This position contains all the non-current provisions for obligations to employees:

in EUR k	31.12.2019	31.12.2018
Provisions for severance payments	3,793	3,474
Provisions for pensions	24,134	21,442
Provisions for long-service payments	2,371	2,171
Other non-current provisions	317	361
Total	**30,616**	**27,447**

The anticipated payments for the obligations to employees in the 2020 financial year amount to EUR 1,313 k.

PROVISIONS FOR PENSIONS

The present value of the obligations for defined benefit pension plans developed as follows:

in EUR k	2019			2018		
	Present value of pension obligations	Plan assets	Provision	Present value of pension obligations	Plan assets	Provision
As at 1.1.	**21,442**	**0**	**21,442**	**21,202**	**0**	**21,202**
Service costs	678	0	678	717	0	717
Interest expense	379	0	379	410	0	410
Change in the scope of consolidation	0	0	0	-113	0	-113
Pension payments	-755	0	-755	-856	0	-856
Actuarial gains and losses:						
due to demographic assumptions	385	0	385	18	0	18
due to financial assumptions	1,852	0	1,852	305	0	305
due to experience-based adjustments	154	0	154	-241	0	-241
As at 31.12.	**24,134**	**0**	**24,134**	**21,442**	**0**	**21,442**

With regard to the most important actuarial parameters and relevant accounting principles, please refer to section D. 11.

The pension expenses for the 2019 financial year consist mainly of defined benefit pension plans, whereby service costs are disclosed in the personnel expenses under the item "Expenses for severance payments and pensions", while interest costs are recognised in the financial result under the item "Interest component of pension commitments". The actuarial result comprises gains and losses resulting from the changes to financial and experience-based assumptions.

The average duration of pension obligations amounts to twelve years (2018: twelve years).

in EUR k	31.12.2019	31.12.2018
Service costs	678	717
Interest expense	379	410
Total	**1,057**	**1,127**

The actuarial gains/losses recognised under other comprehensive income developed as follows (after taxes):

in EUR k	2019	2018
Actuarial gains (+)/losses (-) as at 1.1.	**-4,349**	**-4,291**
Actuarial gains (+)/losses (-) in the financial year	-1,671	-59
Actuarial gains (+)/losses (-) as at 31.12.	**-6,021**	**-4,349**

A change in interest rates of 25 basis points would have led to an increase in pension obligations of EUR 1,755 k (2018: EUR 814 k), or to a decrease of EUR 1,616 k (2018: EUR 767 k).

PROVISIONS FOR SEVERANCE PAYMENTS

The present value of the obligations for defined benefit plans developed over time as follows:

in EUR k	2019	2018
Present value of severance payments (DBO) as at 1.1.	**3,474**	**3,822**
Service costs	90	103
Interest expenses	57	56
Severance payments	-95	-73
Actuarial gains and losses:		
due to demographic assumptions	-32	-25
due to financial assumptions	259	-65
due to experience-based adjustments	41	-344
Present value of severance payments (DBO) as at 31.12.	**3,793**	**3,474**

With regard to the most important actuarial parameters and relevant accounting principles, please refer to section D. 11.

Total severance costs for the 2019 financial year are divided between defined contributions and defined benefit plans, whereby the service costs included in personnel expenses are reported under expenses for severance payments and pensions, and the interest expense is reported in the financial result under interest component of pension commitments. The actuarial result comprises the gains and losses resulting from changes to the demographic, financial and experience-based assumptions.

The average duration of severance payment obligations amounts to nine years (2018: nine years).

in EUR k	2019	2018
Contribution-oriented plans		
Expense for contribution-oriented plans	**308**	**273**
Defined benefit plans		
Service costs	90	103
Interest expenses	57	56
Expense for defined benefit plans	**147**	**159**
Expense for severance payments	**455**	**432**

Actuarial gains/losses recognised in other comprehensive income developed as follows (after taxes):

in EUR k	2019	2018
Actuarial gains (+)/losses (-) as at 1.1.	**-259**	**-584**
Actuarial gains (+)/losses (-) in the financial year	-201	326
Actuarial gains (+)/losses (-) as at 31.12.	**-460**	**-259**

A change in interest rates of 25 basis points would have led to an increase in severance payment obligations of EUR 87 k (2018: EUR 82 k), or to a decrease of EUR 84 k (2018: EUR 79 k).

PROVISIONS FOR LONG-SERVICE PAYMENTS

The provision developed over time as follows:

in EUR k	2019	2018
Present value of the defined benefit obligation = **Provision for long-service payments**	**2,371**	**2,171**

Total expenses for long-service payments for the financial year amounted to EUR 200 k (2018: EUR 194 k).

22. OTHER NON-CURRENT PROVISIONS

in EUR k	As at 1.1.2019	Reclassifi-cations	Alloca-tions	As at 31.12.2019
Impending losses and risks	4,430	-2,677	0	1,753
Total	**4,430**	**-2,677**	**0**	**1,753**

in EUR k	As at 1.1.2018	Reclassifi-cations	Alloca-tions	As at 31.12.2018
Impending losses and risks	6,957	-2,527	0	4,430
Other	4,906	-4,906	0	0
Total	**11,863**	**-7,433**	**0**	**4,430**

23. CURRENT INTEREST-BEARING LIABILITIES

in EUR k	31.12.2019	31.12.2018
Liabilities to banks	3,092	0
Bank loans	5,749	7,417
Other interest-bearing liabilities	3,054	661
Liabilities from promissory note loans	505	40,115
Lease liabilities	5,054	144
Interest-bearing current financial liabilities	**17,454**	**48,337**

24. LIABILITIES FROM INCOME TAXES

The liabilities from income taxes consist largely of liabilities from corporate and trade income taxes (or comparable taxes) in different states, where group companies have their registered offices. Liabilities developed as follows:

in EUR k	31.12.2019	31.12.2018
As at 1.1. of the financial year	1,622	2,758
Exchange rate differences	-1	0
Use for tax payments	-1,621	-2,732
Release	0	-26
Addition in the financial year	2,155	1,622
As at 31.12. of the financial year	**2,155**	**1,622**

25. LIABILITIES FROM TRADE ACCOUNTS PAYABLE

in EUR k	31.12.2019	31.12.2018
Liabilities from trade accounts payable	52,908	54,306
Financial trade accounts payable liabilities	**52,908**	**54,306**

26. OTHER CURRENT LIABILITIES

in EUR k	31.12.2019	31.12.2018
Liabilities to employees	3,023	3,048
Provision for outstanding incoming invoices	4,366	1,575
Other liabilities	2,770	3,371
Other current financial liabilities	**10,159**	**7,994**
Accrual for unclaimed leave	4,303	4,930
Other tax liabilities	6,568	5,297
Social security liabilities	1,948	1,871
Deferred charges	1,315	2,590
Deferral to other personnel expenses	5,466	5,915
Total	**29,760**	**28,597**

27. CURRENT PROVISIONS

in EUR k	Balance as at 1.1.2019	Change in the scope of consoli-dation	Currency transla-tion	Transfers	Reclassifi-cations	Utilisation	Release	Assign-ment	Balance as at 31.12.2019
Personnel-related accruals	2,880	0	0	0	0	2,880	0	0	0
Provision for impending losses and risks	3,958	3,600	4	0	2,677	5,643	316	1,625	5,905
Guarantees and warranties	1,066	0	0	0	0	382	69	404	1,018
Other current provisions	11,730	0	23	0	0	6,960	2,162	7,508	10,138
Total	**19,634**	**3,600**	**27**	**0**	**2,677**	**15,866**	**2,548**	**9,536**	**17,061**

in EUR k	Balance as at 1.1.2018	Currency transla-tion	Transfers	Reclassifi-cations	Utilisation	Release	Assign-ment	Balance as at 31.12.2018
Personnel-related accruals	0	0	0	2,880	0	0	0	2,880
Provision for impending losses and risks	5,970	2	-1,043	2,527	7,112	737	4,351	3,958
Guarantees and warranties	1,707	0	0	0	832	339	530	1,066
Other current provisions	14,590	34	106	2,026	5,584	5,023	5,581	11,730
Total	**22,267**	**36**	**-937**	**7,433**	**13,528**	**6,099**	**10,462**	**19,634**

The reclassifications relate to the changing recognition of non-current and current provisions.

Amongst others, the other current provisions contain provisions for customer reclamations totalling EUR 6,225 k (2018: EUR 7,884 k), retirement obligations of EUR 957 k (2018: EUR 1,571 k) and legal risks amounting to EUR 748 k (2018: EUR 877 k).

28. FINANCIAL LIABILITIES

In accordance with IFRS 9, the financial liabilities comprise the non-current and current interest-bearing liabilities disclosed in the consolidated balance sheet, as well as trade accounts payable and other current financial liabilities. Last year, the interest-bearing liabilities contained liabilities from financial leasing relationships amounting to EUR 196 k, which pursuant to IFRS 9 are not allocated to the financial liabilities

Except for derivative financial contracts, the financial liabilities are included in the “financial liabilities measured at amortised cost” valuation category. The derivative financial instruments are classified as “financial liabilities measured at fair value through profit or loss”.

Apart from the derivative financial contracts (Level 2) totalling EUR 150 k (2018: EUR 343 k) disclosed under “Other current liabilities”, all financial liabilities are allocated to the Level 3 measurement category.

The POLYTEC GROUP only determines the fair value for interest-bearing liabilities for disclosures in the notes to the consolidated financial statements. Fair value is established using recognised measurement methods based on the discounted cash flow method. The main input factor is the discount rate, which takes available market data (risk-free interest rates) into account. In the case of financial liabilities, the creditworthiness of the POLYTEC GROUP is considered. On the balance sheet date, the Level 3 non-current financial liabilities showed a fair value of EUR 196,732 k (2018: EUR 128,568 k), as compared to a carrying amount in the balance sheet of EUR 194,145 k (2018: EUR 126,994 k). On 31 December 2019, the current interest-bearing financial liabilities showed a fair value of EUR 18,044 k (2018: EUR 49,902 k), as opposed to a carrying amount in the balance sheet of EUR 17,454 k (2018: EUR 48,192 k). The fair value of the other Level 3 financial liabilities corresponds roughly with the carrying amount in the balance sheet.

Reference should be made to the risk report with regard to the determination of the fair value of derivatives.

F. CASH FLOW STATEMENT

NON-CASH BUSINESS TRANSACTIONS

During the financial year expired, the POLYTEC GROUP undertook the following non-cash investment and financial transactions that are not reported in the cash flow statement.

In the cash flow statement, the non-cash effects derived from IFRS 16 additions reduce the investments in fixed assets.

OTHER NON-CASH EXPENSES AND INCOME

The non-cash expenses and income consist largely of currency translation differences and non-cash interest payments.

CHANGES TO FINANCIAL LIABILITIES

The difference between the change in the carrying amount of the financial liabilities and the payment flows reported under group cash flow from financing activities results largely from foreign currency translation totalling EUR 1,832 k (2018: EUR -266 k).

Lease payments of EUR 5,193 k lower the lease liabilities (current and non-current) from 1 January 2019 amounting to EUR 15,587 k. New leases totalling EUR 2,329 k, disposals of EUR 82 k and currency translation differences of EUR 253 k resulted in lease liabilities as at 31 December 2019 of EUR 12,894 k.

G. OTHER INFORMATION

1. EVENTS AFTER THE BALANCE SHEET DATE

Events occurring after the balance sheet date, which are of significance for the evaluation on the balance sheet date, such as outstanding legal cases or claims for compensation and other obligations or impending losses, which would have to be reported or disclosed in accordance with IAS 10.19 (Events after the Reporting Period) have been allowed for in these consolidated financial statements and reported under the respective item. There were no non-adjusting events.

2. RISK REPORTING

Within the scope of its business activities, the POLYTEC GROUP is subject to a variety of risks, which relate directly to corporate transactions. Risk management is an integral part of group strategy and business processes. The comprehensive certifications required by an automotive industry supplier (e. g. IATF16949:2016 and ISO14001:2015) already specify appropriate regulations, which are also monitored via external audits. In line with the organisational structure of the POLYTEC GROUP, risks are locally managed and monitored close to the market, especially in the course of ongoing business processes. However, group headquarters provides central financial risk management. The following major risk areas can be identified:

SPECIFIC COMPANY RISKS

a. (Sales) market risk

General sales market risk. The automotive industry is currently undergoing fundamental changes. Indeed, owing to constraints upon the combustion engine and the furtherance of e-mobility, which represent the indirect sources of impetus behind this upheaval, not to mention the tangible effects of autonomous driving and new mobility concepts, the coming years are set to be most challenging. The task is therefore to adjust to these new conditions and establish a clear position in the new markets by means of innovation and a targeted sales strategy. To date, the automotive supply industry was already seen as highly competitive and characterised by consolidation and restructuring amongst its competing players. This phase will now intensify and the POLYTEC GROUP must exploit the resultant opportunities.

In addition, current economic and political risks are far more acute than in recent years. The internationalisation of the markets and supply chains has not only created major possibilities, but also increased risks, as demonstrated clearly by the outbreak of the coronavirus. International trade disputes have also resulted in falls in demand and complications within the global supply arrangements and there is a risk that these uncertainties will continue to have a negative impact upon the automotive industry in the next few years.

Volume risk. This emanates from demand volatility and unplanned part quantity development. During series production, the supplier is dependent on the sales of the vehicle for which it is supplying components, while being powerless to influence this success. The unplanned call-up of part quantities can result in two types of problem, one of which is formed by capacity bottlenecks, which may lead to delayed deliveries and hence reputational damage. Conversely, the lack of call-offs can cause use of capacity difficulties and a subsequent fixed cost deficit. The POLYTEC GROUP attempts to keep the dependency upon individual delivery relationships to a minimum by means of a balanced customer and order mix.

Owing to the focus of the OEMs on only a few models and engines, sharp reductions and increases in part numbers during series production are becoming increasingly frequent. Moreover, especially in recent months, the visibility of call-offs has deteriorated greatly. For the POLYTEC GROUP this means that the call-off situation and the model development must be monitored extremely closely. Material changes must evoke both a cost-related reaction and justified claims for increased costs, particularly with regard to the undercutting of planned quantities.

b. Procurement market risk

One substantial risk is represented by the fluctuations in raw material prices, which in the case of a plastics processor like the POLYTEC GROUP are due mainly to long-term oil price shifts, but can also be caused by changes in refinery capacity. This risk is countered by means of material fluctuation clauses in the disclosed calculations in as far as these are acceptable to the customer. To a certain extent, negotiations involving raw materials and purchased parts take place directly between the POLYTEC GROUP's customers and the suppliers. Where prices are only agreed with the customer on an annual basis, changes in raw material prices are an important parameter for the annual price renegotiations. Furthermore, increased research and development activities are aimed at the use of new raw materials (natural fibres).

c. Investment risk

A considerable investment on the part of the POLYTEC GROUP is necessary in order to guarantee the OEMs a supply capability and this naturally results in a corresponding risk. This investment risk can be defined as the uncertainty related to the advantageousness of an investment. During investment decisions subject to risk, the possibility exists that the future payment surpluses and returns related to an investment project may fluctuate. The volatility of the payment surpluses involves the danger of lower returns.

Meeting the infrastructural needs of the OEMs, necessitates large-volume investments by the POLYTEC GROUP many years in advance, irrespective of whether the purchase of machinery and plant, or the building of complete production facilities is involved. Therefore, should planned orders not be received, this results in an undefined prolongation of the amortisation period. Moreover, as investments relate partly to specific products or customers, an alternative possibility for their use is only available to a limited extent. Accordingly, as a rule an appropriate delivery volume is defined with the OEMs, which thus bear a corresponding degree of the investment risk.

d. Production risk

The production risk describes the overall negative deviations to be anticipated during product manufacture. Product risks in the POLYTEC GROUP derive mainly from effects, which result in unstable or defective output that in turn can lead to part number fluctuations and customer production line breakdowns. As a consequence, delivery problems may result and thus damage the reputation with the customer.

Production risks also encompass quality problems, which can again have a detrimental impact on customer relationships. The POLYTEC GROUP minimises this risk through ongoing improvements to its production processes (POLYTEC Performance Systems, digitalisation offensive, etc.), as well as the continual preparation of organisational measures for enhanced process quality.

FINANCIAL RISKS, THEIR MANAGEMENT AND SENSITIVITY

Credit risk. Owing to its customer structure with roughly 90% of total turnover being generated with OEMs or major systems suppliers, the POLYTEC GROUP is subject to the automotive industry credit risk. However, accounts receivable are monitored meticulously on a permanent basis and the payment of accounts receivable as agreed is secured. In the 2019 financial year, approximately 61% (2018: 58%) of sales were obtained from the group's three major customers. This results in a certain accumulated credit risk, which however, has been assessed by the management as being uncritical with regard to potential non-payments. Dependency upon only a few customers is a basic characteristic of the automotive supplier industry. Within this context, the customer is defined as a group of affiliated companies, which can also produce several automotive marques. In future, the management intends to seek greater diversification through the expansion of its customer base in the non-automotive business area.

The risk of non-payment with regard to cash and cash equivalents is deemed as low.

Despite a credit risk generally classified as limited, the maximum theoretical risk of non-payment corresponds to the carrying amounts of the individual financial assets. The bulk of the trade accounts receivable are covered by credit insurance, which means that in the case of a default POLYTEC would only be subject to a deductible loss of 10%. As at the reporting date, a credit insurance agreement was in place, which resulted in trade accounts receivable of EUR 47,549 k (2018: EUR 50,709 k) being insured. Therefore, the theoretical risk of non-payment amounts to EUR 196,315 k (2018: EUR 185,928 k).

The analysis of the gross carrying values of trade accounts receivable, the contractual assets and the other financial receivables as at 31 December 2019 can be presented as follows:

in EUR k			Overdue but not impaired in days			
31.12.2019	Gross amount	Impairment provisions	up to 60	60 to 120	120 to 360	over 360
Trade accounts receivable	55,113	1,700	8,250	1,218	1,391	737
Revenues from contracts with customers	104,774	2,622	0	0	0	0
Other financial receivables	31,399	0	0	0	0	0

On 31 December 2018, the analysis of overdue, but not impaired trade accounts receivable, as well as the other financial receivables, presented the following picture:

in EUR k			Overdue but not impaired in days			
31.12.2018	Gross amount	Impairment provisions	up to 60	60 to 120	120 to 360	over 360
Trade accounts receivable	56,846	2,810	10,239	2,502	1,902	1,448
Revenues from contracts with customers	87,896	1,405	0	0	0	0
Other financial receivables	22,538	0	0	0	0	0

The impairment provisions contain individual valuation adjustments and price differences No doubts exist concerning the collectability of financial assets that are neither overdue nor impaired. There are no significant risk concentrations resulting from the investment of financial assets in only one business partner.

Liquidity risk. The group hedges its liquidity needs by means of the maintenance of a cash reserve and the premature refinancing of mature financial liabilities. Group headquarters undertakes the management of the liquidity risk.

On the basis of the agreements concluded, the group's financial liabilities (excluding derivatives) show the following expected cash flows (including interest payments made at the interest rate on the balance sheet date):

in EUR k	Carrying amount as at 31.12.2019	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	144,720	150,358	1,749	136,457	12,152
Bank loans and other interest-bearing liabilities	53,984	56,246	12,370	33,429	10,447
Leasing liabilities	12,894	13,261	5,162	7,841	258
Trade accounts payable	52,908	52,908	52,908	0	0
Other financial liabilities	10,009	10,009	10,009	0	0
Total	**274,515**	**282,782**	**82,198**	**177,727**	**22,857**

in EUR k	Carrying amount as at 31.12.2018	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	155,854	162,580	41,862	99,391	21,327
Bank loans and other interest-bearing liabilities	19,333	20,374	8,422	11,789	163
Financial leasing	196	199	199	0	0
Trade accounts payable	54,306	54,306	54,306	0	0
Other current liabilities	7,651	7,651	7,651	0	0
Total	**237,340**	**245,110**	**112,440**	**111,180**	**21,490**

Bank borrowings on current accounts will continue to be made available to the group until further notice and are therefore adjudged to be current. However, a short-term call-in on the part of the lender banks is not to be expected.

Foreign exchange risk. The vast majority of POLYTEC GROUP sales revenues are invoiced in euros and consequently the foreign exchange risk only affects the group to a limited degree. Moreover, the purchase of preliminary work takes place partially in the same currency as sales, which results in natural hedging. The group is subject to higher foreign exchange risks in those countries in which invoices are written in euros, but preliminary work must be purchased in local currency. For example, such risks apply to the Czech crown, Hungarian forint and the Turkish lira. In many cases, these risks cannot be transferred to financial instruments, as they are mainly attributable to personnel costs. Owing to the expansion of production activities in the UK and the volatility of the British pound since the Brexit vote, the POLYTEC GROUP is subject to an increased currency risk in this connection. If required, it counters this risk through hedging transactions although primarily natural hedge positions were used.

The financial instruments and financial liabilities reported on the balance sheet date show the following distribution with regard to their currency of origin:

in EUR k		31.12.2019	
	In euros	In foreign currency	Total
Trade accounts receivable	40,694	12,720	53,413
Receivables from construction contracts	100,619	4,155	104,774
Other receivables (excluding prepaid expenses and accrued income)	28,718	1,350	30,068
Cash and cash equivalents	48,895	6,714	55,609
Total	**218,925**	**24,939**	**243,864**

in EUR k		31.12.2019	
	In euros	In foreign currency	Total
Non-current interest-bearing liabilities	193,106	1,039	194,145
Current interest-bearing liabilities	5,180	12,273	17,454
Trade accounts payable (without advance payments)	44,300	8,608	52,908
Other current liabilities	8,749	1,410	10,159
Total	**251,335**	**23,331**	**274,666**

in EUR k	31.12.2018		
	In euros	In foreign currency	Total
Trade accounts receivable	43,665	10,371	54,036
Receivables from construction contracts	76,194	10,297	86,491
Other receivables (excluding prepaid expenses and accrued income)	19,801	2,737	22,538
Cash and cash equivalents	71,128	2,444	73,572
Total	**210,788**	**25,849**	**236,637**

in EUR k	31.12.2018		
	In euros	In foreign currency	Total
Non-current interest-bearing liabilities	124,732	2,314	127,046
Current interest-bearing liabilities	43,460	4,876	48,337
Trade accounts payable (without advance payments)	46,910	7,395	54,306
Other current liabilities	6,586	1,409	7,995
Total	**221,688**	**15,994**	**237,684**

The distribution shows that the risk to which the group is subject owing to exchange rate fluctuations is very low, as both financial assets held in foreign currency totalling 10.2% (2018: 10.9%) and the corresponding liabilities totalling 8.5% (2018: 6.7%) account for only a minor part of the total volume. Furthermore, currency fluctuations would equally affect both assets and liabilities and therefore display compensatory effects.

A shift in exchange rates with regard to non-inter-group trade accounts receivable and trade accounts payable of +/-10% would have no material effect upon results or equity.

Interest rate change risk. The POLYTEC GROUP counteracts the interest rate change risk by means of a portfolio of variable and fixed forms of financing that corresponds with the long-term interest rate projection. Long-term financing activities are predominantly subject to variable interest rates.

Derivatives were employed in the 2018 and 2019 financial years as an interest rate hedge. The following table shows the fair value, the nominal amounts and the residual contractual periods of the outstanding derivatives at the end of the reporting periods:

31.12.2019	Fair value			Residual period		
in EUR k	pos.	neg.	Nominal	up to 1 year	1 to 5 years	more than 5 years
Receive floating pay fixed swaps	0	150	8,500	0	8,500	0
Interest caps	0	0	0	0	0	0
Total	**0**	**150**	**8,500**	**0**	**8,500**	**0**

31.12.2018	Fair value			Residual period		
in EUR k	pos.	neg.	Nominal	up to 1 year	1 to 5 years	more than 5 years
Receive floating pay fixed swaps	0	343	36,500	28,000	8,500	0
Interest caps	0	0	0	0	0	0
Total	**0**	**343**	**36,500**	**28,000**	**8,500**	**0**

The fair values stated in the tables above correspond with the current values at the end of the reporting period. They were determined via banks using current market parameters on the balance sheet date.

The interest swaps are offset quarterly. The variable interest rate of the interest swaps is based on the 6-month EURIBOR. The difference between fixed and variable interest is offset net.

Interest-bearing liabilities show the following structure on the balance sheet date:

in EUR k	31.12.2019	31.12.2018
Promissory note loans	144,720	155,854
thereof with fixed interest	56,720	96,363
thereof with variable interest	88,000	59,491
Bank loans	48,589	18,672
thereof with fixed interest	11,194	16,484
thereof with variable interest	37,395	2,188
Lease liabilities	12,894	196
thereof with fixed interest	12,894	196
thereof with variable interest	0	0
Other interest-bearing liabilities	5,395	661
thereof with fixed interest	5,395	661
thereof with variable interest	0	0
Total	**211,598**	**175,383**
thereof with fixed interest	86,203	113,704
thereof with variable interest	125,394	61,679

The bulk of the liabilities bearing variable interest are dependent upon the 6-month EURIBOR. An increase (reduction) in this reference interest rate of 100 basis points would result in an increase (decrease) of the interest expense by some EUR 1,254 k (2018: EUR 617 k).

Cash and cash equivalents contain variable interest-bearing financial assets totalling EUR 53,431 k (2018: EUR 56,103 k). An increase/decrease in the interest rate of 100 basis points would result in an increase/decrease in interest income of approximately EUR 534 k (2018: EUR 561 k).

Cyber crime. The POLYTEC GROUP is also subject to an increase in cyber crime attacks, but to date these have been warded off successfully. Nonetheless, the growing professionalism in this regard has come to represent a serious risk area in operative business. The POLYTEC GROUP's internal controls are being continually tightened and employee sensibility with regard to this topic is addressed at regular intervals and subjected to ongoing evaluation.

Other risks. The Board of Directors is unaware that any other material risks and obligations exist that have not been appropriately mentioned in these consolidated financial statements or the notes.

3. RELATED PARTIES AND COMPANIES

As at the 31 December 2019 balance sheet date, on the basis of the shares issued, the shareholder structure was as follows:

Huemer Group: 29.04%
NN Group N.V: 5.17%
Treasury shares: 1.50%
Remaining free float: 64.29%

Apart from the members of the Board of Directors and the Supervisory Board, related parties pursuant to IAS 24 include the Huemer Group. First and foremost, this involves IMC Verwaltungsgesellschaft mbH, Hörsching, Huemer Invest GmbH, Hörsching, and Globe Air GmbH, Hörsching. The conditions of business transactions conform to standard market practice.

in EUR k	Huemer Group	
	31.12.2019	31.12.2018
Receivables	60	164
Liabilities	50	6
Rental income	133	69
Other income	56	167
Other expenses	414	1,250

Since the beginning of 2019, POLYTEC Holding AG has employed the consulting services of IMC Verwaltungsgesellschaft mbH, Hörsching. This involves an annual flat rate fee of EUR 260 k, which is paid retrospectively on a quarterly, pro rata basis. In 2018, the fee for a work contract with the then Chairman of the Board of Directors, Friedrich Huemer, was cleared and reported under the other expenses.

Other expenses also include transport services from GlobeAir AG, Hörsching. The rental income derives from the leasing of office accomodation.

As in the previous year, no provisions or expenses for doubtful or unrecoverable debts were reported in 2019 in connection with transactions with related parties. Guarantees were neither given nor received.

4. KEY MANAGEMENT

Total remuneration of the members of the Board of Directors in the 2019 financial year amounted to EUR 1,468 k (2018: EUR 2,269 k) and as in the previous year was entirely attributable to short-term benefits. The variable component totalled EUR 230 k (2018: EUR 810 k) and as was the case in the preceding year, during the 2019 financial year no payments were made after the termination of the working relationship.

As yet unpaid variable salary components affecting the 2019 business year are reported in the current personnel provisions.

There are no stock-option plans or similar shareholding-based remuneration pursuant to IFRS 2.

Total expenses for the emoluments to Supervisory Board members in the 2019 financial year amounted to EUR 132 k (2018: EUR 132 k).

There are no loans or advance payments relating to current or former members of company bodies. No former members of the governing bodies of the company receive any kind of salary from the group or one of its affiliated companies.

5. POLYTEC HOLDING AG GOVERNING BODIES

During the year under review and at the time of the preparation of the consolidated financial statements, the **members of the Board of Directors** were as follows:

Markus Huemer, Wallern
(Chairman of the Board of Directors)

Peter Haidenek, Velden a. W.

Heiko Gabbert, Vechta, Germany

Peter Bernscher, Linz

During the year under review and at the time of the preparation of the consolidated financial statements, the **members of the Supervisory Board** were as follows:

Fred Duswald, Thalheim (Chairman)

Manfred Helmut Trauth, Knittelsheim, Germany
(Deputy Chairman)

Robert Büchelhofer, Starnberg, Germany

Viktoria Kickinger, Vienna

Reinhard Schwendtbauer, Leonding

6. GROUP COMPANIES

Company	Company address	Country	Shareholder	2019 Direct and indirect holding %	2019 Type of consolidation[1]	2018 Direct and indirect holding %	2018 Type of consolidation[1]
POLYTEC Anlagenfinanzierung GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC CAR STYLING Hörsching GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Car Styling UK Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC FOHA CORPORATION	Markham	CAN	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Foha Inc.	Warren	USA	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Car Styling Schoten N.V.	Schoten	BEL	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC CAR STYLING Weierbach GmbH	Idar-Oberstein	GER	POLYTEC Holding AG	100.0	KV		
Polytec Netherlands Holding B.V.	Roosendaal	NED	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Composites NL B.V.	Roosendaal	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Plastics NL B.V.	Putte	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Hungary Kft.	Komló	HUN	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Komló Kft.	Komló	HUN	POLYTEC Hungary Kft.	100.0	KV	100.0	KV
POLYTEC Germany GmbH	Lohne	GER	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Composites GmbH	Gochsheim	GER	POLYTEC Germany GmbH	100.0	KV	100.0	KV
Polytec Holding Deutschland GmbH	Lohne	GER	PT Plastics GmbH	100.0	KV	100.0	KV
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Plastics Germany GmbH & Co KG[2]	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Plastics Idstein GmbH & Co KG[2]	Idstein	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
POLYTEC Plastics Ebensee GmbH	Ebensee	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Interior Zaragoza S.L. i.L.	Zaragoza	ESP	POLYTEC Holding AG	100.0	KO	100.0	KO
POLYTEC AUTO PARTS Tianjin Co., Ltd	Tianjin	CHN	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Composites Beteiligungs GmbH	Gochsheim	GER	PT Composites GmbH	100.0	KV	100.0	KV
POLYTEC Composites Verwaltungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Germany GmbH & Co KG[2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds GmbH & Co. KG[2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds Verwaltungs GmbH	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Industrielackierungen GmbH & Co. KG[2]	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Industrielackierungen Verwaltungs GmbH	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Slovakia s.r.o.	Sladkovicovo	SVK	PT Beteiligungs GmbH	100.0	KV	100.0	KV
PT Plastik Ürünleri Sanayi ve Ticaret A.S.	Aksaray	TUR	PT Beteiligungs GmbH	100.0	KV	100.0	KV
Polytec Composites Bohemia s.r.o.	Chodová Planá	CZE	PT Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Composites Weiden GmbH	Weiden	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV

Company	Company address	Coun-try	Shareholder	2019 Direct and indirect holding %	2019 Type of con-solida-tion[1]	2018 Direct and indirect holding %	2018 Type of con-solida-tion[1]
Newplastics, S.A.	Lisbon	POR	POLYTEC Composites Germany GmbH & Co KG	2.0		2.0	
Ljungby Komposit AB	Ljungby	SWE	PT Beteiligungs GmbH	25.0	KOE	25.0	KOE
POLYTEC Industrielackierung Weiden GmbH	Waldnaab	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC COMPOSITES South Africa (Pty) Ltd.	East London	RSA	PT Beteiligungs GmbH	100.0	KV	100.0	KO
POLYTEC Industrial Plastics GmbH	Bochum	GER	POLYTEC Holding AG	70.0	KV	70.0	KV
POLYTEC Elastoform GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC EMC Engineering GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC THELEN GmbH	Bochum	GER	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC Immobilien Holding GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Immobilien GmbH	Hörsching	AUT	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Immobilien GmbH	Hörsching	AUT	PT Immobilien GmbH	94.5	KV	94.5	KV
POLYTEC Composites Immobilien GmbH	Kraichtal	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
PPI Immobilien GmbH	Ebensee	AUT	POLYTEC Immobilien Holding GmbH	95.0	KV	95.0	KV
POLYTEC Immobilien Deutschland GmbH	Lohne	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
POLYTEC Real Estate Gayrimenkul Limited Sirteki	Aksaray	TUR	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Slovakia s.r.o.	Sladkovicovo	SVK	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Belgium N.V.	Schoten	BEL	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
SPELAG s.r.o.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KO	100.0	KO
POLYTEC ESTATES Bohemia k.s.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC ESTATES UK Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV	100.0	KV

[1] KV = fully consolidated companies
KE = companies consolidated at equity
KO = companies excluded due to lack of materiality
KOE = no at equity valuation due to immateriality
[2] Pursuant to §264 b of the German Commercial Code, the companies are released from an obligation to prepare, audit and publish annual financial statements and a management report in accordance with the current regulations applicable to corporations.

Hörsching, 5 March 2020

The Board of Directors of POLYTEC Holding AG

Markus Huemer
Chairman of the Board of Directors – CEO

Heiko Gabbert
Member of the Board of Directors – COO

Peter Haidenek
Member of the Board of Directors – CFO

Peter Bernscher
Member of the Board of Directors – CSO

DECLARATION OF ALL LEGAL REPRESENTATIVES

PURSUANT TO § 124 (1) 3 OF THE 2018 AUSTRIAN STOCK EXCHANGE ACT

We confirm that, to the best of our knowledge, the consolidated financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, financial and earnings position of the group, that the group management report gives a true and fair view of the business performance, result and position of the group, with the consequence that a true and fair view of the assets, financial position and earnings of the group is created, and moreover that the management report provides a description of the principal risks and uncertainties that the group faces.

We confirm that, to the best of our knowledge, the financial statements of the parent company prepared in accordance with the applicable accounting standards, give a true and fair view of its assets, financial and earnings position, that the management report gives a true and fair view of the company's business performance, result and position, with the consequence that a true and fair view of the assets, financial position and earnings of the company is created, and moreover that the management report provides a description of the principal risks and uncertainties that the company faces.

Hörsching, 5 March 2020

The Board of Directors of POLYTEC Holding AG

Markus Huemer
Chairman of the Board of Directors – CEO
Responsibilities: M&A, investment management,
corporate strategy, corporate communications, purchasing,
IT, human resources

Peter Haidenek
Member of the Board of Directors – CFO
Responsibilities: Finance, controlling,
accounting, investor relations, internal audit, legal affairs

Heiko Gabbert
Member of the Board of Directors – COO
Responsibilities: Operations, innovation,
industrial engineering

Peter Bernscher
Member of the Board of Directors – CSO
Responsibilities: Sales, engineering, marketing

AUDITORS' REPORT

(This is a translation of the original German version for information purposes without liability; the German version takes precedence.)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of

POLYTEC Holding AG,
Hörsching,

and its subsidiaries (the group), which consist of the consolidated balance sheet, the consolidated income statement and consolidated statement of comprehensive income as at 31 December 2019, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the mandatory regulations and give a true and fair view of the consolidated financial position of the group as at 31 December 2019, as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code).

BASIS FOR THE AUDIT OPINION

We conducted our audit in accordance with the EU Regulation (EU) 537/2014 (subsequently referred to as the EU regulation) and with Austrian auditing standards. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the audited entity as prescribed by Austrian commercial law and professional regulations, and have fulfilled our other responsibilities in line with these relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Our audit procedures relating to these matters were designed within the context of our audit of the consolidated financial statements as a whole and therefore no separate opinion is provided.

IMPAIRMENT OF NON-CURRENT ASSETS (INCLUDING GOODWILL)

See notes, sections D. 10, D. 19, E. 8, E. 9.

Risk for the financial statements

Goodwill is subjected to impairment testing at least once a year. However, during the 2019 financial year POLYTEC Holding AG identified indications of an impairment of non-current assets. The attainable amounts determined (impairment test of the affected cash-generating units) showed sufficient coverage of the carrying amounts. For the purpose of impairment testing, evaluation takes place on the basis of the discounted net cash inflows, which are dependent upon future result expectations, using discount rates extrapolated from market data.

These evaluations are subject to significant estimation uncertainties with regard to long-term planning assumptions and market insecurity. The consolidated financial statements are therefore open to the risk of non-current asset overvaluation (including goodwill).

Our approach for auditing

We adjudged the impairment of non-current assets (including goodwill) as follows:

- In order to be able to assess the appropriateness of the planning, we gained an understanding of the planning process and compared the assumptions employed with past development. We compared the expected results underlying the evaluation and investments with the budget prepared by the Board of Directors and approved by the Supervisory Board, and in addition the medium-term planning. We held discussions with the management regarding these assumptions, in the course of which we obtained an understanding of how past experience influences managerial planning.

- In addition, we assessed the appropriateness of the determined discount rates and the impairment test evaluation model. We made a critical appraisal of whether the long-term development of the level of profitability during the income phase appeared to be plausible and consistent with results achieved in the past, medium-term planning development and a specific, business area peer group. We undertook these auditing activities in consultation with our evaluation experts.

- In addition, we completed an examination in order to ascertain if the required information in the notes provided all the necessary explanations and if the material estimate uncertainties were described appropriately.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management is responsible for the preparation of these consolidated financial statements and that in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) they provide a true and fair view of the group's asset, financial and earnings position. In addition, the management is also responsible for such internal controls, as it deems necessary in order to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When drawing up the consolidated financial statements, management is also responsible for assessing the group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the group's ability to continue as a going concern, and to apply the going concern assumption in its financial reporting, except under circumstances in which the management intends to liquidate the group, cease operations, or has no realistic alternative to such measures.

The audit committee is responsible for overseeing the group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU regulation and Austrian auditing standards, which require the audit to be performed in accordance with ISA, will always detect a material misstatement should it exist. Misstatements may result from fraud or error and are considered material if they could, individually or in total, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and with the Austrian auditing standards, which require the audit to be performed in accordance with ISA, we exercise professional judgment and maintain a critical, professional approach throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions and misleading representation, or the overriding of internal controls.

- We obtain an understanding of the internal control system of relevance to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

- We evaluate the appropriateness of the accounting policies employed and the reasonableness of both the accounting estimates and related disclosures made by management.

- We prepare conclusions on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Should we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are obliged to draw attention to the respective note in the consolidated financial statements in our audit report or, should such disclosures be inappropriate, to modify our audit opinion. We base our conclusions on the audit evidence obtained up to the date of our audit report. However, future events or conditions may result in the group departing from the going concern assumption.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We bear sole responsibility for our audit opinion.

- We confer with the audit committee regarding, among other matters, the planned scope and timing of our audit, as well as important findings that include any significant deficiencies in the internal control system, which we identify in the course of our audit.

- We provide the audit committee with a declaration that we have complied with the relevant professional requirements in respect of our independence and report on any relationships and other events that may reasonably be thought to affect our independence and, where applicable, the related safeguards.

- From the matters discussed with the audit committee, we determine those that were of greatest significance in the audit of the consolidated financial statements of the financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless laws or regulations preclude public disclosure about such matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

OTHER LEGAL REQUIREMENTS

REPORT ON THE GROUP MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and if it has been prepared in accordance with legal requirements. As far as the non-financial declaration is concerned, we are responsible for ensuring it has been prepared, its reading and an assessment as to whether it materially contradicts the consolidated financial statements, or appears to contain material misstatement.

Management is responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with the generally accepted standards for the auditing of group management reports.

Opinion

In our opinion, the group management report has been prepared in accordance with current legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) are appropriate.

Statement

In view of the knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the group and its environment thus obtained, we did not determine any material misstatements in the group management report.

OTHER INFORMATION

The legal representatives of the company are responsible for other information. Other information consists of all the information contained in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditors' report thereon. It is probable that we will be provided with the annual report after the date of our report.

Our opinion on the consolidated financial statements does not cover such other information and we will not provide any kind of assurance in its regard.

In conjunction with our audit, it is our responsibility to read this other information as soon as it is available and to assess whether, in view of the knowledge gained during our audit, it contains any material inconsistencies with regard to the consolidated financial statements, or any apparent material misstatement.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were selected as the group auditors at the Ordinary Annual General Meeting on 10 May 2019 and on 20 January 2020 were commissioned by the Supervisory Board with the audit of the consolidated financial statements of POLYTEC Holding AG for the financial year ending on 31 December 2019.

We have acted without interruption as the company auditors since the consolidated financial statements as at 31 December 2017.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the audit committee in accordance with Article 11 of the EU regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 of the EU regulation) and that we have ensured our independence of the members of the group throughout the course of the audit.

RESPONSIBLE AUDITOR

The auditor responsible for the audit contract is Dr. Elisabeth Rebhan-Briewasser.

Linz, 5 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Elisabeth Rebhan-Briewasser
Auditor

The publication or dissemination of the consolidated financial statements with our auditors' report may only take place in our approved version. This auditors' report relates solely to the German language version of the complete consolidated financial statements including the management report. For other versions, the regulations contained in §281 Para 2 of the Austrian Commercial Code are to be observed.

SERVICE

CORPORATE CALENDAR 2020

27 March 2020	Friday	Publication of the financial statements and annual report for 2019
7 May 2020	Thursday	Publication of the interim report for Q1 2020
8 May 2020	Friday	Record date "AGM"
18 May 2020	Monday	20th Ordinary Annual General Meeting for the 2019 financial year, Hörsching, 10 a.m.
22 May 2020	Friday	Ex-dividend day
25 May 2020	Monday	Record date "Dividends"
26 May 2020	Tuesday	Dividend pay-out day
7 August 2020	Friday	Publication of the financial report for HY1 2020
6 November 2020	Friday	Publication of the interim report for Q3 2020

INVESTOR RELATIONS

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www.polytec-group.com

NOTE

This annual report has been prepared with the greatest possible care and every effort has been made to ensure the accuracy of the data that it contains. Nevertheless, rounding, typographical and printing errors cannot be excluded. The use of automatic calculating devices can result in rounding-related differences during the addition of rounded amounts and percentages. This annual report contains assessments and assertions relating to the future made on the basis of all the information currently available. Such future-related statements are usually introduced with terms such as "expect", "estimate", "plan", "anticipate", etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report.

This annual report is published in German and English. The English translation serves information purposes and the original German text is the sole legally binding version. The financial statements and annual report for 2019 were published on 27 March 2020 and are available for downloading on the POLYTEC Holding AG website at www.polytec-group.com, section Investor Relations, Publications.

Editorial closing date: 5 March 2020

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GLOSSARY

Company and technology	
ABS	Acrylonitrile butadiene styrene is a plastic suited to the coating of metals.
CEO	Chief Executive Officer: Chairman of the Board of Directors, responsible for M&A, investment management, corporate strategy, corporate communications, purchasing, IT, human resources
CFO	Chief Financial Officer: Responsible for finances, controlling, accounting, investor relations, internal audit, legal affairs
Class A painting	Painting of the visible surfaces of interior and exterior parts
CMR substances	Carcinogenic, mutagenic and toxic to reproduction substances
COO	Chief Operations Officer: Responsible for operations, innovation, industrial engineering
CSO	Chief Sales Officer: Responsible for sales, engineering, marketing
D-LFT	Direct process for the use of long fibre-reinforced thermoplastics in exceptionally tough parts
ERP	Enterprise resource planning: The prompt, needs-based planning and control of resources
In-mould decoration	A special type of plastic part decoration using a coloured, scratch-resistant coating
Injection moulding	Process in which material is liquefied (plastified) and injected into a mould under pressure
Just-in-sequence	Punctual delivery of workpieces to the assembly line in the correct sequence
Just-in-time	Punctual delivery of workpieces to the assembly line
LWRT	Lightweight reinforced thermoplastics: Lightweight, glass fibre-reinforced thermoplastic mixed fibre webs with high acoustic efficiency
MES	Manufacturing execution system: Systems solution for efficient production control
OEM	Original equipment manufacturer
PA	Polyamide: Thermoplastic with high strength, rigidity and toughness
Powertrain	Drive train in a combustion engine
PP	Polypropylene: Thermoplastic
PPS	POLYTEC Performance System: The POLYTEC GROUP's lean management programme
PUR	Polyurethane: Plastic or synthetic resin
SMC	Sheet moulding compound: Press mass consisting of duroplastic reactive resins and glass fibres for the production of fibre-plastic compounds
Tier 1 supplier	Direct supplier to an OEM
WLTP	Worldwide harmonised light vehicles test procedure: A uniform exhaust gas testing system used globally for cars and light trucks

Financials	
CAD	Canadian dollar
Capital employed	Capital employed includes non-current assets required for operations (intangible assets, goodwill, tangible assets, participations in companies accounted for at equity and other non-current receivables) less other non-current provisions and net current assets (non-interest bearing current assets less non-interest bearing current liabilities).
CGU	Cash-generating unit
CNY	Chinese renminbi yuan
CZK	Czech koruna
Deferred taxes	Balance sheet item to show fiscal valuation differences. In the case of temporary discrepancies between the group balance sheet and the fiscal balance sheet, both deferred tax assets and deferred tax liabilities are recognised in order to report the tax expenses in accordance with the group financial result.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT margin	EBIT/sales
Equity ratio	Equity/balance sheet total
EUR k	Euro thousands
Free cash flow	Cash flow from operating activities less cash flow from investing activities
FTE	Full-time equivalents of employees
GBP	Great British pound
Gearing	Net financial debts/equity
HUF	Hungarian forint
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards
ISIN AT0000A00XX9	International Securities Identification Number of POLYTEC share
LEI	Legal Entity Identifier: The unique international code number of POLYTEC Holding AG: 529900OVSOBJNXZACW81
Market capitalisation	Value of enterprise: Number of issued shares multiplied with certain share price
Net current assets	Non-interest bearing current assets less non-interest bearing current liabilities
Net financial liabilities/ assets	Interest-bearing current and non-current liabilities less cash and cash equivalents and interest-bearing receivables
ROCE	Return on capital employed (EBIT/average capital employed)
TRY	Turkish lira
USD	United States dollar

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