

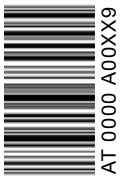
MAG 18

ANNUAL REPORT 2018

# POLYTEC

TRANSFORMING.  
DEDICATED.

PREPARED.



POLYTEC GROUP



TRANSFORMING.  
DEDICATED.

PREPARED.

Founded in 1986, the POLYTEC GROUP is a leading developer and manufacturer of high-quality plastic components. For more than 30 years, the Austria-based company with some 4,500 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.

# KEY FIGURES 2018

Key figures from the consolidated income statement	Unit	2018	2017	2016	2015
Sales	EUR million	636.4	676.4	650.4	626.5
thereof passenger cars	EUR million	387.9	434.1	425.4	420.1
thereof commercial vehicles	EUR million	174.7	165.0	147.4	148.1
thereof non-automotive	EUR million	73.8	77.3	77.6	58.3
EBITDA	EUR million	67.1	82.3	80.1	59.7
EBITDA margin (EBITDA/sales)	%	10.5	12.2	12.3	9.5
EBIT	EUR million	40.1	55.1	52.4	36.6
EBIT margin (EBIT/sales)	%	6.3	8.1	8.1	5.8
Earnings after tax	EUR million	30.0	39.0	37.0	24.2
Earnings per share	EUR	1.32	1.74	1.65	1.08

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

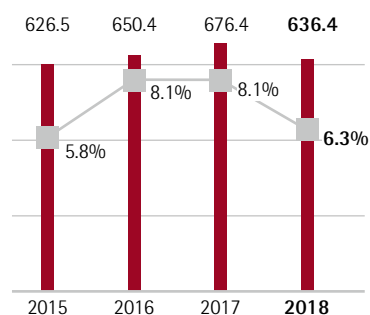
Consolidated cash flow key figures	Unit	2018	2017	2016	2015
Cash flow from operating activities	EUR million	30.9	38.3	70.7	51.3
Cash flow from investing activities	EUR million	-39.4	-38.0	-28.8	-69.2
Cash flow from financing activities	EUR million	25.2	-22.7	-20.0	-36.4

Personnel key figures	Unit	2018	2017	2016	2015
Employees on annual average	FTE <sup>1)</sup>	4,465	4,527	4,449	4,247
Employees as of 31 December	FTE	4,315	4,522	4,427	4,223
Sales per employee	EUR k	143	149	146	147

<sup>1)</sup> FTE: full-time equivalents incl. leasing personnel

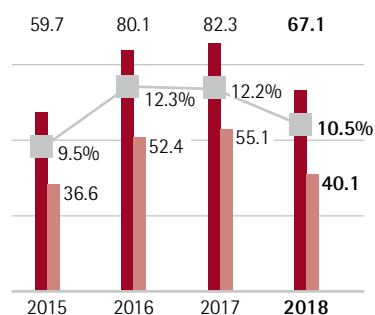
POLYTEC share (AT0000A00XX9)	Unit	2018	2017	2016	2015
Year-end closing price	EUR	8.38	18.50	10.39	7.66
Highest closing price during the year	EUR	21.00	22.38	10.60	8.45
Lowest closing price during the year	EUR	8.38	10.40	6.65	6.20
Average closing price during the year	EUR	13.29	16.46	7.89	7.52
Market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

### SALES REVENUES, EBIT MARGIN



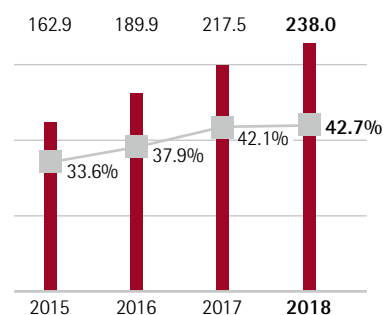
■ Sales revenues — EBIT margin

### EBITDA, EBITDA MARGIN, EBIT



■ EBITDA — EBITDA margin ■ EBIT

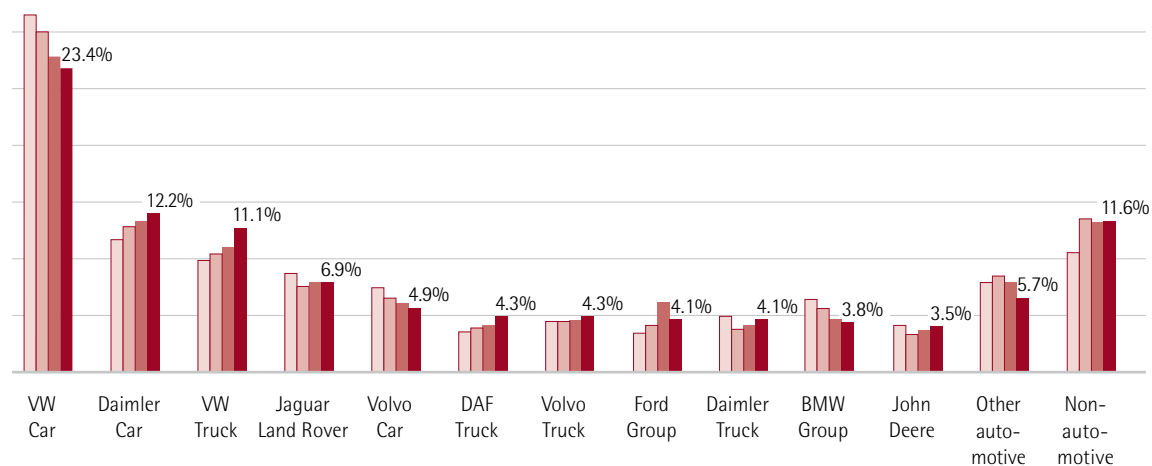
### EQUITY, EQUITY RATIO



■ Equity — Equity ratio

### GROUP SALES BY CUSTOMER

■ 2015 ■ 2016 ■ 2017 ■ 2018



SALES REVENUES  
**EUR 636,4 million**

EBIT  
**EUR 40,1 million**

INVESTMENTS 2017–2021:  
**EUR ~240 million**

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.

  
**POLYTEC GROUP**



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**THE BOARD OF DIRECTORS:**  
THE POLYTEC GROUP  
STARTED 2019 WITH  
A NEW TEAM.

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**SMALL, BUT GREAT:**  
 POLYTEC INDUSTRIAL SEES ITSELF AS A FULL-SERVICE PROVIDER WITH TAILOR-MADE PRODUCT SOLUTIONS AND PLANTS. THE DIVISION'S LONG-TERM BUSINESS SUCCESS BEARS ELOQUENT TESTIMONY TO ITS EFFORTS.



# TRANSFORMING. DEDICATED. PREPARED.

The automotive industry and thus the market for suppliers such as POLYTEC, finds itself in a period of fundamental change. Bans on diesels and the new WLTP licensing standard are of special significance, but are only two buzzwords in this connection, while e-mobility is another. In this phase of transition and uncertainty many suppliers are battling with falling sales and results – a development from which POLYTEC was also not spared in 2018.

In spite of this fact, we nonetheless differ radically from many of our competitors. At an early stage we started to prepare our company in a targeted manner for a future that will be characterised by ever-increasing customer demands upon the innovative capacity, quality and flexibility of supplier companies. In 2014, we already launched a group-wide, far-reaching and frequently painful process of transformation, which has made us more nimble, flexible and efficient. Lean management, automation and digitisa-

tion, as well as personnel development and the optimisation of our production footprint, represent just some of the areas in which measures have been implemented. As a company, we have developed significantly and as result, have been able to further emphasise our unique, multifaceted technology portfolio, which constitutes our USP. This makes us confident that even under the currently demanding circumstances we will succeed in growing further and achieving solid results. Therefore, we are ready to face the challenges that will again confront us in 2019 with great optimism and energy.

Yours sincerely,  
 Markus Huemer



## THE MARKET CHALLENGE

# TRANSFORMING. DEDICATED. PREPARED.

The diesel exhaust gas affair, driving bans in German cities, a new licensing procedure and rising raw material prices all pose major challenges to the POLYTEC GROUP. Nonetheless, the group sees itself as being well equipped for the future because it has already done its homework and, not least for this reason, envisages current developments as presenting fresh opportunities.

The turbulence in the car market during 2018 did not leave the POLYTEC GROUP unscathed. The group obtains some 60 per cent of its sales revenues from this segment. Therefore, the sales slump amongst important automotive customers during the past year had a correspondingly negative impact upon group sales revenues.

### Uncertainty in the car market

This was in spite of the fact that the 2018 financial year had begun most positively with the best January result in POLYTEC's history and at first, the diesel exhaust gas affair appeared to be having no seriously detrimental effects upon the group. However, in February the situation was to change. The decision of the Federal German Administrative Court regarding possible driving bans on older

diesel models led to uncertainties amongst manufacturers, suppliers and consumers alike. Moreover, in the wake of the actual imposition of driving bans by a number of German cities, the demand for diesel cars fell sharply.

Another equally critical issue for the automotive manufacturers was provided by the new WLTP exhaust gas process, which, during the period up to September 2019, is to be gradually introduced for cars and light commercial vehicles in the EU, Norway, Iceland, Switzerland, Liechtenstein, Turkey and Israel. Apart from more stringent testing under realistic conditions, the new process requires that every possible vehicle configuration be checked individually. A demand that confronts manufacturers with huge challenges, as some vehicle models are offered in several hundred versions. This

situation is further exacerbated by test stand bottlenecks and resultant massive delays with new registrations. All of these factors had an indirect influence upon the POLYTEC GROUP, which in 2018 suffered tangible falls in sales revenues.

### At the top of the e-mobility table

In view of the headwind currently blowing in the face of the combustion engine, many traditional automotive manufacturers have shifted their e-vehicle development work up a gear. Moreover, smaller OEMs have also moved into the e-mobility market with fresh ideas. This turn of events offers POLYTEC exciting potential because it possesses lightweight construction solutions and comprehensive functional integration know-how. Accordingly, in view of the fact that weight and lightweight design play a far



greater role in e-cars than in conventional vehicles, from a technological perspective the group occupies an ideal position in this segment.

As one of Europe's leading lightweight construction specialists, POLYTEC has already been employing highly sophisticated materials and production technologies for many years with the joint aims of substituting heavy metal car parts for light, plastic alternatives and combining the functions of differing components in a single module.

Structural and other parts with high load-bearing capacities have also long numbered among such components. Moreover, the group is able to manufacture plastic parts in virtually any form and using in-house developed material combinations is also capable of offering



highly efficient acoustic solutions for every type of vehicle.

Today, POLYTEC already manufactures covers, trays and protective parts for the →

**POLYTEC wishes to markedly expand its product and customer portfolio** on the basis of its comprehensive material and technological competence.

## WLTP: CLOSER TO REALITY

The new licensing standard, which is gradually being introduced in the period up to September 2019, is intended to bring exhaust gas testing closer to actual conditions. This involves the obligatory, separate testing of every individual vehicle configuration. WLTP thus presents vehicle manufacturers with enormous problems.

	Previous	WLTP
Number of test cycles	1	Up to 4
Cycle duration (min)	20	30
Cycle distance (km)	11	23.25
Driving phases (urban/overland in %)	66/34	52/48
Average speed (km/h)	34	46.5
Maximum speed (km/h)	120	131
Influence of optional equipment	No	Yes
Gear changes/shifts	Fixed	Variable
Testing temperature (°C)	20–30	23

### Phased introduction of the WLTP process

- **1 September 2019:** WLTP for all vehicle types (cars and light commercial vehicles)
- **1 September 2018:** WLTP for all vehicle types (cars)
- **1 September 2017:** WLTP for new vehicle types (cars)
- **27 July 2017:** Coming into force of the EU directive

→ batteries in e- and hybrid vehicles. These modules integrate a number of advantages, as exemplified by the battery box upper shell that POLYTEC produces for the e-Golf. This not only safeguards the battery against damage, moisture, dirt and extreme temperatures, but also prevents the spread of harmful electromagnetic fields into the vehicle interior. Therefore, as far as new trends in the automotive sector are concerned, the POLYTEC GROUP is clearly on the front row of the grid.

#### Positive commercial vehicle trend

As opposed to car-related sales, in 2018 POLYTEC GROUP business in the commercial vehicles sector again progressed in a positive manner. In this segment,

which provides the group with roughly 25 per cent of its sales revenues, POLYTEC has for many years exploited two key competitive advantages to the full. Firstly, flexibility facilitates the cost-efficient production of smaller series and secondly, comprehensive engineering experience is employed for the development of complete component systems. More on the topic of commercial vehicles can be found on page 41.

#### Prepared for acquisitions

In view of the tense market situation, new chances are available to the POLYTEC GROUP in another respect. Many automotive supplier companies are suffering from a lack of financial reserves, owing to the fact that the intense market pres-

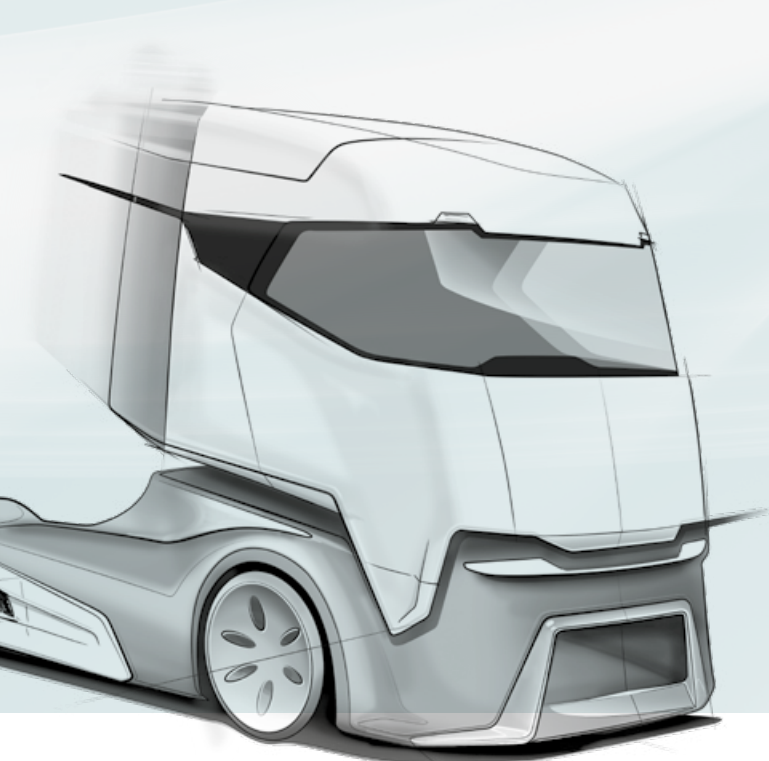
sure of recent years also triggered the need for major investment. POLYTEC has a solid financial base and therefore opportunities for interesting takeovers may well arise. This would allow the group to continue on the path of growth through acquisitions, which it has pursued successfully since its foundation.

#### Change as an opportunity: non-automotive business intensification

However, the possibilities presented by e-mobility, complex component systems and potential acquisitions cannot disguise the fact that in view of the uncertainties in the car industry, especially with regard to engines, alternative sales and earnings potential must be sought elsewhere.

## THE 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 strong. During the past three decades, the group has established itself as a reliable technology and manufacturing partner for its customers. Moreover, investors value the POLYTEC GROUP for its solid growth strategy, which is targeted on sustainability and based on three cornerstones.



Therefore, in the longterm the group wishes to broaden its base, expand its portfolio in the non-automotive area and thus use its extensive know-how for profitable innovations in fresh areas of application. The group successfully started out on this route some years ago, but the current environment may well lead to an increase in tempo.



**POLYTEC also employs its comprehensive technological know-how** in the non-automotive, as exemplified by complex control panels for washing machines.



### Strengthening of the market position in Europe

In its core European market, POLYTEC relies upon close, long-term cooperation with its customers on the basis of uncompromising quality and punctuality of delivery. At the same time, the group continually consolidates its competitiveness through efficiency measures and personnel training, and has its radar constantly targeted on potential acquisition opportunities.



### Development of new technologies and applications

As a full-line supplier, POLYTEC furnishes its customers with top-quality, tailor-made plastics solutions. The group does not merely regard itself as a manufacturer, but rather as a development partner, which on the basis of in-house developed materials and technologies offers complete component modules. POLYTEC also generates special development competence from intensive know-how transfers within its group.



### Creation of additional capacity in growth regions

In order to be able to grow in a global market, POLYTEC relies upon both teamwork with selected partners outside Europe and the establishment of its own local production facilities. If required, these enable it to follow chosen clients into strategically interesting markets. This provides POLYTEC customers with decisive logistical advantages in tandem with development synergies that also benefit the group.

# A BUSINESS ON THE MOVE

In 1986, Friedrich Huemer launched POLYTEC ELASTOFORM GmbH and thus laid the foundation stone for the POLYTEC GROUP of today. His original intention was that the company workforce should increase to between 30 and 50 in the longterm, but he already reached this objective after only two years. A little later, he used the insolvency of an important plant supplier for his first acquisition from which the current POLYTEC EMC ENGINEERING GmbH was to subsequently emerge. The success of this initial purchase led to the next and by buying a bankrupt competitor, today's POLYTEC Thelen GmbH, POLYTEC greatly strengthened its market position. Entry into the automotive industry then followed through the acquisition of another company, which is now POLYTEC CAR STYLING Hörsching GmbH, and Friedrich Huemer's highly successful buy & build strategy thus gathered pace.

The subsequent years were characterised by continuous growth and Friedrich Huemer envisaged a company with dimensions that would allow him to deal with the automotive manufacturers on an equal footing. In 2008, the takeover of Peguform resulted in an enterprise with annual sales revenues in excess of EUR 2 billion and some 14,000 employees. However, in 2009 the Lehman Brothers bankruptcy and the direct consequences for the global economy brought POLYTEC to the verge of collapse and made it dependent upon the financing banks.

In the wake of these events, Friedrich Huemer declared economic and financial independence to be the primary goal of the POLYTEC GROUP and as early as the end of 2009, there were already indications that the restructuring measures were proving successful. Apart from the disposal of virtually all of Peguform's activities, the reorganisation also included the sale of the interiors business.

In order to become fit for the future, in 2014 POLYTEC launched another large-scale transformation process, which had the aim of making all the technologies employed at its various locations usable throughout the entire group. Under the auspices of Markus Huemer, group-wide standards were established and specialist areas combined. Moreover, a new IT structure was installed in order to open the way for a long-term digitisation strategy. This was targeted on the close coordination of group processes that were vital for success, in tandem with a simultaneous

guarantee of flexibility and rapid decision-making. With the aid of these measures, the POLYTEC GROUP intends to maintain its growth course in an environment characterised by increasingly complex products and high market volatility.

Organic growth, targeted acquisitions and constant movement have served to make POLYTEC **an important Tier 1 automotive supplier** in Europe. Today, the group stands out not only due to its enormously wide technological portfolio and competences and the extent of its value-added chain, but above all by its flexibility.

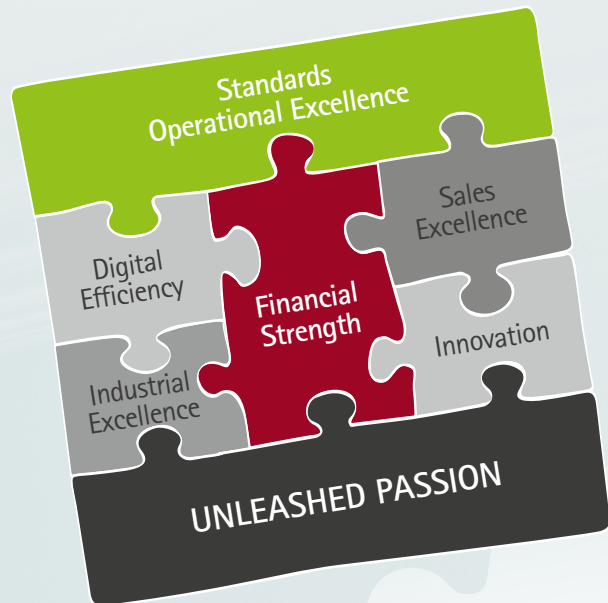
Therefore, Friedrich Huemer's long-term motto, "Seize opportunities, overcome challenges" continues to shape the POLYTEC GROUP's corporate culture, even in times of an extremely demanding market environment, in which **adaptability** represents a decisive criterion for success.

→ **Fit for the future thanks to an extensive package of measures**

The 2018 financial year was characterised by a marked acceleration of the changes in the automotive industry and in 2019, the POLYTEC GROUP anticipates a rise in raw material prices, especially with regard to polyamide, polypropylene, styrene, resins and thermoplastics. Consequently, the current challenges are likely to be prolonged.

However, POLYTEC has taken appropriate action and is thus well prepared to deal with the formidable tasks in prospect. In order to both be fit for its demanding market environment and ready to seize

new opportunities, from 2017 to 2021 the group invests some EUR 240 million in additional capacity, technology, automation and digitisation. As early as 2014, it already initiated a fundamental organisational and cultural reorientation with the aim of creating a balance between rapid decision-making, adaptability, agility and central coordination. Seven focal points were defined for this purpose and these determine the group's course for the future. Consequently, in recent years a large number of measures have been launched, many of which have already been fully implemented.



SEVEN FOCAL POINTS DETERMINE THE COURSE FOR THE FUTURE →

## 1 STANDARDS AND OPERATIONAL EXCELLENCE

Over time, POLYTEC has introduced a variety of measures aimed at broadening its market base through enhanced organisational efficiency. An increasingly complex product portfolio and growing market dynamism demand flexibility, rapid decision-making and high-speed reactions. This presupposes greater personal responsibility on every group level.

Since the beginning of 2018, three Vice-Presidents for the important areas of Human Resources, Finance and Digitisation & IT have supported the Board of Directors with the systematic implementation of the measures essential to the transformation process.

## 2 DIGITAL EFFICIENCY

Apart from employee know-how, information quality and availability constitute a cornerstone of competent and speedy decision-making. Consequently, within the scope of a comprehensive digitisation offensive, the POLYTEC GROUP focuses on the provision of data that is user-friendly, correct, supplied punctually and easily comprehensible. POLYTEC understands digital efficiency as meaning the targeted use of information and information processing for improved competitiveness. This requires the comprehensive integration of diverse IT systems and data networking.

## 3 INDUSTRIAL EXCELLENCE

A deepening of value added and a focus on products and systems of ever-greater complexity are making increasing demands upon the production process. In this respect, POLYTEC is relying upon a raised degree of automation that guarantees both the high reproducibility of sensitive processes and the simultaneous securing of the competitiveness of high-wage locations. This involves the widest possible use of universal, modular and robust industrial solutions, which not only allows the employment of synergies with regard to stocks of spare parts and the required specialist know-how, but also the flexible adaptation of plant for the production of differing products and product groups.

## 4 SALES EXCELLENCE

Driving bans, pollutant emission limits and new testing procedures may be politically controversial, but it remains an indisputable fact that they are transforming the business models of POLYTEC's automotive customers. These must react to the shifts in their environment with a substantial adjustment to their product portfolios and POLYTEC wishes to assist this process with innovative product solutions. The group is well-suited to this task, as it not only disposes over technological know-how and comprehensive market intelligence, but is also very well acquainted with the needs of its customers in a changing marketplace. In order to identify fresh opportunities early on, irrespective of whether these relate to new requirements or customers, a still more comprehensive analysis of familiar sales markets is required and this applies to an even greater extent to less familiar and new markets. Based on this awareness, POLYTEC presents its customers with fresh applications and product solutions, as exemplified by the e-mobility area. And as a result, considerable new automotive sector potential is emerging for the group.

## 5 INNOVATION

Particularly in the non-automotive segment, POLYTEC's high level of innovativeness plays a decisive role in product and application portfolio enlargement. The group is proficient in virtually every available area of plastics technology to a high degree of value added and thus possesses an invaluable initial advantage in relation to further developments. To date, POLYTEC completed developments with a special focus on actual customer needs and was thus able to translate investment spending into earnings both quickly and directly. In the past, this approach resulted in innumerable innovations. However, in the extremely dynamic market of today, using all the competences at its disposal, the group has now intensified its efforts in respect of customer-autonomous innovation with the aim of exploiting opportunities at the earliest possible point in time. Employing this group-wide know-how, standing and new development teams and initiatives are networking in a constant search for new applications. They cooperate closely with the New Business Development organisational area and in this way obtain answers at an early stage to the needs arising amongst long-term and new customers from a diversity of sectors. More information regarding the POLYTEC GROUP's current R&D activities is available on page 24 onwards.

## 6 FINANCIAL STRENGTH

Major investments are required for the realisation of these multifaceted initiatives and therefore, especially in a volatile market environment, a solid capital base is of tremendous importance. With an equity ratio of around 43 per cent (as at the balance sheet closing date 31 December 2018) and hedged cash and cash equivalents, POLYTEC possesses an extremely solid foundation in this regard, which was recently consolidated still further. In November 2018 and January 2019, the group issued two tranches of a promissory note bond with maturity periods of five, seven and ten years. In response to the strong demand from Austrian, German and Asian investors, the originally planned issue volume of EUR 70 million was raised to EUR 75.5 million in a move that clearly evidenced the confidence of the capital market in the POLYTEC GROUP. Apart from the repayment of an earlier promissory note bond, the funding obtained will be employed for strategic and operative investments and therefore, the medium-term financing of the group is well anchored.

## 7 UNLEASHED PASSION

In 2018, POLYTEC again made considerable progress with its transformation process. To a large extent this was due to the group's employees, for whom initially every change represents an extra burden in addition to their daily workload. The enthusiasm and motivation of the team and the appropriate competences in the correct place are of fundamental importance for the success of such a far-reaching transitional process. Moreover, the challenge facing the POLYTEC GROUP with regard to meeting its specialist expertise and managerial competence requirements is thus all the greater, particularly against the background of bottlenecks in the labour market. POLYTEC is therefore investing considerable expenditure in recruiting, personnel coaching and employee loyalty. With this in view, during 2018 existing programmes were supplemented with the P3 POLYPERSPECTIVE PROGRAMME. More information on this subject can be found starting on page 28.





# "... A PROACTIVE APPROACH TO MARKET CHANGES ..."

AN INTERVIEW WITH THE MEMBERS OF  
THE POLYTEC HOLDING AG BOARD OF DIRECTORS,  
MARKUS HUEMER, PETER BERNSCHER, HEIKO GABBERT  
AND PETER HAIDENEK REGARDING MARKET SHIFTS,  
THE SUCCESSFUL TRANSFORMATION OF POLYTEC AND  
FRESH IMPULSES IN THE AREAS OF INNOVATION  
AND STRATEGIC MARKET DEVELOPMENT.

Mr. Huemer, at this time last year you appeared to be relatively unimpressed by the bans on diesels in German cities. I assume that this has changed in the course of the year ...

**Markus Huemer:** Yes, that is correct. Following a record year in 2017, we started 2018 in a highly optimistic mood and were very confident that during the year we would be able to maintain our overall result at a level of around EUR 55 million. However, owing to a variety of negative effects, including the aforementioned bans on diesels, as well as numerous other factors, our sales revenues were reduced to roughly EUR 636 million, which represented a de facto fall of around EUR 40 million. Our EBIT also declined by about EUR 15 million to approximately EUR 40 million.

What were these negative effects? And against this background how

has business developed with respect to individual customers and product groups?

**Markus Huemer:** At the beginning of 2018, we actually were unaffected by the diesel issue, but then February saw the first bans on diesels in German conurbations. In the wake of these moves the sales figures for diesel cars fell markedly and in September the situation was exacerbated further by the introduction of the new WLTP exhaust gas and fuel consumption standard. This resulted in numerous engines either lacking or being unable to obtain a licence, which had an additional impact upon our powertrain business that also extended to petrol engines.

Nonetheless, one must also not overlook the fact that powertrain products, which relate to the engine area, represent less than 25 per cent of our total sales. Therefore, although the diesel and WLTP questions were painful, had it not been

for the resulting massive uncertainty in the market, they could have been seen as sales fluctuations. Irrespective of where we are heading, the WLTP has led to a massive upheaval in the sales programmes of our customers and unfortunately, the resultant hesitancy will continue to characterise the coming years, as the next tightening of the regulation will take place in September 2019. However, for various reasons, about which we will speak later, we feel well prepared for this situation, which will also affect practically all of our competitors.

Incidentally, sales performance in the commercial vehicles segment was genuinely solid in 2018 and had a stabilising effect upon developments as a whole. Overall, in 2018 the automotive market in both Europe and the USA thus remained at roughly the level of 2017. Indeed, one must say that apart from the powertrain area, business is good.

"AT PRESENT, VIRTUALLY ALL SUPPLIERS ARE FACED BY CHALLENGES, WHICH MEANS THAT NIMBLE, FLEXIBLE AND NOT OVERLY LARGE COMPANIES SUCH AS POLYTEC ARE IN A HEALTHY POSITION."

PETER BERNSCHER, CSO



### Apart from the diesel and WLTP problems, you were also confronted by other challenges in 2018 ...

**Peter Bernscher:** Absolutely, and that on differing fronts. For example, in the non-automotive business area during February a key accounter massively reduced its call-offs and therewith caused a considerable fall in sales revenues in this segment. However, in the meantime this situation has been corrected. A lack of call-offs also caused us problems in the UK, as our new paint shop in Telford went into production as planned in the spring of 2018, but owing to delays on the part of the local main customer was unable to reach full capacity. Here, too, the situation is currently returning to normal and we are now ramping up production, although with a substantial delay.

Raw material costs posed another challenge in 2018, especially with regard to polyamide and polypropylene. As one of the most important polyamide processors in Germany, we naturally suffered badly and in addition the prices for electricity and gas also rose sharply. Moreover, a further increase in costs emanated from the pre-announced plant closures in Cornberg and Weiden, even though these have a simultaneously positive effect upon our preparations for the future.

### What countermeasures can one take in such a complex situation?

**Markus Huemer:** In a nutshell, we react with flexibility and agility. In view of the uncertainties surrounding further developments, we can, in a manner of speaking, merely proceed "by sight" and steer matters to a certain degree by means of intermittent closure days and short-time working. In view of the general unpredict-

ability, fundamental decisions and control measures were and are out of the question. Nevertheless, through the aforementioned closure of two plants we are in the process of reducing our fixed costs. At the same time, with our customers we are working towards viable solutions based on partnership, as we alone cannot bear the costs emanating from the non-adherence to general agreements and call-off numbers, for which we have already reserved resources.

I should add that we do not exclude the possibility of further plant closures, as we are constantly faced by the challenge of removing capacity from the market when it is no longer required at a specific location. At the same time, we follow our customers where they need us, as is the case at present in South Africa, where we are currently building our own new plant in order to implement a major order receipt.

### At the moment, the automotive market in general is undergoing far-reaching changes. In this situation, where do your major challenges and possibilities lie?

**Peter Bernscher:** Leaving the general insecurity aside, above all I see opportunities. At present virtually every supplier is faced by challenges and that means that companies such as POLYTEC, which are nimble, flexible and not too large, are in a healthy position. We are highly innovative and creative and possess an extremely broad range of technologies. Moreover, we are not only able to manufacture small and medium-sized series economically, but have profound knowledge with regard to engines, which makes us an interesting partner for new developments. We are strong in the

areas of acoustic solutions and structural components, and we also know a great deal about individually customised lightweight construction solutions.

All of these factors help us in the new mobility concept segment, which is booming, and above all with respect to e-mobility. We already have a presence in this field and can offer concrete product solutions in areas such as the housing and securing of batteries. These have already been met with a positive market response and our current task is to profit from the increasing hype surrounding e-mobility, which is also being promulgated on a governmental level.

The features that I just referred to also mean that we are well positioned in the conventional vehicle market. For example, we are one of the few suppliers able to offer complete exterior solutions for trucks using combined technologies. We are currently in the process of realising a large-scale project for a new model generation from a top European manufacturer for which we will supply the bulk of the required plastic exterior components.

As already mentioned, another new global project has also taken us to South Africa, where we will be producing the entire underbody protection for a new platform from a leading premium class manufacturer. We will be manufacturing specially strengthened structural parts using injection moulding and composite technology, and therefore our technological versatility is of special significance. There are not many companies in our industry that are capable of dealing with a project of this complexity.

It is also important that our customers are actually aware of all these compe- →

→ tences and therefore we are in the process of restructuring our sales activities and placing the spotlight on the topic of innovation. Accordingly, one will be hearing a good deal about this development during the year.

**Are modifications to your strategy behind these moves? Has the managerial transition within the POLYTEC GROUP led to changes?**

**Markus Huemer:** By and large, I would say no, but adjustments have certainly taken place here and there in connection with details. One example is the transformation into an integrated company, in the course of which we are once again sharpening and consolidating our first strategic cornerstone, which foresees the strengthening of our position in the European market. We have also repeated this procedure with regard to the development of new technologies and applications, which constitutes our second strategic cornerstone, by means of an even clearer emphasis upon the topic of innovation and advance development. Moreover, as far as the third cornerstone is concerned, the creation of production capacity in growth regions, an important impulse is currently being generated by the construction of our new plant in South Africa.

In respect of the new members of the Board of Directors, Heiko Gabbert undoubtedly personifies the increased focus upon innovation, which is an area in which we intend to introduce new emphases that will also involve organisational aspects. In turn, Peter Bernscher stands for strategic marketing and order acquisitions that will also extend beyond the automotive industry, which represents our key customer segment. Our

aim is to not merely present ourselves to our clientele as a respected supplier, but instead as an attractive partner. To achieve this, our customers must have a clear picture of us and our competences and we, in turn, must understand them and their needs.

**POLYTEC has long been preparing for the future by means of enhanced efficiency, enlarged capacity, automation and digitisation. How far have you progressed?**

**Markus Huemer:** In recent years, we have indeed completed a great deal of "homework" and are therefore well prepared. The buzzwords in this connection are lean management, networking, digitisation and automation, not to mention personnel development and the optimisation of our plant footprint. In all these areas, we have been able to set an enormous amount in motion due to the efforts of many motivated employees, but we still have plenty to do. For example, in connection with new contracts in the composites field, in the course of a model project for further activities, we are considerably raising the level of automation at our plants in Gochsheim and Sládkovičovo. In addition, starting at the first plant, this year will witness the launch of the group-wide, roll-out of our new, fully digitalised system landscape.

All of these initiatives have enabled us to both further develop as a company to a notable degree and create greater transparency and decision-making competence. This was also essential. Because only on this basis will we be able to deal with the complexity that our technological diversity and depth of value added have imposed upon us, and thus selec-

tively exploit our multifaceted competence portfolio, which represents our USP.

**Your technological leadership and innovative capacity constitute two decisive competitive advantages. How do you profit from them in concrete terms and how do you secure your pole position?**

**Heiko Gabbert:** As stated previously, a significant factor in this respect is reliance upon advance developments, which are independent of customers. This means that we approach market changes proactively by means of research and the analysis and evaluation of new materials, applications and production technologies or the new combination of existing processes. On this basis we then develop innovative products and win new customers. To a certain extent we also cooperate with start-ups and make their lives considerably easier with complete solutions. In fact, in the meantime, new OEMs are actually knocking on our door because word about these activities is spreading.

Our technological diversity proves to be a trump card in this connection because customers are searching for suppliers of complete solutions. Moreover, we really do look for optimum answers for the client and not merely those that maximise our use of capacity with regard to a certain technology. Very large suppliers cannot offer this assurance and therefore within this context our flexibility is again advantageous.

What also helps us is the motivated team of young engineers that POLYTEC has built up over the years. And since we have changed the status of innovation within the group, they now enjoy even greater freedom to be creative.

"WE APPROACH MARKET CHANGES PROACTIVELY BY DEVELOPING INNOVATIVE PRODUCTS AND WINNING ADDITIONAL CUSTOMERS ON THE BASIS OF NEW MATERIALS, APPLICATIONS AND PRODUCTION TECHNOLOGIES."

HEIKO GABBERT, COO



**How do you ensure that during development you are actually dealing with the right questions?**

**Heiko Gabbert:** Quite simply, by simultaneously being as close as possible to both the market and research. In 2018, we took an important step in this direction with the foundation of our Innovation Hub at the Rheinisch-Westfälische Technische Hochschule (RWTH) in Aachen. To a certain degree, this represents a foray into unexplored territory because we have never before been involved in research and development at such an early stage. However, in Aachen we are now in direct contact with one of Europe's hot spots for plastics, lightweight construction and vehicle design. A presence in this ecosystem not only furnishes us with valuable contentual impulses, but also an opportunity for mutual inspiration and the timely occupation of new topics. In addition, we have access to important potential partners which, logically, is a medium- to long-term approach. Incidentally, e-mo-

bility also currently plays an extremely important role in this regard.

Similarly, in the non-automotive area we are entering into targeted development projects with customers that reflect our technological breadth. In the past we have already proven that our know-how derived from the automotive industry can be meaningfully applied in other areas. And as is the case with mobility, lightweight construction, economic viability and functional integration represent key topics. Moreover, the fact that many companies outside the automotive industry continue to think in terms of metal presents us with a major opportunity. This is because we are able to propose considerably lighter and more cost-efficient alternatives. As a result, new contacts with additional manufacturers are at present emerging in the household appliance area. Furthermore, we are also analysing other sectors in respect of their potential needs for alternative plastic solutions.

**And what does the new business situation look like? Were interesting contracts received in 2018?**

**Peter Bernscher:** Certainly, during the past year we were again able to capture a number of interesting projects. In the Soft Engine Cover area alone, which involves fire-retardant, noise attenuating products, we have received orders that add up to annual sales revenues of around EUR 10 million. In addition, I already referred to a large new project involving the underbody concept for an important new limousine platform that we will manufacture largely in South Africa. In 2018, we also obtained interesting contracts in the e-mobility area, which included battery housings for the production of a hybrid vehicle by a leading, premium class manufacturer. In this case, we offered solutions that were two-thirds lighter than the conventional metal variations. And last, but not least, as mentioned previously, although delayed, the run-up phase at our new paint shop in Telford is now in progress. →

→ **Are you continuing to invest as planned, even though the current market development outlook points to volatility?**

**Peter Haidenek:** We are continuing to implement investments that promote our growth and development according to plan. This is because we believe in our technologies and are developing them further. In 2018 alone, we invested some EUR 42 million and for 2019 and the subsequent two years, at present the budget amounts to roughly EUR 50 million annually. This means that by the end of 2021, we will have spent approximately an additional EUR 150 million for further plant enlargements and new facilities, increased efficiency, automation and digitisation. Naturally, we will be doing this with an eye on current sales development, but are of the opinion that pre-

cisely in the current phase of uncertainty it is important that we further boost our effectiveness and agility. However, in view of the present market situation, investments that do not benefit our development directly are logically the subject of intense scrutiny.

**Markus Huemer:** It may well be case that the unpredictability in the market could have an additional influence upon our investment plans, which would prove thoroughly positive. This is because the current situation increases our chances of obtaining additional growth through acquisitions. Above all, owing to investments in recent years, numerous smaller suppliers are now in financial difficulty. It is therefore probable that as a result market consolidation will occur, from which we will be able to profit owing to our solid capital structure. Our stock

exchange listing provides us with the possibility of a capital increase for possible larger acquisitions and in the past, we have already demonstrated our ability to grow successfully through takeovers. In fact, I can well imagine that in 2019 we will already be undertaking a purchase.

**But is it not the case that in recent months the capital market has adopted a less optimistic view?**

**Peter Haidenek:** True, but this applies to the entire industry, as in 2018 the complete ecosystem consisting of vehicle manufacturers and Tier 1 suppliers moved markedly downwards. A slide that also affected the POLYTEC share. Prior to this, in 2017 we gained ground considerably and continually moved upwards from



**“IN THE MEDIUM TERM THE SYSTEMATIC IMPLEMENTATION OF OUR STRATEGY WILL CREATE POSITIVE FACTS AND WILL UNDOUBTEDLY CONVINC THE MARKET.”**

PETER HAIDENEK, CFO



“THANKS TO OUR TRANSFORMATION PROCESS, WHICH WAS LAUNCHED IN 2014, WE ARE WELL POSITIONED TO PROACTIVELY EXPLOIT MARKET POTENTIAL.”

MARKUS HUEMER, CEO

what was a massive undervaluation. We eventually nearly reached the median value of the peer group and thus a thoroughly fair level, but now owing to the influence of the industry as a whole, our share price is again well under the book value per share. Sadly, in the short term the economic and geopolitical situation is not necessarily working in our favour. However, in the medium term the systematic implementation of our strategy will create positive facts which will undoubtedly be able to convince the market. We are optimistic that we will tackle our key tasks and return to sales revenues growth with solid result margins in a move that will also be honoured by the market.

**Is POLYTEC's further development also secured reliably from a financial perspective?**

**Peter Haidenek:** We feel very happy in this regard. In 2018, we used the debt capital market for the third time and raised EUR 75.5 million in additional capital via a promissory note. We succeeded in doing this at just the right moment, so that our entire promissory note debt volume of EUR 184 million demonstrates extremely favourable conditions. We are therefore not only well equipped for our ongoing business, including all outstanding investments and repayments, but also for possible acquisitions. In addition, during 2018 we were able to extend our factoring programme to EUR 60 million subject to good conditions and to date, only roughly a half of this has been used. Consequently, overall we are in an extremely solid position and enjoy full maturity congruent financing.

**And what is the outlook for 2019? In view of the prevailing uncertainty in your industry are predictions possible or meaningful?**

**Markus Huemer:** Predictions are indeed problematic because, as already stated, at present our business environment is not only demanding, but also difficult to assess. Nevertheless, thanks to our transformation process, which we launched in 2014, we are well positioned and are making every effort to further develop and proactively exploit the potential that the market continues to offer. This makes us optimistic that in 2019 we will again attain the sales revenues and result levels of the past year, although this is largely dependent upon the result of our ongoing negotiations with customers regarding outstanding receivables. And naturally enough, any acquisitions could also have a positive effect upon this forecast. ■

## INNOVATION GUARANTEED

# PRODUCT PORTFOLIO

With its extensive product portfolio and comprehensive technological know-how, the POLYTEC GROUP supplies innovative solutions for a wealth of applications. In the automotive segment, design, low weight and functional integration cannot fail to convince and this is also the case in the non-automotive field owing to functionality and technological diversity.

## TECHNOLOGIES

- Assembly injection moulding
- (Bi-component) injection moulding
- Blow moulding
- Bonding
- Class A top coating
- D-LFT pressing
- GMT pressing
- Hybrid injection moulding
- Hybrid pressing (LWRT)
- Injection moulding compounding
- In-mould coating
- In-mould decoration
- Metal and stainless steel processing
- Production of glass & carbon fibre SMC
- Production of machines for PUR processing
- PUR casting
- PUR foaming (flame-resistant)
- PUR rigid
- PUR RRIM
- PUR RRIM Lightweight
- PUR semi-rigid
- PUR spraying
- SMC pressing
- Welding (e.g. hot gas welding)

Roofs



Bumper



Trunk lid

## EXTERIOR & INTERIOR SOLUTIONS

Design-driven parts also with Class A top-coated surfaces for both exterior and interior applications, manufactured using great technological diversity for the perfect look. Individual customer requirements represent the sole criteria for the employment of injection moulding, fibre-reinforced composites, metal or polyurethane.

- Air inlet covers
- Arm rests
- Boot mats
- Bumpers, bumper attachments and systems
- Cabin corners
- Cargo step protection
- Dog and transport guards
- Door extensions
- Engine bonnets
- Entrance sills, entrance sill boxes and trims
- Fenders and fender extensions
- Front grilles
- Front hatches
- Logo faceplates
- Mud flaps
- Roof and rear spoilers
- Roofs
- Running boards
- Side panels and sills
- Sill side trims
- Soft-top box lids
- Trunk lids, diffusers and tailgate trims
- Underride protection
- Water box covers

Intake manifold







Oil pan

## POWERTRAIN SOLUTIONS

High-tech plastic solutions for the engine compartment, which combine lightness with an increasing number of integrated functions for the optimum use of limited space

- Air filtration systems
- Air intake systems
- Cable pass-throughs
- Charge air ducts
- Clamping and slide rails
- Crankcase ventilation systems
- Cylinder head covers
- Electronic boxes
- Engine covers
- Expansion pressure systems
- Leads
- Oil separation and pans
- SCR tank systems
- Timing belt protection
- Transmission oil pans
- Venting systems
- Water management



Underbody cover

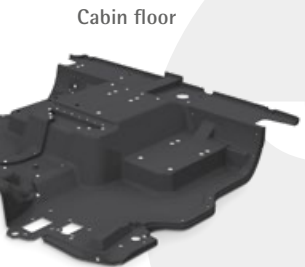


Soft engine cover

## INTEGRATED ACOUSTIC SOLUTIONS

The sound of silence. Customised, lightweight components for engine and engine compartment encapsulation

- Acoustic absorbers for e-motors
- Battery boxes for MHEV and BEV in line with electromagnetic compatibility
- Bulkheads
- Soft engine covers
- Sound absorbers for engines, cylinder head covers and ancillary devices
- Underbody covers



Cabin floor



Battery box cover

## STRUCTURAL & FUNCTIONAL SOLUTIONS

Intelligent glass and carbon fibre reinforced composites for high-strength structural parts and maximum functional integration

- Battery box covers
- Battery panels
- Cabin floors
- Drive shaft guards
- Mounting supports
- Soft-top box lids
- Trunk wells
- Underbody covers



Mixing and dosing system



Switch panel for washer

## NON-AUTOMOTIVE

Extensive synergy effects, comprehensive know-how, great technological diversity and effective manufacturing and logistics systems ensure non-automotive solutions that offer optimum performance

- Baseplates for dentist chairs
- Drainage systems
- Electrical housings
- Lamp housings
- Mixing and dosing systems
- Solar collector housings
- Spray coatings
- Switch panels for home appliances (operating panels)
- Technical moulded parts such as sieve stars, support rings, funnels and screws
- Toner containers for printers
- Transport boxes



USA

SOUTH AFRICA

Status: March 2019



# LOCATIONS

PRESENT ON  
FOUR CONTINENTS

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24 x in Europe

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2 x in Asia

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1 x in America

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1 x in Africa (under construction)

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INNOVATION

# THINKING IN PLASTICS

The POLYTEC GROUP's markets are currently undergoing a transformation, which above all is emanating from the automotive industry. Faced with a background characterised by new mobility concepts and more restrictive legislation, the sector has to adopt fresh approaches. However, what has not altered is the versatility of plastics. And it is precisely at this point that POLYTEC seeks by means of technological leadership and innovative concepts to establish strong positions for both today and tomorrow.

The conditions underlying the entire automotive industry are changing. Therefore, it must accept the consequences and adjust. For in view of the tighter laws governing pollutant emissions, manufacturers are being forced to invest in the development of alternative drive technologies and rapidly implement the resultant new vehicle concepts. In addition, start-ups are entering the market as small OEMs offering innovative e-mobility concepts.

#### Experience with a wealth of applications

POLYTEC regards this transition within the industry as an opportunity. This is because, as opposed to the majority of its competitors, the group is characterised to a far greater extent by technological diversity, flexibility and innovative strength. It is thus as versatile as the plastics that it employs for the development and production of highly complex components for its customers. Indeed, POLYTEC is not simply an automotive supplier, but rather an innovator in the field of plastics solutions with over three decades of experience.

#### Competitive advantages born of flexibility

As a result of its strengths, the POLYTEC GROUP enjoys significant advantages during the development of new product and customer segments. In the e-mobility field, it is frequently the case that not

**e.GO is one of the many new OEMs** which are currently entering the automotive market and with which POLYTEC is already working on highly promising future concepts.

only lightweight construction solutions are required, but also limited batch sizes. For example, this applies to exterior and structural components for e-cars, which today can already be manufactured using thermoplastics, thermoset materials, elastomers and foams. Moreover, the numbers of small OEMs are growing and with them, variant diversity. In this area, POLYTEC can impress with flexible production solutions, which also allow the cost-efficient output of small series.

Owing to new and more stringent legislation, the conceptual solutions already developed in recent years by POLYTEC with respect to important functions relating to the conventional combustion engine are now in greater demand than ever. In this regard, POLYTEC can offer patented concepts for key functional components made from plastic, which can contribute to the stipulated reductions in vehicle emissions.

However, with its technologies, POLYTEC's success is by no means limited to the automotive sector. The group is also well positioned in other sectors and in future wishes to consolidate this status still further.

#### Research and development strength

Within the market, the POLYTEC GROUP enjoys an outstanding reputation as an innovative and agile partner. And in order to retain this standing in the long term, the group is continually further developing its organisational structures in the R&D area. Such measures also include the introduction of new organisational units and competence centres, which in concrete terms meant the creation of an independent innovation team in 2018, which reports directly to the Board of Directors. This new department, which bears the name Valuable Plastic →



→ Solutions, has the task of preparing targeted concepts for completely new products on the basis of the POLYTEC GROUP's existing development and technological competences (see box at the right).

What aids POLYTEC's engineers during the proactive development of new products is "thinking in plastics". This means that, independent of specific orders, an analytical focus is placed on the possibilities that plastics offer for the integration of several functions into a single component and the applications in which such parts can be employed. On the basis of these questions, POLYTEC develops modules and systems, which reduce product complexity, or replace standard metal components and thus save weight. In addition, functional integration results in considerable economic advantages, which for many years have proven profitable for POLYTEC's automotive customers. Accordingly, in future, the group also wishes to increasingly offer such benefits to its non-automotive clientele. In fact, POLYTEC can already point to successes with regard to the development and serial production of non-automotive parts such as top quality modules for household appliances. Recently, the group developed further innovative product ideas for this area in-house and these are currently under discussion with leading manufacturers. ■

## A FOCUS ON IDEAS

The fact that POLYTEC concentrates the know-how from its various locations in order to repeatedly realise new products for its customers is nothing new. However, in recent years, the group has begun to modify its R&D strategy, for it is often the case that a development process is no longer triggered by a concrete demand from a customer. Instead, the original product idea increasingly emanates directly from POLYTEC's new R&D departments and research initiatives.



### Valuable Plastic Solutions

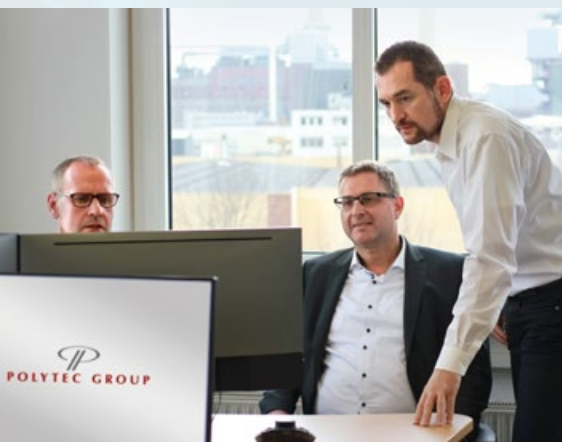
Some time ago, POLYTEC put together a team of experts, which has the task of considering new topics in the development field. This team has now been reorganised and operates under the name Valuable Plastic Solutions (VPS). It is independent of day-to-day business and can work in a creative, free and unconventional manner. Among other issues, VPS deals with the creation of ideas for customers and products outside the automotive sector. Moreover, e-mobility solutions and the manufacture of small series are also on its agenda. During its



activities, the team can refer to the know-how of the entire POLYTEC GROUP, and systems, process and materials competence is linked to know-how from the functional integration and material substitution areas. Following the definition of pre-development topics and concept development, the results are handed over to other POLYTEC GROUP development centres for implementation.

#### POLYTEC ENGINEERING SERVICES

Since the end of 2017, the POLYTEC ENGINEERING SERVICES (PES) department in Neckarsulm, Germany has been working on innovative product and application concepts, while also offering support with the development of structural components, especially for the composites segment. The team consists of ten employees from different specialist areas and it uses this multifaceted know-how primarily in the area of lightweight automotive applications, although the development of operating equipment, jigs and tools are also part of its programme.



#### TechCenter Süd

The POLYTEC TOOLING location in Thannhausen, Bavaria, deals with the development and manufacture of complex injection moulding tooling. During the past year, a plastics technology centre was also fitted out at the plant, which will serve the further development of process technologies and the run-up and optimisation of operating equipment from its own toolmaking departments. In addition, a new injection moulding machine offers the possibility of manufacturing small series. The addition of a development and sales centre has also resulted in Thannhausen being considerably updated and with the TechCenter Süd, POLYTEC has taken another step in the direction of its customers.



#### An innovation hub at the RWTH Aachen

In 2018, the POLYTEC GROUP matriculated at the Rheinisch-Westfälische Technische Hochschule (RWTH) Aachen and thus entered into a partnership with the Aachen Center for Integrative Lightweight Production (AZL). The aim of this

**The POLYTEC ENGINEERING SERVICES team** carries out important development work for the POLYTEC GROUP and its customers.



**Toolings are sampled and optimised on the spot** using Thannhausen's newly installed injection moulding machine.

initiative is to push ahead with the development of new areas of application for plastic components. As a premium partner, the POLYTEC GROUP has established an office at the AZL staffed by engineers. Via this new innovation hub, POLYTEC now has access to a variety of university research institutes and clusters and numerous development projects are being implemented with other companies and (potential) customers from a diversity of sectors. In addition, the hub also offers an opportunity to acquire fresh ideas from start-ups in order to subsequently manufacture products possessing serial output maturity. Not least, the presence on this platform strengthens the POLYTEC brand and the group's image as a reliable partner in the fields of innovation and know-how, as well as an attractive employer for young specialists and engineers. ■



## FURTHERING THE LEADERS OF TOMORROW

In conjunction with the LIMAK Business School, in 2018 POLYTEC launched the **P3 POLYPERSPECTIVE PROGRAMME**. During this 13-month training course, experienced experts from the fields of business and science act as trainers and coaches for future POLYTEC GROUP leaders. A member of the POLYTEC Board of Directors also accompanies each participant as a mentor and feedback provider. As a result, POLYTEC is furthering the designers of the future within its own ranks.

## CREATING ORGANISATIONAL FLEXIBILITY

Parallel to its linear organisation, in future the POLYTEC GROUP is to intensify its pursuit of an **agile network organisation** approach. As required, project teams cooperate on a cross-functional basis that traverses all the business units. They obtain specialist expertise from the competence centres and ensure efficient project planning and completion. At the same time, they also facilitate the continuous further development of best practice and thus enhance know-how transfers throughout the group. For example, agile teams carry out numerous, intra-group digitisation projects.

## POLYTEC GETS FIT FOR THE FUTURE

# FASTER. STRONGER. LEANER.

Lean and efficient structures, technological diversity, increasingly complex products and uncompromising quality should render the POLYTEC GROUP fit for the future in what is a demanding market. In order to achieve these targets, during recent years the group has implemented or launched numerous projects in the areas of advanced and

further training, digitisation, automation, process stability and IT. During 2018, POLYTEC again achieved decisive progress with regard to these initiatives and in addition has started a series of new programmes. This should result in the compaction of all strengths and resources in order to create space for innovative ideas for the years to come.

## STANDARDISING CORPORATE PROCESSES

With the new guidelines for internal project management, the **Corporate Project Office** has provided POLYTEC with a platform for a uniform IT, organisational, process modelling and investment project set-up. Both now and in the future internal company projects shall be planned, coordinated and documented according to the same pattern across the group. Apart from the definition of specific project management standards, including reporting and templates, this will also serve to unify project coaching and know-how management. Consequently, lessons learned will flow into standardised project manuals along with best practice examples and thus be available to all of the POLYTEC GROUP's employees and business units worldwide. In addition, within the framework of digitisation projects, numerous standards have already been defined for intra-group procedures.





## TURNING MANAGERS INTO LEADERS

142 managerial employees have already successfully passed through the modular qualification system of the **POLYTEC Leadership Academy (PLA)**. The aim of the PLA is to develop managers into active leaders. They should create a positive working environment with attractive development possibilities for every member of the POLYTEC GROUP workforce and equip the company for the challenges of the future. In addition to the communication of leadership skills, PLA also creates a basis for networking within the POLYTEC GROUP and thus facilitates a broad, internal exchange of experience.

## RAISING PROCEDURAL EFFICIENCY

4000+  
PPS

The **POLYTEC Performance System (PPS)** is targeted on the continuous improvement of company processes and procedures and thus a steady increase in own efficiency levels. Under the motto "Do it simply but systematically", the PPS not only promotes autonomous working amongst the workforce, but also accelerates the speed of reaction, while simultaneously improving the quality of decision-making processes. A clearly defined evaluation of method implementation shows that plants which are already well ahead with respect to PPS are also in a superior financial position. Consequently, POLYTEC explains the significance of this programme to every individual employee in the course of targeted training and thereby establishes PPS as a fundamental element in its corporate culture.

## DRIVING DIGITISATION FORWARDS

During 2018, POLYTEC made major progress with regard to its comprehensive **digitisation strategy**. For example blueprints, which constitute the descriptions of all process sequences for group-wide enterprise resource planning and the manufacturing execution system, as well as numerous interfaces, were drawn up successfully. The first go-live will take place in mid-2019 at the Ebensee plant in Austria, prior to the roll-out of the new systems at all of the POLYTEC GROUP's production centres.

Furthermore, work started on infrastructure standardisation, which has the primary purpose of guaranteeing the problem-free and secure networking of all systems. This relates equally to clients and the network infrastructure, as well as the distribution of services amongst the computing centres. The standardisation and simplification of the IT landscape, which constitute a milestone in POLYTEC's digitisation offensive, should be concluded by the middle of 2019.

POLYTEC is also employing digitisation for automation purposes, which include a reduction in transfer-related activities. Within the scope of a pilot project, an enterprise content management system has been successfully implemented for digital invoice processing at the Hörsching location. This system can be used subsequently for the digitisation of further processes and will be rolled out throughout the entire group.

### The three fundamental objectives of POLYTEC's digitisation offensive.



1. ENHANCED INFORMATION QUALITY



2. HIGHER SPEED



3. PROGRESSIVE AUTOMATION

## A GENERATION CHANGE WITHIN THE POLYTEC GROUP

## A NEW TEAM FOR FRESH CHALLENGES

**Well equipped for fresh challenges**

(from the left): Heiko Gabbert (COO), Peter Haidenek (CFO), Peter Bernscher (CSO) and Markus Huemer (CEO)

**Constant change**

Further development continues to be at the very top of the agenda of the new CEO. This is because in the final analysis, the POLYTEC GROUP is confronted by a highly challenging environment, in which Markus Huemer and the new Board of Directors wish to achieve success through maximum flexibility. The digitisation of numerous processes and future-oriented, organisational adjustments have already been successfully initiated and are now to be systematically pursued with the aim of raising still further the levels of creativity, innovative strength and speed within the group.

**Strategic potential**

This will not involve fundamental changes to the POLYTEC GROUP's three strategic cornerstones (see page 6). Moreover, although recently an increased focus was placed on organic corporate growth, Markus Huemer also envisages additional, anorganic expansion through the targeted acquisition of suitable companies. It is precisely in this regard that in the medium term, the current problematic market environment could generate new potential.

After more than thirty years at the helm, Friedrich Huemer has handed over the management of the POLYTEC GROUP to his son Markus (38), who in recent years has already injected a considerable degree of fresh impetus into the group as its COO. On 1 January 2019, Markus Huemer became the group CEO at the head of a newly appointed Board of Directors.

Very few people are as well acquainted with the POLYTEC GROUP as Markus Huemer, who quite literally grew up with the enterprise. He started work for POLYTEC in 2005 in Hörsching and during the following years got to know many of the group's international locations and hence the diversity of the organisation

and its employees. This experience formed the basis for the initiatives and programmes, which under his auspices as COO have been launched since 2014 and have initiated the transformation of the group founded by his father into an agile company with a modern corporate culture.

### Fresh expertise

On 1 January 2019, Markus Huemer handed over his assignments as COO to Heiko Gabbert, who previously headed the POLYTEC GROUP's injection moulding division. As new CSO Peter Bernscher has been responsible for sales, development and marketing since August 2018. Apart from Peter Haidenek, who has been POLY-

TEC's successful CFO since 2011, Markus Huemer has therefore inducted two additional, first-class experts into his Board of Directors. Moreover, Friedrich Huemer will continue to be available to the POLYTEC GROUP with all his expertise, experience and corporate knowledge as a consultant. A solid basis has thus been created for entry into a successful new era. ■



**MARKUS HUEMER**  
(CEO as from 1 January 2019)

- **Date of birth:**  
15 January 1981 (38)
- **Specialist areas of education:** Chemical plant technology, production and management, financial management
- **Career:** Various functions within the POLYTEC GROUP: Assistant to the COO, Vice-President Business Development, COO
- **Agenda:** M&A, investment management, corporate strategy, corporate communications, purchasing, IT, human resources



**PETER BERNSCHER**  
(CSO as from 1 August 2018)

- **Date of birth:**  
6 March 1968 (51)
- **Specialist areas of education:** Industrial administration, general management
- **Career:** CEO Metalservice (IT) and Veneta Nistri (IT), Member of the executive management, voestalpine Stahl Service Center (AT), CEO, voestalpine Polynorm (NL), Member of the Board, voestalpine Metal Forming Division (AT), CEO, British Steel (UK)
- **Agenda:** Sales, engineering, marketing



**HEIKO GABBERT**  
(COO as from 1 January 2019)

- **Date of birth:**  
20 March 1968 (51)
- **Specialist areas of education:** Chemical engineering and plastics technology
- **Career:** Head of Project Management, Riesselmann und Sohn (DE), Programme Manager for Vehicle Interior Systems, Faurecia (DE), Head of Engineering, Plastic Component Manufacture, Volkswagen (DE), CEO, PLASTICS business unit, POLYTEC GROUP
- **Agenda:** Operations, innovation, industrial engineering



**PETER HAIDENEK**  
(CFO as from 1 February 2011)

- **Date of birth:**  
9 June 1965 (53)
- **Specialist areas of education:** Business management, tax law and corporate accounting, production technology
- **Career:** Assistant to the Board, Lufthansa (DE), Deputy Head of Investor Relations, adidas (DE), Member of the Board, FLAMM AG (DE), Member of the Board, Chemson (AT), Senior Manager Corporate Finance, KPMG (AT)
- **Agenda:** Finances, controlling, accounting, investor relations, internal audit, legal affairs

## POLYTEC INDUSTRIAL

# EXPANSION FOR FURTHER GROWTH

More than thirty years ago, POLYTEC ELASTOFORM GmbH commenced the production of polyurethane add-ons for snow groomers. Today, together with POLYTEC Thelen in Bochum, Germany, and the machinery manufacturer, POLYTEC EMC, the company forms POLYTEC INDUSTRIAL, a group division that acts as a full-service provider of tailor-made polyurethane solutions and complex equipment.



INDUSTRIAL is the smallest POLYTEC GROUP division and is therefore sometimes overshadowed by the group's other units. However, in actual fact the history of the POLYTEC GROUP began with the foundation of POLYTEC

ELASTOFORM GmbH in 1986. Today, Ulrike Huemer and Peter Stinshoff manage the division jointly. Ulrike Huemer is one of the group founders and has therefore been involved from the outset: "As a result of an independent and flexi-



**POLYTEC ELASTOFORM's business has been running smoothly for over thirty years.**

Apart from a range of other products, the company still produces so-called finishers for snow groomers.



The second POLYTEC INDUSTRIAL business line consists of the production of machines and plant for the dosing and processing of liquid reactive plastics. This machinery is not only exported worldwide, but is also employed within the POLYTEC GROUP, as it allows the rapid and uncomplicated implementation of new ideas for further developments and optimisation. Peter Stinshoff: "Our machines are available in various sizes and versions. They can be found equally in laboratories, windmill production, prefabricated housing plants and automotive factories, as well as in classic polyurethane processing and many other areas of application." →

ble approach, over the years we have been able to establish a solid position in a demanding market. In 2018, with our workforce of 150 motivated employees we once again were able to increase our sales revenues. Our branch diversity also meant that even in the crisis years 2008 and 2009 we remained virtually unscathed."

from a diversity of sectors. The demands made upon our personnel are correspondingly high, as they must find an optimum, tailor-made solution for every assignment."

**Success built on two business lines**

In 2018, POLYTEC INDUSTRIAL's steady upward business trend resulted in the decision to markedly expand the production capacity at both its locations in Marchtrenk, Austria, and Bochum, Germany, where an extensive portfolio consisting of two production lines is manufactured. The first of these is comprised by customised polyurethane components and coatings, which are mainly utilised by industry or in special vehicle production. CEO Peter Stinshoff: "In this field we number among Europe's largest processors of polyurethane and the customers for our products come

**READY FOR TOMORROW**

For more than thirty years, POLYTEC INDUSTRIAL division has enjoyed continual growth and in order to ensure that this expansion can continue in future, its locations in Marchtrenk and Bochum are to be enlarged by 2020.

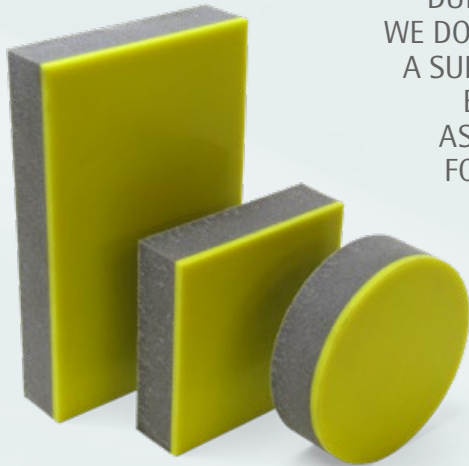
**Marchtrenk location enlargement**

- + 6,000 m<sup>2</sup> property
- + 4,000 m<sup>2</sup> production area

**Bochum location enlargement**

- + 5,000 m<sup>2</sup> property
- + 3,000 m<sup>2</sup> production area





**Sylothan** is one of many in-house developed polyurethane formulations offering future potential

“DURING OUR CUSTOMER DEALINGS, WE DO NOT SEE OURSELVES AS MERELY A SUPPLIER, BUT AS A PARTNER, WHO BY MEANS OF INNOVATIVE IDEAS ASSUMES PARTIAL RESPONSIBILITY FOR THE SUCCESS OF A PRODUCT.”

ULRIKE HUEMER

→ **Future-proof through research and development**

The fact that POLYTEC INDUSTRIAL has enjoyed over three decades of market success is due in no small part to its dynamic research and development activities. The division offers its customers products that employ some 150 differing, in-house produced polyurethane formulations. Moreover, this total is continually increasing and amongst the latest advances is Sylothan, a material that is used in components that must cushion, level out and attenuate vibrations. For example, Sylothan may soon be employed for the production of impact protection elements.

**Partnership on an equal footing**

As opposed to the competition, POLYTEC INDUSTRIAL profits from the synergy effects that result from teamwork with its sister companies within the POLYTEC GROUP. The division also places a clear emphasis on customer orientation. During the development of optimum solutions for every problem, its experts employ open communications and provide clients with targeted pointers regarding the technical possibilities and advantages of POLYTEC INDUSTRIAL's own TECTHAN and THELAN brands. Ulrike Huemer: "During our customer dealings, we do not see ourselves as merely a supplier, but as a partner, who by means of innovative ideas assumes partial responsibility for the success of a product. In the long run, for a cooperation to be based on partnership, not only must the chemical compound of the polyurethane be in order, but also the human relationship." ■

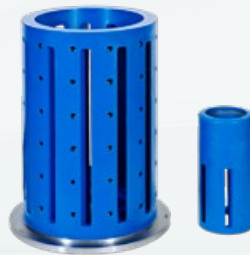


# THE MATERIAL WITH UNLIMITED POSSIBILITIES

POLYTEC INDUSTRIAL produces parts made from polyurethane and polyurethane-coated components for a variety of applications that range from drive wheels to floor plates and add-ons for special vehicles, to highly resistant parts for machinery and plant in every type of industrial area. What all these parts have in common is extreme wear-resistance and strength. Production takes place primarily using either hot casting or spraying. Every year, POLYTEC INDUSTRIAL processes over 1,700 t of polyurethane in 27 injection and spraying systems in combination with some 150 in-house created formulations.



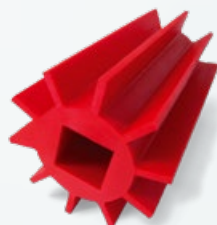
**Suction nozzle housing** for a road-sweeping machine



**Container for wet processing** in mills



**Rotor for the processing** of industrial minerals in the lime industry



**Rotary feeder for material compaction** in agriculture and road building



## ULRIKE HUEMER

- **Date of birth:** 10 November 1959 (59)
- **Education:** Business administration training
- **Career:** Tax consultancy, Sparkasse, co-founder of the POLYTEC GROUP, co-management of POLYTEC INDUSTRIAL, executive management of POLYTEC ELASTOFORM GmbH (AT), POLYTEC EMC ENGINEERING GmbH (AT) and POLYTEC THELEN GmbH (DE)
- **Assignments:** Operative management of POLYTEC ELASTOFORM GmbH (AT)

## PETER STINSHOFF

- **Date of birth:** 10 August 1965 (53)
- **Education:** Industrial business management training
- **Career:** Shareholder in family-owned polyurethane processing company, co-management POLYTEC INDUSTRIAL, executive management and shareholder POLYTEC ELASTOFORM GmbH (AT), POLYTEC EMC ENGINEERING GmbH (AT) and POLYTEC THELEN GmbH (DE)
- **Assignments:** Operative management of POLYTEC EMC ENGINEERING GmbH (AT) and POLYTEC THELEN GmbH (DE)

# SYSTEMS FOR SUCCESS

POLYTEC INDUSTRIAL also manufactures two- and multi-component equipment for the dosing and processing of liquid, reactive plastics in a diversity of dimensions. The smallest system has two two-litre tanks and is employed in model casting shops or development labs. The largest system is available with several components, double walls and heated tanks in sizes of up to 1,800 l. Equipped with additional components for dyes, catalysts and additives, these machines are suitable for a wealth of applications. POLYTEC INDUSTRIAL produces around 60 systems per year, the majority of which are exported worldwide.

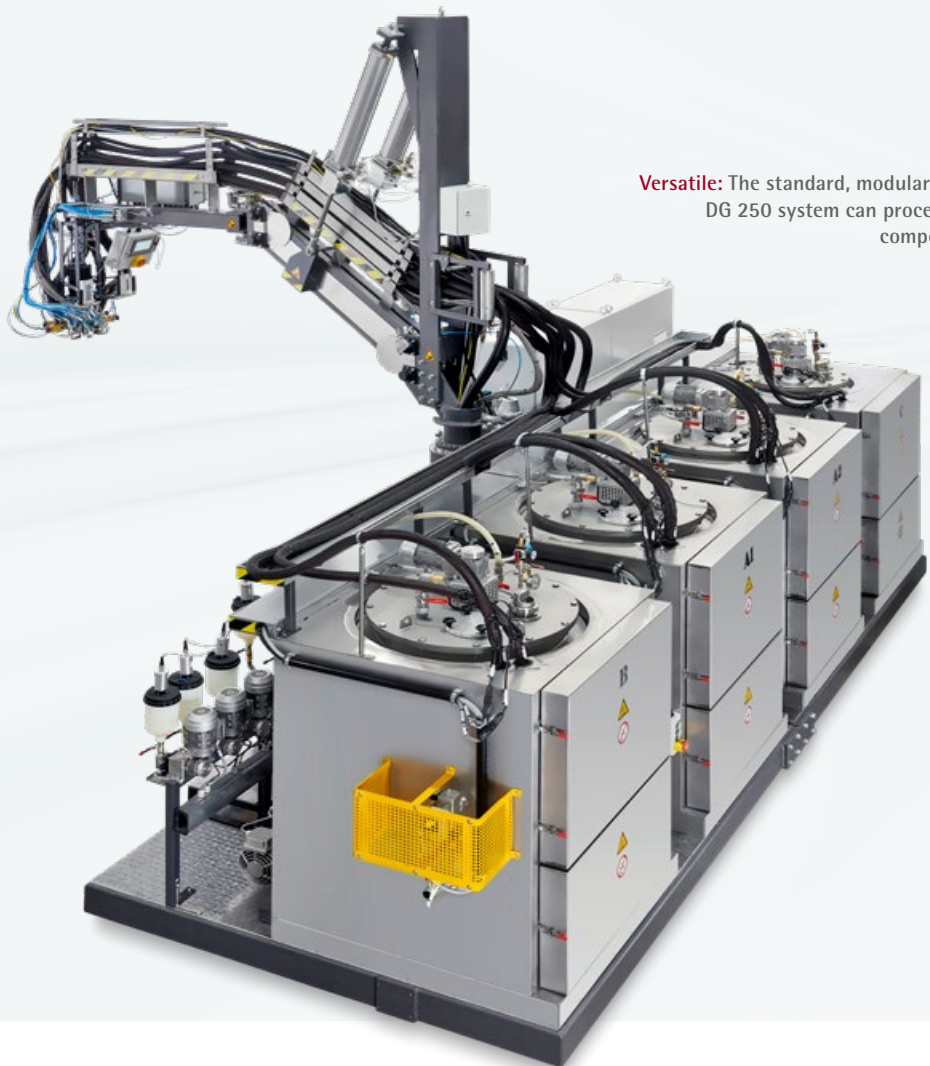
AFTER-SALES SERVICE

COMMISSIONING AND TRAINING

PRODUCTION AND ASSEMBLY

DEVELOPMENT AND CONTROL TECHNOLOGY

CONSULTING AND PLANNING



**Versatile:** The standard, modular design DG 250 system can process four components.





**Tailor-made:** DG 200 series systems for hot elastomer and polyurethane processing are adapted to precisely match respective customer requirements.



“OUR MACHINES ARE AVAILABLE IN VARIOUS SIZES AND VERSIONS. THEY CAN BE FOUND EQUALLY IN LABORATORIES, WINDMILL PRODUCTION, PREFABRICATED HOUSING PLANTS AND AUTOMOTIVE FACTORIES, AS WELL AS IN CLASSIC POLYURETHANE PROCESSING AND MANY OTHER AREAS OF APPLICATION.”

PETER STINSHOFF

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Polyurethane processing info brochure download

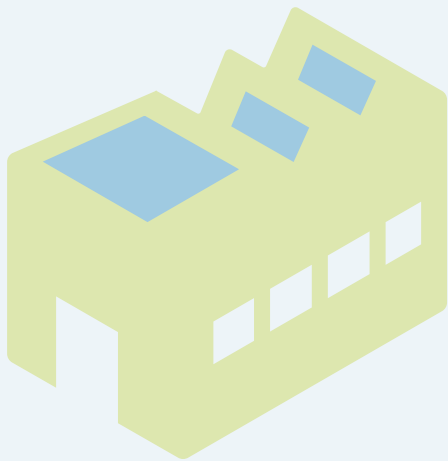


System production info brochure download

FROM THE ENGLISH MIDLANDS TO THE  
CAPE OF GOOD HOPE

# A STRATEGY DYNAMICALLY PURSUED

In 2018, the POLYTEC GROUP's ongoing business developed further in dynamic fashion. For example, a foothold was established on the African continent with a new plant in South Africa, while in order to accommodate new orders, capacity in Hörsching was enlarged considerably. The upward trend of past years in the commercial vehicles segment continued and in the currently problematic UK market, POLYTEC secured an excellent position with one of Europe's most modern paint shops.



## SOUTH AFRICA

### POLYTEC SUPPLIES ON-THE-SPOT EXPERTISE

One of the largest German automobile manufacturers is taking lightweight know-how with it to South Africa. Between 2021 and 2018, up to a million premium class cars are to be manufactured in the country and fitted with lightweight parts from POLYTEC.

POLYTEC is to spend as much as EUR 15 million on its new location in the South African city of East London. The new investment corresponds with the group's fundamental corporate strategy (see page 6) of founding locations in the proximity of its most important customers. From 2021 onwards, composites and

injection moulded components will be manufactured in a production area of 6,500 m<sup>2</sup>. It is planned that as many as 170,000 sets of highly complex, multi-functional and above all ultra-light underbody covers will come off the production lines annually.

TELFORD

# READY TO PAINT

The POLYTEC plant in Bromyard, UK, has been supplying top quality components to companies such as Jaguar Land Rover for many years. The solid use of capacity at the location led to the decision to build a fully automatic paint shop in the nearby town of Telford.

POLYTEC opened the new, state-of-the-art paint shop in Telford in the course of a highly colourful ceremony held in mid-May 2018. The shop has a production area of some 7,000 m<sup>2</sup> and can turn out roughly 3,000 components with Class A top coatings per day. So far the full capacity of the plant has not been made of, as the political uncertainties surrounding Brexit

have also resulted in reticence amongst the customers and producers in the highly traditional British car market. The location nevertheless feels itself to be well equipped for the future. Whatever the case, during the start-up phase the highly modern, fully automated and extremely efficient plant proved its excellence and is therefore "ready to paint" at any time. ■

The Telford location employs the latest painting technology.



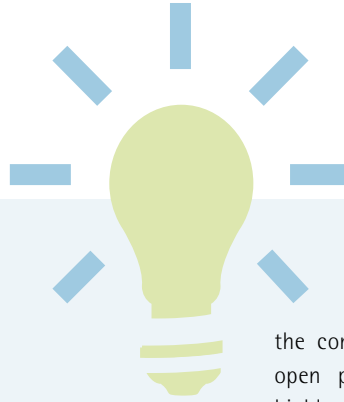
In mid-2021, POLYTEC will commence the production in South Africa of light, stable and multi-functional underbodies for a German premium automotive manufacturer. (Symbolic photo)



POLYTEC started the construction of the new production and storage facilities in the East London Industrial Development Zone at the beginning of 2019. The installation of the entire technical equipment for the production lines, including a 2,500 t compression moulding press, must then commence in early 2020.

Part of this new order is intended for the European and NAFTA markets and will be provided by the POLYTEC plant in Roosendaal in the Netherlands. As a result, prior to the launch in South Africa, the production process can be subjected to comprehensive testing in an existing works. In this way, the group can be cer-

tain of avoiding any surprises when manufacturing gets under way at the Cape in April 2021. ■



## SOFT ENGINE COVER

# SAFE. QUIET. LIGHT. SUCCESSFUL.

The success story of the soft engine cover has entered a new chapter. In addition to the 300,000 pieces that HÖRSCHING has been manufacturing annually since 2013, POLYTEC now produces two additional types with differing characteristics. As a result, three premium customers are already employing the group's soft engine covers.

Soft engine covers number among POLYTEC's most successful innovations. They are made from flexible PUR integral foam and the first example came off the production line in 2013. The covers are manufactured using the patented one-shot process in which two basic material

components react together and are then foamed up by means of a propellant. Subsequently, so-called "in-mould coating" optimises the medium resistance and colour intensity of the upper side and facilitates the use of sophisticated surface designs. The hidden underside of

the component is characterised by an open pore structure, which provides highly effective engine noise attenuation. Moreover, minimum weight, improved head-on impact behaviour and special flame-resistance also number among the benefits offered by the covers.

For POLYTEC, the soft engine cover represents more than just a major sales success, as it also stands for successful teamwork. This is due to the fact that several group locations played a major role in its development.

Apart from Volvo, which has been installing the covers in its cars since 2013, two other major European vehicle manufacturers have now opted for innovative soft engine covers from Upper Austria. As a result of this increased demand, during 2017 POLYTEC installed a new production line at its HÖRSCHING plant. This completes the central production steps fully automatically and also possesses integrated assembly and quality checks. At present this line, which is of modular and product-independent design, is being enlarged for the new order that will commence in 2019. Overall production capacity will then amount to a maximum of 1.5 million pieces per year and thus the soft engine cover success story is set to continue. ■



**The soft engine cover** not only protects the upper side of the engine, but also safeguards the passengers in the vehicle against noise and in the case of an accident, pedestrians against injury.

## COMMERCIAL VEHICLES

# ON THE SAFE SIDE WITH COMPLETE PACKAGES

In spite of the events in the car market, the commercial vehicle segment has remained unperturbed and for many years has continued to deliver stable growth rates. Accordingly, with its multi-variant programmes for this market, in 2018 POLYTEC once again achieved a solid increase in sales revenues and the order books are also well filled for the years to come.

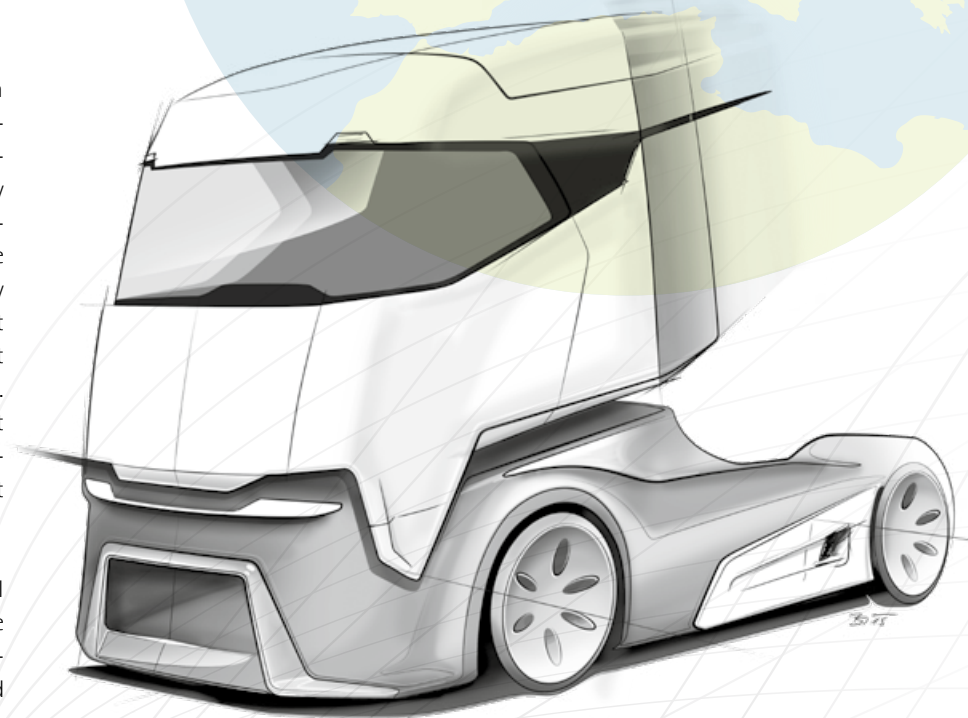
The POLYTEC GROUP obtains almost a quarter of its sales revenues with products for commercial vehicles. The manufacture of these components is especially demanding, as they mostly involve medium-sized batches with a very high degree of variant diversity. In addition, not only individual add-on parts are ordered, but also complex component systems that frequently have to be engineered first. However, it is precisely in this regard that POLYTEC impresses with flexibility, experience and comprehensive development competence.

In order to be able to offer commercial vehicle manufacturers the best possible solutions, POLYTEC concentrates expertise from across the entire group and combines differing materials and production technologies to form coordinated, complete packages.

One of these complete packages, consisting of the majority of plastic cabin parts, will commence in 2020 for a leading truck manufacturer. The POLYTEC locations in Gochsheim (DE), Sládkovičovo (SK) and Ebensee (AT) are dealing with this project and to this end a total of

more than 130 new tools will be installed in these plants. Competitiveness has also been enhanced through a considerable increase in the level of automation in the COMPOSITES processing area, which in future should serve as a model for additional lines. ■

**Enormous component diversity and the most stringent quality demands** with regard to surface and top coatings require automation solutions that offer maximum flexibility and process reliability.







SHARE &  
CORPORATE  
GOVERNANCE

# SHARE & INVESTOR RELATIONS

## POLYTEC SHARE PRICE DEVELOPMENT

As at 28 December, the last stock exchange trading day in the 2018 financial year, the POLYTEC share (ISIN: AT0000A00XX9) closed at EUR 8.38, which was the lowest closing price during the period under report, and was thus EUR 10.12, or some 54.7%,

down on the end value of the previous year (EUR 18.50). The average price for the year stood at EUR 13.29 (previous year: EUR 16.46) and market capitalisation at the end of the year totalled EUR 187.1 million (previous year: EUR 413.1 million).



The POLYTEC share started the 2018 stock exchange year with an initial closing price of EUR 18.18. During the first three weeks, the price rose and on 23 January 2018, at EUR 21.00, reached the highest closing price in the period under report. However, in the course of January the general conditions appertaining to the automotive industry started to change and it became clear that this important economic branch was about to be confronted by major challenges and upheavals. This uncertain development had a negative impact upon the opera-

tive business figures of companies in the industry and their share performances. During the year, numerous manufacturers and suppliers, including the POLYTEC GROUP, were forced to revise their forecasts and issue profit warnings, and this resulted in a corresponding fall in their share prices. The STOXX® Europe 600 Automobile & Parts (SXAP) index closed the year at 439 points, which was 28.6% lower than the 2017 figure (615). In the course of 2018, the ATX Prime Index also fell by 19.6% to 1,387.73 points.



Following the publication of an adjusted outlook for the 2018 financial year, on 2 August 2018, the POLYTEC share fell back by 9.5%. On 10 October it closed at a price of EUR 9.89 and had therefore returned to the single-digit range for the first time since 7 December 2016. Moreover, apart from temporary recovery phases in July and September, the POLYTEC Holding AG share remained entangled in the price corrections that continued throughout the entire automotive sector until the end of the year.

As opposed to the preceding year, the average daily trading volume in 2018 rose by 12.3%. During the 247 days of trading on the Vienna Stock Exchange, in 2018 the average trading volume amounted to 93,591 shares per day (previous year: 83,317 shares, both figures using double counting). On 30 November 2018, the best trading day, 719,184 POLYTEC shares were traded and this specific high may have related to the transfer of the POLYTEC share from the MSCI World Small Cap Index into the MSCI World Micro Cap Index. Other strong trading days were 23 October with 426,116 and 21 September with 343,572 shares (respectively double counting).

POLYTEC share (AT0000A00XX9)	Unit	2018	Change	2017	2016	2015
Year-end closing price	EUR	8.38	-54.7%	18.50	10.39	7.66
Highest closing price during the year	EUR	21.00	-6.2%	22.38	10.60	8.45
Lowest closing price during the year	EUR	8.38	-19.4%	10.40	6.65	6.20
Average closing price during the year	EUR	13.29	-19.3%	16.46	7.89	7.52
Market capitalisation at year-end	EUR m	187.1	-54.7%	413.1	231.9	171.0
Vienna Stock Exchange money turnover (double counting)	EUR m	299.7	-13.9%	347.9	71.7	84.6
Vienna Stock Exchange share turnover (double counting)	Shares m	23.1	12.1%	20.6	9.0	11.3
Share turnover (daily average, double counting)	Shares	93,591	12,3%	83,317	35,937	45,660

Source: Vienna Stock Exchange

At the beginning of 2019, the POLYTEC share price recovered. On 10 January 2019, it reached the double-digit price of EUR 10.10. Up to the editorial closing date for this report in mid-March, this remained the highest closing price for this year.

## 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 maintained constant contacts with stockholders. During the 2018 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. In addition, investor visits to POLYTEC headquarters in Hörsching were organised and plant tours offered, while a regular dialogue was continued with institutional and private investors and analysts by means of frequent telephone conferences.

After 32 years, as planned, the company founder and core shareholder, Friedrich Huemer, handed over his post as Chairman of the Board of Directors of POLYTEC Holding AG to his son Markus with effect from 1 January 2019. In the course

of this transition, seats on the Board of Directors were newly filled and responsibilities reassigned. On the occasion of the changeover, the company held a meeting in Linz at the end of January for institutional investors and representatives of the media in order to introduce the new Board members. Some forty persons attended of whom around a dozen accepted an invitation for a subsequent tour of the POLYTEC CAR STYLING plant in Hörsching.



Presentation of the new Board of Directors team at the end of January 2019 in Linz

## DIVIDEND POLICY

POLYTEC's dividend policy is based on profitability and the strategic growth perspectives and the capital requirements of the group. In the 2018 business year, POLYTEC Holding AG's net profit amounted to EUR 139.0 million (previous year: EUR 132.6 million). Therefore, the Board of Directors and the Supervisory Board will propose the distribution of a dividend of EUR 0.40

per eligible share to the 19<sup>th</sup> Ordinary Annual General Meeting to be held on 10 May 2019. This corresponds to a gross dividend payment of around EUR 8.8 million (previous year: EUR 9.9 million) and the pay-out ratio amounts to 30.3%. It is thus slightly above the 20% to 30% distributable earnings range. On the basis of an average price for the year of EUR 13.29, a dividend yield of 3.0% results. 15 May 2019 is the ex-dividend day and 17 May 2019 the dividend pay-out day.

POLYTEC share	Unit	2018	Change	2017	2016	2015
Earnings per share	EUR	1.32	-24.1%	1.74	1.65	1.08
Proposed dividend per share	EUR	0.40	-11.1%	0.45	0.40	0.30
Dividend yield on the basis of the average closing price	%	3.0	11.1%	2.7	5.1	4.0
Pay-out ratio	%	30.3	17.0%	25.9	24.2	27.8

## SHAREHOLDER STRUCTURE

As at 31 December 2018, POLYTEC Holding AG's share capital remained unchanged at EUR 22.3 million and was divided into 22,329,585 bearer shares. On the balance sheet date POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which amounted to roughly 1.50% of share capital. The Huemer Group retained an unaltered 29.04% (16.0% Huemer Holding GmbH and 13.04% Huemer Invest GmbH) holding in POLYTEC Holding AG share capital. As compared to the 31 December 2017 balance sheet date, the holding in companies belonging to POLYTEC Holding AG that can be attributed to Friedrich Huemer, the POLYTEC GROUP CEO until 31 December 2018, remained unchanged. Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no shareholders with an interest in excess of 10.0% of share capital. No shareholder disposes over special control rights.

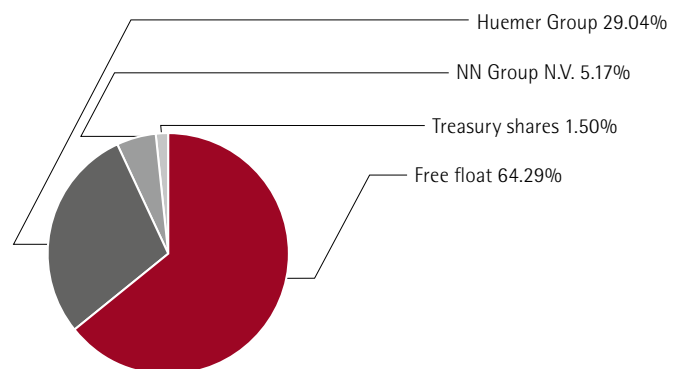
During the 2018 financial year, POLYTEC Holding AG received three voting right communications from stockholders in accordance with § 130 of the 2018 Austrian Stock Exchange Act.

At the end of February 2018, the Los Angeles-based (USA) shareholder The Capital Group Companies, Inc. informed POLYTEC Holding AG that on 23 February 2018 an investment had fallen below a reporting threshold and that on this date the shareholder held 976,139 POLYTEC Holding AG shares, amounting to 4.37% of share capital. At the end of March 2018, the same shareholder gave notification that the 4% reporting threshold had been undercut. According to its own information, as at 27 March 2018, The Capital Group Companies, Inc. held 876,325 POLYTEC Holding AG shares, or 3.92% of company share capital. POLYTEC Holding AG issued timely notification of these two events in accordance with § 135 Para. 2 of the 2018 Austrian Stock Exchange Act.

At the beginning of August 2018, the NN Group N.V., Amsterdam (Netherlands), notified POLYTEC Holding AG that on 8 August 2018 an investment had passed a reporting threshold. Two administered funds jointly held 5.17% of POLYTEC Holding AG share capital, or 1,155,000 shares. POLYTEC Holding AG issued timely notification of this event in accordance with § 135 Para. 2 of the 2018 Austrian Stock Exchange Act.

No further voting right notifications pursuant to § 130 of the 2018 Austrian Stock Exchange Act were issued by the shareholders.

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



## AUTHORISED CAPITAL

The empowerment of the Board of Directors on the basis of a resolution passed during the 16<sup>th</sup> Ordinary Annual General Meeting on 19 May 2016 to undertake the renewed creation of

authorised capital (§169 of the Austrian Stock Corporation Act) for the purpose of an increase in cash or non-cash capital up to an amount of EUR 6,698,875.00, with the possibility of the exclusion of the subscription rights of the shareholders, as well as the corresponding amendment of the Articles of Association, is valid until 24 August 2019.

## RESEARCH COVERAGE

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

During the 2018 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 in mid-March 2019 are contained in the following table. The current recommendations and price targets can be accessed on the company website, [www.polytec-group.com](http://www.polytec-group.com) in the Investor Relations, Share, Analyses section.

Institute	Recommendation	Latest price target
BAADER Helvea Equity Research	Hold	EUR 14.0
ERSTE Group Research	Reduce	EUR 11.5
M.M.Warburg Research	Hold	EUR 11.0
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
Share also traded in/via	Berlin, Frankfurt, London, Munich, Stuttgart, Tradegate
Listing on the Vienna Stock Exchange	prime market

Listed in the following Vienna Stock Exchange indices:

Abbreviation	Full name	Abbreviation	Full name
ATX PRIME	ATX Prime	ATX FMLY TR	ATX Family Total Return
ATX CPS	ATX Consumer Products & Services	ATX PC8	ATX Prime Capped 8
ATX TD	ATX Top Dividend	ATX PC8 NTR	ATX Prime Capped 8 Net Total Return
ATX TD DSTB	ATX Top Dividend Distributing	ATX PC8 TR	ATX Prime Capped 8 Total Return
ATX TD NTR	ATX Top Dividend Net Total Return	WBI	Wiener Börse Index
ATX TD TR	ATX Top Dividend Total Return		
ATX FMLY	ATX Family		
ATX FMLY NTR	ATX Family Net Total Return		

The POLYTEC share is part of the MSCI World Micro Cap Index.

## CORPORATE CALENDAR 2019

29 March 2019	Friday	Publication of the financial statements and annual report for 2018
30 April 2019	Tuesday	Record date "AGM"
8 May 2019	Wednesday	Publication of the interim report for Q1 2019
10 May 2019	Friday	19 <sup>th</sup> Ordinary Annual General Meeting for the 2018 financial year, Hörsching, 10:00 a.m.
15 May 2019	Wednesday	Ex-dividend day
16 May 2019	Thursday	Record date "Dividends"
17 May 2019	Friday	Dividend pay-out day
7 August 2019	Wednesday	Publication of the financial report for HY1 2019
7 November 2018	Thursday	Publication of the interim report for Q3 2019

# 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 voluntarily committed itself to compliance with the Austrian Corporate Governance Code in its respective current form. During the 2018 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.at](http://www.corporate-governance.at)).

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. According to this rule, 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. The company justifies this fact 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 2018 financial year is publicly available via the POLYTEC Holding AG's corporate website ([www.polytec-group.com](http://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 current developments in the individual business areas. 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 2017 were granted a discharge at the 18<sup>th</sup> Ordinary Annual General Meeting on 16 May 2018 with the required majority.

## CHANGES TO THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN THE 2018 FINANCIAL YEAR

Alice Godderidge, a member of the Board of Directors since 1 January 2014, left POLYTEC Holding AG by mutual consent with effect from 31 July 2018. With respective effect from

1 August 2018 and 1 January 2019, Peter Bernscher and Heiko Gabbert were appointed to the Board of Directors with mandates until 31 December 2022, and Markus Huemer, a member of the Board of Directors since 1 January 2014, was appointed as its Chairman with effect from 1 January 2019.

## THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN 2018

### Friedrich Huemer (CEO)



- Born: 1957
- Chairman of the Board of Directors and founder of the POLYTEC GROUP
- Date of initial appointment: Year of company foundation
- End of current term of office: 31 December 2018
- Areas of responsibility: M&A, investment management, corporate strategy, corporate communications, legal affairs
- Supervisory board mandates: GlobeAir AG (Chairman of the Supervisory Board)

### Markus Huemer (COO)



- Born: 1981
- Deputy 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: Business development, plants, production, purchasing, human resources, IT
- Supervisory board mandates: GlobeAir AG (Member of the Supervisory Board)

### 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 2019
- Areas of responsibility: Finance, controlling, accounting, investor relations, internal audit
- Supervisory board mandates: None

### Peter Bernscher (CSO) – as from 1 August 2018



- 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 and engineering (sales, marketing, development)
- 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 Supervisory Board's scope of activities is governed by 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. 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 2017 financial year were granted a discharge at the 18<sup>th</sup> Ordinary Annual General Meeting on 16 May 2018 with the required majority.

## THE FOLLOWING FIVE PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2018

**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 MEMBER

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 2018 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to L-Rule 48 of the Code.

### 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 distri-

bution of profits, and audit planning, in particular the effectiveness of the internal control and risk management system was 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 the Austrian Sustainability and Diversity Improvement Act.

During the 2018 financial year, the audit committee sat twice, whereby at both these meetings the (group) auditors were

present. During the reporting period a total of four Supervisory Board meetings were held and no additional sittings were required. One decision was 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

Committees	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

## 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.

In the 2018 financial year, total remuneration to all of the members of the Board of Directors including performance-related components amounted to EUR 2,269 k (2017: EUR 2,800 k). Unpaid variable remuneration for 2018 is recognised in the current provisions for personnel.

Until 31 December 2018, the Chairman of the Board of Directors, Friedrich Huemer, worked for POLYTEC Holding AG on the basis of a service contract via IMC Verwaltungsgesellschaft mbH, Hörsching. There is no company pension system for members of the Board of Directors. As at the balance sheet date on 31 December 2018, no loans or advance payments had been granted to the current or former members of the Board of Directors. No former member of the Board of Directors receives remuneration from the company or one of its affiliates.

## REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2018 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable remuneration component	Total
Friedrich Huemer <sup>1)</sup>	620	480	1,100
Markus Huemer <sup>2)</sup>	270	170	440
Peter Haidenek <sup>2)</sup>	217	60	277
Alice Godderidge <sup>2)</sup>	239	0	239
Peter Bernscher <sup>2)</sup>	113	100	213
<b>Total</b>	<b>1,459</b>	<b>810</b>	<b>2,269</b>

Amounts in EUR k, <sup>1)</sup> service contract fee, <sup>2)</sup> 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 2017 financial year was approved during the 18<sup>th</sup> Ordinary Annual General Meeting held on 16 May 2018 and totalled EUR 98,750. For the 2018 financial year, a sum of EUR 132,000

for the remuneration of all members of the Supervisory Board was recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 19<sup>th</sup> Ordinary Annual General Meeting to be held on 10 May 2019 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 2018 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 Kickingner	Member of the Supervisory Board	22
Robert Büchelhofer	Member of the Supervisory Board	25
Reinhard Schwendtbauer	Member of the Supervisory Board	22
<b>Total</b>		<b>132</b>

Amounts in EUR k

## 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 ele-

ment 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 operates 28 plants in twelve countries and employs a workforce of around 4,500. 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. Candidates are selected primarily on the basis of the qualifications and experience they can 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 2018 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 of the Code is thus fulfilled, as at present the POLYTEC Holding Supervisory Board does not consist of at least six persons.

From 2014 to 2018, a woman was also represented on the Board of Directors, which constituted a 25% share of the posts. On 31 December 2018, women accounted for some 47.6% (2017: 45%) of the POLYTEC Holding AG workforce. As at the 31 December 2018 balance sheet date, women held around 10% of the executive and managerial posts at the POLYTEC GROUP's companies (2017: 13%). The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily oriented towards technology. On 31 December 2018, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.3%, which was slightly higher than on the balance sheet date of the preceding year (20.4%)

## **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.

## **AUDITORS**

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was recommended by the Supervisory Board as the auditors of POLYTEC Holding AG's financial statements and consolidated financial statements for the 2018 financial year. This proposal was approved with the required majority at the 18<sup>th</sup> Ordinary Annual General Meeting held on 16 May 2018. In 2018, total expenses for auditing purposes amounted to EUR 208 k (2017: EUR 146 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 in mid-March 2019.

Hörsching, 18 March 2019

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 2018 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.

During the 2018 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 2018 financial year. The auditors granted both the 2018 financial statements and consolidated financial statements of POLYTEC Holding AG an unqualified opinion. On the basis of this audit, apart from the clarification of especially important auditing matters, among other aspects it was confirmed that the 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 2018, as well as the profit situation for the financial year ending on this closing date. Pursuant to the opinion of the auditors, the 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 25 March 2019, 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, 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 2019 financial year.

Furthermore, the Supervisory Board concurs with the recommendation of the Board of Directors to distribute a dividend of EUR 0.40 per eligible share for the 2018 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 2018 financial year. I would also like to thank the POLYTEC GROUP's shareholders and customers for their trust.

Hörsching, March 2019

Fred Duswald  
Chairman of the Supervisory Board



# FINANCIALS 2018

# POLYTEC HOLDING AG

## GROUP MANAGEMENT REPORT

### FOR THE 2018 FINANCIAL YEAR

#### 1. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

##### AUTOMOTIVE INDUSTRY DEVELOPMENT 2018

##### REGISTRATIONS OF NEW CARS IN THE MAJOR INTERNATIONAL MARKETS

in pieces	2018	Share	2017	Share	Change
China	23,256,300	41.8%	24,171,400	42.8%	-3.8%
USA	17,215,200	31.0%	17,134,700	30.4%	0.5%
European Union	15,158,900	27.2%	15,136,600	26.8%	0.15%
<b>Total three major markets</b>	<b>55,630,400</b>	<b>100%</b>	<b>56,442,700</b>	<b>100%</b>	<b>-1.4%</b>
Other selected countries					
Japan	4,391,200		4,386,400		0.1%
India	3,394,700		3,229,100		5.1%
Brazil	2,475,400		2,176,000		13.8%
Russia	1,800,600		1,595,700		12.8%

The global automotive industry is subject to demanding challenges and decisive changes. Trends such as e-mobility, autonomous driving, connectivity and shared mobility demand new solutions from the traditional vehicle manufacturers. Moreover, the political pressure on producers to develop engines with markedly lower emissions is also intensifying.

Against this background, global car market development in 2018 presented a variable picture. New registrations in the three most significant markets fell by over 0.8 million units, or 1.4%, to 55.6 million vehicles. Both the USA and the EU demonstrated only minimal growth, while for the first time in many years, China witnessed retrogressive development.

Japan, the world's fourth largest car market, maintained the level of the preceding year, while in India sales of new cars in 2018 rose by 5.1% to about 3.4 million. Brazil achieved a double-digit plus of 13.8% and the market recovery in Russia also continued with a roughly 12.8% increase in new vehicle registrations.

##### New car registrations in China fall for the first time in two decades

As in previous years, China represented the global no.1 with regard to new car registrations. However, as compared to 2017 the volume of the Chinese car market declined by 3.8% to approximately 23.3 million new vehicles. This reverse in the world's largest car market was the first after more than twenty years of sustained growth.

Market researchers ascribe this growth slowdown to the high levels of market saturation in the major conurbations such as Shanghai and Beijing, and the limitations on registrations in numerous cities. In addition, the anticipated introduction of the GB6 exhaust gas standard probably persuaded customers not to purchase the currently available models tested according to the GB5 norm.

##### Registrations in the USA at the 2017 level

In 2018, the US light vehicle market (cars and light trucks) closed with sales of 17.2 million units, which represented a

minimal increase in volume as opposed to the previous year of 0.5%, or around 80,000 vehicles. While limousine sales fell by 13%, the demand for SUVs and pickups remained strong, as indicated by growth in this segment of 8%. In absolute terms, with more than 2 million units, new registrations in the United States continued to exceed those in Europe.

## REGISTRATIONS OF NEW CARS IN THE EUROPEAN UNION

in pieces	2018	Share	2017	Share	Change
Germany	3,435,800	22.7%	3,441,300	22.7%	-0.2%
United Kingdom	2,367,200	15.6%	2,540,600	16.8%	-6.8%
France	2,173,500	14.3%	2,110,700	13.9%	3.0%
Italy	1,910,000	12.6%	1,971,400	13.0%	-3.1%
Spain	1,321,400	8.7%	1,234,900	8.2%	7.0%
Other EU countries	3,951,000	26.1%	3,837,700	25.4%	3.0%
<b>European Union</b>	<b>15,158,900</b>	<b>100%</b>	<b>15,136,600</b>	<b>100%</b>	<b>0.15%</b>

### The EU car market remains at the high level of the preceding year

In the European Union, a total of around 15.16 million cars were newly licensed in 2018. This figure was slightly higher than that for 2017 (15.14 million), although owing to a downturn in demand in the final four months, new registrations for the year as a whole only rose by some 22,300 units or 0.15%. Nonetheless, in 2018 the number of new registrations increased for the fifth year in succession. This growth was supported mainly by demand in the states of Eastern Europe, where new registrations rose by 8.0%. In terms of absolute new registration figures, amongst the three large volume markets, in 2018 the EU nations again ranked third behind the USA.

With a plus of 7.0%, Spain demonstrated more than twice the growth of France (+3.0%). Germany was unable to emulate the

figures for the previous year and demonstrated a slight dip of minus 0.2%, while Italy saw a fall of 3.1%.

In 2018, the UK had to accept an even sharper decline in the new registration figures with minus 6.8%, but in spite of the negative effects of Brexit, Great Britain still remained Europe's second largest car market.

Of the medium-sized countries, Poland stood out with approximately 532,000 newly registered cars, which represented growth of 9.4%. Furthermore, with Lithuania (+25.4%), Romania (+23.1%), Croatia (+18.7%), Hungary and Greece (approx. +17.5% each), in 2018 five members of the still EU-28 actually demonstrated double-digit increases in demand.

## NEW CAR REGISTRATIONS IN THE EUROPEAN UNION BY DRIVE TECHNOLOGY

in pieces	2018	Share	2017	Share	Change
Petrol-driven cars	8,532,100	56.7%	7,563,700	50.3%	12.8%
Diesel-driven cars	5,406,600	35.9%	6,617,100	44.0%	-18.3%
Electric chargeable vehicles (ECV)	301,800	2.0%	218,300	1.5%	38.2%
Hybrid electric vehicles (HEV)	578,600	3.9%	426,800	2.8%	35.6%
Alternatively-powered vehicles (APV)	229,400	1.5%	206,300	1.4%	11.2%
<b>European Union</b>	<b>15,048,500</b>	<b>100%</b>	<b>15,032,200</b>	<b>100%</b>	<b>0.11%</b>

### New registrations of e-cars increase worldwide

According to statistics from the Center of Automotive Management (CAM), in 2018 2.1 million e-cars and plug-in hybrids were registered worldwide, which meant that their share of the new registration market rose to 2.4%. The driving force behind this development is China with a roughly 60% share of global demand. According to the CAM, in 2018 1.0 million e-cars and over 200,000 electrically-powered commercial vehicles were sold there and accounted for a rise in the share of the Chinese market to 4.5%. In the USA, sales increased to over 360,000 units, which corresponded with a 2.1% share of the new registrations market.

### In Europe, petrol-driven cars overtake diesels and alternative drive technologies gather speed

According to statistics from the European Automobile Manufacturers Association (ACEA), in 2018 more than half of all new car registrations in the European Union consisted of petrol-driven vehicles. As compared to the previous year, this share was 6.4 percentage points higher at 56.7%, while the share of

diesel-powered cars in new registrations slumped by 8.1 percentage points to 35.9%.

In 2018, 7.4% of new registrations related to vehicles employing drive technologies other than petrol or diesel. These were divided up between electrically-chargeable vehicles (ECV) with 2.0%, hybrid e-vehicles (HEV) with 3.9% and cars using alternative drive systems (e.g. liquid gas, ethanol, etc.) with 1.5%.

As was the case in previous periods, with 253,600 units (+10.2%) in 2018 Italy was again the country with the highest number of registrations of vehicles employing other drive technologies. Germany occupied second place with over 181,900 vehicles (+54.2%), followed by the UK with 141,300 cars (+20.9%) and France with approximately 140,500 registrations (+29.7%). With 59.6% and 108,400 units, Spain showed the largest growth increase in the five main markets. Moreover, in non-EU Norway, from a total of 147,900 newly registered vehicles in 2018, 60.2%, or 89,100, were already fitted with alternative drive technologies.

## REGISTRATIONS OF NEW COMMERCIAL VEHICLES IN THE EUROPEAN UNION

in pieces	2018	Share	2017	Share	Change
Light commercial vehicles ≤3.5t	2,058,700	82.9%	1,996,200	82.9%	3.1%
Medium commercial vehicles >3.5t to ≤16t	78,200	3.1%	74,500	3.1%	5.0%
Heavy commercial vehicles >16t	305,800	12.3%	296,500	12.3%	3.1%
Medium and heavy buses and coaches >3.5t	42,000	1.7%	41,500	1.7%	1.2%
<b>European Union</b>	<b>2,484,700</b>	<b>100%</b>	<b>2,408,700</b>	<b>100%</b>	<b>3.2%</b>

New commercial vehicle registrations in the EU during 2018 went up by some 76,000 units. This corresponded with growth of around 3.2% and was comparable to the increase in 2017. With a more than 80% market share, light trucks with weights of up to 3.5t remained the EU's most important commercial vehicle segment by far and for the first time since 2007, in 2018 exceeded the two-million-unit mark. Segment growth over the previous year amounted to 3.1%, a figure repeated in 2018 by the sales of heavy trucks with weights in excess of 16t.

In the five most important European sales markets, with 6.5% Spain demonstrated the strongest expansion and with 242,100 vehicles occupied fourth place in absolute terms. The largest commercial vehicle market was again France with growth of 4.9% and 519,300 new registrations. Germany also showed a plus of 4.6% to 386,300 units. As compared to the preceding year, new registrations in the UK in 2018 fell by 1.9% to 417,200. This also was the case in Italy, which registered a decline of 4.1% in this segment.

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

## 2. GROUP BUSINESS DEVELOPMENT AND STATUS

### SALES REVENUES

In the 2018 financial year, as opposed to the excellent level of the preceding year, consolidated POLYTEC GROUP sales revenues fell by 5.9% to stand at EUR 636.4 million (previous year: EUR 676.4 million).

The consequences of the transition to the new WLTP exhaust gas and fuel consumption standard, which since September 2018 has been mandatory, worsened during the second half of the year. As a result, important POLYTEC GROUP customers cut their vehicle production which led to the aforementioned reductions in call-offs and sales revenue losses. Moreover, the decline in consumer demand prompted weak diesel car product call-offs throughout the whole of 2018.

By contrast, as compared to the previous year, the commercial vehicles market area continued to show a positive trend and slight growth.

### SALES BY MARKET AREA

	Unit	2018	2017	2016
Passenger cars	EUR m	387.9	434.1	425.4
Commercial vehicles	EUR m	174.7	165.0	147.4
Non-automotive	EUR m	73.8	77.3	77.6
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>636.4</b>	<b>676.4</b>	<b>650.4</b>

Compared to 2017, sales revenues in the passenger car market area, which with 61.0% (previous year: 64.2%) represents the strongest sales area within the POLYTEC GROUP, were down by around 10.6% at EUR 387.9 million (previous year: EUR 434.1 million). The reasons for the decline in call-off numbers consisted on the one hand of the switch to the WLTP and on the other, of the lower demand for diesel cars. On the basis of the POLYTEC GROUP's consolidated sales revenues, relative growth resulted from the customer Daimler Car (+0.6 percentage points), while the share of Jaguar Land Rover remained at the level of the previous year. In 2018, the share of sales revenues from the customer VW Car, which amongst the car clients contributes the largest share of POLYTEC consolidated sales revenues, was down by 0.9 percentage points at 23.4%. The shares of sales revenues of other car customers and in particular those of the Ford Group, were all below the high level of 2017.

Sales in the commercial vehicle market area (27.4%, previous year: 24.4%) continued to develop in a positive manner and in comparison to those of 2017, rose by around 5.9% from EUR 165.0 million to EUR 174.7 million. POLYTEC attained growth from all of its commercial vehicle customers with the highest relative increase in sales revenues deriving from VW Truck (+1.5 percentage points on the basis of total consolidated sales revenues).

In spite of a decline as compared to 2017, the non-automotive market area contributed 11.6% to POLYTEC GROUP consolidated sales revenues and thus remained at roughly the 11.4% level of the previous year. In 2018, this market area was subject to a marked reduction in call-offs from an important non-automotive customer, but from the fourth quarter onwards the situation improved considerably, as the customer again requested the agreed quantities.

### SALES BY CATEGORY

	Unit	2018	2017	2016
Parts and other sales	EUR m	571.7	605.8	594.5
Tooling and other engineering sales	EUR m	64.7	70.6	55.9
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>636.4</b>	<b>676.4</b>	<b>650.4</b>

By comparison with 2017, POLYTEC GROUP sales in the serial production area fell by 5.6% to EUR 571.7 million. Tooling and other engineering sales revenues are subject to cyclical fluctuations and as opposed to the previous year were lower by 8.3%, or EUR 5.9 million. While the passenger car market area was down, the commercial vehicles market area showed positive development.

### SALES BY REGION

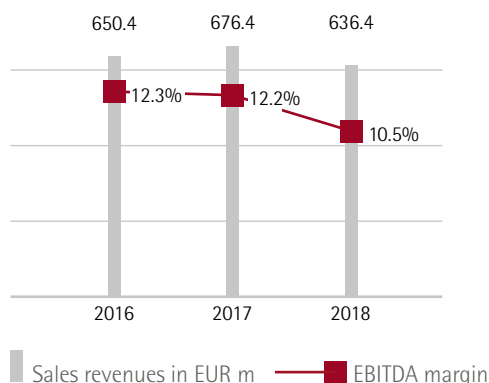
	Unit	2018	2017	2016
Austria	EUR m	26.4	23.4	17.4
Germany	EUR m	360.3	383.1	365.9
Rest of EU	EUR m	208.3	228.3	226.3
Other countries	EUR m	41.4	41.6	40.8
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>636.4</b>	<b>676.4</b>	<b>650.4</b>

### EARNINGS DEVELOPMENT

#### GROUP EARNINGS FIGURES

	Unit	2018	2017	2016
Sales revenues	EUR m	636.4	676.4	650.4
EBITDA	EUR m	67.1	82.3	80.1
EBITDA margin (EBITDA/sales)	%	10.5	12.2	12.3
EBIT	EUR m	40.1	55.1	52.4
EBIT margin (EBIT/sales)	%	6.3	8.1	8.1
Result after income tax	EUR m	30.0	39.0	37.0
Average capital employed	EUR m	341.8	297.5	274.8
ROCE before tax (EBIT/average capital employed)	%	11.7	18.5	19.1
Earnings per share	EUR	1.32	1.74	1.65
Dividend per share (proposal to the AGM)	EUR	0.40	0.45	0.40

## SALES AND EBITDA MARGIN DEVELOPMENT



### MATERIAL EXPENSES

During the 2018 financial year, in line with the sales revenues trend, the material expenses of the POLYTEC GROUP declined by EUR 20.5 million from EUR 322.1 million to EUR 301.7 million. In spite of higher prices for polyamide and polypropylene, the material to sales ratio (material expense/sales revenues) fell slightly from 47.6% to 47.4% because the call-offs for non-automotive projects, which require large amounts of materials, as well as tooling sales were all well below the level of the preceding year.

### PERSONNEL EXPENSES

In 2018, the group's personnel expenses decreased by EUR 1.7 million from EUR 219.5 million to EUR 217.8 million. Owing to the parallel fall in sales revenues, the group's personnel ratio (personnel expense/sales revenues) remained virtually unchanged at 34.2% (previous year: 32.4%).

### EBITDA

In the 2018 financial year, POLYTEC GROUP EBITDA amounted to EUR 67.1 million (previous year: EUR 82.3 million). As compared to the preceding year, the EBITDA margin fell by 1.7 percentage points from 12.2% to 10.5%.

### AMORTISATION AND DEPRECIATION

Although fixed assets increased, at EUR 27.0 million, amortisation and depreciation in the 2018 financial year was slightly down on the EUR 27.2 million of the preceding year. This was due primarily to the fact that the completion of important plants largely took place in the final quarter.

### EBIT

Group EBIT in 2018 totalled EUR 40.1 million and therefore failed to emulate the operating result of EUR 55.1 million achieved in the previous year, which represented the best figure in the more than 30-year history of the POLYTEC GROUP. In comparison with 2017, the EBIT margin fell by 1.8 percentage points from 8.1% to 6.3%.

## FINANCIAL AND GROUP RESULT

Although the average interest rate in 2018 was lower than in 2017, owing to an increase in the financial requirement, the financial result rose to minus EUR 3.3 million (previous year: EUR -3.0 million). The POLYTEC GROUP tax ratio (income tax/result before income tax) in the 2018 financial year amounted to 18.4% and was thus 6.8 percentage points down on the previous year. The primary reason for this fall was the rise in tax deferrals owing to improved visibility on existing loss carry-forwards. In terms of a yearly comparison, group net profit declined by 23.9%, or EUR 9.1 million, to stand at EUR 29.1 million (previous year: EUR 38.2 million). This corresponds with earnings per share of EUR 1.32 (previous year: EUR 1.74).

## ASSETS AND FINANCIAL STATUS

### INVESTMENTS

	Unit	2018	2017	2016
Investments in tangible assets	EUR m	42.6	38.4	34.4

During the 2018 financial year, investments rose by EUR 4.2 million to EUR 42.6 million. In particular, investment focused on the Telford location in the English Midlands, where a new paint shop was built. In addition, the POLYTEC GROUP actuated preparatory investments for a major customer project in the truck market area and carried out improvements to its production plants and infrastructure, as well as ongoing retentive investments.

## GROUP KEY BALANCE SHEET AND FINANCIAL FIGURES

	Unit	31.12.2018	31.12.2017	31.12.2016
Equity	EUR m	238.0	217.5	189.9
Equity ratio (equity/total assets)	%	42.7	42.1	37.9
Total assets	EUR m	557.6	516.5	501.4
Net working capital <sup>1)</sup>	EUR m	95.2	75.5	40.1
Net working capital/sales	%	15.0	11.2	6.2

<sup>1)</sup> Net working capital = current assets less current liabilities

In 2018, total group assets went up by EUR 41.2 million to EUR 557.6 million.



The smaller part of this rise related to the increase in intangible assets and emanated from the investments in the POLYTEC GROUP's digitisation offensive. The upturn in tangible assets derived mainly from the completion of the paint shop at the Telford location.

The larger portion of the increase in total group assets can be traced to the rise in net working capital and cash and cash equivalents. Net working capital climbed from EUR 75.5 million to EUR 95.2 million owing to a significant upsurge in project activities. Above all, the main impetus in this regard was triggered by services not yet invoiced or paid.

The increments to cash and cash equivalents of around EUR 17 million and to interest-bearing liabilities of approximately EUR 35 million were due first and foremost to the issue of additional promissory note loans towards the end of 2018.

The equity ratio as at 31 December 2018 was 0.6 percentage points up on that on the balance sheet closing date of the preceding year at 42.7%.

The initial adoption of IFRS 15 resulted in the reclassification of individual balance sheet items. With reference to these alterations, we would draw your attention to the information contained under E. 13 in the group notes.

As at the balance sheet date of 31 December 2018, the POLYTEC GROUP held 334,041 treasury shares (corresponds with 1.50% of share capital) with a stock market value on the closing date of around EUR 2.8 million (previous year: EUR 6.2 million) and an acquisition value of EUR 1.9 million. No treasury shares were purchased or sold by the company during the 2018 financial year.

	Unit	2018	2017	2016
Net debt (+)/ assets (-)	EUR m	101.8	78.7	69.9
Net debt (+)/ assets (-)/EBITDA	-	1.52	0.96	0.87
Gearing (net debt (+)/ assets (-)/equity)	-	0.43	0.36	0.37

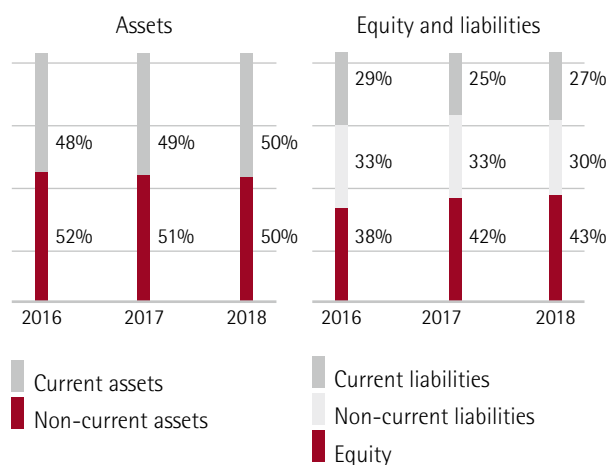
Due mainly to the issue of further promissory note loans, as opposed to the 31 December 2017 balance sheet date, net debt went up by EUR 23.1 million to EUR 101.8 million. The key figure for fictitious debt repayment duration rose from 0.96 to 1.52. The gearing ratio rose from 0.36 to 0.43.

**CASH FLOW**

	Unit	2018	2017	2016
Cash flow from operating activities	EUR m	30.9	38.3	70.7
Cash flow from investing activities	EUR m	-39.4	-38.0	-28.8
Cash flow from financing activities	EUR m	25.2	-22.7	-20.0
Change in cash and cash equivalents	EUR m	16.7	-22.4	21.9

In the 2018 financial year, the cash flow from operating activities fell by EUR 7.4 million to EUR 30.9 million. The cash flow from investing activities rose by EUR 1.4 million to minus EUR 39.4 million, while owing to the issue of additional promissory note loans, the cash flow from financing activities increased to EUR 25.2 million (previous year: EUR -22.7 million). On the balance sheet date, cash and cash equivalents totalled a final amount of EUR 73.6 million.

**BALANCE SHEET STRUCTURE OF THE POLYTEC GROUP (IN %)**



The equity ratio of 42.7% and available cash and cash equivalents totalling EUR 73.6 million form a solid platform for the impending challenges facing the POLYTEC GROUP. In addition, with the promissory note loans of EUR 47.0 million and EUR 28.5 million issued at the end of 2018 and the beginning of 2019 respectively, the medium-term financing of the company and refinancing of EUR 39.5 million in September 2019 are both secured.

## EMPLOYEES

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

	Unit	2018	2017	2016
Austria	FTE	566	539	553
Germany	FTE	2,158	2,211	2,220
Rest of EU	FTE	1,541	1,591	1,504
Other countries	FTE	200	186	172
<b>POLYTEC GROUP</b>	<b>FTE</b>	<b>4,465</b>	<b>4,527</b>	<b>4,449</b>
Sales per employee	EUR k	143	149	146

In terms of an annual comparison, average group workforce numbers (including leasing personnel) fell by 62 (FTE), or 1.4%, to 4,465 employees. The average leasing personnel quota totalled 10.3% (previous year: 11.3%). Sales per employee (including leasing personnel) amounted to EUR 143 k and were therefore slightly lower than in the previous year. On the 2018 balance sheet date, the POLYTEC GROUP workforce (excluding leasing personnel) numbered 3,965 and was thus 81 persons smaller than in the preceding year.

### 3. REPORT ON EXPECTED GROUP DEVELOPMENT AND RISKS

#### AUTOMOTIVE INDUSTRY OUTLOOK FOR 2019

The international automotive markets made an uneven start to 2019. In January, there were fewer new registrations in European car, US light vehicle and Indian markets than in the same month of the preceding year. In Brazil, the year started well and Japan and Russia grew somewhat. Owing to the New Year celebrations, there are no figures available for the Chinese market in January 2019.

As opposed to the car segment, the positive trend in the European Union with regard to new commercial vehicle registrations continued and 2019 started with a January record. Moreover, all of the remaining vehicle segments demonstrated growth. Compared to the January of the preceding year, with the exception of Italy, all of the five largest European sales markets showed marked expansion. However, car industry analysts and experts anticipate a "very difficult year" in 2019. The German Automotive Industry Association (VDA) foresees a sharp reduction in German domestic car production, although conversely it predicts a slight rise in output outside Germany.

The German automotive managers see the greatest challenges in the current year as emanating from the effects of the diesel crisis, stricter climate protection regulations and the transition to e-cars. Above all, the weakening in the Chinese car market is a primary source of concern to the automotive industry and a study completed in Germany in February 2019 predicts that car producers, suppliers and dealers are likely to face major problems in the shape of Brexit, the US-China trade dispute and the economic slow-down.

Sources: German Automotive Industry Association (VDA), Automobilwoche

## GROUP RESULT OUTLOOK

From a current perspective, the POLYTEC GROUP executive management anticipates that in the 2019 financial year, group sales revenues and EBIT will emulate the level of the previous year. The fulfilment of this outlook will depend largely upon successful negotiations concerning outstanding claims against customers, which have been and will continue to be caused largely by the sales losses relating to the WLTP and higher material prices. In addition, the effects of a possible Brexit also constitute a significant factor in connection with outlook realisation.

### 4. RISK REPORTING AND FINANCIAL INSTRUMENTS

The automotive industry is faced by massive challenges and changes. On the one hand, this uncertain development is evidenced by the operative business figures and on the other, by negative share performance amongst automotive manufacturers and suppliers alike. As a consequence, during the 2018 financial year, many of the manufacturers and suppliers (including the POLYTEC GROUP) had to revise their forecasts and issue profit warnings.

Consumer insecurity during 2018 resulted in declining demand for diesel cars and since the beginning of 2018 the POLYTEC GROUP also registered falling demand for products in this market area. In addition, the second quarter of 2018 witnessed the transitional complications emanating from the switch to the new WLTP exhaust gas and fuel consumption standard. This testing procedure, which since the beginning of September 2018 applies to newly licensed vehicles in the European Union, has resulted in realisation delays amongst the automotive manufacturers and some have even been forced to temporarily reduce production. The POLYTEC GROUP was affected transitively and confronted by fewer call-offs and sales revenue losses. Moreover, continued call-offs reductions cannot be excluded.

At present, it is also impossible to fully assess the effects of the departure of the UK from the European Union, the consequences of possible restrictions in the global exchange of goods and the weakening of the Chinese car market.

Likewise, a comprehensive estimate of whether or not in future these and other risks and uncertainties will exert an influence on the development of the POLYTEC GROUP's sales revenues and income cannot be given at present. However, the executive management is monitoring these developments very closely.

As far as risk reporting is concerned, we would also refer you to the information contained under G. 2 in the group notes.

## 5. RESEARCH AND DEVELOPMENT REPORT

During the 2018 financial year, the POLYTEC GROUP employed some EUR 12.7 million for research and development activities (previous year: EUR 14.5 million). On the basis of lower sales revenues, at 2.0% the research cost ratio (R&D costs/sales) remained at roughly the 2.1% level of the previous year.

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.

POLYTEC endeavours to impress its customers proactively at any 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 custom-

ers 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 non-automotive 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 surfaces 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 an annotated deviation analysis.

The Board of Directors is constantly kept up to speed regarding all relevant issues and risks by means of the standardised, 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 2018, 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 2018 balance sheet date, the Huemer Group was the only investor holding 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 2017 balance sheet date, the holding in companies belonging to POLYTEC Holding AG that can be attributed to Friedrich Huemer, the POLYTEC GROUP CEO until December 2018, remained unchanged. Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no shareholders with an interest in excess of 10.0% of share capital. No shareholder disposes over special control rights.

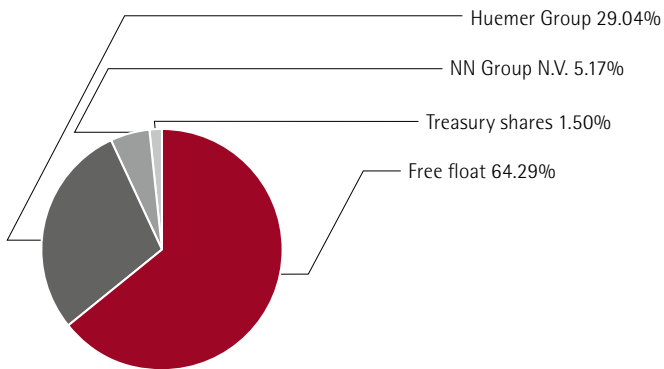
During the 2018 financial year, POLYTEC Holding AG received three voting right communications from stockholders in accordance with § 130 of the 2018 Austrian Stock Exchange Act.

At the end of February 2018, the Los Angeles-based (USA) shareholder The Capital Group Companies, Inc. informed POLYTEC Holding AG that on 23 February 2018 an investment had fallen below a reporting threshold and that on this date the shareholder held 976,139 POLYTEC Holding AG shares, amounting to 4.37% of share capital. At the end of March 2018, the same shareholder gave notification that the 4% reporting threshold had been undercut. According to its own information, as at 27 March 2018, The Capital Group Companies, Inc. held 876,325 POLYTEC Holding AG shares, or 3.92% of company share capital. POLYTEC Holding AG issued timely notification of these two events in accordance with § 135 Para. 2 of the 2018 Austrian Stock Exchange Act.

At the beginning of August 2018, the NN Group N.V., Amsterdam (Netherlands), notified POLYTEC Holding AG that on 8 August 2018 an investment had passed the reporting threshold. Two administered funds jointly held 5.17% of POLYTEC Holding AG share capital, or 1,155,000 shares. POLYTEC Holding AG issued timely notification of this event in accordance with § 135 Para. 2 of the 2018 Austrian Stock Exchange Act.

No further voting right notifications pursuant to § 130 of the 2018 Austrian Stock Exchange Act were issued by the shareholders.

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



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

### DIRECTORS' DEALINGS

At the end of August 2018, POLYTEC Holding AG received information that Duswald GmbH, a legal personage, which is in an arm's length relationship with a person undertaking managerial assignments at POLYTEC, namely Fred Duswald, the Chairman of the POLYTEC Holding AG Supervisory Board, had purchased 10,000 POLYTEC shares on 28 August 2018 at a price of EUR 11.16 each. POLYTEC Holding AG issued timely notification of this directors' dealing transaction in accordance with Article 19 MAR.

### TREASURY SHARES

During the 2018 financial year, the company did not purchase or sell any treasury shares. On the balance sheet date of 31 December 2018, POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which represented a holding of roughly 1.50% of share capital.

### AUTHORISED CAPITAL

The empowerment of the Board of Directors on the basis of a resolution passed during the 16<sup>th</sup> Ordinary Annual General Meeting on 19 May 2016 to undertake the renewed creation of authorised capital (§169 of the Austrian Stock Corporation Act) for the purpose of an increase in cash or non-cash capital up to an amount of EUR 6,698,875.00, with the possibility of the exclusion of the subscription rights of the shareholders, as well as the corresponding amendment of the Articles of Association, is valid until 24 August 2019.

### 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](http://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 with 28 locations and some 4,500 employees worldwide. 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 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 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, 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 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

Stakeholders are persons or groups, who have a justifiable interest in the development of the POLYTEC GROUP. 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
- Non-automotive customers

### EMPLOYEES

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

### SUPPLIERS

- Suppliers of raw materials, materials, energy, etc.
- Subcontractors, sub-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 at European Union, national, 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 and 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 and schools
- Neighbours

## IDENTIFIED MATERIAL ISSUES

The following relevant themes were defined and prioritised according to materiality on the basis of the POLYTEC GROUP's corporate strategy (relevance from a company perspective) and taking into consideration stakeholder interests and expectations (relevance from an external perspective):

- 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 digitisation of company processes
- Efficient energy use
- 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/16949:2002) already specify appropriate regulations, which are also monitored via external audits. In line with the organisational structure of the POLYTEC GROUP, risks are managed and monitored close to the market locally, particularly in the course of ongoing business processes. However, group headquarters largely provides central 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.** The POLYTEC GROUP is also subject to an increase in cyber crime attacks, but to date has been able to defend itself 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 and evaluated at regular intervals.

**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 item 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, taking the three strategic keystones into consideration, defines the main areas of activity of a management programme for the individual business units. 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 the conduct of POLYTEC GROUP employees with respect to many major issues, ranging from quality and environmental targets to activities, decisions and strategies. In particular, with its mission statement the group 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 the 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

A highly motivated POLYTEC team creates sustained value for both our group and its customers. We develop carefully conceived solutions with a high degree of system knowledge, which extend along the entire chain of value added activities 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 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 target image 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 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 the 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 guidelines laid down in this Code of Conduct and ensure adherence. Infringements and evidence can be reported via an established channel and are then 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](http://www.polytec-group.com), in the Group, Mission Statement section, which is ready for downloading.

## COMPLIANCE – COMBATting CORRUPTION

For the POLYTEC GROUP, legal conduct in line with high ethical standards is a matter of course and compliance means far more than the implementation of current rules and regulations. Instead, for the POLYTEC GROUP, compliance 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 employees and the company against infringements of the law and to provide practical support during the application of relevant regulations. No breaches of compliance were determined during the period under report.

## ENVIRONMENTAL PROTECTION

As an automotive industry supplier, the POLYTEC GROUP provides significant solutions for the optimisation of new vehicle generations. Moreover, owing to its innovative capacity and flexibility, during the past thirty years POLYTEC has established a notable reputation in the automotive sector. By means of comprehensive research and development work, POLYTEC is able to continually furnish improvements to the products of its customers, which ultimately have a positive environmental effect. For example, the dead weight of vehicles is lowered through material substitution and in the case of some components, as compared to steel, weight reductions of as much as 60% are possible. This leads to lower fuel consumption and hence a cut in CO<sub>2</sub> 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 reduction, etc. constitute POLYTEC's main strengths and are greatly valued by its clientele.

POLYTEC constantly upgrades the products and services supplied to customers and all internal production processes are regularly subjected to analysis using a coordinated environmental, quality and lean management system with the aim of optimising 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. POLYTEC's production locations possess internationally recognised environmental and quality management norms such as ISO 16949, ISO 14001 and ISO 50001. Furthermore, they must continually meet numerous special customer standards. All in all, this represents confirmation of the long-term commitment and successes that POLYTEC can point to in the environmental protection field.

The POLYTEC GROUP's environmental strategy pursues three main objectives consisting of a scaling down of raw material consumption, enhanced energy efficiency and intensified recycling. Over the years, POLYTEC has launched pilot projects related to each of these focal points in individual plants and after successful testing these have been gradually implemented at other group locations.

**1. Raw material savings.** In recent years, POLYTEC has made major progress in the area of raw material economies. Particularly in the injection moulding field, the increased employment of regranulate and modern dosing systems enables the optimum use of materials. The sprue derived from production is milled directly at the machine and returned to the process without any loss of quality. Moreover, apart from the quantity of raw materials processed, their chemical composition is also of environmental relevance. Therefore, today POLYTEC mainly



uses water-soluble products for painting purposes and has thus markedly reduced solvent consumption.

**2. Enhanced energy efficiency.** A particularly important resource and thus cost item is energy and consequently the POLYTEC GROUP has put together a comprehensive package of measures aimed at cutting consumption. The investments adopted to date have already resulted in a considerable reduction in energy costs, as exemplified by the transition from oil to natural gas-fired systems with markedly higher efficiency levels, building insulation, the use of efficient compressed air compressors and similar other measures. Within the framework of the installed 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 successfully concluded and further schemes for a comprehensive switch to LED lighting technology have been newly initiated.

**3. A focus on recycling.** Despite the careful use of raw materials, waste cannot be excluded entirely. Therefore, it is all the more important that this unavoidable fraction be separated as far as possible and then employed in practical recycling. At POLYTEC, appropriate waste classification is assisted by a uniform, colour coding system, which not only prevents wastage but also reduces disposal costs.

#### INCREASED ENERGY EFFICIENCY AT THE HÖRSCHING LOCATION

During 2018, the general renovation of the production hall at the POLYTEC CAR STYLING plant in Hörsching was concluded successfully. The heating requirement in the hall was cut by two-thirds by means of the implementation of a variety of energy efficiency measures such as the thermal optimisation of the building's shell.

In addition, a modern area heating system with ceiling-mounted, radiant heating panels replaced Hörsching's antiquated and inefficient heating. Previously the plant hall had been heated with the aid of convector fans. These were warmed with water from the heating system, which possessed a high inlet temperature. For a number of reasons, this old system did not represent ideal hall heating, as the height of the hall caused unfavourable heat stratification with low temperatures near floor level and markedly higher temperatures under the roof, as well as high heat transmission losses.

By comparison, the new area heating system represents a far more efficient solution and supplies heat using a high degree of radiation. Water-controlled, ceiling-mounted, radiant heating panels have been installed, which require markedly lower inlet temperatures and thus have a reduced energy requirement. In line with its utilisation, the entire hall area of around 6,700 m<sup>2</sup> has also been divided into several heating sections thus allowing the setting of differing heat levels. Accordingly, the heating in areas serving as storage depots can be lowered, which results in an additional savings effect.

In the course of the renovation of the walls and roof of the production halls, generously dimensioned windows and skylights were installed through which natural daylight passes. In addition, sensor-controlled LED lighting was put in place, which adjusts lighting levels automatically and thereby creates ideal lighting conditions. Light emissions were also accounted for in connection with the design of the outdoor lighting and so-called "light pollution" was thus reduced.

During 2018, a further landmark measure was implemented with the "Grinding cabin with energy-efficient air recirculation" project. On the one hand, this resulted in improved working conditions for the employees in the grinding area and on the other, a more environment-friendly and energy-efficient exhaust air system. Previously, a dust extractor system had carried the air from the manual grinding area out of the building via outdoor filters, which resulted in considerable heat losses during the heating period. Now the air coming from the workplace is conducted directly to an indoor filter and then blown back into the hall using a recirculation system. In addition, the installation of closed grinding cabins with selective extraction has greatly reduced noise and dust emissions in the working area. All in all, the measure taken saves 250,000 kWh of gas and 75,000 kWh of electricity annually.

An important target of the sustainability measures is to separate energy consumption from economic growth. In the long term, ways must be found to cut energy use in spite of production output that remains stable or increases. Using more effective energy concepts, POLYTEC intends to ensure conformity with the growing demands for environmental and resource protection.

## 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 efficient standard for Level D buildings	110 kWh/m <sup>2</sup> per year	Ratio of climate-adjusted heating gas consumption to the heated areas	kWh/m <sup>2</sup> per year
Optimisation of the energy data logging system, which incorporates the main consumers	Number of consumers	Registered main consumers/main consumers	%
Reduction in environmental impact through a cut in the total amount of waste	Yearly by 1%	Total volume of waste per year in tonnes per tonne 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 representing a hazard to the environment or health	%
Reduction in environment impact through a search for environment and health-friendlier materials	Yearly by 10%	Number of materials representing a hazard to the environment and health	Number

## KEY INDICATORS

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

### Energy use

in MWh	2018	2017	2016
Electricity	133,337	140,139	137,268
Natural gas/oil	104,842	108,072	102,139
Heating	1,708	1,701	1,576
Other	1,083	3,068	2,543
<b>POLYTEC GROUP</b>	<b>240,970</b>	<b>252,980</b>	<b>243,527</b>

As opposed to 2017, during the 2018 financial year, energy consumption throughout the group fell by around 4.8%, or 12,010 MWh, to 240,970 MWh. In relation to sales revenues, the ratio increased by approximately 0.5 percentage points to 37.9%.

### Material used

in tonnes	2018	2017	2016
PP – polypropylene	23,414	28,893	29,428
PA – polyamide	9,929	10,678	10,745
ABS – acrylonitrile butadiene styrene	2,848	4,038	3,201
PUR – polyurethane	1,995	1,607	1,085
Glass fibres	8,384	8,457	7,648
Resins	4,959	4,913	4,432
Paints	1,004	1,003	903
Others	28,268	26,794	24,956
<b>POLYTEC GROUP</b>	<b>80,801</b>	<b>86,383</b>	<b>82,398</b>

As compared to 2017, material consumption across the group in the 2018 financial year was down by around 6.5%, or 5,582 t, at 80,801 t. In relation to sales revenues, the ratio decreased slightly by 0.1 percentage points to 12.7%.

### Waste volumes

in tonnes	2018	2017	2016
Non-hazardous waste	7,655	7,523	7,441
Hazardous waste	1,636	2,308	1,757
<b>POLYTEC GROUP</b>	<b>9,291</b>	<b>9,831</b>	<b>9,198</b>

During the 2018 financial year, the volume of hazardous and non-hazardous waste in the POLYTEC GROUP fell by 5.5%, or 540 t, over the previous year to 9,291 t. In relation to sales revenues, the ratio remained at the 2017 level of 1.5%.

## 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 a performance orientation, knowledge, skills, equal opportunity and treatment. Candidates are selected primarily on the basis of the qualifications and experience they can contribute to the POLYTEC GROUP as new team members.

In the corporate human resources area, the POLYTEC GROUP has adapted its recruiting processes to the fresh challenges posed by the age of social media with the aim of presenting itself as an attractive employer. At the POLYTEC GROUP, personnel development means giving young people a pledge of confidence and then accompanying them on their career path.

Programmes such as the "P3 POLYPERSPECTIVE PROGRAMME", "POLYTEC Leadership Academy" and the "Lean Management Academy" furnish many employees with the necessary support. However, apart from these measures, it is essential that new personnel be recruited and in this regard POLYTEC is in a competition for the best talents. Therefore, the group undertakes a great deal to strengthen the "POLYTEC" employer brand, not least through its slogan "PASSION FOR PEOPLE".

In 2018, social media (e.g. XING, LinkedIn, Facebook) also represented important communication channels for POLYTEC, as they enabled the supply of interested parties with a comprehensive impression of the world of work within the group by means of current information, photos and videos relating to the topic of careers at POLYTEC. Direct contacts with job applicants outside the Internet also constitute an important factor in recruiting talents for POLYTEC. For this purpose, during 2018 the group attended 13 career fairs in Germany and Austria and thus presented possible career paths and job descriptions. Such career fairs are held at universities, universities of applied sciences, secondary schools and public event venues. They enable interested persons to put their questions directly to POLYTEC specialists and managers, and thus receive genuine impressions. As a result of this successful personnel marketing, more than 5,000 people applied for employment at POLYTEC in 2018.

The POLYTEC GROUP promotes the ongoing further training and development of its employees. For example, at the POLYTEC Leadership Academy (PLA), on the basis of group-wide managerial principles, executives receive coaching on the topic of (employee) leadership. In 2018, 29 participants at eleven locations successfully completed this course. Since 2015, around 150 managerial employees have passed through the modular qualification programme, the focal points of which 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 receive support with regard to complex issues.

Following a one-year preparatory phase, the "P3 POLYPERSPECTIVE PROGRAMME" was launched in 2018. In cooperation

with LIMAK, Austria's oldest business school, a tailor-made general management course is offered under the auspices of first-class experts from the worlds of science and business, who act as trainers and coaches. The aim is to provide attendees with a multifaceted business training, which in the long term will allow them to assume top managerial positions within POLYTEC.

During so-called "POLYTEC Employee Days" personnel from the administrative areas have an opportunity to experience manufacturing procedures at close quarters and personally lend a hand. Salaried staff can work in production, turning out and packing components during a complete shift. In this way, both a higher regard for POLYTEC products and improved transparency of internal procedures are created.

### THE POLYTEC PERFORMANCE SYSTEM (PPS)

The POLYTEC Performance System (PPS) is used to disseminate and implement the group's holistic, lean management programme throughout the organisation. In addition, the PPS Academy trains POLYTEC personnel in all the lean management disciplines of relevance to their assignments with the aim of simplifying daily working and initiating long-term improvements. In the period between and including 2016 and 2018, more than 300 employees from across the group participated in PPS Academy courses.

In line with the "assist design" principle, POLYTEC attaches great importance to the early involvement of employees in the adaptation of existing training measures and the development of new coaching. In this way, the company creates both a high level of acceptance with regard to PPS content and the desired training success. In 2018, the range of training was expanded to include so-called "Refresher and Worker Coaching" and the previously rigid learning framework was redesigned and replaced by a flexible modular system.

One example in this connection is the "Standard Working" thematic module, which takes the digitisation of process steps that are undergoing implementation, into pre-emptive consideration. Work sequences are analysed systematically, visualised in digital form and rendered transparent and easily comprehensible through standardisation. The related training content can thus now be adapted to the individual needs of the respective employee.

Apart from the general introduction to PPS philosophy, other modular content relates to the topics of 5S, value added, seven types of waste, visual management, problem-solving techniques and the classic Kanban system, as well as other modules focused on industrial engineering and launch management.

As was already the case, the "Do it better" principle is rigorously pursued. Systematic reference is made to the positive experiences of individual plants and their gradual process optimisation following employee training is implemented at other locations. In coordination with lean management and plant managers, the intensive involvement of employees enables the inte-

gration of their improvement suggestions and feedback from training into concrete applicable standards.

### WORK SAFETY TARGETS

A list of the selected inter-plant targets in the work safety field 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	2018	2017	2016
<b>Key indicators by geography</b> (as at 31.12.)				
Austria	FTE	509	486	504
Germany	FTE	1,943	1,966	1,963
Other EU countries	FTE	1,321	1,392	1,374
Other countries	FTE	192	202	168
<b>POLYTEC GROUP</b>	<b>FTE</b>	<b>3,965</b>	<b>4,046</b>	<b>4,009</b>
<b>Key indicators by gender</b> (as at 31.12.)				
Men	%	78.7	79.6	79.7
Women	%	21.3	20.4	20.3
<b>Key indicators by age</b> (as at 31.12.)				
<30 years	%	15.5	16.5	16.7
30–50 years	%	48.7	49.9	49.2
>50 years	%	35.8	33.6	34.1
Fluctuation rate (annual average)	%	15.0	13.5	16.4
<b>Work safety key indicators</b> (yearly values)				
Notifiable work accidents	Number	112	135	103
Average accident-related sick leave	Days	14.6	15.4	17.6
Fatal work accidents	Number	0	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 2018 balance sheet date the POLYTEC GROUP had a total workforce of 4,315, which was 4.6%, or 207 persons (FTE – full-time equivalent), fewer than in the preceding year.

The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily oriented towards technology. As at 31 December 2018, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 21.3%, which was slightly higher than on the balance sheet date of the previous year (20.4%).

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 short-term employment contracts) by the average total POLYTEC GROUP workforce. The fluctuation rate in 2018 amounted to 15.0%.

In 2018, the number of work accidents subject to mandatory reporting was lower than in the preceding year and the length of accident-related sick leave was also reduced.

As a preventive measure, the 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. The overall increase in production process automation has also reduced the dangers relating to manual work and therefore also prevents work accidents.

#### **APPRAISAL INTERVIEWS INTENSIFIED**

Employee appraisal interviews constitute an essential element in managerial work. Every year during the period from January to March, managers and personnel meet to discuss their shared activities in the previous year and the work targets for the coming twelve months, as well as improvement suggestions, problem solutions and avoidance, professional advancement and other topics.

Appraisal interviews are compulsory for white-collar employees and in recent years the employee appraisal completion rate has been raised continually, increasing from around 60% in 2016 to approximately 84% in 2017 and 88% in 2018. At present, appraisals with blue-collar employees are still held on a voluntary basis.

Hörsching, 18 March 2019

The POLYTEC Holding AG Board of Directors

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT FOR THE 2018 FINANCIAL YEAR

with comparative figures from the previous year

in EUR k	Note	2018	2017 <sup>1)</sup>
Sales revenues	E. 1	636,397	676,440
Other operating income	E. 2	7,308	4,266
Changes in inventory of finished and unfinished goods		1,786	4,872
Other own work capitalised		2,983	1,284
Expenses for materials and services received	E. 3	-301,666	-322,114
Personnel expenses	E. 4	-217,787	-219,502
Other operating expenses	E. 5	-61,953	-62,943
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>		<b>67,067</b>	<b>82,302</b>
Depreciation		-26,993	-27,224
<b>Earnings before interest and taxes = operating result (EBIT)</b>		<b>40,073</b>	<b>55,078</b>
Interest result		-3,388	-3,152
Other financial income		117	143
<b>Financial result</b>	E. 6	<b>-3,272</b>	<b>-3,008</b>
<b>Earnings before tax</b>		<b>36,801</b>	<b>52,070</b>
Taxes on income	E. 7	-6,784	-13,110
<b>Earnings after tax</b>		<b>30,017</b>	<b>38,960</b>
thereof result of non-controlling interests		897	716
<b>    thereof result of the parent company</b>		<b>29,120</b>	<b>38,244</b>
Earnings per share in EUR	E. 20	1.32	1.74

<sup>1)</sup> The POLYTEC GROUP uses the modified retrospective method for the initial application of IFRS 15. Within the framework of this method, the comparative information is not adjusted.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2018 FINANCIAL YEAR**

with comparative figures from the previous year

1.1.-31.12.2018

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

1.1.-31.12.2017<sup>1)</sup>

in EUR k	Note	Group	Non-controlling interests	Total
<b>Earnings after tax</b>		<b>38,244</b>	<b>716</b>	<b>38,960</b>
<b>Items that will not be reclassified (recycled) in future periods in the income statement</b>				
Remeasurement of defined benefit obligation, net of tax		-406	0	-406
thereof related, deferred income taxes		122	0	122
	E. 21	<b>-284</b>	<b>0</b>	<b>-284</b>
<b>Items that will be reclassified (recycled) in future periods in the income statement</b>				
Currency translations		-1,770	0	-1,770
		<b>-1,770</b>	<b>0</b>	<b>-1,770</b>
<b>Other result after tax</b>		<b>-2,054</b>	<b>0</b>	<b>-2,054</b>
<b>Total result</b>		<b>36,191</b>	<b>716</b>	<b>36,907</b>

<sup>1)</sup> The POLYTEC GROUP uses the modified retrospective method for the initial application of IFRS 15. Within the framework of this method, the comparative information is not adjusted.

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018**

with comparative figures from the previous year

**ASSETS**

in EUR k	Note	31.12.2018	31.12.2017 <sup>1)</sup>
<b>A. Non-current assets</b>			
I. Intangible assets	E. 8	5,302	3,110
II. Goodwill	E. 8	19,180	19,180
III. Tangible assets	E. 9	245,062	232,910
IV. Other non-current assets		126	126
V. Deferred tax assets	E. 10	8,225	7,674
		<b>277,895</b>	<b>263,000</b>
<b>B. Current assets</b>			
I. Inventories	E. 11	41,632	63,278
II. Trade accounts receivable	E. 12	54,036	67,035
III. Receivables from construction contracts	E. 13	0	43,050
IV. Contract assets	E. 13	86,491	0
V. Other current receivables	E. 14	23,367	17,691
VI. Income tax receivables		644	1,215
VII. Current interest-bearing receivables	E. 15	0	4,286
VIII. Cash and cash equivalents	E. 16	73,572	56,899
		<b>279,741</b>	<b>253,453</b>
		<b>557,636</b>	<b>516,453</b>

**EQUITY AND LIABILITIES**

in EUR k	Note	31.12.2018	31.12.2017 <sup>1)</sup>
<b>A. Shareholders' equity</b>			
I. Share capital		22,330	22,330
II. Capital reserves		37,563	37,563
III. Treasury stock		-1,855	-1,855
IV. Retained earnings		184,204	163,359
V. Other reserves		-11,599	-10,370
		<b>230,644</b>	<b>211,028</b>
VI. Non-controlling interests	E. 18	7,363	6,465
		<b>238,007</b>	<b>217,493</b>
<b>B. Non-current liabilities</b>			
I. Non-current, interest-bearing liabilities	E. 20	127,046	126,332
II. Provisions for deferred taxes	E. 10	5,829	3,080
III. Provisions for employees	E. 21	27,447	27,278
IV. Other long-term provisions	E. 22	4,430	11,863
		<b>164,753</b>	<b>168,552</b>
<b>C. Current liabilities</b>			
I. Current interest-bearing liabilities	E. 23	48,337	13,600
II. Liabilities on income taxes	E. 24	1,622	2,758
III. Trade accounts payable	E. 25	54,306	54,054
IV. Liabilities from construction contracts	E. 13	0	4,802
V. Contract liabilities	E. 13	2,382	0
VI. Other current liabilities	E. 26	28,597	32,927 <sup>2)</sup>
VII. Current provisions	E. 27	19,634	22,267 <sup>2)</sup>
		<b>154,877</b>	<b>130,408</b>
		<b>557,636</b>	<b>516,453</b>

<sup>1)</sup> The POLYTEC GROUP uses the modified retrospective method for the initial application of IFRS 15. Within the framework of this method, the comparative information is not adjusted.

<sup>2)</sup> Previous year adjusted



**CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2018**

with comparative figures from the previous year

in EUR k	Note	2018	2017 <sup>1)</sup>
<b>Earnings before tax</b>		<b>36,801</b>	<b>52,070</b>
+ Depreciation on fixed assets		26,993	27,224
- (+) Interest result	E. 6	3,389	3,152
+ (-) Other non-cash expenses and earnings	F.	-800	685
+ (-) Increase (decrease) in non-current provisions for employees		102	-2,446
- (+) Profit (loss) from fixed asset disposals		-224	-255
- (+) Increase (decrease) in inventories		-6,731	-7,558
- (+) Increase (decrease) in trade and other receivables and contract assets		-5,799	-25,399
+ (-) Increase (decrease) in trade and other payables and contract liabilities		-6,780	11,706 <sup>2)</sup>
+ (-) Increase (decrease) in current provisions		-8,910	-6,787 <sup>2)</sup>
<b>= Consolidated cash flow from current activities</b>		<b>38,041</b>	<b>52,391</b>
+ Interest received	F.	1,342	503
- Interest paid		-2,787	-3,597
- Taxes paid		-5,729	-11,020
<b>= Consolidated cash flow from operating activities</b>		<b>30,867</b>	<b>38,277</b>
- Investments in fixed assets	F.	-42,449	-39,667
+ Payments from the disposal of intangible and tangible assets		1,013	1,695
- (+) Increase (decrease) in interest-bearing receivables	E. 15	2,029	0
<b>= Consolidated cash flow from investing activities</b>		<b>-39,407</b>	<b>-37,972</b>
+ Inflows from loan financing		0	216
+ Inflows from promissory note loans		47,000	8,500
- Repayments of loan financing		-5,471	-6,142
- Repayments of real estate loans		-4,275	-5,376
- Outflows from financial leasing agreements		-1,549	-1,499
+ (-) Change in current financial liabilities		-612	-9,101
- Third party dividends		-9,898	-9,338
<b>= Consolidated cash flow from financing activities</b>	F.	<b>25,195</b>	<b>-22,739</b>
+ (-) Consolidated cash flow from operating activities		30,867	38,277
+ (-) Consolidated cash flow from investing activities		-39,407	-37,972
+ (-) Consolidated cash flow from financing activities		25,195	-22,739
<b>= Change in cash and cash equivalents</b>		<b>16,654</b>	<b>-22,434</b>
+ (-) Effect from currency translations		19	-207
+ Opening balance of cash and cash equivalents		56,899	79,540
<b>= Closing balance of cash and cash equivalents</b>		<b>73,572</b>	<b>56,899</b>

<sup>1)</sup> The POLYTEC GROUP uses the modified retrospective method for the initial application of IFRS 15. Within the framework of this method, the comparative information is not adjusted.

<sup>2)</sup> Previous year adjusted

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2018 FINANCIAL YEAR**

with comparative figures from the previous year

in EUR k	Note	Share capital	Capital reserves	Treasury stock
<b>As at 1.1.2018</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Result from the change in accounting method: Period-based recognition of revenues from customised products (IFRS 15)		0	0	0
<b>Adjusted amounts as at 1.1.2018</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
<b>Comprehensive income</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Dividend		0	0	0
Treasury share purchases		0	0	0
<b>As at 31.12.2018<sup>1)</sup></b>	E. 18	<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>

in EUR k	Note	Share capital	Capital reserves	Treasury stock
<b>As at 1.1.2017</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
<b>Comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
Dividend		0	0	0
<b>As at 31.12.2017<sup>1)</sup></b>	E. 18	<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>

<sup>1)</sup> The POLYTEC GROUP uses the modified retrospective method for the initial application of IFRS 15. Within the framework of this method, the comparative information is not adjusted.

Other reserves						
Retained earnings	Actuarial profit/loss	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
194,102	-4,609	-6,991	240,542	7,363		247,905
-9,898	0	0	-9,898	0		-9,898
0	0	0	0	0		0
184,204	-4,609	-6,991	230,644	7,363		238,007

Other reserves						
Retained earnings	Actuarial profit/loss	Reserves from currency translation	Shares of POLYTEC Holding AG stockholders	Non-controlling interests		Total
133,913	-4,592	-3,725	183,634	6,289		189,924
38,244	0	0	38,244	716		38,960
0	-284	-1,770	-2,054	0		-2,054
38,244	-284	-1,770	36,191	716		36,907
-8,798	0	0	-8,798	-540		-9,338
163,359	-4,876	-5,495	211,028	6,465		217,493

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE 2018 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 bay, 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 2018 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 18 March 2019. The Supervisory Board has the task of examining and stating its approval of the consolidated financial statements as at 31 December 2018. 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 2018 and 2017 financial years were applied during the preparation of these consolidated financial statements.

The following new or amended standards and interpretations were applicable for the first time in the 2018 financial year:

Standard	Interpretation	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2018
IAS 40	Amendments: Transfers of Investment Property	1 January 2018	Yes
IFRS 1, IAS 28	Annual improvements to IFRS standards (2014–2016 cycle)	1 January 2018	Yes
IFRS 2	Amendments: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Yes
IFRS 4	Amendments: Application of IFRS 9 Financial instruments with IFRS 4 Insurance Contracts	1 January 2018	Yes
IFRS 9	Financial Instruments	1 January 2018	Yes
IFRS 15	Revenue from Contracts with Customers and Change: Clarification regarding IFRS 15	1 January 2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Considerations	1 January 2018	Yes

The consolidated financial statements of the POLYTEC GROUP are not subject to any material effects as a result of the initial application of these new or amended standards.

The International Accounting Standards Board (IASB) is working on a large number of projects, which will initially affect the fi-

ancial years commencing on 1 January 2019. 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, 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 31.12.2018	Date of adoption by the EU
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	No	
IAS 28	Investments in Associates and Joint Ventures	1 January 2019	No	
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019	Yes	1 January 2019
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	n/a	No	
IFRS 16	Leases	1 January 2019	Yes	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021	No	
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019	Yes	1 January 2019
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	No	
IAS 1, IAS 8	Amendments to a series of IFRS, as a result of the 2016–2018 improvement process	1 January 2019	No	
IFRS 3	Change in the Definition of a Business	1 January 2020	No	
IAS 1, IAS 8	Amendment of the Definition of Substantial	1 January 2020	No	
Framework	Changes to the references to the framework concept	1 January 2020	No	

**IFRS 15 (Revenue from Contracts with Customers)** prescribes a five-level model for the recognition of sales revenues from customer contracts. In the case of a contract, sales revenues are to be reported to the amount of the consideration that a company can expect in exchange for the transfer of goods and services to a customer. The contractual agreement may lead to either periodic or date-related reporting. The POLYTEC GROUP adopted IFRS 15 for the financial years commencing on 1 January 2018 using the modified, retrospective method.

To date, the percentage of completion method pursuant to IAS 11 was employed for the recognition of sales revenues emanating from customer-related engineering work and the production of tooling. However, IFRS 15 defines other criteria for period-based sales revenue recognition, whereby the main application is for the provision of assets not offering an alternative possibility for use, subject to a simultaneous right to payment for the already completed service. During the contractual analysis, it was determined that the criteria for period-based sales revenue recognition are met on a regular basis and therefore period-based sales revenue recognition also occurs pursuant to IFRS 15.

Previously, revenues from the sale of serial parts were recognised when ownership of the property was transferred along with the related opportunities and risks in line with the terms and conditions of delivery. During the contractual analysis, it was determined that the criteria for period-based sales revenue recognition are again fulfilled because as a rule, serial parts for OEMs are only manufactured to order and do not facilitate alternative use. Moreover, the POLYTEC GROUP retains the right to payment including an appropriate margin for the articles already produced or in production.

The cumulative effect of the initial application as per 1 January 2018 was recognised as an adjustment to the retained earnings and results from the now period-based recognition of sales revenues from serial parts (EUR 2,204 k). The tax effect amounts to EUR 582 k and thus an after tax figure of EUR 1,623 k.

The initial application of IFRS 15 had the following effects upon the consolidated financial statements of the POLYTEC GROUP:

### Consolidated balance sheet

in EUR k			
	As reported	Adjustment owing to IFRS 15	Without adjustment owing to IFRS 15
<b>31.12.2018</b>			
Inventories	41,632	28,286	69,918
Receivables from construction contracts	0	55,876	55,876
Contract assets	86,491	-86,491	0
Shareholders' equity	238,007	-1,716	236,291
Provision for deferred taxes	5,829	-613	5,216
Liabilities from construction contracts	0	-2,382	2,382
Contract liabilities	2,382	2,382	0
<b>Total assets</b>	<b>557,636</b>	<b>-2,329</b>	<b>555,307</b>

The balance sheet items "Contract assets" and "Contract liabilities" contain receivables and liabilities from tooling projects, which were reported prior to the adoption of IFRS 15 as "Receivables from construction contracts" and "Liabilities from construction contracts", as well as those series parts, which in accordance with IFRS 15 are subject to period-based sales revenue recognition.

### Consolidated statement of comprehensive income

in EUR k			
	As reported	Adjustment owing to IFRS 15	Without adjustment owing to IFRS 15
<b>31.12.2018</b>			
Sales revenues	636,397	-465	635,932
Changes in inventory of finished and unfinished goods	1,786	341	2,127
<b>Earnings before tax</b>	<b>36,801</b>	<b>-124</b>	<b>36,677</b>
Taxes on income	-6,784	31	-6,753
<b>Earnings after tax</b>	<b>30,017</b>	<b>-93</b>	<b>29,924</b>
<b>Total result</b>	<b>28,788</b>	<b>-93</b>	<b>28,695</b>

### Consolidated cash flow

in EUR k			
	As reported	Adjustment owing to IFRS 15	Without adjustment owing to IFRS 15
<b>31.12.2018</b>			
Earnings before tax	36,801	-124	36,677
Increase (decrease) in inventories	-6,731	+107	-6,624
Increase (decrease) in trade and other receivables and contract assets	-5,799	+18	-5,781

The group first employed **IFRS 9** on 1 January 2018 and owing to the selected transitional method, the comparative information for the preceding year was not adjusted to the requirements of the new standard. IFRS 9 incorporates amended guidelines regarding the classification and measurement of financial instruments, including the new general regulations for hedging transactions. In addition, as a result of IFRS 9, in the case of impairments an expected credit loss model replaces the incurred loss model. As a result, in future a provision must be made for the anticipated losses. IFRS 9 also takes over the guidelines for the recognition and derecognition of financial instruments from IAS 39. There is no material impact upon the consolidated financial statements, as at present POLYTEC GROUP strategy does not envisage any use of original or derivative financial instruments which would require different classification to IAS 39. The hedge accounting regulations are not employed currently and therefore no effects will result. The utilisation of the new expected credit loss model also has no material effects (effect below EUR 100 k) for the POLYTEC GROUP, as on the one hand virtually all receivables are subject to credit insurance and on the other, the probability of default in the case of the largest customers amounts to well under one per cent. Consequently, the adoption of the IFRS does not result in any additional impairment costs and the initial use of IFRS 9 had no influence on the reported carrying values.

New classifications for financial instruments were introduced owing to the initial employment of IFRS 9. Owing to the "sell" business model, those trade accounts receivable which are part of the factoring programme have to be reclassified as belonging to the "measured at fair value through profit or loss" (FVPL) category. Owing to the short-term nature and good creditworthiness of the receivables, the carrying value may be seen as a reliable approximation of fair value. In addition, neither reclassification nor revaluation adjustments result from the initial application of the standard. For the POLYTEC GROUP, the transition of the categories took place as follows:

	Category IAS 39	Category IFRS 9
<b>Assets</b>		
Trade accounts receivable	LaR	AC
Trade accounts receivable (factoring)	LaR	FVTL
Receivables from construction contracts/ contract assets	-	-
Other current financial receivables	LaR	AC
Current receivables subject to interest	LaR	AC
Cash and cash equivalents	LaR	AC
<b>Equity and liabilities</b>		
Interest-bearing liabilities	AC	AC
Trade accounts payable	AC	AC
Liabilities from construction contracts/ contract liabilities	-	-
Derivative financial contracts	HfT	FVTL
Other financial liabilities	AC	AC

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 leasing payments for all leasing arrangements. At the same time, the lessee activates a right-of-use to the underlying asset, which basically corresponds with the present value of the future leasing 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 POLYTEC GROUP analysed the effects of the above on the consolidated financial statements. The actual impact of initial application may still alter and therefore will be reported in the consolidated financial statements as at 31 December 2019.

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 15,151 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. As from the initial adoption of the standard, the type of expenses in connection with these leases and tenancies will also change, as IFRS 16 replaces the linear depreciation of a right-of-use and interest expense for the lease liability. The anticipated depreciation charge of the right-of-use for the 2019 financial year will amount to EUR 4,598 k and the interest expense to EUR 75 k.

The recognition of a depreciation of a right-of-use and interest instead of a leasing expense will result in an improvement in EBITDA and EBIT. However, at present conclusive, detailed quantification is not yet possible, as this would be based on numerous small contracts, which to date have not all been examined with regard to their applicability for the use of IFRS 16. The POLYTEC GROUP will first employ IFRS 16 on 1 January 2019 subject to the application of the modified, retrospective method. Therefore, the accumulated effect of initial application will be reported as an adjustment of the opening balance of the period under report without an adaptation of the preceding periods. The leasing liabilities will be reported at present value of the outstanding leasing payments and the right-of-use to the amount of the recognised leasing liability. The POLYTEC GROUP will use the practical expedient, which in line with IFRS 16 will be applied to all contracts concluded prior to 1 January 2019, which were defined as leases pursuant to IAS 17 and IFRIC 4. In addition, the exception rule was utilised according to which no initial direct costs need be included in the valuation of the right-of-use. Furthermore, leasing contracts, the term of which expires within twelve months of the date of the initial application, will be recognised as if short-term contracts are involved and therefore will be excluded from the balance sheet. A single discount factor will also be applied for a portfolio of similar leasing agreements.

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

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 et seq. UGB.

## 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.

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

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 financial year under review, the scope of consolidation altered as follows:

Scope of consolidation	Full consolidation
<b>As at 31.12.2017</b>	<b>45</b>
Change of legal form	-1
<b>As at 31.12.2018</b>	<b>44</b>
thereof international companies	33

As in the previous year, in 2018 no shares were included in the consolidated financial statements using the equity method.

### ACQUISITIONS

No acquisitions were undertaken in 2018 or 2017.

### NEW COMPANY FOUNDATIONS AND RESTRUCTURING IN 2018

In 2018, POLYTEC Automotive Verwaltungs GmbH (not consolidated in the previous year owing to immateriality) was merged with POLYTEC Deutschland Verwaltungs GmbH. In addition, POLYTEC Automotive GmbH & Co KG was accrued to POLYTEC Deutschland Verwaltungs GmbH.

The newly founded company, POLYTEC COMPOSITES South Africa (Pty.) Ltd. was excluded from the consolidated financial statements as at 31 December 2018 owing to immateriality.

### RESTRUCTURING 2017

In 2017, with backdated effect from 1 January 2017, POLYTEC Tooling GmbH & Co KG was merged with Polytec Plastics Germany GmbH & Co KG and PT Plastics GmbH was merged with Polytec Holding Deutschland GmbH.



## 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 value was counterbalanced by the pro rata, newly evaluated equity of the subsidiary (purchase accounting).

Any remaining differences were capitalised as goodwill. Goodwill occurring prior to 1 January 2005 was reported with the carrying amount as at 31 December 2004. All goodwill is subjected to an annual impairment test.

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

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

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 where they are material.

## 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	
	2018	2017	31.12.2018	31.12.2017
GBP	0.8859	0.8753	0.8945	0.8872
CNY	7.8125	7.6511	7.8751	7.8044
TRY	5.5556	4.1271	6.0588	4.5464
HUF	322.5806	312.5000	320.9800	310.3300
USD	1.1781	1.1349	1.1450	1.1993
CZK	25.7069	26.2467	25.7240	25.5350

## 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 assumed 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. 9 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

Interest on borrowed capital is not capitalised, as no substantial borrowing costs were incurred that are directly attributable to a qualified asset.

#### 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 value, 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 nevertheless such expenses can be allocated directly to an ongoing or future series production order. In accordance with IFRS 15 (costs of fulfilling 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 item E. 12.

#### 6. CONTRACT ASSETS/LIABILITIES/ CONSTRUCTION CONTRACTS

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 contract assets. 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 "Contract liabilities". 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 and expected purchase volumes from contracts with customers, which in the course of the contractual period are reduced (amortisation receivables from tooling and engineering projects, admission fees and price reductions for ongoing orders), see D. 7 Other receivables.

Prior to the application of IFRS 15 tooling and engineering services were recognised as follows. If the result of a construction contract could be reliably estimated, the related contractual revenues and costs were recognised in accordance with the percentage of completion on the balance sheet date. Progress on the balance sheet date was determined on the basis of the ratio on the closing date of the order costs incurred to the estimated overall expense of the respective customer contract. Changes to the contractual work, the requirements and perfor-

mance bonuses were included to the extent that their amount could be determined reliably and their receipt was deemed as probable.

Where it was not possible to reliably determine the result of customer contracts, the related income was only reported to the amount of the incurred contractual costs that were probably recoverable. Contractual costs were recognised as an expense in the period in which they occurred.

If it was anticipated that the entire contractual costs would exceed total contractual income, the anticipated loss was reported immediately as an expense.

If on the closing date the contractual costs plus recognised profits and minus recognised losses exceeded the partial invoices, then the surplus from the construction contract was to be reported with a positive balance relating to the customer. In the case of contracts in which the partial invoices exceeded the incurred costs plus recognised profits and minus recognised losses, the surplus was to be reported with a negative balance relating to the customer. Amounts received prior to the provision of production performance were reported in the consolidated balance sheet as "Trade accounts payable". Settled amounts for already completed performance that had not yet been paid by the customer were included in the consolidated balance sheet under the item "Trade accounts receivable".

Prior to the application of IFRS 15 revenues from the sale of series parts were recognised upon the date of the transfer of the risks and opportunities to the buyer.

## 7. OTHER RECEIVABLES

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

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 paid upon the start of series production for the follow-up order.

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. CASH AND CASH EQUIVALENTS

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

## 9. IMPAIRMENT

Goodwill is subject to at least an annual impairment test shortly before the balance sheet date, or when there are indications to close. 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). Goodwill 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.

The Hörsching and Bromyard CGUs reported in the preceding year have now been transferred to the Car Styling CGU, as owing to a change in the managerial structures at the beginning of the 2018 financial year, the previously independently managed plants in Hörsching, Bromyard, Telford, Komló, Schoten and Detroit are now under joint management. The Hörsching and Bromyard CGUs also would have demonstrated no impairment requirement as stand-alone units.

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 to 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.

## 10. 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 1.70% (previous year: 1.50%) and allowing for future remuneration increases of 2.00% (previous year: 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 on 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 1.80% (previous year: 1.90%), as well as an increase of 2.00% (previous year: 2.00%) is applied. The 2018G – Dr. Klaus Heubeck tables (previous year: 2005G) 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 employment. 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 1.80% (previous year: 1.90%) and an increase of 2.00% (previous year: 2.00%). The AG2014 mortality tables 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 outsourced their performance-related pension commitments to a mutual insurance society (pension fund), which is monitored by the Federal Financial Supervisory Authority (BaFin). The insurance fund covers old-age, partial invalidity and survivors' benefits. Other insurances were not concluded. The pension fund insures both active and former employees from 28 company groups, which in order to fulfil their benefit obligations share joint liability. 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 assumes 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 2017, the pension fund disclosed assets of EUR 471 million (previous year: EUR 453 million) and obligations of EUR 461 million (previous year: EUR 446 million), and therefore equity of EUR 10 million (previous year: EUR 7 million). The POLYTEC GROUP holds a roughly 7% share of the net assets of the pension fund (previous year: 7%). For further information, see D. 18.

#### **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).

#### **11. 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 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 recognised for temporary valuation differences between the IFRS and the tax balance of the individual companies, as well as for consolidation procedures. They are determined according to IAS 12 using the balance sheet liability method. Furthermore, the probable realisable tax advantage from existing loss carryforwards is included in the calculation. Deferred tax assets on loss carryforwards are formed to the extent that their utilisation can be expected within five years. The calculation of the deferred taxes is based on the standard national income tax rate.

#### **12. 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 cost.

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

#### **13. PROVISIONS**

Provisions are formed when as a result of 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 existing margins from current production projects are counterposed with a standard market margin. A negative deviation and hence the disadvantageous nature of the project 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 restructuring measures have either commenced or been announced publically. Future operational losses are not accounted for.

#### 14. 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 costs

Financial liabilities are categorised as follows:

- a. Financial liabilities measured at amortised cost
- b. Financial liabilities measured at fair value through profit or loss

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 immediately recognised in the consolidated income statement through profit and loss.

#### 15. REALISATION OF INCOME AND EXPENSES

As far as period-based sales revenue recognition is concerned, see 6. Contract assets/liabilities from contracts with customers/construction contracts.

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

#### 16. 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 hedging transactions are reported in the other financial result.

#### 17. 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 and cash equivalents and current funding.

## 18. UNCERTAINTIES WITH REGARD TO ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires that the management makes 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, management makes 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. First and foremost, the management sees an unpredictable risk as emanating from the impending developments in the UK as a result of the Brexit negotiations. This was accounted for by a marked reduction in the planned revenues and results. In order to demonstrate the impact of a change in the parameters used in the impairment test, a sensitivity analysis was carried out which is explained in greater detail under E. 8 Intangible assets and goodwill.

Revenue and result realisation for a customer contract for the production of tooling and engineering services takes place on the basis of the percentage of completion (period-based sales revenue recognition). This realisation is based 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. Assumptions concerning future payment surpluses, as well as future taxable results, are based on the medium-term planning of the group. 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 tangible assets is either based on experience values resulting from the operation of comparable plant, or a shorter anticipated product lifecycle.

The actuarial assessment of severance, pension and long-service obligations carried out by independent 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 981 k (previous year: EUR 1,818 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 2018, EUR 953 k were paid to the pension fund. A full repayment is anticipated for the 2019 financial year.



## 19. REPORTING

As compared to the previous year, the reporting of assets and liabilities, expenses and income, equity items and the cash flow in the cash flow statement remained basically unaltered in the 2018 financial year.

Provisions for other personnel expenses (royalties, other deferred costs, etc.) are no longer recognised as current provisions, but instead as current liabilities. This resulted in an adjustment to the previous year amounts in the balance sheet of EUR 8,508 k, as well as to a reclassification in the cash flow from operating activities of EUR 5,096 k. See E. 27 Current provisions.

### 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 and management 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 2018 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. In 2018 and 2017, two respective customer groups provided more than 50% of the group's total sales. The VW Group accounted for EUR 219,529 k (previous year: EUR 229,337 k) of total sales, while sales to the Daimler Group amounted to EUR 104,107 k (previous year: EUR 103,201 k). All in all, three main customers provided roughly 58% of total sales in 2018 (previous year: 56%). 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, in all three cases the customer-supplier relationship relates to each of the separately reported business areas, although to differing degrees.

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

in EUR k	2018	2017
Passenger cars	387,895	434,105
Commercial vehicles	174,730	165,054
Non-automotive	73,771	77,281
<b>Total</b>	<b>636,397</b>	<b>676,440</b>

The disclosures concerning geographical areas to be made at group level (depending on 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	
	2018	2017	2018	2017
Austria	26,362	23,438	92,734	87,603
Germany	360,331	383,097	84,327	83,974
UK	49,804	58,373	36,331	25,792
Sweden	34,799	37,431	0	0
Rest of EU	123,695	132,447	38,046	38,483
Other countries	41,407	41,654	18,104	19,348
<b>Group</b>	<b>636,397</b>	<b>676,440</b>	<b>269,543</b>	<b>255,200</b>

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

in EUR k	2018	2017
Part sales (serial production) and other sales	571,735	605,844
Tooling and engineering sales	64,662	70,596
<b>Total</b>	<b>636,397</b>	<b>676,440</b>

#### 2. OTHER OPERATING INCOME

in EUR k	2018	2017
Income from the disposal of and additions to fixed assets excluding financial assets	143	101
Income from cost reimbursements	907	610
Grants and receivables	119	294
Commission	34	230
Income from rents	722	670
Income from the release of obsolete accruals	800	464
Subsequent income from company disposals	1,979	0
Other income	2,604	1,897
<b>Total</b>	<b>7,308</b>	<b>4,266</b>

### 3. EXPENSES FOR MATERIALS AND OTHER SERVICES RECEIVED

in EUR k	2018	2017
Material expenses	220,105	255,579
Expenses for services received	81,561	66,535
<b>Total</b>	<b>301,666</b>	<b>322,114</b>

### 4. PERSONNEL EXPENSES

in EUR k	2018	2017
Wages and salaries	157,191	156,221
Expenses for leasing personnel	22,463	23,496
Statutory social expenses	30,401	29,436
Expenses for severance payments and pensions	5,426	3,953
Expenses for restructuring	0	4,886
Other personnel expenses	2,307	1,510
<b>Total</b>	<b>217,787</b>	<b>219,502</b>

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 273 k in the year under review (previous year: EUR 250 k).

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

	2018	2017
Average number of employees	4,465	4,527
As at 31 December	4,315	4,522

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

	2018	2017
Average number of employees	4,006	4,017
As at 31 December	3,965	4,046

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

	2018	2017
Blue-collar workers	301	310
White-collar employees	198	181
<b>Total</b>	<b>499</b>	<b>491</b>

### 5. OTHER OPERATING EXPENSES

in EUR k	2018	2017
Maintenance costs	17,631	16,376
Other operating costs	11,036	11,473
Other administrative costs	6,455	5,710
Outgoing freight	5,624	7,263
Rent for buildings	3,782	4,617
Other sales costs	3,572	4,115
Other rent and leasing costs	4,848	4,638
IT and communication costs	4,422	4,042
Legal and consulting costs	4,010	3,513
Miscellaneous other operating costs	573	1,197
<b>Total</b>	<b>61,953</b>	<b>62,943</b>

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

in EUR k	2018	2017
Annual and group financial audit	197	138
Other services	11	8
<b>Total</b>	<b>208</b>	<b>146</b>

### 6. FINANCIAL RESULT

in EUR k	2018	2017
Interest income and income from securities	270	640
Interest component of pension commitments	-466	-400
Other interest expenses	-3,192	-3,391
Other financial income	117	143
<b>Total</b>	<b>-3,272</b>	<b>-3,008</b>

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		Net result
	Value adjustment	Currency translation	Interest measurement	Result from fair value	
<b>31.12.2018</b>					
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

in EUR k	Operating result		Financial result		Net result
	Value adjustment	Currency translation	Interest measurement	Result from fair value	
<b>31.12.2017</b>					
Loans and receivables	-102	0	640	0	538
Financial liabilities	0	94	-3,391	0	-3,298
Fair value through profit and loss	0	0	0	117	117

## 7. INCOME TAXES

in EUR k	2018	2017
Expenses for current income taxes	5,489	6,332
thereof aperiodic	-394	-196
Changes in deferred income taxes	1,295	6,778
thereof aperiodic	-3,092	-200
<b>Total</b>	<b>6,784</b>	<b>13,110</b>
thereof aperiodic	-3,486	-396

The income tax expense for the 2018 financial year amounting to EUR 6,784 k was EUR 2,416 k lower than the calculated income tax expense totalling EUR 9,200 k, which would have resulted from the application of a tax rate of 25% on the result before income tax of EUR 36,801 k.

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

in EUR k	2018	2017
Earnings before income tax	36,801	52,070
thereof 25% calculated income tax expense	9,200	13,017
Change in the value adjustment for deferred tax assets	1,026	130
Permanent differences and other changes	38	453
Differences from the discrepancy between the local and consolidated tax rates	6	-94
Income tax expense for the reporting period	<b>10,270</b>	<b>13,506</b>
Aperiodic tax income from loss carryforward	-4,321	0
Aperiodic tax expense/income	835	-396
Aperiodic tax income	<b>-3,486</b>	<b>-396</b>
<b>Disclosed income tax expense</b>	<b>6,784</b>	<b>13,110</b>

The aperiodic tax income amounting to EUR 4,321 k results from past tax 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	Rights	Goodwill	Advance payments made	Total
<b>Acquisition costs</b>				
<b>As at 1.1.2017</b>	<b>9,406</b>	<b>45,508</b>	<b>0</b>	<b>55,715</b>
Change in the scope of consolidation	0	0	0	0
Currency translation differences	-9	0	0	-9
Additions	1,010	0	742	1,752
Disposals	-100	0	0	-100
Transfers	0	0	0	0
<b>As at 31.12.2017</b>	<b>10,307</b>	<b>45,508</b>	<b>742</b>	<b>57,358</b>
<b>As at 1.1.2018</b>				
Change in the scope of consolidation	0	0	0	0
Currency translation differences	0	0	0	0
Additions	1,790	0	1,983	3,773
Disposals	-53	0	0	-53
Transfers	103	0	-103	0
<b>As at 31.12.2018</b>	<b>12,147</b>	<b>45,508</b>	<b>2,622</b>	<b>61,078</b>
<b>Accumulated depreciation</b>				
<b>As at 1.1.2017</b>	<b>7,038</b>	<b>26,328</b>	<b>0</b>	<b>34,167</b>
Change in the scope of consolidation	0	0	0	0
Currency translation differences	-8	0	0	-8
Scheduled amortisation	990	0	0	990
Impairments	0	0	0	0
Disposals	-81	0	0	-81
Transfers	0	0	0	0
Revaluations	0	0	0	0
<b>As at 31.12.2017</b>	<b>7,939</b>	<b>26,328</b>	<b>0</b>	<b>35,068</b>
<b>As at 1.1.2018</b>				
Change in the scope of consolidation	0	0	0	0
Currency translation differences	3	0	0	3
Scheduled amortisation	1,578	0	0	1,578
Impairments	0	0	0	0
Disposals	-53	0	0	-53
Transfers	0	0	0	0

in EUR k	Rights	Goodwill	Advance payments made	Total
Revaluations	0	0	0	0
<b>As at 31.12.2018</b>	<b>9,467</b>	<b>26,328</b>	<b>0</b>	<b>36,596</b>
<b>Carrying amount as at 31.12.2017</b>				
	<b>2,368</b>	<b>19,180</b>	<b>742</b>	<b>22,290</b>
<b>Carrying amount as at 31.12.2018</b>				
	<b>2,680</b>	<b>19,180</b>	<b>2,622</b>	<b>24,482</b>

The research and development expenses of the group during the financial year amounted to approximately EUR 12,669 k (previous year: EUR 14,468 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) as follows:

in EUR k	31.12.2018	31.12.2017
CGU Car Styling	12,643	12,643
CGU Industrial	6,537	6,537
<b>Total</b>	<b>19,180</b>	<b>19,180</b>

The recoverable amount for the CGUs, to which goodwill has been allocated, was determined on the basis of a discounted cash flow method. The underlying methods and assumptions employed are explained under D. 9.

The impairment tests were based on the following assumptions:

in EUR k	31.12.2018	31.12.2017
Cash flow planning period	3 years	3 years
Long-term perpetuity growth rate	0%	0%
Discount rate (WACC) before taxes – Car Styling	11.8%	12.0%
Discount rate (WACC) before taxes – Industrial	13.9%	12.1%

A sensitivity analysis showed that subject to unchanged parameters, in the case of a reduction in the planned free cash flow of 10%, the carrying values of goodwill would also be covered and no impairment requirement would exist. Equally, in the case of an increase in the discount rate of 1% the carrying value of goodwill would be covered and no impairment requirement would result.

## 9. TANGIBLE ASSETS

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

in EUR k	Land and buildings	Technical equipment and machinery	Fixtures, fittings and equipment	Advance payments made and assets under construction	Total
<b>Costs of acquisition</b>					
<b>As at 1.1.2017</b>	<b>145,503</b>	<b>237,244</b>	<b>65,777</b>	<b>10,203</b>	<b>458,728</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-172	46	-40	-141	-307
Additions	450	6,486	4,247	25,419	36,602
Disposals	-205	-8,919	-1,056	-799	-10,979
Transfers	1,498	9,983	528	-12,009	0
<b>As at 31.12.2017</b>	<b>147,074</b>	<b>244,840</b>	<b>69,456</b>	<b>22,673</b>	<b>484,044</b>
<b>As at 1.1.2018</b>	<b>147,074</b>	<b>244,840</b>	<b>69,456</b>	<b>22,673</b>	<b>484,044</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-278	-340	-14	5	-627
Additions	5,350	11,453	4,900	17,151	38,854
Disposals	0	-7,071	-7,286	-226	-14,583
Transfers	12,230	13,882	582	-26,694	0
<b>As at 31.12.2018</b>	<b>164,376</b>	<b>262,764</b>	<b>67,638</b>	<b>12,909</b>	<b>507,688</b>
<b>Accumulated depreciation</b>					
<b>As at 1.1.2017</b>	<b>21,365</b>	<b>163,492</b>	<b>49,678</b>	<b>0</b>	<b>234,535</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-47	-266	-25	0	-338
Scheduled amortisation	3,959	18,348	4,183	0	26,490
Impairments	0	0	0	0	0
Disposals	-127	-8,537	-890	0	-9,554
Transfers	0	0	0	0	0
<b>As at 31.12.2017</b>	<b>25,150</b>	<b>173,037</b>	<b>52,946</b>	<b>0</b>	<b>251,133</b>
<b>As at 1.1.2018</b>	<b>25,150</b>	<b>173,037</b>	<b>52,946</b>	<b>0</b>	<b>251,133</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-137	-110	-5	0	-252
Scheduled amortisation	4,050	16,989	4,330	0	25,369
Impairments	0	0	0	0	0
Disposals	0	-6,616	-7,008	0	-13,624
Transfers	0	0	0	0	0
<b>As at 31.12.2018</b>	<b>29,063</b>	<b>183,300</b>	<b>50,263</b>	<b>0</b>	<b>262,626</b>
<b>Carrying amounts as at 31.12.2017</b>	<b>121,924</b>	<b>71,803</b>	<b>16,510</b>	<b>22,673</b>	<b>232,910</b>
<b>Carrying amounts as at 31.12.2018</b>	<b>135,313</b>	<b>79,464</b>	<b>17,375</b>	<b>12,909</b>	<b>245,062</b>

"Land and buildings" contains a real property value of EUR 35,220 k (previous year: EUR 33,223 k).

As at 31 December 2018, the obligations relating to unpaid orders for the delivery of tangible assets amounted to EUR 14,135 k (previous year: EUR 15,889 k).

As at 31 December 2018, the future expenses from non-terminable operating leasing agreements amounted to EUR 15,907 k (previous year: EUR 12,511 k) and are due as follows:

in EUR k	31.12.2018	31.12.2017
Within one year	5,772	4,629
Longer than one year and within five years	10,135	7,882
Longer than five years	0	0

In the 2018 financial year, the rental costs from operating leasing agreements amounted to EUR 8,630 k (previous year: EUR 9,255 k).

Tangible assets include capitalised finance lease goods (financial leasing) with a carrying amount of EUR 191 k (previous year: EUR 1,667 k). The most important financial leasing agreements relate to production plants. Following the expiry of the minimum lease period, purchase options are available for the vast majority of the financial leasing agreements.

Capitalised financial leasing goods result in leasing obligations towards third parties totalling EUR 196 k (previous year: EUR 1,745 k). The reported leasing obligations (current values including redemption for residual value) are due as follows:

in EUR k	31.12.2018	31.12.2017
Within one year	144	1,432
Longer than one year and within five years	52	313
Longer than five years	0	0

Leasing payments (without redemption for residual value) corresponding to present values amount to EUR 125 k (previous year: EUR 1,041 k) and are due as follows:

in EUR k	31.12.2018	31.12.2017
Within one year	125	916
Longer than one year and within five years	0	125
Longer than five years	0	0

As in the previous year, in the 2018 financial year no tangible asset impairments or write-ups were undertaken.

Tangible assets with a carrying value of EUR 89,514 k (previous year: EUR 91,503 k) were mortgaged or pledged as a surety for bank liabilities totalling EUR 15,016 k (previous year: EUR 20,645 k).

## 10. DEFERRED TAX CLAIMS/OBLIGATIONS

The deviation 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	31.12.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	1,853	2,089	3,868	2,471
Loss carryforwards	4,675	0	1,136	0
Trade accounts receivable	0	71	0	192
Receivables from construction contracts	0	0	0	4,070
Contract assets	0	5,367	0	0
Other assets	0	3,014	9	1,876
Provisions for pensions	2,698	0	2,619	0
Provisions for severance payments	654	0	1,034	0
Other provisions for personnel	106	20	36	0
Leasing liabilities	14	0	432	0
Liabilities from construction contracts	0	0	813	0
Contract liabilities	538	0	0	0
Other provisions	2,053	0	2,873	0
Other liabilities	364	0	490	106
<b>Subtotal</b>	<b>12,956</b>	<b>10,560</b>	<b>13,309</b>	<b>8,715</b>
Offsetting due to identical tax authorities	-4,731	-4,731	-5,636	-5,636
<b>Deferred taxes pursuant to the balance sheet</b>	<b>8,225</b>	<b>5,829</b>	<b>7,674</b>	<b>3,080</b>

In 2018, group companies reported net deferred tax assets on temporary differences and loss carryforwards totalling EUR 8,225 k (previous year: EUR 7,674 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 2018, group income tax loss carryforwards totalled EUR 36,772 k (previous year: EUR 17,923 k) and demonstrated the following structure:

in EUR k	31.12.2018	31.12.2017
<b>Total</b>	<b>36,772</b>	<b>17,923</b>
of which capitalised loss carryforwards	20,407	7,435
of which carryforwards applicable for an unlimited period	20,407	7,435
of which non-capitalised loss carryforwards	16,364	10,488

The increase in loss carryforwards resulted from an amount of EUR 17,282 k emanating from past tax losses, which were recognised for the first time during the financial year.

No deferred tax assets were recognised for deductible tax loss carryforwards amounting to EUR 16,364 k (previous year: EUR 10,488 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 3,043 k (previous year: EUR 2,225 k).

In accordance with IAS 12.39, no deferred taxes were created for temporary differences in connection with shares in subsidiaries amounting to EUR 26,071 k (previous year: EUR 25,519 k), as it could be assumed on 31 December 2018 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 1,971 k (previous year: EUR 2,056 k) and deferred tax liabilities recognised in equity amounting to EUR 0 k (previous year: EUR 0 k).

## 11. INVENTORIES

Inventories are structured as follows:

in EUR k	31.12.2018	31.12.2017
Raw materials and supplies	35,330	29,537
Unfinished goods	5,726	17,283
Advance payments received	-1,340	-1,029
Finished goods and merchandise	282	17,228
Advance payments made	1,633	259
<b>Total</b>	<b>41,632</b>	<b>63,278</b>

The unfinished goods totalling EUR 5,726 k (1.1.2018: EUR 5,742 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 2018 financial year.

The change (balance from formation and reversal) in the impairment losses on inventories recognised through profit and loss amounted to minus EUR 204 k in the year under review (previous year: EUR 2,441 k). Inventories that were recognised as material expenses in the reporting period amounted to EUR 291,083 k (previous year: EUR 307,619 k).

In the case of inventories with a carrying value of EUR 4,266 k (previous year: EUR 4,277 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.

Owing to the initial application of IFRS 15 unfinished and finished goods relating to serial production were reclassified to contract assets. As a result, an impairment to the contract assets recognised in profit and loss, amounting to EUR 1,314 k, was also reclassified.

## 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	2018	2017
<b>As at 1.1.</b>	<b>2,891</b>	<b>3,702</b>
Use	-348	-892
Release	-95	-288
Allocation	362	390
Foreign exchange rate differences	0	-21
<b>As at 31.12.</b>	<b>2,810</b>	<b>2,891</b>

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 2018, the factoring agreements had a maximum usable nominal volume totalling EUR 60,000 k (previous year: EUR 45,000 k). On the balance sheet date, receivables amounting to EUR 27,843 k (previous year: EUR 15,693 k) had been sold and derecognised from the consolidated financial statements in accordance with IFRS 9.

As at 31 December 2018, the non-advanced amount of EUR 10,540 k (previous year: EUR 7,418 k) was disclosed under "Trade accounts receivable". Owing to the short-term nature and good creditworthiness of the receivables, the carrying value may be regarded as a reliable approximate figure for fair value.

### 13. CONTRACT ASSETS/LIABILITIES/ CONSTRUCTION CONTRACTS

Owing to the initial application of IFRS 15, receivables from construction contracts and service transactions, which pursuant to IFRS 15 are subject to period-based sales revenue recognition, are now reported in the balance sheet under the position "Contract assets". In addition, the contract assets also include those unfinished and finished goods which, owing to customised production, according to IFRS 15 are also subject to period-based sales revenue recognition.

The contract assets are thus divided as follows:

in EUR k	31.12.2018	1.1.2018
Unfinished customised goods (serial production)	12,768	12,509
Finished customised goods (serial production)	17,848	18,089
Tooling and engineering activities	55,876	43,050
<b>Contract assets</b>	<b>86,491</b>	<b>73,648</b>

The contract liabilities totalling EUR 2,382 k (1.1.2018: EUR 4,802 k) consist of advance payments received concerning tooling and engineering activities. In the 2018 financial year, the sum of EUR 4,802 k reported as contract liabilities at the beginning of the period was recognised as sales revenue.

As permitted by IFRS 15, no information is provided regarding the outstanding payment obligations as at 31 December 2018 which have an anticipated, original term of one year or less.

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 contract assets as at 31 December 2018 was influenced by a value impairment of EUR 1,314 k.

With regard to the contract assets and expected purchase volumes from contracts with customers, which in the course of the contractual period are reduced (amortisation receivables from tooling and engineering projects, admission fees and price reductions for ongoing orders), please see E. 14 Other receivables.

The composition of the receivables and liabilities from construction contracts is as follows:

in EUR k	31.12.2018	31.12.2017
Costs incurred up to the reporting date and allocated profits (less reported losses)	0	115,569
Less: advance payments received	0	-77,321
Recognised as receivables or liabilities in the financial statements	0	38,248
Receivables from realised tooling and engineering sales, where these exceed the advance payments received	0	43,050
Advance payments received for tooling and engineering projects, where these exceed the realised revenues	0	-4,802
<b>Total</b>	<b>0</b>	<b>38,248</b>

### 14. OTHER CURRENT RECEIVABLES

The other current receivables contain the following contract assets:

in EUR k	31.12.2018	1.1.2018
Amortisation receivables	4,802	5,457
Admission fees	8,876	5,135
Price reductions on ongoing contracts	3,427	1,315
<b>Total</b>	<b>17,105</b>	<b>11,907</b>

At the latest, the realisation of contract 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 5,433 k (previous year: EUR 5,217 k) represent financial receivables.



Owing to the low default quotas of the past, default risk for contract 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. CURRENT INTEREST-BEARING RECEIVABLES

The current interest-bearing receivables derive mainly from Boshoku Automotive and result from the sale of the interior systems business area. In the course of the 2018 financial year, the lawsuit was concluded successfully through an out-of-court settlement.

## 16. 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.

## 17. FINANCIAL ASSETS

In the valuation categories contained in IFRS 9 as at 31 December 2018 and 31 December 2017 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 largely 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.

## 18. GROUP EQUITY

On the balance sheet date POLYTEC Holding AG share capital amounted to EUR 22,330 k (previous year: EUR 22,330 k) divided into 22,329,585 ordinary shares (previous year: 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 2,799 k (previous year: EUR 6,180 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
<b>31.12.2017</b>	<b>22,329,585</b>	<b>-334,041</b>	<b>21,995,544</b>
Change in treasury share portfolio	0	0	0
<b>31.12.2018</b>	<b>22,329,585</b>	<b>-334,041</b>	<b>21,995,544</b>

Authorised capital was agreed with the passing of a resolution by the Annual General Meeting held on 19 May 2016. 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.

The capital reserves emanate 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	31.12.2018	31.12.2017
Non-current assets	17,558	17,211
Current assets	10,901	8,165
Non-current liabilities	-611	-627
Current liabilities	-3,306	-3,197
<b>Net assets</b>	<b>24,542</b>	<b>21,551</b>
Share of equity/voting rights non-controlling interests	30%	30%
Carrying amount of interests without controlling influence	7,363	6,465
Pro rata profit of interests without a controlling interest	897	716
Pro rata other comprehensive income of interests without a controlling interest	0	0
Dividends on interests without a controlling interest	0	540

in EUR k	2018	2017
Cash flow from operating activities	2,753	4,173
Cash flow from investing activities	-1,213	-1,357
Cash flow from financing activities	197	-2,710

## INFORMATION CONCERNING CAPITAL MANAGEMENT

The main objectives of the POLYTEC GROUP's capital management strategy are to safeguard business operations, increase goodwill, provide a solid capital basis to finance a profitable growth path and guarantee 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	31.12.2018	31.12.2017
Total equity	238,007	217,493
Balance sheet total	557,636	516,453
<b>Equity ratio</b>	<b>42.7%</b>	<b>42.1%</b>

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 main 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 aims 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	31.12.2018	31.12.2017
Financial liabilities <sup>1)</sup>	175,383	139,932
- Cash and cash equivalents	73,572	56,899
- Interest-bearing receivables	0	4,286
<b>Net financial liabilities (-)/(+) assets</b>	<b>-101,811</b>	<b>-78,747</b>
/ Equity carrying amount	238,007	217,493
<b>Gearing</b>	<b>0.43</b>	<b>0.36</b>

<sup>1)</sup> Non-current and current interest-bearing liabilities

Net financial liabilities increased largely due to the issue of promissory note loans, which amongst other purposes were employed for the financing of investments and working capital in the course of customer projects. The higher level of cash and cash equivalents could not fully compensate for a rise in the gearing ratio to a value of 0.43.

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 other 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	2018	2017
Average capital employed	341,770	297,495
EBIT	40,073	55,078
<b>Return on capital employed (in %)</b>	<b>11.7</b>	<b>18.5</b>

The ROCE target amounts to at least 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 (net income after income taxes and non-controlling interests) by the weighted average number of ordinary shares outstanding during the reporting period.

	Unit	2018	2017
Net income after income taxes and non-controlling interests	EUR k	29,120	38,244
Average number of ordinary shares issued	Shares	22,329,585	22,329,585
Average number of 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	1.32	1.74

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 2018 provide the basis for the payment of a dividend.

At the Ordinary Annual General Meeting held on 16 May 2018, a resolution was passed approving the payment of a dividend of EUR 0.45 per share for the 2017 financial year (dividend payment date: 24 May 2018).

The Board of Directors of POLYTEC Holding AG will propose to the Annual General Meeting the payment of a dividend of EUR 0.40 per share for the 2018 financial year.

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 liabilities with a residual term of more than one year and can be structured as follows:

in EUR k	31.12.2018	31.12.2017
Promissory note loans	115,739	108,261
thereof with a residual term > 5 years	21,000	9,000
Bank loans	11,255	17,242
thereof with a residual term > 5 years	161	998
thereof with collateral securities	7,482	11,695
Other interest-bearing liabilities	0	516
thereof with a residual term > 5 years	0	0
<b>Interest-bearing financial liabilities</b>	<b>126,994</b>	<b>126,019</b>
Leasing liabilities	52	313
thereof with a residual term > 5 years	0	0
<b>Total</b>	<b>127,046</b>	<b>126,332</b>

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

in EUR k	2018		2017	
	Share %	Average nominal interest	Share %	Average nominal interest
EUR	99.0	1.56	98.7	1.71
GBP	1.0	2.15	1.3	2.15

In the 2014 financial year, the POLYTEC GROUP issued a EUR 100,000 k promissory note loan with agreed terms of five and seven years and respective fixed and floating interest rates.

In March 2017, the outstanding variable percentage of the 2014 promissory note loan amounting to EUR 36,500 k was repaid prematurely and refinanced with the issue of a new promissory note loan to the value of EUR 45,000 k. Payment of the volume increase was made via a net settlement of EUR 8,500 k. This was again issued in four instalments with terms of five and seven years and respective fixed and floating interest rates.

At the beginning of November 2018, the POLYTEC GROUP issued another promissory note loan for a sum of EUR 47,000 k. This consists of four instalments with terms of five, seven and ten years. An instalment bearing variable interest was issued for all periods to maturity and in addition, a fixed interest instalment was issued for the five-year maturity period.

In January 2019, POLYTEC Holding AG issued a promissory note loan instalment of EUR 28,500 k bearing variable interest and a term of five years. The remaining instalments of the promissory note loan totalling EUR 47,000 k were already issued in November 2018.

## 21. OBLIGATIONS TO EMPLOYEES

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

in EUR k	31.12.2018	31.12.2017
Provisions for severance payments	3,474	3,822
Provisions for pensions	21,442	21,202
Provisions for long-service payments	2,171	1,977
Other non-current provisions	361	277
<b>Total</b>	<b>27,447</b>	<b>27,278</b>

The anticipated payments for the obligations to employees in the 2019 financial year amount to EUR 1,449 k.

## PROVISIONS FOR PENSIONS

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

in EUR k	2018			2017		
	Present value of pension obligations	Plan assets	Provision	Present value of pension obligations	Plan assets	Provision
<b>As at 1.1.</b>	<b>21,202</b>	<b>0</b>	<b>21,202</b>	<b>20,698</b>	<b>0</b>	<b>20,698</b>
Service costs	717	0	717	640	0	640
Interest expense	410	0	410	344	0	344
Change in the scope of consolidation	-113	0	-113	0	0	0
Pension payments	-856	0	-856	-858	0	-858
Actuarial gains and losses:						
Due to demographic assumptions	18	0	18	0	0	0
Due to financial assumptions	305	0	305	-393	0	-393
Due to experience-based adjustments	-241	0	-241	770	0	770
<b>As at 31.12.</b>	<b>21,442</b>	<b>0</b>	<b>21,442</b>	<b>21,202</b>	<b>0</b>	<b>21,202</b>

With regard to the most important actuarial parameters and relevant accounting principles, please refer to section D. 10.

The pension expenses for the 2018 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 between five and 36 years (previous year: five to 36 years).

in EUR k	31.12.2018	31.12.2017
Service costs	717	640
Interest expenses	410	344
<b>Total</b>	<b>1,127</b>	<b>985</b>

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

in EUR k	2018	2017
<b>Actuarial gains (+)/losses (-) as at 1.1.</b>	<b>-4,291</b>	<b>-4,028</b>
Actuarial gains (+)/losses (-) in the financial year	-59	-262
<b>Actuarial gains (+)/losses (-) as at 31.12.</b>	<b>-4,349</b>	<b>-4,291</b>

A change in interest rates of 25 basis points would have led to an increase in pension obligations of EUR 814 k (previous year: EUR 750 k), or to a decrease of EUR 767 k (previous year: EUR 795 k).

The sensitivity analysis shown above outlines hypothetical changes based on the assumptions made. Actual deviations from these assumptions may lead to other effects.

#### PROVISIONS FOR SEVERANCE PAYMENTS

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

in EUR k	2018	2017
<b>Present value of severance payments (DBO) as at 1.1.</b>	<b>3,822</b>	<b>3,887</b>
Service costs	103	-30
Interest expenses	56	56
Severance payments	-73	-121
Actuarial gains and losses:		
Due to demographic assumptions	-25	10
Due to financial assumptions	-65	0
Due to experience-based adjustments	-344	19
<b>Present value of severance payments (DBO) as at 31.12.</b>	<b>3,474</b>	<b>3,822</b>

With regard to the most important actuarial parameters and relevant accounting principles, please refer to section D. 10.

Total severance costs in the 2018 financial year are divided between defined contributions and defined benefit plans, whereby the service costs included in personnel expenses are reported under the item "Expenses for severance payments and pension provisions" and the interest expense is reported in the financial result under "Interest components 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 between four and 13 years (previous year: five and twelve years).

in EUR k	2018	2017
<b>Contribution-oriented plans</b>		
<b>Expense for contribution-oriented plans</b>	<b>273</b>	<b>250</b>
<b>Defined benefit plans</b>		
Service costs	103	-30
Interest expenses	56	56
<b>Expense for defined benefit plans</b>	<b>159</b>	<b>27</b>
<b>Expense for severance payments</b>	<b>432</b>	<b>277</b>

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

in EUR k	2018	2017
<b>Actuarial gains (+)/losses (-) as at 1.1.</b>	<b>-584</b>	<b>-563</b>
Actuarial gains (+)/losses (-) in the financial year	326	-22
<b>Actuarial gains (+)/losses (-) as at 31.12.</b>	<b>-259</b>	<b>-584</b>

A change in interest rates of 25 basis points would have led to an increase in severance payment obligations of EUR 82 k (previous year: EUR 86 k), or to a decrease of EUR 79 k (previous year: EUR 89 k).

The sensitivity analysis shown above outlines hypothetical changes based on the assumptions made. Actual deviations from these assumptions may lead to other effects.

#### PROVISION FOR LONG-SERVICE PAYMENTS

The provision developed over time as follows:

in EUR k	2018	2017
Present value of the defined benefit obligation =		
<b>Provision for long-service payments</b>	<b>2,171</b>	<b>1,977</b>

Total expenses for long-service payments for the financial year amounted to EUR 194 k (previous year: EUR 0 k).

**22. OTHER NON-CURRENT PROVISIONS**

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
<b>Total</b>	<b>11,863</b>	<b>-7,433</b>	<b>0</b>	<b>4,430</b>

in EUR k	As at 1.1.2017	Reclassifi- cations	Alloca- tions	As at 31.12.2017
Impending losses and risks	10,198	-3,241	0	6,957
Other	0	0	4,906	4,906
<b>Total</b>	<b>10,198</b>	<b>-3,241</b>	<b>4,906</b>	<b>11,863</b>

In the preceding year, the other provisions contained provisions for personnel relating to the planned plant closures.

**23. CURRENT INTEREST-BEARING LIABILITIES**

in EUR k	31.12.2018	31.12.2017
Liabilities to banks	0	613
Bank loans	7,417	10,851
Other interest-bearing liabilities	661	161
Liabilities from promissory note loans	40,115	545
<b>Interest-bearing current financial liabilities</b>	<b>48,192</b>	<b>12,169</b>
Leasing liabilities	144	1,431
<b>Total</b>	<b>48,337</b>	<b>13,600</b>

**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 office. Liabilities developed as follows:

in EUR k	2018	2017
As at 1.1. of the financial year	2,758	6,752
Currency translations differences	0	-26
Use for tax payments	-2,732	-3,761
Release	-26	-833
Addition in the financial year	1,622	626
<b>As at 31.12. of the financial year</b>	<b>1,622</b>	<b>2,758</b>

**25. LIABILITIES FROM TRADE ACCOUNTS PAYABLE**

in EUR k	31.12.2018	31.12.2017
Liabilities from trade accounts payable	54,306	54,054
<b>Financial trade accounts payable liabilities</b>	<b>54,306</b>	<b>54,054</b>

**26. OTHER CURRENT LIABILITIES**

in EUR k	31.12.2018	31.12.2017
Liabilities to employees	3,048	3,094
Provision for outstanding incoming invoices	1,575	2,097
Other liabilities	3,371	3,600
<b>Other current financial liabilities</b>	<b>7,994</b>	<b>8,792</b>
Accrual for unclaimed leave	4,930	5,511
Other tax liabilities	5,297	5,190
Social security liabilities	1,871	1,896
Deferred charges	2,590	3,029
Deferral to other personnel expenses	5,915	8,508
<b>Total</b>	<b>28,597</b>	<b>32,927</b>

For an explanation regarding the adjustment to the amounts for the previous year amounting to EUR 8,508 k, see D. 19 Reporting.

## 27. CURRENT PROVISIONS

in EUR k	Balance as at 1.1.2018	Currency translation	Transfers	Reclassification	Utilisation	Release	Addition	Balance as at 31.12.2018
Personnel-related accruals	0 <sup>1)</sup>	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
<b>Total</b>	<b>22,267<sup>1)</sup></b>	<b>36</b>	<b>-937</b>	<b>7,433</b>	<b>13,528</b>	<b>6,099</b>	<b>10,462</b>	<b>19,634</b>

<sup>1)</sup> Previous year adjusted

in EUR k	Balance as at 1.1.2017	Currency translation	Transfers	Reclassification	Utilisation	Release	Addition	Balance as at 31.12.2017
Personnel-related accruals	6,292	-13	0	0	6,292	81	8,601	8,507
Provision for impending losses and risks	7,930	1	0	3,241	5,222	1,250	1,270	5,970
Guarantees and warranties	2,867	1	0	0	742	1,257	838	1,707
Other current provisions	17,115	-66	-2,026	0	5,549	1,939	7,056	14,591
<b>Total</b>	<b>34,204</b>	<b>-77</b>	<b>-2,026</b>	<b>3,241</b>	<b>17,805</b>	<b>4,527</b>	<b>17,765</b>	<b>30,775</b>

The reclassifications relate to the changing recognition of non-current and current provisions. The transfers relate to the changing disclosure regarding the other current liabilities.

The personnel-related accruals contain restructuring provisions for planned plant closures.

Among other sums, the other current provisions contain provisions for customer reclamations totalling EUR 7,884 k (previous year: EUR 8,171 k), retirement obligations of EUR 1,571 k (previous year: EUR 1,203 k) and legal risks amounting to EUR 877 k (previous year: EUR 1,709 k).

## 28. FINANCIAL LIABILITIES

In accordance with IFRS 9, the financial liabilities comprise the non-current and current liabilities disclosed in the consolidated balance sheet, as well as interest-bearing current liabilities, trade accounts payable and other current financial liabilities. The interest-bearing liabilities contain liabilities from financial leasing relationships amounting to EUR 196 k (previous year: EUR 1,745 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". The derivative financial instruments are classified as "Financial liabilities designated at fair value through profit or loss".

Apart from the derivative financial contracts (Level 2) totalling EUR 343 k (previous year: EUR 450 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 (excluding financial leasing) showed a fair value of EUR 128,568 k (previous year: EUR 127,976 k), as compared to a carrying amount in the balance sheet of EUR 126,994 k (previous year: EUR 126,019 k). On 31 December 2018, the current interest-bearing financial liabilities (excluding financial leasing) showed a fair value of EUR 49,902 k (previous year: EUR 13,799 k), as opposed to a carrying amount in the balance sheet of EUR 48,192 k (previous year: EUR 12,169 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 course of the 2018 financial year, the POLYTEC GROUP purchased technical equipment, which was not disclosed in the cash flow, as on the balance sheet date it had not yet been (fully) paid for. Offsetting occurred through the payment of liabilities from equipment investments purchased in the previous year, which are therefore taken into account in the cash flow for this financial year. As a result, in the 2018 financial year, the cash flow from investing activities increased by EUR 404 k (previous year: EUR -861 k).

### OTHER NON-CASH EXPENSES AND INCOME

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

### INTEREST PAID AND RECEIVED

The interest received contains payments of EUR 1,072 k (previous year: EUR 0 k) which already constituted interest earnings in previous years.

### CHANGES TO FINANCIAL LIABILITIES

The difference between the change in the carrying value of the financial liabilities and the payment flows reported under group cash flow from financing activities results largely from foreign currency translation totalling minus EUR 266 k (previous year: EUR -268 k).

## G. OTHER INFORMATION

### 1. EVENTS AFTER THE BALANCE SHEET DATE

All 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 (Contingencies and Events Occurring after the Balance Sheet Date) have been allowed for in these consolidated financial statements.

### 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. IATF 16949:2016 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 supplier industry constitutes a market that is seen as highly competitive and is also currently undergoing a consolidation process. Sales volumes are primarily dependent upon the acquisition of new orders, which are usually placed two to three years prior to series production. During this order acquisition phase, suppliers face strong competition regarding the best conditions. Once series production commences the supplier is also reliant upon the sales of the vehicle for which it is providing the components, but is unable to influence its success. Furthermore, OEMs subject suppliers to permanent quality benchmarking even after the start of serial production, which may result in price demands, or in an extreme case, the loss of an order.

**Volume risk.** This emanates from unplanned demand volatility and part quantity development. The unplanned call-offs of part quantities can result in two types of problem, the first of which is formed by capacity bottlenecks, which may lead to delayed deliveries and hence reputation 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.

#### **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. On the sales side this risk is countered by means of material fluctuation clauses in the disclosed calculations, to the degree that 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 bears 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 damage to 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, digitisation offensive, etc.), as well as the continual preparation of organisational measures for enhanced process quality.

#### **FINANCIAL RISKS, THEIR MANAGEMENT AND SENSITIVITY**

**Credit risk.** Due 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 2018 financial year, approximately 58% (previous year: 56%) 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 different automotive brands. 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. In individual cases, credit insurance is used on the basis of the constant monitoring of accounts receivable. As at the reporting date, a credit insurance agreement was in place, which insured trade accounts receivable of EUR 50,709 k (previous year: EUR 62,612 k). Therefore, the theoretical risk of non-payment amounts to EUR 185,928 k (previous year: EUR 125,781 k).

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

in EUR k	Gross amount	Impairment provisions	Overdue but not impaired in days			
			up to 60	60 to 120	120 to 360	over 360
31.12.2018						
Trade accounts receivable	56,846	2,810	10,239	2,502	1,902	1,448
Interest-bearing receivables	0	0	0	0	0	0
Contracts assets	87,896	1,405	0	0	0	0
Other receivables (contract assets)	17,105	0	0	0	0	0
Other financial receivables	5,433	0	0	0	0	0

On 31 December 2017, the analysis of overdue, but not impaired trade accounts receivable, as well as the other financial receivables, presented the following picture:

in EUR k	Total	Neither overdue nor impaired	Overdue but not impaired in days			
			up to 60	60 to 120	120 to 360	over 360
31.12.2017						
Trade accounts receivable	67,035	51,833	10,332	2,172	1,376	1,322
Interest-bearing receivables	4,286	0	0	0	0	4,286
Other financial receivables	17,125	17,125	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. The liquidity risk is managed actively by group headquarters.

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 value 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
<b>Total</b>	<b>237,340</b>	<b>245,110</b>	<b>112,440</b>	<b>111,180</b>	<b>21,490</b>

in EUR k	Carrying value as of 31.12.2017	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	108,806	114,798	1,884	103,774	9,140
Bank loans and other interest-bearing liabilities	29,381	26,625	10,777	14,836	1,012
Financial leasing	1,745	1,956	1,530	426	0
Trade accounts payable	54,054	54,054	54,054	0	0
Other current liabilities	8,343	8,343	8,343	0	0
<b>Total</b>	<b>202,329</b>	<b>205,776</b>	<b>76,588</b>	<b>119,036</b>	<b>10,152</b>

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 bulk 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. The POLYTEC GROUP counters this risk, when necessary, through hedging transactions, but above all through natural hedge positions.

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	31.12.2018		
	In euros	In foreign currency	Total
Trade accounts receivable	43,665	10,371	54,036
Receivables from construction contracts	0	0	0
Other receivables	2,696	2,737	5,433
Interest-bearing receivables	0	0	0
Cash and cash equivalents	71,128	2,444	73,572
<b>Total</b>	<b>117,489</b>	<b>15,552</b>	<b>133,041</b>

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	48,336
Trade accounts payable (without advance payments)	46,910	7,395	54,306
Other current liabilities	6,586	1,409	7,994
<b>Total</b>	<b>221,688</b>	<b>15,994</b>	<b>237,682</b>

in EUR k	31.12.2017		
	In euros	In foreign currency	Total
Trade accounts receivable	52,375	14,660	67,035
Receivables from construction contracts	35,057	7,992	43,050
Other receivables (excl. prepaid expenses)	14,588	2,537	17,125
Interest-bearing receivables	4,286	0	4,286
Cash and cash equivalents	50,344	6,555	56,899
<b>Total</b>	<b>156,649</b>	<b>31,744</b>	<b>188,393</b>

in EUR k	31.12.2017		
	In euros	In foreign currency	Total
Non-current interest-bearing liabilities	126,054	278	126,332
Current interest-bearing liabilities	12,136	1,464	13,600
Trade accounts payable (without advance payments)	44,036	10,018	54,054
Other current liabilities	7,424	1,368	8,792
<b>Total</b>	<b>189,650</b>	<b>13,128</b>	<b>202,778</b>

The distribution shows that the risk to which the group is subject due to exchange rate fluctuations is very low, as both financial assets held in foreign currency totalling 10.9% (previous year: 16.9%) and the corresponding liabilities totalling 6.7% (previous year: 6.5%) 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.

During the 2018 financial year, derivatives were used for interest hedging and the following table shows the fair values, the nominal amounts and the residual periods of the outstanding derivatives at the end of the reporting period.

31.12.2018	Residual period					
	Fair value		Nominal	<1	1-5	>5
in EUR k	pos.	neg.		year	years	years
Receive floating pay fixed swaps	0	343	36,500	28,000	8,500	0
<b>Total</b>	<b>0</b>	<b>343</b>	<b>36,500</b>	<b>28,000</b>	<b>8,500</b>	<b>0</b>

31.12.2017	Residual period					
	Fair value		Nominal	<1	1-5	>5
in EUR k	pos.	neg.		year	years	years
Receive floating pay fixed swaps	0	450	36,500	0	36,500	0
<b>Total</b>	<b>0</b>	<b>450</b>	<b>36,500</b>	<b>0</b>	<b>36,500</b>	<b>0</b>

The fair values stated in the table 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	31.12.2018	31.12.2017
Promissory note loans	155,854	108,806
thereof with fixed interest	96,363	76,806
thereof with variable interest	59,491	32,000
Liabilities to banks	18,672	28,705
thereof with fixed interest	16,484	16,538
thereof with variable interest	2,188	12,167
Financial leasing	196	1,745
thereof with fixed interest	196	1,745
thereof with variable interest	0	0
Other interest-bearing liabilities	661	677
thereof with fixed interest	661	677
thereof with variable interest	0	0
<b>Total</b>	<b>175,383</b>	<b>139,932</b>
thereof with fixed interest	113,704	95,765
thereof with variable interest	61,679	44,167

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 617 k (previous year: EUR 355 k).

Interest-bearing receivables and current cash and cash equivalents contain variable interest-bearing financial assets totalling EUR 56,103 k (previous year: EUR 57,450 k). An increase/decrease in the interest rate of 100 basis points would result in an increase/decrease in interest income of approximately EUR 561 k (previous year: EUR 575 k).

**Cyber crime.** The POLYTEC GROUP is also subject to an increase in cyber crime attacks, but to date has been able to defend itself 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 of any other material risks and obligations that have not been appropriately mentioned in these consolidated financial statements or the notes.

### 3. RELATED PARTIES AND COMPANIES

Apart from the members of the Board of Directors and the Supervisory Board, related parties pursuant to IAS 24 include IMC Verwaltungsgesellschaft mbH, Hörsching, and its affiliated companies. The family Huemer is the single owner of the shares in the said companies. The conditions of business transactions conform to standard market practice.

As at the 31 December 2018 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%

#### OTHER BUSINESS RELATIONSHIPS

Until 31 December 2018, a work contract existed with IMC Verwaltungsgesellschaft mbH, Hörsching, regarding the position of a member of the Board of Directors of the POLYTEC Holding AG, Hörsching. The work contract fee in the 2018 financial year amounted to EUR 1,100 k (previous year: EUR 1,557 k) of which EUR 480 k (previous year: EUR 938 k) was unpaid on the balance sheet date.

GlobeAir AG, Hörsching, provided transport services to employees of the POLYTEC GROUP in the business year under review. As in the previous year, the volume amounted to less than EUR 200 k.

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.

As in the previous year, no provisions or expenses for doubtful or unrecoverable debts were reported in 2018 or in 2017 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 2018 financial year amounted to EUR 2,269 k (previous year: EUR 2,800 k). EUR 2,269 k (previous year: EUR 2,800 k) are attributable to short-term benefits. As in the preceding year, in the 2018 financial year no payments were made after the termination of the working relationship.

As yet unpaid variable salary components affecting the 2018 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 2018 financial year amounted to EUR 132 k (previous year: EUR 99 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:

Friedrich Huemer, Wallern  
(Chairman of the Board of Directors until 31 December 2018)

Markus Huemer, Wallern  
(Deputy Chairman of the Board of Directors until 31 December 2018; Chairman since 1 January 2019)

Peter Haidenek, Velden a. W.

Heiko Gabbert, Vechta, Germany (since 1 January 2019)

Alice Godderidge, Piberbach (until 31 July 2018)

Peter Bernscher, Linz (since 1 August 2018)

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	2018		2017	
				Direct and indirect holding %	Type of consolidation <sup>1)</sup>	Direct and indirect holding %	Type of consolidation <sup>1)</sup>
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 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 Automotive GmbH & Co KG	Lohne	GER	Polytec Holding Deutschland GmbH			100.0	KV
Polytec Automotive Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH			100.0	KO
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Plastics Germany GmbH & Co KG <sup>2)</sup>	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Plastics Idstein GmbH & Co KG <sup>2)</sup>	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 <sup>2)</sup>	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds GmbH & Co. KG <sup>2)</sup>	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 <sup>2)</sup>	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
Newplastics, S.A.	Lisbon	POR	POLYTEC Composites Germany GmbH & Co KG	2.0	KOE	2.0	KOE
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	KO		

Company	Company address	Country	Shareholder	2018		2017	
				Direct and indirect holding %	Type of consolidation <sup>1)</sup>	Direct and indirect holding %	Type of consolidation <sup>1)</sup>
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

<sup>1)</sup> 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

<sup>2)</sup> 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, 18 March 2019

The Board of Directors of POLYTEC Holding AG

Markus Huemer

Chairman of the Board of Directors – CEO

Peter Haidenek

Member of the Board of Directors – CFO

Heiko Gabbert

Member of the Board of Directors – COO

Peter Bernscher

Member of the Board of Directors – CSO

# DECLARATION OF ALL LEGAL REPRESENTATIVES

## PURSUANT TO § 124 (1) 3 OF 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, 18 March 2019

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 as at 31 December 2018, the consolidated income statement and consolidated statement of comprehensive income, 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 2018, 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.

We have identified the following as key audit matters:

- Presentation and evaluation of period-based sales revenue and result realisation from contracts with customers (tooling and engineering services)
- Goodwill impairment

### EVALUATION OF PERIOD-BASED SALES REVENUE AND RESULT REALISATION FROM CONTRACTS WITH CUSTOMERS (TOOLING AND ENGINEERING SERVICES)

See notes, items D. 6, D. 15, D. 18, E. 1, E. 13.

#### Risk for the financial statements

In the consolidated financial statements of POLYTEC Holding AG as at 31 December 2018, sales revenues from contracts with customers relating to tooling and engineering services amounting to EUR 64,662 k, contract assets of EUR 55,876 k and contract liabilities of EUR 2,382 k are reported.

Where no alternative possibility for use and a right to payment including an appropriate margin exists, the sales revenues and result realisation of a contract with a customer for the production of tooling and engineering services takes place in accordance with the percentage of completion method (period-based sales revenue recognition). The stage of completion on the closing date is determined by the ratio of the contract costs incurred on the balance sheet date to the estimated total costs of the respective customer contract. The data employed as the basis for the valuation of a contract with a customer contains assumptions and estimates with regard to the anticipated project result and individual project risks.

The risk in the consolidated financial statements emanates from the incorrect recognition of the sales revenues and the related expenses, and thus also the incorrect presentation of the contract assets and liabilities.

#### **Our approach for auditing**

Our approach for auditing incorporated an assessment of the relevant, internal controls in connection with the presentation and evaluation of contracts with customers relating to tooling and engineering services as well as the sample-based examination of the anticipated contractual earnings, the scheduled overall costs of the respective customer contract and the contractual costs of individual projects incurred up to the balance sheet date, taking into account the contractual bases and current project information. In addition, we subjected internal project reporting to a critical examination in order to be able to assess if all the known information and risks had been accounted for in the course of presentation.

Furthermore, we completed an examination in order to ascertain if the required information in the notes provided all the necessary explanations in connection with contracts with customers relating to tooling and engineering services and if the material estimate uncertainties were described appropriately.

#### **GOODWILL IMPAIRMENT**

See notes, items D. 9, D. 18, E. 8.

#### **Risk for the financial statements**

As at 31 December 2018, goodwill amounted to EUR 19,180 k.

Goodwill is subjected to impairment testing at least once a year and if indications of impairment exist. 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 goodwill overvaluation.

#### **Our approach for auditing**

We compared the anticipated results and investments, which serve as the basis for evaluation, with the budget and medium-term planning prepared by the Board of Directors and approved by the Supervisory Board. In order to be able to adjudge the appropriateness of the planning, we gained an understanding of the planning process and compared the assumptions employed with past development. 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 consistent with results achieved in the past and medium-term planning development. We undertook these auditing activities in consultation with our evaluation experts.

Finally, we completed an examination in order to ascertain if the required information in the notes provided all the necessary explanations in connection with goodwill and if the material estimate uncertainties were described appropriately.

### **RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The legal representatives are 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 legal representatives are also responsible for such internal controls, as they deem 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, the legal representatives are 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 their financial reporting, except under circumstances in which the legal representatives intend to liquidate the group, cease operations, or have 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 the legal representatives.
- We prepare conclusions on the appropriateness of the legal representatives 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.

The legal representatives are 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 Annual General Meeting on 16 May 2018 and on 31 October 2018 were commissioned by the Supervisory Board with the audit of the company. We have been the auditors of the company without interruption since the consolidated financial statements as of 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 Para. 1 of the EU regulation) and that we have ensured our independence of the audited group throughout the course of the audit.

#### **RESPONSIBLE AUDITOR**

The auditor responsible for the audit contract is Căcilia Gruber.

Linz, 18 March 2019

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Căcilia Gruber  
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 2019

29 March 2019	Friday	Publication of the financial statements and annual report for 2018
30 April 2019	Tuesday	Record date "AGM"
8 May 2019	Wednesday	Publication of the interim report for Q1 2019
10 May 2019	Friday	19 <sup>th</sup> Ordinary Annual General Meeting for the 2018 financial year, Hörsching, 10:00 a.m.
15 May 2019	Wednesday	Ex-dividend day
16 May 2019	Thursday	Record date "Dividends"
17 May 2019	Friday	Dividend pay-out day
7 August 2019	Wednesday	Publication of the financial report for HY1 2019
7 November 2018	Thursday	Publication of the interim report for Q3 2019



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### 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 2018 were published on 29 March 2019 and are available for downloading on the POLYTEC Holding AG website at [www.polytec-group.com](http://www.polytec-group.com), section Investor Relations, Publications.

Editorial closing date: 18 March 2019

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# GLOSSARY

## Company and technology

ABS	Acrylonitrile butadiene styrene is a plastic suited to the coating of metals.
BEV	Battery electric vehicle: Exclusively battery driven vehicle
Blow moulding	A process for the production of hollow, thermoplastic parts (lightweight construction technology)
Business Intelligence	Procedures and processes for systematic analyses using the gathering, evaluation and presentation of data in electronic form
CAQ	Computer-aided quality
Carbon SMC	SMC with cut carbon fibres
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
Data warehouse	An optimised central database, which is used for analytical purposes and, as a rule, combines and compacts data from a variety of sources.
ERP	Enterprise resource planning: The prompt, needs-based planning and control of resources
GMT	Glass mat reinforced thermoplastics: A material combination consisting of glass fibre mats and thermoplastics
Hybrid pressing	Pressing process in which differing materials such as fibre-reinforced plastics and metals are combined to form composite components.
Impact extrusion	Forming process on the basis of the subjection of the blank to pressure
In-mould decoration/coating	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/JIS	Punctual delivery of workpieces to the assembly line in the correct sequence
Just-in-time/JIT	Punctual delivery of workpieces to the assembly line
LFT	Long fibre reinforced thermoplastics, which are used to create exceptionally tough parts
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
MHEV	Mild hybrid electric vehicle: An e-vehicle with partial hybridisation. In an MHEV, exclusively electrically powered propulsion is either infeasible or only possible to a limited extent. Therefore, the e-motor merely assists the combustion engine.
OEM	Original equipment manufacturer
PA	Polyamide: Thermoplastic with high strength, rigidity and toughness
PE	Polyethylene: Thermoplastic
PLM	Product lifecycle management: An integrated solution for the visualisation of the POLYTEC product development process (PEP) including project and task management, and design data administration
Powertrain	Drive train in a combustion engine
PP	Polypropylene: Thermoplastic
PPS	POLYTEC Performance System: The POLYTEC GROUP's lean management programme
PUR RRIM	Polyurethane reinforced reaction injection moulding
PUR/PU	Polyurethane: Plastic or synthetic resin

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**Company and technology**

SAP S4/HANA	An extended SAP standard for SAP's own SAP HANA database
SCR	Selective catalytic reduction: A technology for the reduction of nitrogen oxides in exhaust gases
SMC	Sheet moulding compound: Press mass consisting of duroplastic reactive resins and glass fibres for the production of fibre-plastic compounds
Sylothan	A POLYTEC-developed polyurethane recipe
Tier 1 supplier	Direct supplier to an OEM
TPU	Thermoplastic polyurethane: Plastic offering high resistance to dynamic forces and wear
WLTP	Worldwide harmonised light vehicles test procedure: A uniform exhaust gas testing system used globally for cars and light trucks

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**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: 5299000VSOBJNXZACW81
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







