SEMPERIT

2018

ANNUAL REPORT

Solid balance-sheet structure

43% equity ratio

EUR **879**
million revenue

EUR **50**
million operating EBITDA

Leading market position with strong brands for

195 years

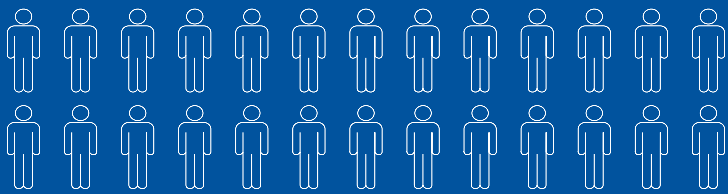
SEMPERIT

International group, which develops, produces and sells highly specialised products made of rubber in the Industrial and Medical Sectors

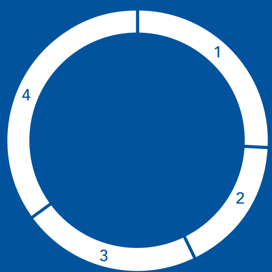
Worldwide presence

Distribution in more than 100 countries

6,773 employees

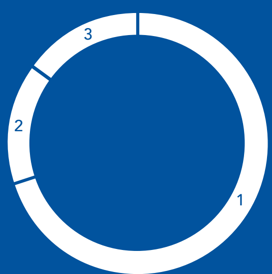


Revenue split by segment



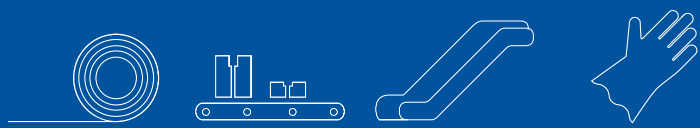
1. Semperflex **26%**
2. Sempertrans **17%**
3. Semperform **22%**
4. Sempermed **35%**

Revenue split by region



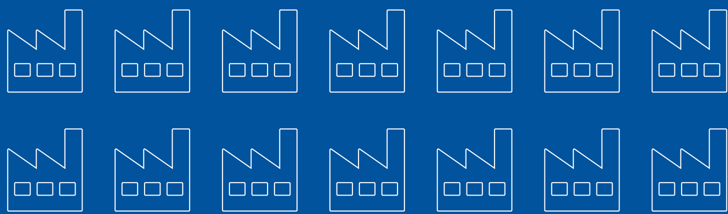
1. Europe **70%**
2. North and South America **15%**
3. Asia, Africa and other countries **15%**

Balanced portfolio



Semperflex Sempertrans Semperform Sempermed

14 production sites worldwide



ANNUAL REPORT 2018

SEMPERIT

Content

* For further information about sustainability and employees please refer to the Sustainability Report 2018, online available at: www.semperitgroup.com/en/sustainability/.

Key performance figures

in EUR million	2018[1]	Change	2017[1]	2016	2015[2]	2014[3]	2013
Revenue	878.5	+0.5%	874.2	852.4	914.7	858.3	906.3
EBITDA	46.4	–53.7%	100.2	77.9	96.2	101.9	132.5
EBITDA margin	5.3%	–6.2 PP	11.5%	9.1%	10.5%	11.9%	14.6%
EBIT	–47.7	–	37.6	27.3	66.7	63.8	87.8
EBIT margin	–5.4%	–9.7 PP	4.3%	3.2%	7.3%	7.4%	9.7%
Earnings after tax	–80.4	>100%	–26.3	–8.8	46.4	37.8	54.9
Earnings per share (EPS)[4], in EUR	–4.13	>100%	–1.25	–0.43	2.26	1.85	2.65
Gross cashflow[5]	37.4	–5.3%	39.5	48.1	55.7	89.9	116.2
Return on equity	–24.2%	–15.0 PP	–9.2%	–2.7%	12.8%	8.6%	13.3%

Balance sheet key figures

in EUR million	2018	Change	2017	2016	2015	2014	2013
Balance sheet total	768.8	–9.9%	853.2	1,034.5	937.8	826.3	852.1
Equity[4]	329.5	+18.3%	278.5	329.3	363.3	443.8	411.5
Equity ratio	42.9%	+10.3 PP	32.6%	31.8%	38.7%	53.7%	48.3%
Investments in tangible and intangible assets	80.8	+8.6%	74.5	65.1	71.8	67.4	49.7
Employees (at balance sheet date)	6,773	–1.0%	6,838	6,974	7,053	6,888	10,276

Sector and segment key figures

in EUR million	2018	Change	2017	2016	2015	2014	2013
Industrial Sector = Semperflex + Sempertrans + Semperform							
Revenue	567.0	+5.6%	537.0	506.4	521.0	477.5	471.5
EBITDA	71.3	+66.1%	42.9	89.5	93.6	88.0	90.1
EBIT	44.6	+98.7%	22.4	70.0	77.2	66.2	67.7
Semperflex[6]							
Revenue	230.0	+11.6%	206.1	184.9	203.4	202.1	186.1
EBITDA	48.9	+21.0%	40.4	43.4	46.1	48.5	41.5
EBIT	38.4	+21.0%	31.8	35.3	38.2	36.8	29.7
Sempertrans							
Revenue	144.8	–0.8%	146.0	148.4	164.9	146.4	154.5
EBITDA	0.5	–	–16.7	15.9	23.2	20.9	23.9
EBIT	–7.1	–65.2%	–20.3	12.1	19.9	16.8	19.4
Semperform[6]							
Revenue	192.2	+3.9%	185.0	173.1	152.8	129.0	130.8
EBITDA	21.9	+13.8%	19.2	30.2	24.3	18.6	24.7
EBIT	13.2	+20.4%	11.0	22.5	19.1	12.7	18.6
Medical Sector = Sempermed							
Revenue	311.5	–7.6%	337.1	346.0	393.7	380.8	434.9
EBITDA	–3.9	–	77.9	6.6	29.4	33.5	58.7
EBIT	–69.6	–	38.0	–23.9	17.2	17.6	36.6

Note: Rounding differences in the totalling of rounded amounts and percentages may arise from the use of automatic data processing.
[1] Values adjusted for one-off effects, see table on page 35 of this report.
[2] 2015 values adjusted, see page 96f. of annual report 2016 (foreign currency adjustment).
[3] 2014 values adjusted, see page 90f. of annual report 2015 (joint venture adjustment).
[4] Earnings per share are only attributable to the core shareholders of Semperit AG Holding (excl. remuneration from hybrid capital).
[5] The comparative figures of annual report 2017 have been adjusted (see chapter 1.6).
[6] 2016 values adjusted, there was a reclassification of the business unit Sheeting from the Semperflex segment to the Semperform segment.

Foreword of the Management Board

Dear Shareholders,
Dear Sir or Madam,
For 195 years, Semperit has stood for the development, production and sale of natural and synthetic rubber products. Our portfolio, which comprises the Industrial and the Medical Sectors, enjoys high demand around the world. We are aware that a big loss has been incurred in 2018: The burden was primarily caused by the impairment in the Sempermed segment (EUR 55 million) and the shutdown of the Sempertrans production site in China (EUR 8 million). In 2018, it was necessary to intensify the extensive multi-year restructuring and transformation process to maintain and improve the international competitiveness of our Group. Our restructuring programme SemperMOVE10 aims to increase profitability, optimise production processes, reduce complexity and fundamentally modernise corporate culture. The key indicator in this context is the achievement of an EBITDA margin of 10% from the end of 2020 (run rate 2021). Our transformation programme is complemented by examining and implementing other organic and inorganic growth opportunities.

The efficiency enhancement measures within the framework of SemperMOVE10 have not stopped at any business unit and led to more than 700 cross-functional and cross-segment initiatives in the areas of World Class Manufacturing, Procurement, Quality, Pricing and focused market development by the end of 2018.

Dr. Martin Füllenbach
Chairman

These are subject to ongoing monitoring, which measures their contribution to increasing profitability.

We can already report the first substantial improvements for 2018: Semperit generated an operating EBITDA of EUR 50.3 million (2017: EUR 35.8 million), which represents a significant increase in earnings of around 41% compared with the previous year. The EBITDA margin significantly improved from 4.1% in 2017 to 5.7% in 2018. Following the closures of the Sempertrans production sites in France and China as well as the sale of the Semperflex plant in Italy, we have not only streamlined our global production footprint, but also made a significant contribution to reducing complexity at Group level. Nevertheless, against the background of the particular problem complexity in the Medical Sector, we consciously and carefully designed our transformation project for a total duration of 36 months. The structural challenges in business processes as well as in products and market approach require that time.

All the more gratifying are the noticeable restructuring successes in the Industrial Sector. Its remarkable revenue growth of 5.6% in 2018 was significantly above the global growth rate of 3.7% for 2018. Semperflex accounted for the largest share of total revenue of EUR 567.0 million in the Industrial Sector, followed by Semperform. Operating EBITDA increased from EUR 57.6 million in 2017 to EUR 75.2 million in 2018, which corresponds to an increase of around 30%, leading to an increase in the EBITDA margin from 10.7% to 13.3%. With another capacity expansion to 100 million metres at our Semperflex production plant for hydraulic hoses in Odry, Czech Republic, Semperit not only has the most modern, but also the most efficient plant in Europe. The economic environment for Semperflex is friendly, although at the end of the year there were first signs of a weakening economy in the order books. At the same time, the transformation of the production of the Sempertrans site in Bełchatów, Poland, has progressed successfully. In the Semperform segment, the optimisation measures led to an improvement in profitability; in addition, numerous initiatives have been taken to increase customer satisfaction.

We are also pleased to report on successful market innovations in our segments of the Industrial Sector. These include the development of a new LPG hose for the automotive industry. Our team at Sempertrans has developed a new cover grade with 20% higher cut and gouge resistance, compared to premium standardized covers, while achieving also an abrasion resistance on an excellent high level.The development and approval of conveyor belts for underground mining in Australia, the USA and Canada are also worth mentioning. Semperform has bought to market, among other things, certified seals for use in drinking water (free of poly-aromatic hydrocarbons) and in fire protection systems.

In the medical sector, however, we still have considerable hurdles to overcome. It is not only necessary to work on the quality of products and processes, but also on the efficiency of machinery and equipment, as well as a reduction in raw material consumption. In addition, we were exposed to a very aggressive market environment. The impairment requirement of EUR 55 million identified in August 2018 also had a negative impact on the Group's annual earnings (earnings after tax). In the Medical Sector, we recorded a revenue decline of 7.6%, which was mainly characterised by the focus on the sale of gloves from our own production and therefore a decline in trade goods sold. Operating EBITDA decreased from EUR 1.8 million

Felix Fremerey
Member of the Management Board

in 2017 to EUR –3.9 million in 2018. In terms of product innovation, a new 3-gram glove was developed in the Medical Sector.

When implementing our projects and initiatives, we have relied on internal resources and highly specialised external know-how since the turn of the year – for example in the field of optimising production processes in the Sempermed segment. The comprehensive external consulting services that we used in the first phase of the restructuring programme expired at the end of 2018 and were transferred to the operating divisions. In 2019, our strategic focus will increasingly be on profitable growth, although restructuring measures will continue to be necessary.

Thanks to competent and motivated employees, the Semperit Group can position itself better and better for the future. We would like to take this opportunity to thank them for their continued high commitment and exceptional performance.

In implementing our strategies, ideas and visions, we can build on a solid profitability and stable capital structure, not least through the support of our majority shareholder and the raising of hybrid capital amounting to EUR 130 million in March 2018.

In addition, we pay special attention to a balanced and cost-efficient use of funds. For example, the economic use of our operating cash flow will secure the successful development of the Semperit Group in the future as well. For 2019, we plan to invest around EUR 40 million, far less than the EUR 81 million in 2018. After several years of increased expansion, we want to move investments back towards the annual depreciation amount.

Frank Gumbinger
CFO

Our net debt was also significantly reduced to EUR 113 million at the end of 2018, with a net debt ratio (net debt/EBITDA) of 2.4 and an equity ratio of 42.9%, which is within our target range. These include a net debt ratio of less than 3.5, an equity ratio of more than 30% and a ratio of working capital to revenue of less than 25%.

In 2019, despite the deteriorating economic conditions, we expect more operational improvements. We would like to thank all our institutional and private long-term investors for their loyalty and support over the past two years. We will continue to use all our strength and energy in 2019 to ensure that the Semperit share once again becomes an attractive investment on the Vienna Stock Exchange.

Semperit at a glance

For 195 years, the publicly listed Semperit AG Holding has been a global provider of quality products made of natural and synthetic rubber. The internationally-oriented group develops, produces and sells in more than 100 countries products for the Industrial and Medical sectors.

The roots of the Semperit Group reach back to the year 1824. At the end of 2018, around 6,800 people were employed worldwide. Semperit operates 14 production sites and sells the products in the business-to-business field using its own distribution network in Asia, Europe, North and South America as well as Australia.

The Group's most important product categories include hydraulic and industrial hoses, conveyor belts, escalator handrails, window and door profiles, cable car rings, ski foils, products for railway superstructures, examination and protective gloves as well as surgical gloves.

Company strategy

Currently, the Semperit Group is undergoing a transformation process that started in autumn 2017. Within this framework, a strategic review will take place. With significant restructuring and complexity reduction, Semperit will come upon new strength and profitability by 2020. In addition, the Management Board will deal with growth potential around the technology core and the existing market knowledge as soon as concise restructuring achievements appear.

The conclusion of the transformation of the Semperit Group is scheduled for the end of 2020. From this point of time, the Semperit Group aims to achieve an EBITDA margin of around 10% (run rate 2021) as central key performance indicator.

Sustainability

Sustainability Report:
www.semperitgroup.com
/nachhaltigkeit

For 2018, the Semperit Group has published its second sustainability report. In the course of sustainability management, six fields of activity were defined: resource management and environmental protection, occupational safety and health protection, sustainability in the supply chain, sustainable innovation, employees and society. Compliance and integrity are regarded the basis for all fields of activity. The various focuses of the fields of activity are described in more detail in the Sustainability Report.

Structure of the Semperit Group

The Semperit Group's operating business comprises the Industrial Sector, with the Semperflex, Sempertrans and Semperform segments, and the Medical Sector, with the Sempermed segment.

Industrial Sector

In the Industrial Sector, Semperit makes valuable contributions to the technical infrastructure and has a leading position in international markets. The Semperflex, Sempertrans and Semperform segments benefit from the growth in industrialisation around the world, the associated need for energy and raw materials as well as the necessary investments in the infrastructure.

Semperflex: Megatrends, product and service portfolio

The Semperflex segment develops, produces and sells hydraulic and industrial hoses worldwide. Manufacturing in the production sites in Austria, the Czech Republic, Italy, China and Thailand is based on the highest quality standards. An important milestone in 2018 was the capacity expansion at the site in Odry, Czech Republic, which implemented the highest industry standards and created numerous new jobs. The hoses produced in the Semperflex segment are used in the construction and transport industry, in mining as well as agricultural machinery such as tractors, combines and harvesters. Therefore, demand depends particularly on the extent of infrastructural investments, the prosperity of the mining and agricultural sectors as well as the advancement process in growth countries.

Semperflex's largest business unit is the Hydraulic Hose unit. Its hoses are used for the transmission of pressure and energy in powerful, heavy-duty machinery such as excavators and cranes. The Industrial Hoses unit covers a broad range of hose applications for industrial and technical requirements.

Sempertrans: Megatrends, product and service portfolio

With production facilities in Poland and India, Sempertrans is one of the largest and technologically leading manufacturers of conveyor belts worldwide. Conveyor belts are used in mining, the steel industry, the cement industry, in power stations as well as in civil engineering and in the transport industry, for example for ports. A key factor influencing business in the Sempertrans segment is the global demand for raw materials extracted by mining and transported via conveyor belts.

The Sempertrans product range comprises both textile and steel-cord conveyor belts and is therefore optimally aligned to the requirements of the respective applications. Their core product characteristics include high resistance to abrasion, heat and oil, coupled with excellent high-strength performance. Sempertrans has extensive technical expertise and a global Application Engineering Team to support customers with the design and configuration of conveyor belts.

Semperform: product and service portfolio

Semperform is one of the leading European manufacturers of moulded and extrusion products made of rubber and plastic. The comprehensive product portfolio comprises, elastomer and insulation profiles for windows, doors and facades, escalator handrails, vibration-reducing foils for skis and snowboards, custom moulded parts and rubber rings for ropeways. Tailored products are manufactured at production sites in Austria, Germany, Hungary and China. The Semperform segment operates mainly in Europe and is successfully positioned in market niches.

The business unit Profiles is Semperform's largest business area and includes seals for windows, doors and facades. Its success depends on investments into infrastructure and business trends in the construction industry.

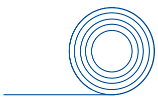
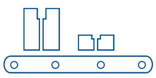
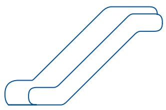
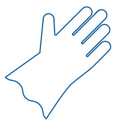
Customer-specific injection moulding items for sealing and absorbing purposes are included in the Semperit Engineered Solutions unit. Demand depends on the development of the construction and industry sectors as well as railway superstructures.

The Handrail unit manufactures escalator handrails. The course of business is particularly influenced by investments in infrastructure and urbanisation.

Elastomer and wear-resistant sheeting are manufactured in the business unit Sheeting. Elastomer sheeting is primarily sold to punching companies and technical traders for producing all kinds of seals. Wear-resistant sheeting is used for lining, among other things.

Cable car rings as well as ski and snowboard foils are produced in the business unit Special Applications.

Structure of Semperit Group

Sectors	Industrial			Medical
Segments	Semperflex	Sempertrans	Semperform	Sempermed
Product groups and market positions	 **Hydraulic hoses** # 3 globally/ leader in hose only **Industrial hoses** # 2-3 in Europe	 **Conveyor belts** One of the leading suppliers	 Leading position in **construction** (profiles, piping, gaskets) and **infrastructure** (handrail, sheave liners, rail track) business with European focus	 **Examination and protective gloves** Among the top 10 glovemakers in the world **Surgical gloves** Leading position in Europe

Medical Sector/Sempermed: Megatrends, product and service portfolio

The Medical Sector benefits from the continuous increase in the demand for examination, protective and surgical gloves, which is largely independent of economic cycles.

Sempermed is one of the leading manufacturers of examination and surgical gloves in the medical area as well as of protective gloves in the industrial area. Sempermed's research centre constantly develops and tests new products in close cooperation with users and experts. Sempermed has produced gloves in top quality for almost 100 years and as the global technology leader has set standards in quality and innovation. Gloves are produced at Sempermed sites in Malaysia (examination and protective gloves) as well as Austria (surgical gloves).

Demand for examination, protective and surgical gloves is oriented towards global megatrends such as the increasing health and hygiene requirements. The forecast increase in world population as well as the generally higher demand for medical products and services due to the demographic change are of importance.

In recent years, the global demand for examination, protective and surgical gloves has increased at an average rate between 5% and 6% annually. Worldwide annual consumption is currently approximately 200 billion units for examination and protective gloves (single counting) and 2.5 billion units for surgical gloves.

SEMPERMED

1 Vienna, Austria
Marketing and sales office

2 Wimpassing, Austria
Technology and innovation centre, production of surgical gloves

4 Sopron, Hungary
Packaging of surgical gloves, quality control

7 Waldböckelheim, Germany
Sales offices

10 Allershausen, Germany
Sterilisation of surgical gloves

22 Shanghai, China
Quality management and sales office

24 Kamunting, Malaysia
Production of latex and nitrile exam gloves

25 Nilai, Malaysia
Production of porcelain dip mouldings for glove production

26 Singapore
Segment management, sales office and supply chain management

30 Bridgeton, New Jersey, USA
Distribution centre

31 Clearwater, Florida, USA
Sales office and distribution centre

32 Coppell, Texas, USA
Distribution centre

33 Ontario, California, USA
Distribution centre

3 Budapest, Hungary

SEMPERFLEX

2 Wimpassing, Austria
Technology centre, production of steel-reinforced spiral hydraulic hoses, mandrel built industrial hoses

5 Odry, Czech Republic
Production of long-length industrial hoses, mandrel build hoses, steel-reinforced wire braided hydraulic, spiral hydraulic and pressure washer hoses (Europe's largest manufacturer of hydraulic and industrial hoses), Hydraulic Hose Testing Centre

7 Waldböckelheim, Germany
Sales of hydraulic hoses in Germany, expert centre for complete high-pressure hose systems

18 Mumbai, India
Sales office

22 Shanghai, China
Production of steel-reinforced wire braided hydraulic and pressure washer hoses for the Chinese market, Hydraulic Hose Testing Centre

23 Hat Yai, Thailand
Production of steel-reinforced wire braided hydraulic, spiral hydraulic and pressure washer hoses (one of the largest hose plants in Asia), Hydraulic Hose Testing Centre

26 Singapore
Sales office

29 Fair Lawn, New Jersey, USA
Sales office

SEMPERTRANS

1 Vienna, Austria
Segment management and sales office

2 Wimpassing, Austria
Technology and innovation centre

9 Moers, Germany
Application engineering centre, sales office

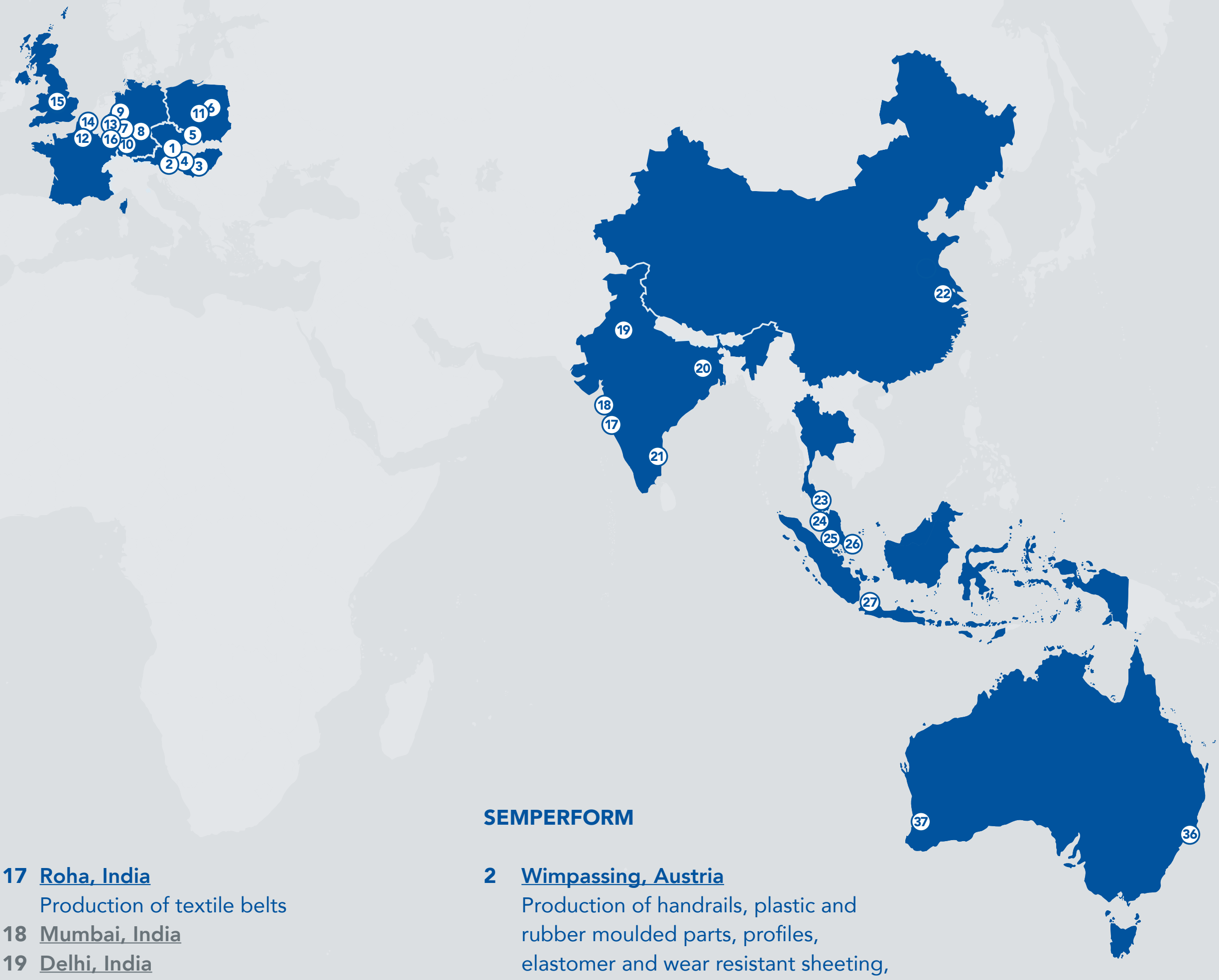
11 Bełchatów, Poland
Sales and production of heavy-duty steel and textile cord belts as well as cables for conveyor belts, development centre

6 Warsaw, Poland
Sales office

12 Levallois, France
Sales office

14 Béthune, France
Sales, installation and maintenance of conveyor belts, warehouse and distribution

Global presence of Semperit Group[1)]



17 Roha, India
Production of textile belts

18 Mumbai, India

19 Delhi, India

20 Kolkata, India

21 Chennai, India
Sales offices

27 Jakarta, Indonesia
Sales office

35 Querétaro, Mexico
Sales office

34 Atlanta, Georgia, USA
Sales office, customer service, distribution centre

28 Winnipeg, Canada
Sales office

36 Thornton, NSW, Australia
Sales office

37 Perth, WA, Australia
Sales office

SEMPERFORM

2 Wimpassing, Austria
Production of handrails, plastic and rubber moulded parts, profiles, elastomer and wear resistant sheeting, technology centre

4 Sopron, Hungary
Production of rubber moulded parts

8 Deggendorf, Germany
Production of profiles for window and facade construction

13 Hückelhoven, Germany
Production of profiles for window and facade construction

16 Dalheim, Germany
Production of profiles for industrial applications

12 Levallois, France
Sales office

15 Birmingham, Great Britain
Sales office

22 Shanghai, China
Production and sales of handrails

26 Singapore
Sales office

29 Fair Lawn, New Jersey, USA
Warehouse and sales office for handrails

HEADQUARTERS

1 Vienna, Austria
Corporate headquarters
Semperit AG Holding

Production sites/other sites

1) Status of 28/02/2019

Investor Relations

With a stock market listing that dates back to 1890, Semperit is one of the oldest stocks trading on the Vienna stock exchange.

Performance of the Semperit share

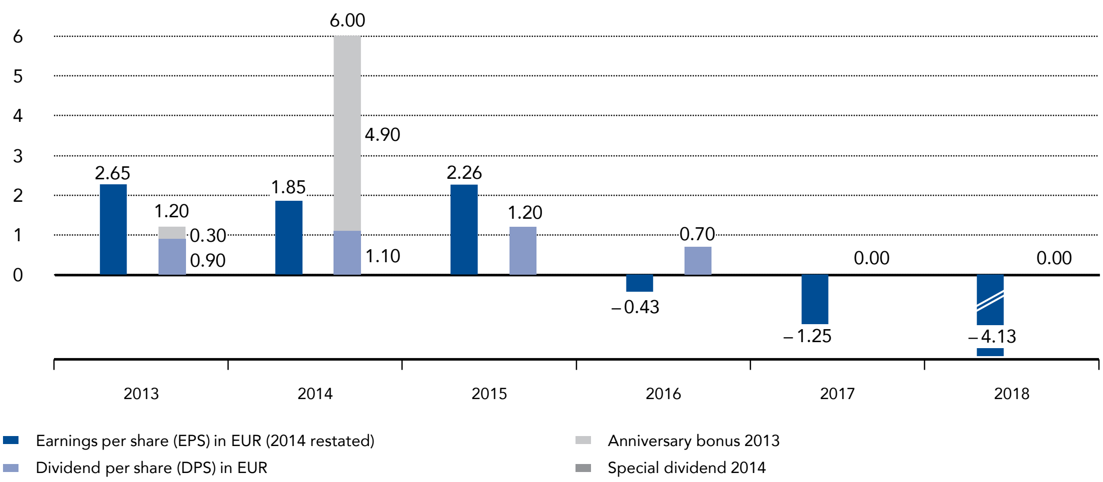
Starting from the closing price of EUR 22.10 in 2017, the Semperit share increased and reached an annual high of EUR 24.10 at the beginning of January. Following the announcement of a multi-year restructuring of the Group and the suspension of the dividend in January 2018, the share fell to EUR 9.95 by the end of December 2018. In the meantime, there was a recovery in the months of March and April up to 20.80 EUR in mid-May. After that, there was an almost continuous downtrend. Since the beginning of 2019, there has been a recovery to EUR 14.38 in mid-January. Thereafter, the share fell to EUR 12.40 by mid-March.

At the end of 2018, market capitalisation totalled EUR 205 million, compared with EUR 455 million at the end of 2017. The average daily trading volume of Semperit shares was EUR 281 thousand or more than 17,000 units during 2018, a decrease of 45.8% / 15.7% compared with 2017.

Dividend

Semperit's dividend policy provides for paying out approximately 50% of earnings after tax to the shareholders – assuming continued successful performance and that no unusual circumstances occur. Due to negative earnings after tax and the continued restructuring and transformation process, the Management Board will not propose a dividend (previous year: also, no dividend) at the Annual General Meeting on 8 May 2019.

EPS and DPS



Communication with the capital market

Investor Relations online: www.semperitgroup.com/en/ir

The Semperit Group intends to provide current and potential shareholders with a complete picture of the company's business performance through a transparent and prompt communications policy. This should enable an accurate valuation of Semperit shares on the markets and facilitate a long-term relationship of trust with both shareholders and the general public.

The Chairman of the Management Board, the Chief Financial Officer and Investor Relations actively seek dialogue with key players in the financial markets. The focus was on participating in conferences and roadshows in European financial centres. Conversely, institutional investors participated in meetings in Vienna and toured the core production facility in Wimpassing. Analysts of the following institutions report on Semperit: Baader Bank, Erste Bank, HSBC, Kepler Cheuvreux and Raiffeisen Centrobank (RCB). The Investor Relations website plays an important role in communication. In addition to financial reports and presentations, it also provides a share chart tool for comparing with indices and selected shares.

Semperit share at a glance

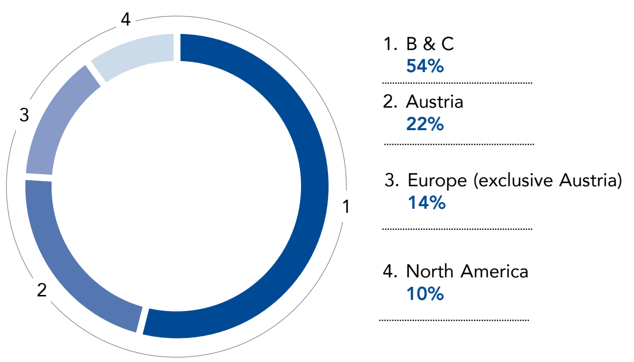
		1.1. – 31.12.2018	Change	1.1. – 31.12.2017
Price at balance sheet date	in EUR	9.96	–54.9%	22.10
Lowest price	in EUR	9.95	–55.0%	22.10
Highest price	in EUR	24.10	–21.5%	30.70
Market capitalisation at balance sheet date	in EUR million	204.9	–54.9%	454.7
Number of shares issued	in unit	20,573,434	–	20,573,434
Earnings per share (EPS)[1]	in EUR	–4.13	> 100%	–1.25
Dividend per share	in EUR	0.00	–	0.00
Average trading volume per day[2]	in EUR thousand	281	–45.8%	518
Average traded shares per day[2]	in unit	17,103	–15.7%	20,281

[1] Attributable to the shareholders of Semperit AG Holding.
[2] Single counting

Shareholder structure

Semperit AG Holding is listed with 20,573,434 no-par value bearer shares in the Prime Market of the Vienna Stock Exchange. B & C Semperit Holding GmbH is holding 50% of the shares; in total, B & C Privatstiftung has 54.18% (11,145,917 shares) of Semperit AG Holding. The B & C Privatstiftung is a private foundation which was established under Austrian law with the mission to foster Austrian entrepreneurship. The remaining shares are free float. The following chart shows the shareholder structure by country / region according to shareholder identification in 2019.

Shareholder structure



Corporate Governance Report

Austrian Corporate Governance Code

The Austrian Corporate Governance Code, a regulatory framework for the management and monitoring of Austrian joint stock companies, has been established. This code contains internationally adopted, customary standards, as well as significant related regulations stipulated in the Austrian Stock Corporation-, Stock Exchange-, and Capital Markets Acts and is based on the EU recommendations on the tasks of supervisory board members and on the remuneration of directors as well as on the principles encompassed in the OECD Guidelines for Corporate Governance. The Code is aimed at ensuring a responsible management and supervision of individual companies and groups, with the goal of creating sustainable and long-lasting value. The code seeks to create a high level of transparency for all company stakeholders.

Companies voluntarily undertake to comply with the guidelines contained in the current version of the Austrian Corporate Governance Code as amended. The version of the Corporate Governance Code that is applicable to 2018 was issued in January 2018 and can be found on the website at www.corporate-governance.at.

Statement on Corporate Governance

The Semperit Group, as an internationally operating, publicly listed company, hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and that it also intends to observe the Code in the future or justify any deviating behaviour. Semperit AG Holding complies with all legally binding L-rules (Legal Requirements). Unless otherwise declared, the C-rules (Comply-or-Explain) will be observed by the relevant bodies and the company.

Management Board

Composition and function of the Management Board

The Management Board leads the company and consists of three members. It has full responsibility for managing the company for the benefit of the enterprise while considering the interests of shareholders and employees as well as the public interest.

The Management Board's internal rules of procedure regulate the allocation of business responsibilities and the principles of cooperation between members of the Management Board. Decisions of primary importance are taken by the Board as a whole. The Management Board comprehensively and autonomously assumes communication tasks that have a significant impact on how the company is perceived by its stakeholders. Legally binding regulations, the Articles of Association, and the internal rules of procedure for the Management and Supervisory Board laid down by the Supervisory Board form the basis for corporate management.

Cooperation between the Management and Supervisory Boards

The Management Board and Supervisory Board are committed to managing the company in accordance with the principles of good corporate governance. This management takes place in open discussions between the Management Board and the Supervisory Board as well as within these corporate bodies. Among other things, the Management Board's internal rules of procedure govern the Management Board's ongoing reporting to the Supervisory Board. They also specify a catalogue of transactions and measures that, in addition to legal provisions, also require the Supervisory Board's explicit authorisation. The Supervisory Board controls the Management Board and supports it in managing the company, particularly when decisions of fundamental importance are to be made.

The strategic direction of the company is determined in close cooperation between the Management Board and the Supervisory Board and is discussed in Supervisory Board meetings held at regular intervals.

Organisationsstruktur Semperit Gruppe

Martin Füllenbach Chief Executive Officer		Frank Gumbinger Chief Financial Officer		Felix Fremerey Member of the Management Board	
Business Sector Industrial	Business Development	Finance Sectors Industrial and Medical	Accounting & Tax	Business Sector Medical	Manufacturing Engineering
Communications & Sustainability	Compliance	Controlling	Information Technology		
Human Resources	Mixing	Internal Audit	Investor Relations		
Pricing	Quality Management	Legal	Procurement		
Research & Development	Safety, Health & Environment	Risk Management	Treasury		
SemperMOVE10	World Class Manufacturing				

Corporate bodies of Semperit AG Holding: Management Board

Martin Füllenbach

Chairman of the Management Board since 1 June 2017, period of office ends on 31. December 2020.

Martin Füllenbach studied economics and business organisation in Munich, and subsequently gained his doctorate in financial sciences at the University of Nuremberg. After more than ten years as an officer of the German Armed Forces with numerous international deployments, he took over tasks in the planning staff of the CEO and in programme planning of the military aircraft production at the aerospace company EADS at the beginning of his industrial career. From 2004 to 2007, Martin Füllenbach was Head of Corporate Development as well as from 2007 to 2012 Director of Voith Turbo, which is headquartered in Heidenheim, Germany: He was a member of the divisional management “drive technology” as well as CEO of the business unit “marine”. Most recently, Martin Füllenbach was CEO of Oerlikon Leybold Vakuum in Cologne since 2012 and, in addition, an appointed member of the Group Management Board of OC Oerlikon AG in Pfäffikon, Switzerland, since 2014. He holds no Supervisory Board mandates in other companies that are not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code. However, he exercises an Advisory Board mandate of the Gebr. Becker GmbH, Germany.

Frank Gumbinger

Member of the Management Board since 1 December 2016, Chief Financial Officer (CFO), period of office ends on 30 June 2022 (early extension of the mandate which was previously limited to 31 December 2019).

After completing his university degree in Business Administration at Goethe University in Frankfurt, Frank Gumbinger, born in 1968, worked as an auditor and consultant with PricewaterhouseCoopers from

1996 to 1998 prior to switching to Delton AG in Bad Homburg in 1999. He held various leading positions within the associated group companies until 2008. From 2001 to 2005 he was Head of the Corporate Development and Strategy Department as well as Head of Controlling with ERGO-PHARM Beteiligungsgesellschaft mbH/Heel GmbH. Then Gumbinger transferred within the group to become CFO of CEAG AG. Most recently, he was CFO of the Progroup AG in Landau. He holds no Supervisory Board mandates in other companies that are not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code. He is a member of the Advisory Board in the paper processing company Hanns Julius Lichtenberger GmbH, Germany.

Felix Fremerey

Member of the Management Board since 10 September 2018; period of office ends on 9 September 2019.

Felix Fremerey studied Industrial Engineering at the Technical University of Karlsruhe and obtained his doctorate in Mechanical Engineering at the Technical University of Stuttgart in cooperation with the Fraunhofer Institute IAO. As a mechanical and industrial engineer, the German national Felix Fremerey is a proven industrial and technical expert and has worked in management positions for several international companies. He acted as Chief Technology Officer of the engineering and construction company GEA AG. Felix Fremerey was also Member of the Board for Product Supply Management at the medical and hygiene products company Paul Hartmann AG, Advisory Board member of the logistics service provider Logistics Group International (LGI) as well as Managing Director of the Kajo Neukirchen Group. Most recently, Felix Fremerey held the newly created position of Chief Technology Officer (CTO) at B&C Industrieholding.

After Michele Melchiorre stepped down from his position on 10 September 2018, the Supervisory Board newly appointed Felix Fremerey to the Management Board. Until the replacement of the Management Board position, the Management Board responsibilities that were previously assumed by Michele Melchiorre will be taken over on an interim basis by Felix Fremerey and Martin Füllenbach. The Supervisory Board mandate of Felix Fremerey in Semperit AG Holding will be suspended in this transition phase. He is holding a Supervisory Board mandate at Lenzing AG.

Michele Melchiorre

Michele Melchiorre was Chief Operating Officer (COO) since 1 June 2016. His period of office ended on 10 September 2018.

Remuneration of the Management Board

In consideration of the active Management Board members at the end of 2018, the remuneration paid to the Management Board members in 2018 totalled EUR 1,497 thousand (2017: EUR 771 thousand) of which EUR 1,052 thousand or 70% (2017: EUR 691 thousand or 90%) consisted of fixed remuneration and EUR 446 thousand or 30% (2017: EUR 80 thousand or 10%) of variable salary components.

In an overall assessment, the remuneration paid to all members of the Management Board in 2018 amounted to EUR 2,006 thousand (2017: EUR 4,606 thousand), of which EUR 1,349 thousand or 67% (2017: EUR 1,562 thousand or 34%) consisted of fixed remuneration and EUR 657 thousand or 33% (2017: EUR 3,045 thousand or 66%) of variable salary components.

The specified amounts in both approaches are not comparable with the previous year due to several changes in the team of the Management Board during the year.

Remuneration paid to the Management Board

in EUR thousand	Fixed remuneration (incl. Payments in kind and daily allowances) 2018	Variable short-term remuneration 2018	Total 2018	Fixed remuneration (incl. Payments in kind and daily allowances) 2017	Variable short-term remuneration 2017	Total 2017
Martin Füllenbach	519	141	659	301	80	381
Frank Gumbinger	393	255	648	390	0	390
Felix Fremerey	140	50	190	–	–	–
Subtotal active Management Board Members (as of end of 2018)	**1,052**	**446**	**1,497**	**691**	**80**	**771**
Michele Melchiorre	298	211	509	394	73	466
Thomas Fahnemann	–	–	–	142	1,720	1,862
Johannes Schmidt-Schultes	–	–	–	35	521	556
Richard Ehrenfeldner[1)]	–	–	–	126	424	550
Declan Daly	–	–	–	175	226	401
Total	**1,349**	**657**	**2,006**	**1,562**	**3,045**	**4,606**

[1)] Richard Ehrenfeldner was entitled to additional severance payments amounting to EUR 555.4 thousand in 2017.

In 2017, payments amounting to EUR 556.3 thousand were made to former Management Board member Johannes Schmidt-Schultes, of which EUR 30.6 thousand were current earnings and EUR 521.4 thousand were payments on the occasion of employment termination. Payments totalling EUR 401.3 thousand were made to former Management Board member Declan Daly in 2017, of which EUR 171.3 thousand were current earnings and EUR 226.0 thousand were payments due to the termination of employment.

The above table shows the remunerations for former Management Board members Thomas Fahnemann and Richard Ehrenfeldner in 2017 until the dates of resignation (15 March 2017 and 15 April 2017 respectively). In addition, payments amounting to EUR 1,720.2 thousand were made to former Management Board member Thomas Fahnemann in 2017 on the occasion of the termination of employment. Moreover, former Management Board member Richard Ehrenfeldner received payments of EUR 979.9 thousand (including EUR 555.4 thousand severance payment) due to the termination of employment.

Variable remuneration model for the Management Board for 2018

The remuneration of the Management Board consists of a fixed salary component, a short-term variable and a long-term variable component, as well as remuneration in kind. In 2018, remuneration of the Management Board is based on qualitative criteria.

A long-term variable bonus component (LTI/long-term incentive) that is linked to the achievement of sustainable, long-term and multi-year performance criteria/targets has been agreed for Martin Füllenbach and Franz Gumbinger. After determination of the objectives by the Remuneration Committee of the Supervisory Board, the amount of the annual LTI remuneration is determined every year according to the extent of objectives achieved and is credited to the LTI account ("remuneration"). Due to a change of the remuneration model for these two Management Board Members as of 1 January

2019, the proportionate LTI claims for 2017 and 2018 will be determined and paid out at the beginning of 2019.

The upper limits for variable, performance-based remuneration components (short- and long-term components) for Martin Füllenbach are at 197% of the annual fixed remuneration. The relevant upper limit for Frank Gumbinger is at 128% and for Felix Fremerey at 33% and is calculated from the short-term variable share plus the proportionate long-term bonus share in relation to the current fixed annual remuneration.

Variable remuneration model for the Management Board as of 1 January 2019

The remuneration regulations in the Management Board contracts were revised and standardised in 2018. The variable remuneration (short-term and long-term bonuses) will be replaced by the revised remuneration model with effect from 1. January 2019.

The aim of the revision was to define ambitious and relevant goals for the Management Board in the interest of our stakeholders. The new remuneration model provides incentives for a sustainable corporate development and continues to comply with all legal requirements of the Stock Corporation Act as well as the recommendations of the Austrian Corporate Governance Code. Total remuneration continues to consist of a current fixed remuneration, a short-term variable (performance-related) share ("short-term Incentive" or "STI") as well as a long-term variable (performance-related) share ("long-term incentive" or "LTI").

The STI depends on the company's success in the past financial year and, due to the ongoing transformation, takes into account the financial targets of corporate free cash flow and corporate EBITDA margin in 2019. In addition to the financial targets, the Remuneration Committee performs an annual assessment of non-financial criteria which may increase or decrease the bonus amount calculated from the financial targets by 20%. Prerequisite for a bonus claim is the achievement of a threshold value for at least one of the two financial targets. Payment is made in cash after the end of the respective financial year. The STI cannot exceed 150% of the STI target value.

The new LTI is granted on a rolling basis, i.e. in annual tranches with a three-year assessment period, and therefore provides incentives for a long-term and sustainable corporate success. For this purpose, the targets corporate annual net profit and corporate ROCE are assessed during the term of a tranche. In addition, the capital market performance of the company is rated in comparison with a selected group of publicly listed companies. For this purpose, the so-called total shareholder return – i.e. the share price development including dividend pay-out – is determined and opposed to the comparative group. The prerequisite for a bonus claim is the achievement of a threshold value for at least one of the three target values. Payment will be made in cash at the end of the three-year assessment period. The LTI cannot exceed 200% of the (absolute) LTI target value. If a member of the Management Board resigns prior to the end of the appointment period or if the member of the Management Board is dismissed for important reasons within the meaning of article 75 of the Stock Corporation Act, all claims from current LTI tranches whose assessment periods have not elapsed will expire.

Contributions to pensions

A defined-contribution pension agreement and/or an obligation to it has been established for the Management Board members Martin Füllenbach and Frank Gumbinger. Annually, the company pays 1/14 of the respective fixed remuneration into a pension fund (APK Pensionskasse AG) for Martin Füllenbach and Frank Gumbinger. The amount of the pension is based on the capital available in the pension fund. The pay-out is made in accordance with the pension fund agreement. For Martin Füllenbach, the contractual implementation was made in 2018. All provisions made up to this point were paid in 2018 – as seen in the table below the values are accrued appropriately. There is no pension agreement for Felix Fremerey.

In addition, pension payments are made to previous Management Board members or their widows in accordance with the contractual commitments made by the company in the past.

Contributions to pensions

in EUR thousand	2018	2017
Martin Füllenbach	48	28
Frank Gumbinger	27	27
Michele Melchiorre	20	27
Thomas Fahnemann	–	10
Johannes Schmidt-Schultes	–	2
Declan Daly	–	12
Total	**95**	**106**

Termination benefits – severance payments

The Management Board members Martin Füllenbach, Frank Gumbinger and Felix Fremerey are subject to the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbstständigenvorsorgegesetz – BMSVG). This Act stipulates that 1.53% of the individual's total remuneration (which includes all current remuneration, remuneration in kind and special payments) has to be paid to BONUS Vorsorgekasse AG.

Upon premature termination of the Management Board mandate, the framework conditions for premature termination of contracts, pursuant to C-rule 27a of the Austrian Corporate Governance Code, will be considered adequately.

Termination benefits amounting to EUR 555.4 thousand were paid to Richard Ehrenfeldner in 2017. The total amount of provisions for severance payments was EUR 0 thousand as of 31 December 2017, since all Management Board members are subject to the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbstständigenvorsorgegesetz – BMSVG) and therefore provisions for severance payments are not necessary. In 2017, income of EUR 133.0 thousand resulted from the release of provisions and netting with the severance payments to Richard Ehrenfeldner.

Directors- and Officers- (D&O) Insurance

A Directors and Officers (D&O) insurance has been taken out for the members of the Management Board and senior executives. The company bears the related costs. In case of damage, deductibles were agreed for the Management Board members.

Supervisory Board

The Supervisory Board consists of eight shareholder representatives and four employee representatives. The Supervisory Board mandate of Felix Fremerey is suspended due to his appointment as Management Board member of the Semperit AG Holding as of 10 September 2018. The Supervisory Board has resolved to establish the following committees consisting of its own members to carry out specific functions: Audit Committee, Remuneration Committee, Nominating Committee, Strategy and Transformation Committee, Committee for Urgent Issues, Sempermed Committee. The authority to make decisions and pass resolutions rests in the hands of the entire Supervisory Board.

Meetings of the Supervisory Board and its committees in 2018

The Supervisory Board convened for seven meetings. In 2018, no member of the Supervisory Board attended less than 50% of the meetings. Christoph Kollatz (as of 25 April 2018, after Veit Sorger) is Chairman of the Supervisory Board, his Deputy is Stefan Fida (Patrick Prügger was first Deputy Chairman until 25 April 2018, Stefan Fida was second Deputy Chairman until 25 April 2018).

The **Audit Committee**, led by the financial expert Christoph Trentini (as of 25 April 2018, after Patrick Prügger), performs its duties in accordance with article 92 section 4a of the Austrian Stock Corporation Act and rule 40 of the Austrian Corporate Governance Code. The Audit Committee held three meetings and specifically dealt with the preparation of the resolution for the 2017 annual and consolidated financial statements, risk management, the internal control system, internal auditing, the compliance organisation, corporate governance and the preparation for the audit of the annual and consolidated financial statements for 2018.

The **Remuneration Committee**, chaired by Christoph Kollatz (as of 25 April 2018, after Veit Sorger), held nine meetings dealing primarily with the performance assessment and the objectives of the members of the Management Board as well as further general remuneration topics of the Management Board. In addition, the remuneration model was revised in the reporting year. The Remuneration Committee also dealt with the termination agreements relating to the former Management Board member Michele Melchiorre, the remuneration system for the newly appointed Management Board member Felix Fremerey, the monitoring of the execution of the employment agreements of the Management Board as well as the bonus system for blue-collar and white-collar workers.

The **Nominating Committee**, under the chairmanship of Christoph Kollatz (as of 25 April 2018, after Veit Sorger), held six meetings to deal, among other things, with initiating and ensuring a management assessment process, succession planning for the levels below the Management Board, and employee turnover. In addition to the talent development process, the focus was on employee diversity. Furthermore, in the course of the resignations of Veit Sorger and Michele Melchiorre, the Nominating Committee dealt with the definition of the qualification profile for further members of the Management Board.

The **Strategy and Transformation Committee**, under the chairmanship of Christoph Kollatz, dealt in detail with the transformation and restructuring of the company in a meeting in 2018.

The **Committee on the Sempermed segment**, chaired my Christoph Kollatz, held one meeting dealing with the restructuring of the Sempermed segment.

The **Committee for Urgent Issues**, chaired by Christoph Kollatz, did not hold any meetings dealing with the management of time-sensitive investment projects. However, circular resolutions relating to urgent business cases were made.

In 2018, the Supervisory Board discussed in plenary a **self-evaluation** conducted in the form of a questionnaire and in accordance with C-Rule 36 of the Austrian Corporate Governance Code. Measures were picked up and derived from it for the efficiency enhancement of the Supervisory Board activities. The results of the self-evaluation showed that the activities of the Supervisory Board have been assessed as good.

Corporate bodies of Semperit AG Holding: Supervisory Board

Composition of the Supervisory Board[1)]

		Year of birth	First appointed	End of current term of office[4)]	Supervisory board position in other listed companies
Shareholder representative					
Christoph Kollatz, Chairman	3)	1960	25/04/2018	Until the Annual General Meeting resolving upon the 2018 financial year	Lenzing AG
Stefan Fida Deputy Cahirman	3)	1979	29/04/2014	Until the Annual General Meeting resolving upon the 2020 financial year	–
Klaus Erkes Member	3) 4)	1958	23/05/2017	Until the Annual General Meeting resolving upon the 2022 financial year	–
Felix Fremerey Member	3)	1961	25/04/2018	Until the Annual General Meeting resolving upon the 2018 financial year; suspended mandate as of 10/09/2018, due to appointment to the Management Board of Semperit AG Holding	Lenzing AG
Walter Koppensteiner Member	3) 4)	1959	23/04/2012	Until the Annual General Meeting resolving upon the 2022 financial year	–
Petra Preining Member	3)	1973	23/05/2017	Until the Annual General Meeting resolving upon the 2019 financial year	–
Astrid Skala-Kuhmann Member	3)	1953	29/04/2014	Until the Annual General Meeting resolving upon the 2020 financial year	Lenzing AG
Christoph Trentini Member	3)	1968	25/04/2018	Resignation from the mandate on 08/05/2019 (date of Annual General Meeting)	–
Employee representative					**Works council function**
Sigrid Haipl		1960	26/03/2012	–	Member of the Central Works Council of Semperit AG Holding, Member of the European Works Council, Chair of the Works Council – White-collar workers, Vienna
Michaela Jagschitz		1961	29/04/2014	–	Deputy Chairman of the Works Council – White-collar workers, Wimpassing
Markus Stocker		1979	01/01/2017	–	Chairman of the Central Works Council of Semperit AG Holding, Deputy Chairman of the European Works Council, Chairman of the Works Council – White-collar workers, Wimpassing
Michael Schwiegelhofer		1975	08/03/2017	–	Deputy Chairman of the Central Works Council of Semperit AG Holding, Chairman of the Works Council – Blue-collar workers, Wimpassing

1) As of 21 March 2019
2) Pursuant to the Articles of Association, at least two members of the Supervisory Board automatically leave their positions every year at the end of the Annual General Meeting.
3) Have declared their independence vis-à-vis the Supervisory Board in accordance with C-Rule 53 of the Austrian Corporate Governance Code.
4) No representation by a shareholder over 10% (C-Rule 54 of the Austrian Corporate Governance Code).

Resigned members of the Supervisory Board

	Year of birth	First appointed to the Supervisory Board	End of term of current office
Shareholder representative			
Veit Sorger Chairman	1942	26/05/2004	Resigned the mandate on 25/04/2018
Patrick Prügger First Deputy Chairman	1975	14/04/2011	Resigned the mandate on 25/04/2018
Felix Strohbichler Member	1974	28/05/2015	Resigned the mandate on 25/04/2018

Guidelines for the independence of Supervisory Board members

The Supervisory Board has adopted the guidelines for independence according to appendix 1 of the Austrian Corporate Governance Code. Thereafter, all members of the Supervisory Board declared that their independency of the company and its Management Board. According to C-Rule 54 of the Austrian Corporate Governance Code, the members Klaus Erkes and Walter Koppensteiner have declared that they have not been shareholders of the company with an investment of more than 10 percent, respectively, nor represented the interests of such shareholders.

Composition of the Committees of the Supervisory Board[1)]

Committee	Members
Committee for Urgent Issues	Christoph Kollatz (Chairman) Markus Stocker Christoph Trentini
Committee for the Sempermed segment	Christoph Kollatz (Chairman) Stefan Fida Markus Stocker
Nominating Committee	Christoph Kollatz (Chairman) Stefan Fida Felix Fremerey[2)] Sigrid Haipl Markus Stocker Christoph Trentini
Audit Committee	Christoph Trentini (Chairman, financial expert) Felix Fremerey[2)] Christoph Kollatz Walter Koppensteiner Petra Preining Michael Schwiegelhofer Markus Stocker
Strategy and Transformation Committee	Christoph Kollatz (Chairman) Klaus Erkes Felix Fremerey[2)] Sigrid Haipl Walter Koppensteiner Astrid Skala-Kuhmann Michael Schwiegelhofer Markus Stocker Christoph Trentini
Remuneration Committee	Christoph Kollatz (Chairman) Stefan Fida Felix Fremerey[2)] Sigrid Haipl Markus Stocker Christoph Trentini

1) As of 21 March 2019
2) The Supervisory Board mandate of Felix Fremerey is suspended as of 10 September 2019 due to his switch to the Management Board of Semperit AG Holding.

Remuneration of the Supervisory Board

On 25 April 2018, the Annual General Meeting approved the remuneration structure for the members of the Supervisory Board for 2017. Remunerations totalling EUR 519.3 thousand were paid to Supervisory Board members in 2018 (EUR 488.7 thousand in 2017 for 2016). A Directors and Officers (D&O) insurance has been taken out for the members of the Supervisory Board; the company bears the related costs.

Remuneration paid in 2018 for 2017 to shareholder representatives in the Supervisory Board [1]

in EUR	Base remuneration	Remuneration for membership of the committee	Attendance fee	Total
Veit Sorger, Chairman	50,000	36,667	27,000	113,667
Stefan Fida, second Deputy Chairman[2]	28,750	11,667	19,000	59,417
Patrick Prügger, first Deputy Chairman[3]	28,750	53,750	17,000	99,500
Felix Strohbichler, Deputy Chairman[4]	26,250	37,083	21,000	84,333
Klaus F. Erkes	11,667	5,833	6,000	23,500
Walter Koppensteiner	20,000	10,000	15,000	45,000
Andreas Schmidradner[5]	8,333	10,417	15,000	33,750
Astrid Skala-Kuhmann	20,000	5,000	7,000	32,000
Petra Preining	11,667	5,833	9,000	26,500
Stephan B. Tanda[6]	1,667	–	–	1,667
Summe	**207,083**	**176,250**	**136,000**	**519,333**

[1] Employee representatives receive no remuneration.
[2] Second Deputy Chairman from 23/05/2017 to 25/04/2018, since then Deputy Chairman
[3] First Deputy Chairman from 23/05/2017 to 25/04/2018 (resignation)
[4] Deputy Chairman from 26/04/2016 to 23/05/2017, then member until 25/04/2018 (resignation)
[5] Member until 23/04/2018
[6] Member from 26/04/2016 to 01/02/2017

Managers' transactions

Transactions with shares or debt instruments of the company or related derivatives respectively financial instruments carried out by members of the Management Board or the Supervisory Board are published in accordance with Article 19 of the Market Abuse Regulation: http://issuerinfo.oekb.at/startpage.html.

Equal opportunities and diversity

Respect, diversity and inclusion are integral and indispensable elements of the corporate culture of Semperit AG Holding and are always considered when recruiting people for functions. When proposals are made to the Annual General Meeting for filling Supervisory Board mandates and nominating Management Board members, special importance is attached to a professional and diversity-related balance, because it contributes significantly to professionalism and efficiency in the work of the Supervisory and Management Boards. In addition to professional and personal qualifications, aspects such as the age structure, origin, sex, education and background experience are integrated. A written diversity concept was agreed on 1 February 2018. Already since May 2017, the Supervisory Board of Semperit AG Holding has met the women's quota of 30%, which is legally required as of 2018.

Advancement of women

Semperit is committed to equal opportunities for all employees – regardless of age, gender, nationality, religion, skin colour or sexual orientation. It is the abilities and potentials within people that count. Using flexible work models such as flexitime and part-time work, as well as special parental part-time arrangements, the group aims at continuously increasing the proportion of female employees. As a traditional industrial company with a technical focus, the share of women in Austria and Group-wide was 21% in 2018. The share of female employees amounted to 25% throughout Europe. The share of women in the Supervisory Board was 33%. There were no women in the Management Board. Overall, the share of women in management (Management Board, Executive Committee, Management Forum, department heads) was around 10%.

Issuer compliance directive

In order to implement and ensure compliance with all relevant stock exchange regulations, Semperit AG Holding has issued its own Issuer Compliance Policy designed to prevent the misuse or dissemination of insider information. Compliance is monitored and administered by a specially designated Issuer Compliance Officer who reports directly to the Management Board.

Code of Conduct

Beyond stock exchange compliance, Semperit Group has a compliance organisation that covers all corporate units. A Group Compliance Officer receives support in fulfilling his responsibilities from compliance officers working in the subsidiaries of the Semperit Group. The Group Compliance Officer reports any incidents to the Compliance Board.

The Code of Conduct applies to all employees and managers and is available in several languages. Its most important objectives are to avoid corruption, money laundering, human rights violations and insider trading. In addition, it deals with aspects of data protection, export restrictions and the protection of the interests of all stakeholders. These requirements for behaviour are further specified in thematic compliance guidelines that are available to all employees on the Intranet. Employees receive an in-depth and practical training on the matters referred to in the Code of Conduct. In addition, the relevant employees are regularly updated about current issues, or when appropriate. The Code of Conduct can be viewed at the following website: www.semperitgroup.com/en/about-us/compliance/.

In order to support the above-mentioned targets of the Code of Conduct, the information hotline "SemperLine" was set up in January 2018 after obtaining the necessary authorisations for data protection. Employees as well as external people are welcome to report significant infringements of the Code of Conduct: www.semperitgroup.com/en/about-us/compliance/semperline/.

Risk Management & Assurance

The Group Risk Management & Assurance department assumes the central coordination, moderation and monitoring of the structured risk management process for the group as a whole. Relevant risks are prioritised from various perspectives and later their effects and probability of occurrence are assessed. Responsibilities have been identified, measures defined, and the tracking ensured. The bottom-up identification and prioritisation process is supported by workshops with the management of the respective Semperit company. This top-down element ensures that potential new risks are put up for discussion on management level and are included in reporting afterwards in case of relevance. These risks are discussed and coordinated with the managing directors of the segments (top-down). Individual reports are made immediately after visiting the respective Semperit company. At least once a year, an extensive risk report is made on individual risks including aggregation to the Audit Committee and the Supervisory Board. The regular reporting process is complemented by an ad-hoc reporting process to escalate critical issues in time.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. has audited and confirmed the effectiveness of Semperit's risk management system for 2018 according to the C-Rule 83 of the Corporate Governance Code.

The purpose of the internal control system of Semperit is to ensure the effectiveness and efficiency of business operations, the reliability of financial reporting, and adherence to applicable laws and regulations. It also supports the early recognition and monitoring of risks from inadequate monitoring systems and fraudulent actions and is revised and expanded on an ongoing basis by the Risk Management & Assurance department together with the relevant specialist departments. The management of the respective business units is responsible for the implementation and monitoring of the ICS and the risk management system. Cross-sectoral, group-wide standards and regulations are determined by the Management Board of Semperit AG Holding. Follow-up audits are undertaken at the various locations to ensure a sustainable implementation of the standards and regulations.

External evaluation

In accordance with C-Rule 62 of the Austrian Corporate Governance Code, the Semperit Group engaged an external organisation to evaluate its compliance with the stipulations contained in the Code and the accuracy of the associated public reporting for 2016. This evaluation, which was performed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, did not identify any facts inconsistent with the declaration of the Management Board and Supervisory Board found in the Corporate Governance Report 2016 of the company with respect to its compliance with the C-Rules of the Austrian Corporate Governance Code. In accordance with C-Rule 62, a new evaluation will take place for 2019.

Vienna, 21 March 2019

The Management Board

Martin Füllenbach
CEO

Frank Gumbinger
CFO

Felix Fremerey
Member of the Management Board

Report of the Supervisory Board

Dear Sir or Madam,

Christoph Kollatz,
Chairman of the Supervisory Board

The Semperit Group is in the midst of a profound restructuring and transformation process designed to last three years. While for Semperit in general and especially in the Industrial Sector in 2018, improvements have been achieved in operating results, we must continue to work on operating stability in the Medical Sector. The reported negative earnings after taxes and the development of cash flow were unsatisfactory in the past year of 2018. This result was strongly impacted on the one hand by the impairment in the Medical Sector and the costs of closing the production site of Sempertrans in China, and on the other hand by future investments in the Semperflex segment.

In 2018, the **Supervisory Board** was informed by the Management Board on the course of business in seven meetings and discussed with the Management Board the strategic development as well as the restructuring and transformation of the company. In addition, significant business cases and individual measures were discussed, and the necessary resolutions passed.

The Management Board reported to the Supervisory Board on the development of business on a monthly regular basis. Prior to Supervisory Board meetings, detailed written documents about the Group were made available. Furthermore, the Chairman of the Supervisory Board and his Deputy received reports on the business development and the Group's situation on a regular basis beyond the meetings.

The **Audit Committee** held three meetings, focusing particularly on the preparation of the adoption of the annual and consolidated financial statements for 2017, risk management, the internal control system, internal auditing, the compliance organisation, corporate governance and the preparation of the annual and consolidated financial statements for 2018.

In nine meetings, the **Remuneration Committee** focused on the performance assessment and agreement of targets of the members of the Management Board as well as other general remuneration issues of the Management Board. In the reporting year, the remuneration model was also revised.
Furthermore, the Remuneration Committee dealt with the termination agreements relating to the resigned Management Board member Michele Melchiorre, the remuneration system for the newly appointed Management Board member Felix Fremerey, the monitoring of the execution of Management Board agreements as well as bonus system for blue-collar and white-collar workers.

Among other things, the **Nominating Committee** spent six meetings on initiating and securing a management assessment process, succession planning for the levels below the Management Board, and employee turnover. In addition to the talent development process, the focus was on employee diversity. Furthermore, in the course of the resignation of Michele Melchiorre, the Nominating Committee dealt with the definition of the qualification profile for further member of the Management Board.

The **Strategy and Transformation Committee** reviewed in detail the status of corporate transformation and segment strategies during a meeting.

The **Committee on the Sempermed Segment** held one meeting and dealt with the restructuring of the Sempermed segment.

The **Committee for Urgent Issues** has not held a meeting to handle time-sensitive investment projects. However, circular resolutions relating to urgent business cases were made.

In the Annual General meeting of 25 April 2018, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, was appointed to serve as the auditor of the financial statements and consolidated financial statements for the 2018 fiscal year. The financial statements and consolidated financial statements of Semperit AG Holding as of 31 December 2018 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, which issued an unqualified audit opinion. The management report and the group management report are in accordance with the financial statements and consolidated statements. An independent audit of statements and data was made by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, on non-financial reporting (Sustainability Report) for 2018.

In its meeting held on 14 March 2019, the Audit Committee of the Supervisory Board dealt in particular with the annual financial statements, the consolidated financial statements, the group management report, the corporate governance report and the auditor's report. Moreover, the Committee discussed the results of the audit in detail with the auditor. On the basis of its own audit, the Audit Committee concurred with the auditor's results and reported them to the Supervisory Board. Based on the efficient auditing process for the consolidated financial statements of 2018, the Audit Committee recommended to the Supervisory Board to propose to the Annual General Meeting the reappointment of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, as auditor for 2019.

The Supervisory Board has examined the annual financial statements, the consolidated financial statements, the management report, the group management report, the corporate governance report and the sustainability report, and concurs with the conclusions of the auditor. The Supervisory Board formally approves the annual financial statements for 2018, which are consequently adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act. The corporate governance report, the sustainability report, the management report and consolidated financial statements for 2018 have been approved by the Supervisory Board. The Supervisory Board follows the recommendation of the Audit Committee and proposes to the Annual General Meeting to reappoint Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, for auditing 2019.

Since the Semperit Group achieved negative earnings after tax in 2018, no dividend will be proposed at the Annual General Meeting in accordance with the dividend policy.

On behalf of all Supervisory Board members, I would like to thank the Management Board, the management team and all employees of the Semperit Group for their dedication and commitment. Special thanks also go to the shareholders, customers and partners of Semperit for the trust they have placed in us.

Wien, am 21. März 2019

Christoph Kollatz
Chairman of the Supervisory Board

Group Management Report

Economic environment

The International Monetary Fund (IMF) has made another downward adjustment for its growth forecast for 2019 published in January 2019 in comparison with the version of October 2018. Global economic growth (3.5% for 2019 instead of previously 3.7%) is still regarded as solid in comparison with the beginning of this decade, although it has obviously peaked. For 2019, the forecast for emerging and developing countries now stands at 4.5% (so far 4.7%), followed by the USA at 2.5% (unchanged) and the euro zone at 1.6% (so far 1.9%).

Growth expectations for the euro zone are therefore lower than for the World Economic Outlook published by the IMF in October 2018. Forecasts have been further lowered for the three major European economies Germany, France and Italy. With that, economic activities are heading for rough waters.

The new uncertainties compared with the previous outlook are due, among other things, to protectionist actions of individual states, for example the increase in customs duties in the USA and China, the weaker economic situation in Germany and the subdued demand situation in Italy due to concerns about the state budget. In addition, Brexit and another decline in Chinese growth burden the global economy.

Developments in the raw materials markets

The markets for natural rubber/natural latex, synthetic rubber/synthetic latex, carbon black, wire as well as a variety of chemicals are very important for the rubber industry. The development of these markets in the natural rubber field is influenced, among other things, by production conditions, while the fields of synthetic rubber and carbon black are impacted by supplier behaviour and costs for basic raw materials, which are affected by the price of crude oil. Demand is influenced primarily by the main buyers of rubber products, the tyre and automotive industry.

For some raw materials, including synthetic latex (nitrile), carbon black and EPDM rubber, availability has partially been limited.

Since the third quarter of 2017, price indices for natural rubber and natural latex as well as synthetic latex and synthetic rubber showed a sideways movement that has continued in 2018. The average price indices of 2018 were below the average values of the previous year. It should be noted that the first half of 2017 was characterised by increased prices which declined in the second half of 2017.

Development of raw materials used primarily in the Industrial Sector was somewhat differentiated. The filling material carbon black is important for all three segments of the Industrial Sector. The price index for this raw material showed a continuous rise from the third quarter of 2017 until the end of the third quarter of 2018, then corrected briefly down in the fourth quarter of 2018 and then started to increase again. Therefore, the average prices of 2018 for carbon black were above the average of 2017.

In 2018, the average prices for wire, which is primarily used in the Semperflex and Sempertrans segments, rose compared with 2017.

Revenue and earnings development

In 2018, the Semperit Group recorded an increase in revenue to EUR 878.5 million compared with the same period of the previous year. The Medical Sector recorded a decline of 7.6%. In contrast to this, the Industrial Sector achieved an increase in revenue of 5.6% (for details on the development of Sectors and segments, see page 8). The increase in the Industrial Sector was mainly characterised by an increase in the Semperflex segment. The decline in revenue in the Medical Sector, i.e. the Sempermed segment, is primarily due to a decline in volumes sold.

Therefore, the distribution of revenue shifted in favour of the Industrial Sector. In 2018, the Industrial Sector accounted for 65% and the Medical Sector 35% of the Semperit Group's revenue (2017: 61% to 39%).

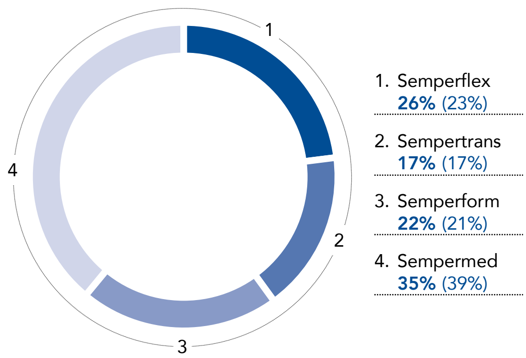
In 2018, inventories decreased by EUR 3.7 million compared with an increase of EUR 14.8 million in 2017.

Other operating income amounted to EUR 5.4 million in 2018. The value of 2017, adjusted for the positive one-off effect (from last year's joint venture transaction, see below), totalled EUR 4.9 million, while the reported value amounted to EUR 92.4 million. This includes around EUR 88 million of positive one-off effects relating to the termination of almost all joint business activities with the Thai joint venture partner, Sri Trang Agro-Industry Public Co Ltd. Group ("joint venture transaction"). Of this, around EUR 78 million were recorded as other operating income in the Sempermed segment and around EUR 10 million in the Corporate Center segment in 2017. In 2017, these positive one-off effects were up against transaction-related legal and consulting expenses of around EUR 3 million, which were included in other operating expenses. In addition to the positive one-off effect from the joint venture transaction, there were also negative one-off effects in 2017, including the shutdown of the Sempertrans site in France, the value adjustment for already capitalised IT expenses as well as expenses relating to the tax audit for Austria (primarily energy tax rebate). In total, the positive one-off effect affecting EBITDA in 2017 amounted to around EUR 65 million, while the positive one-off effect affecting EBIT was around EUR 38 million.

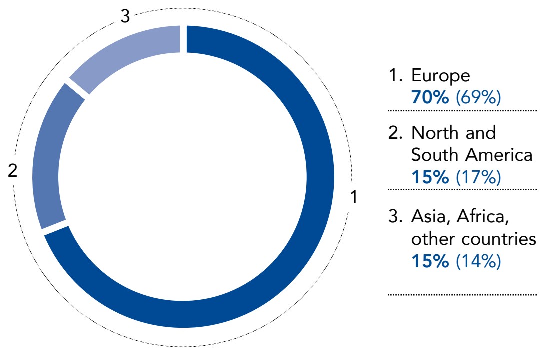
In 2018, cost materials decreased by EUR 29.0 million or 5.4% to EUR 512.3 million. The change is primarily due to a decline in volumes sold in the Sempermed segment.

Personnel expenses decreased to EUR 178.0 million (–4.6%) in 2018. In a comparison of both periods it should be noted that in 2017 one-time expenses included special compensations for employees, payments to resigned board members, executives and employees as well as the shutdown of the Sempertrans site in France.

Revenue split by segments 2018 (2017)



Revenue split by region 2018 (2017)



At EUR 146.8 million, other operating expenses were below the last year's period (EUR 158.0 million). In 2018, consulting expenses in connection relating to Semperit's restructuring and transformation are included, while in 2017, legal and consulting expenses were influenced, among other things, by expenses for the joint venture transaction.

The item "Share of profits from associated companies" of EUR 0.5 million (2017: EUR 0.5 million) included the contribution of the relatively small company Synergy Health Allershausen GmbH, which is headquartered in Germany and sterilises surgical gloves for the Sempermed segment.

EBITDA (earnings before interest, tax, depreciation and amortisation) rose from EUR 35.8 million (adjusted value for 2017) to EUR 50.3 million (value for 2018, adjusted for the negative one-off effect of EUR 3.9 million from the shutdown of the Sempertrans site in China). The adjusted EBITDA margin increased from 4.1% to 5.7%. In 2018, the reported EBITDA amounted to EUR 46.4 million after EUR 100.2 million in 2017.

Depreciation decreased to EUR 34.1 million (–6.7%), which was due, among other things, to the impairment in the Sempermed segment. In 2018, impairments totalling EUR 60.0 million were recorded. Basically, EUR 55.8 million were attributable to the Sempermed segment and EUR 4.1 million to the Sempertrans segment (see notes point 2.1 segment reporting and point 3.2 tangible assets).

EBIT (earnings before interest and tax) increased from EUR –0.8 million (adjusted value for 2017) to EUR 15.4 million (adjusted value for 2018). EBIT for 2018 was adjusted for the negative one-off effects of the impairment requirement of EUR 55.2 million in the Sempermed segment in the first half of 2018 (see notes point 3.2 tangible assets) and of EUR 7.8 million from the shutdown of the Sempertrans production site in China (see notes point 3.2 tangible assets). The adjusted EBIT margin increased from –0.1% in 2017 to 1.7% in 2018. The reported EBIT amounted to EUR 37.6 million in 2017 and EUR –47.7 million in 2018.

Key figures Semperit Group

in EUR million	2018	2017	Change	Change in EUR million
Revenue	878.5	874.2	+0.5%	+4.3
EBITDA adjusted[1)]	50.3	35.8	+40.6%	+14.5
EBITDA margin adjusted	5.7%	4.1%	+1.6 PP	–
EBITDA	46.4	100.2	–53.7%	–53.8
EBITDA margin	5.3%	11.5%	–6.2 PP	–
EBIT adjusted[2)]	15.4	–0.8	–	+16.2
EBIT margin adjusted	1.7%	–0.1%	+1.8 PP	–
EBIT	–47.7	37.6	–	–85.3
EBIT margin	–5.4%	4.3%	–9.7 PP	–
Earnings after tax adjusted[3)]	–17.3	–43.3	–60.0%	+26.0
Earnings after tax[3)]	–80.4	–26.3	>100%	–54.1
Investments in tangible and intangible assets	80.8	74.5	+8.6%	+6.4
Employees (at balance sheet date)	6,773	6,838	–1.0%	–66

1) EBITDA for 2018 was adjusted by EUR 3.9 million for the one-off effect from the shutdown of the Sempertrans production site in China.
EBITDA for 2017 was adjusted by around EUR 85 million for the positive one-off effect of the joint venture transaction and by EUR 11.4 million for the negative one-off effect from the shutdown of the Sempertrans production site in France, expenses relating to the Austrian tax audit (primarily energy tax rebate) of EUR 5.4 million and the value adjustment for IT expenses of EUR 3.6 million.
2) EBIT for 2017 was adjusted by EUR 55.2 million for the impairment in the Sempermed segment (in August 2018) and by EUR 7.8 million for the one-off effect from the shutdown of the Sempertrans production site in China.
EBIT for 2017 was adjusted by around EUR 85 million for the positive one-off effect from the joint venture transaction and by EUR 26.0 million for the negative one-off effect of the impairment in the Sempermed segment, by EUR 11.4 million for the shutdown of the Sempertrans production site in France, by EUR 5.4 million for the expenses relating to the Austrian tax audit (primarily energy tax rebate) and by EUR 3.6 million for the value adjustment for IT expenses.
3) In 2018, earnings after tax were adjusted by EUR 55.2 million for the mentioned impairment in the Sempermed segment and by EUR 7.8 million for the one-off effect from the shutdown of the Sempertrans production site in China.
In 2017, earnings after tax were adjusted by around EUR 85 million for the positive one-off effect of the joint venture transaction and by EUR 26.0 million for the negative one-off effect of the impairment in the Sempermed segment, by around EUR 21 million for the negative tax effect, by EUR 11.4 million for the shutdown of the Sempertrans production site in France, by EUR 5.4 million for expenses relating to the Austrian tax audit (primarily energy tax rebate) and by EUR 3.6 million for the value adjustment for IT expenses.

The negative financial result totalled EUR 15.6 million in 2018 after EUR 25.5 million in 2017. At EUR 1.2 million, financial income, which includes primarily income from bank balances, was below the previous year's value of EUR 1.3 million. Financial expenses (primarily interest expenses for loans and credits) amounted to EUR 9.2 million in 2018 and were therefore below the previous year's value of EUR 15.0 million.

At EUR 4.3 million, the item "Profit/loss attributable to redeemable non-controlling interests" was below the previous year's level of EUR 5.3 million. Since the beginning of the second quarter of 2017, it has included only two companies: Semperflex Asia Corp. Ltd., which produces hydraulic hoses in Thailand and continues to be operated with the joint venture partner Sri Trang, and Sempertrans Best (ShanDong) Belting Co. Ltd. in China in the Sempertrans segment. At EUR 3.3 million, the negative other financial results were below the previous year (EUR 6.5 million). This item includes primarily the balance of foreign exchange profits and losses. In both comparative periods, foreign exchange losses predominated.

Income tax expenses decreased by EUR 21.2 million to EUR 17.1 million in 2018. In 2017, this item included one-off effects relating to the joint venture transaction.

Adjusted earnings after tax totalled EUR –17.3 million in 2018 (adjusted for EUR 55.2 million impairment in the Sempermed segment from the first half of 2018 and EUR 7.8 million from the shutdown of the Sempertrans production site in China) compared with the adjusted value of EUR –43.3 million for 2017 (adjusted for the one-off effects mentioned in the paragraph on "Other operating income" and in total positive one-off effects of around EUR 38 million, minus the negative tax effect of around EUR 21 million). Adjusted earnings per share amounted to EUR –1.07 in 2018 after EUR –2.11 in 2017 (adjusted). The reported value of earnings after tax was EUR –80.4 million for 2018 and EUR –26.3 million for 2017. The reported values for earnings per share amounted to EUR –4.13 after EUR –1.25 in 2017.

Dividend

Semperit's dividend policy is, in principle: The pay-out ratio to shareholders is around 50% of earnings after tax – assuming continued successful performance and that no unusual circumstances occur. Due to negative earnings after tax in 2018 and the continued restructuring and transformation process, no divi-dend distribution to the shareholders will be proposed (for 2017, no dividend was distributed). Semperit AG Holding does not own treasury shares as of 31 December 2018.

Assets and financial position

Compared with the balance as of 31 December 2017, the balance sheet total of 31 December 2018 declined by 9.9% to EUR 768.8 million. On the asset side, the main reason for this decrease was the decline in cash and cash equivalents as well as tangible assets (primarily due to the impairment in the Sempermed segment).

On the liabilities side, basically four items changed: Equity was positively impacted by EUR 130 million raised from hybrid capital in March 2018. This was up against a decrease in revenue reserves of almost EUR 80 million as a result of declining earnings after tax.

The item "financial liabilities" decreased by more than EUR 90 million, which was primarily due to repayments of liabilities to banks (EUR 50.0 million) and of several Schuldschein loans (EUR 46.2 million). Trade payables also decreased by more than EUR 40 million.

Trade working capital (inventories plus trade receivables minus trade payables) increased from EUR 152.4 million to EUR 184.3 million since the beginning of 2017 and therefore constituted 21.0% of revenue (year-end 2017: 17.4%). The change is primarily attributable to declining trade payables (–38.9%), inventories (–5.8%) and trade receivables (–1.9%).

Cash and cash equivalents amounted to EUR 121.5 million at the end of December 2018 and were therefore below the level of the end of 2017 (EUR 165.5 million). The reason for this was, among other things, the repayment of financial liabilities, which was up against the raising of funds from hybrid capital. A euro cash pool was implemented for selected companies of the Semperit Group to optimise cash and cash equivalents.

As of 31 December 2018, the Semperit Group's equity (without non-controlling interests) stood at EUR 329.5 million, EUR 51.0 million higher than at the end of 2017 (EUR 278.5 million). The change resulted basically from having raised funds from hybrid capital and the reduction of revenue reserves as a result of the declining earnings after tax.

As of 31 December 2018, the reported equity ratio was 42.9% after 32.6% at the end of 2017. The reported return on equity was –24.2% (2017: –9.2%) for 2018, which is calculated based on earnings after tax (excluding compensation from hybrid capital) of EUR –79.6 million (2017: EUR –25.7 million) in relation to the equity of EUR 329.5 million (2017: EUR 278.5 million) attributable to the shareholders of Semperit AG Holding. Adjusted return on equity was –4.2% for 2018, after –15.6% for 2017. The calculation is based on adjusted earnings after tax of EUR –17.3 million for 2018 (2017: EUR –43.3 million).

Debt is lower at EUR 438.4 million compared with EUR 572.9 million at the end of 2017 – a decline of EUR 134.5 million.

Financial liabilities (including primarily liabilities from the Schuldschein loan and to banks) decreased to EUR 234.2 million at 31 December 2018 after EUR 326.6 million at the end of 2017. Taking into consideration cash and cash equivalents of EUR 121.5 million (year-end 2017: EUR 165.5 million), this resulted in an overall net debt of EUR 112.7 million as of 31 December 2018 (net debt at the end of 2017: EUR 161.1 million). The net debt/EBITDA ratio (net debt in relation to EBITDA) as of 31 December 2018 is therefore 2.43 (year-end 2017: 1.61).

The liabilities from redeemable non-controlling interests increased to EUR 13.4 million (2017: EUR 13.3 million) and affected primarily the Semperflex company Asia Corp. Ltd. Provisions including social capital amounted to EUR 69.3 million and were therefore lower than EUR 76.0 million at the end of 2017. Trades payable declined to EUR 67.7 million (year-end 2017: EUR 110.9 million) and were considered in trade working capital. Other liabilities (other liabilities, deferred taxes, current income taxes and other financial liabilities) increased to EUR 53.7 million after EUR 46.1 million.

Hybrid capital

On 12 December 2017, the Management Board of Semperit AG Holding signed an agreement regarding a hybrid capital line amounting to up to EUR 150 million with B & C Holding GmbH, a wholly-owned subsidiary of the core shareholder B & C Industrieholding GmbH. Under IFRS accounting rules, hybrid capital has to be classified as equity. In March 2018, EUR 130.0 million were drawn from the hybrid capital. For more details see point 5.2 Hybrid capital in the notes.

Cash flow

The gross cash flow in 2018 amounted to EUR 37.4 million after EUR 39.5 million in 2017. The comparative figures for 2017 have been adjusted, see point 1.6 Changes to comparative information in the notes. Lower earnings before tax in 2018 were up against higher depreciation and impairments. The cash flow for 2017 was also influenced by the joint venture transaction.

The cash flow from operating activities decreased to EUR 10.2 million in 2018 (2017: EUR 64.1 million), which was due to the changes in inventories, changes in trade receivables, trade payables as well as other liabilities and current provisions, among other things.

The cash flow from investing activities was EUR –76.9 million in 2018 and therefore higher than in the previous year (EUR 70.5 million), which was positive due to incoming payments from the joint venture transaction.

At EUR 22.1 million, despite the repayment of financial liabilities, the cash flow from financing activities in 2018 was in total positively influenced by the incoming payment from the funds raised from hybrid capital. In 2017, the value was negative at EUR –154.9 million, due to the repayments of liabilities to banks and payments for the acquisition of redeemable non-controllable interests.

Investments

At EUR 80.8 million, cash-relevant investments in tangible and intangible assets in 2018 were higher than in the previous year (EUR 74.5 million). The investment priorities were on expansion and improvement in the Semperflex segment (expansion of the hydraulic hose production at the plant in Odry, Czech Republic) as well as Sempertrans (primarily for the expansion of Mixing and an additional press for conveyor belts in Bełchatów, Poland).

Related-party transactions with companies and individuals

With regard to the related-party transactions with companies and individuals please refer to the Notes to the Consolidated Financial Statements.

Additional information

There is a branch office in 2632 Wimpassing, Triester Bundesstraße 26, Austria.

The Corporate Governance report can be found on the Internet at www.semperitgroup.com/en/ir, menu item Corporate Governance. The direct link to the report is:

www.semperitgroup.com/en/ir/corporate-governance/corporate-governance-reports/.

Performance of the sectors and segments

Industrial Sector

The Industrial Sector comprises the segments Semperflex, Sempertrans and Semperform and developed in a differentiated way: Above all, Semperflex increased its revenue, followed by Semperform, while Sempertrans recorded a decline. In total, the sector's revenue increased by 5.6% from EUR 537.0 million to EUR 567.0 million.

Due to the positive development in the segments, overall profitability in the Industrial Sector increased. EBITDA rose by 66.1% to EUR 71.3 million and EBIT by 98.7% to EUR 44.6 million. The EBITDA margin improved from 8.0% to 12.6% and the EBIT margin from 4.2% to 7.9%. The initiatives from the restructuring and transformation programme also contributed to this.

In terms of the absolute EBITDA contribution, the Semperflex segment contributed by far the largest share, followed by Semperform and Sempertrans.

Key figures Industrial Sector

in EUR million	2018	Change	2017
Revenue	567.0	+5.6%	537.0
EBITDA adjusted[1]	75.2	+30.6%	57.6
EBITDA margin adjusted	13.3%	+2.5 PP	10.7%
EBITDA	71.3	+66.1%	42.9
EBITDA margin	12.6%	+4.6 PP	8.0%
EBIT adjusted[2]	52.4	41.4%	37.1
EBIT margin adjusted	9.2%	+2.3 PP	6.9%
EBIT	44.6	+98.7%	22.4
EBIT margin	7.9%	+3.7 PP	4.2%
Investments in tangible and intangible assets	67.0	+38.2%	48.5
Employees (at balance sheet date)	3,654	+0.2%	3,648

[1] EBITDA for 2018 was adjusted by EUR 3.9 million for the one-off effect from the shutdown of the Sempertrans production site in China. EBITDA for 2017 was adjusted by EUR 11.4 million for the one-off effects from the shutdown of the Sempertrans production site in France and by EUR 3.3 million for the expenses in the course of the Austrian tax audit (primarily energy tax rebate).
[2] EBIT for 2018 was adjusted by EUR 7.8 million for the one-off effect from the shutdown of the Sempertrans production site in China. EBIT for 2017 was adjusted by EUR 11.4 million for the one-off effects from the shutdown of the Sempertrans production site in France and by EUR 3.3 million for the expenses in the course of the Austrian tax audit (primarily energy tax rebate).

Semperflex segment

The Semperflex segment increased revenue by 11.6% due to in total higher production and sales performances. The expansion of the production capacities for hydraulic hoses at the site in Odry, Czech Republic, which was completed in November 2018, also contributed to this. Profitability also increased, while the EBITDA margin for 2018 stood at 21.3% (2017: 19.6%) and the EBIT margin at 16.7% (2017: 15.4%).

Due to the good order situation, capacities are well utilised. However, demand in the global market has further cooled off, which also shows in declining incoming orders.

The business unit for hydraulic hoses achieved sales and revenue successes primarily in Europe, the USA and China, also due to newly available capacities. Revenue for industrial hoses also increased due to customer acquisitions inside and outside Europe.

As part of its strategic focus on the large-scale production of high-quality and sophisticated hydraulic and industrial hoses, the production site in Rovigo, Northern Italy, was sold to an Italian industrial group.

Sempertrans segment

In 2018, revenue declined by 0.8% compared with the previous year due to decreasing volumes. This was attributable, above all, to an increased focus on profitability.

The raw material prices that are relevant for production have partly increased for several quarters, primarily for steel cord wires. These increases could only be passed on to the customers with a delay.

In 2018, the restructuring and transformation programme put Sempertrans back in the black with regard to the adjusted values. The programme included, among other things, the reorganisation of the Sempertrans management, an improved order quality and further optimisation of the manufacturing processes at the site in Bełchatów, Poland. The reported figures for 2018 recorded a positive EBITDA and a negative EBIT. The reported profitability was impacted by the expenses for the shutdown of the Chinese production site.

The expansion of the mixing capacities at the site in Bełchatów, Poland, was completed.

Semperform segment

The Semperform segment recorded a revenue increase – demand for infrastructure was good, while demand in the construction industry slowed down in the second half of 2018, with different effects on sales in the individual business units.

In a comparison of 2018 with the previous year, an increase in revenue (+3.9%), EBITDA (+13.8%) and EBIT (+20.4%) was recorded. Profitability also rose: the EBITDA margin was 11.4% (2017: 10.4%), while the EBIT margin was 6.9% (2017: 5.9%). The improvement was driven, among other things, by the measures taken in the course of the restructuring and transformation programme in the supply chain, operations and sales.

The following measures, among other things, were successfully implemented in 2018 to increase customer satisfaction: increased on-time delivery, improved service level in order fulfilment and a faster after-sales management.

Key figures Semperflex

in EUR million	2018	Change	2017
Revenue	230.0	+11.6%	206.1
EBITDA	48.9	+21.0%	40.4
EBITDA margin	21.3%	+1.7 PP	19.6%
EBIT	38.4	+21.0%	31.8
EBIT margin	16.7%	+1.3 PP	15.4%
Investments in tangible and intangible assets	33.5	+11.3%	30.1
Employees (at balance sheet date)	1,776	+2.5%	1,732

Key figures Sempertrans

in EUR million	2018	Change	2017
Revenue	144.8	–0.8%	146.0
EBITDA adjusted[1)]	4.4	–	–5.3
EBITDA margin adjusted	3.0%	+6.7 PP	–3.6%
EBITDA	0.5	–	–16.7
EBITDA margin	0.4%	+11.9 PP	–11.5%
EBIT adjusted[2)]	0.7	–	–8.9
EBIT margin adjusted	0.5%	+6.6 PP	–6.1%
EBIT	–7.1	–65.2%	–20.3
EBIT margin	–4.9%	+9.0 PP	–13.9%
Investments in tangible and intangible assets	21.6	>100%	5.9
Employees (at balance sheet date)	878	–11.4%	991

1) EBITDA for 2018 was adjusted by EUR 3.9 million for the one-off effect from the shutdown of the Sempertrans production site in China. EBITDA for 2017 was adjusted by EUR 11.4 million for the one-off effect from the shutdown of the Sempertrans production site in France.
2) EBIT for 2018 was adjusted by EUR 7.8 million for the one-off effect from the shutdown of the Sempertrans production site in China. EBIT for 2017 was adjusted by EUR 11.4 million for the one-off effect from the shutdown of the Sempertrans production site in France.

Key figures Semperform

in EUR million	2018	Change	2017
Revenue	192.2	+3.9%	185.0
EBITDA	21.9	+13.8%	19.2
EBITDA margin	11.4%	+1.0 PP	10.4%
EBIT	13.2	+20.4%	11.0
EBIT margin	6.9%	+1.0 PP	5.9%
Investments in tangible and intangible assets	11.9	–4.8%	12.5
Employees (at balance sheet date)	1,000	+8.2%	925

Medical Sector: Sempermed segment

The development of the Sempermed segment was characterised by the increasing competitive and price pressure, particularly in North America, as well as the focus on sales of gloves from our own production and therefore declining sales of trade goods. This resulted in a declining sales and revenue development.

Sales of examination and protective gloves, which are primarily sold in North America and Europe, was below the previous year's period. Sales of surgical gloves, which are produced in the core production facility in Wimpassing, Austria, was also below the high level of the previous year.

The expansion of the new plant, and consequently the expansion of the own production capacities for examination and protective gloves in Malaysia, was completed and is in the optimisation phase.

In total, the earnings development in 2018 was characterised by a competitive and price pressure, the temporarily limited availability of synthetic latex (nitrile), by production inefficiencies as well as an increase in gas prices. In 2018, the reported EBITDA was EUR –3.9 million after EUR 77.9 million in 2017. In addition to current depreciation, there was an impairment of EUR 55.8 million in 2018 (2017: EUR 26.0 million). The reported EBIT was EUR –69.6 million in 2018 after EUR 38.0 million in the previous year.

In 2018, EBITDA amounted to EUR –3.9 million (no adjustment for EBITDA in 2018) compared with the adjusted value of EUR 1.8 million for 2017 (adjusted by the positive one-off effect of around EUR 78 million from the joint venture transaction resulting from the termination of the joint venture for the glove production in Thailand as well as the negative one-off effect due to the expenses in the course of the tax audit for Austria (primarily energy tax rebate) of EUR 2.0 million).

EBIT adjusted for the impairment relating to the impairment test of EUR 55.2 million in the first half of 2018, amounted to EUR –14.3 million in 2018. In 2017, the adjusted EBIT was EUR –12.1 million (adjusted by around EUR 78 million for the positive one-off effect of the joint venture transaction, by EUR 26.0 million for the negative one-off effect of the impairment in the Sempermed segment and by EUR 2.0 million for the expenses in the course of the tax audit for Austria (primarily energy tax rebate).

Key figures Sempermed

In EUR million	2018	Change	2017
Revenue	311.5	–7.6%	337.1
EBITDA adjusted[1]	–3.9	–	1.8
EBITDA margin adjusted	–1.3%	–1.8 PP	0.5%
EBITDA	–3.9	–	77.9
EBITDA margin	–1.3%	–24.4 PP	23.1%
EBIT adjusted[2]	–14.3	+18.4%	–12.1
EBIT margin adjusted	–4.6%	–1.0 PP	–3.6%
EBIT	–69.6	–	38.0
EBIT margin	–22.3%	–33.6 PP	11.3%
Investments in tangible and intangible assets	12.7	–49.7%	25.3
Employees (at balance sheet date)	2,979	–2.4%	3,051

[1] EBITDA for 2017 was adjusted by EUR 78 million for the one-off effect from the joint venture transaction and by EUR 2.0 million for the negative one-off effect relating to the tax audit for Austria (primarily energy tax rebate).
[2] EBIT for 2018 was adjusted by EUR 55.2 million for the one-off effect from the impairment in the Sempermed segment.
EBIT for 2017 was adjusted by around EUR 78 million for the positive one-off effect of the joint venture transaction, by EUR 26.0 million for the negative one-off effect of the impairment in the Sempermed segment and by EUR 2.0 million for the expenses in the course of the tax audit for Austria (primarily energy tax rebate).

Sustainability

As an international industrial company with a successful track record of 195 years, it is crucial for Semperit to keep an eye on trends, promote innovation and at the same time act with the appropriate corporate responsibility. In addition to economic requirements, Semperit increasingly faces ecological issues and social challenges. With quantitative objectives in the main subject areas

- energy
- raw materials
- innovation
- occupational safety and health
- social standards and working conditions
- sustainability in the supply chain

Semperit took a major step in the gradual anchoring of its sustainability topic in 2018. Based on appropriate activities, Semperit will work towards achieving these goals over the next few years. In this way, it has been substantiated that sustainability is regarded an important contributor to long-term corporate success.

Please find further details and the corresponding non-financial key figures and information – in accordance with the Sustainable Development Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz NaDiVeG) – in the separate Sustainability Report 2018 of the Semperit Group. Available at: www.semperitgroup.com/sustainability.

Employees

As of 31 December 2018, the number of employees was 6,773, which is –1.0% below the level of 31 December 2017. The employee headcount rose in the Semperflex and Semperform segments and fell in the Sempermed and Sempertrans segments in a year-on-year comparison. The analysis by segments shows that around 45% of all employees work in the Sempermed segment, while around 25% work in the Semperflex segment and less than 15% in the Sempertrans and Semperform segments respectively.

Number of employees (full time equivalents) at year end

	2018	Structure	Change 2018 vs. 2017	2017
Semperflex	1,776	26.2%	+2.5%	1,732
Sempertrans	878	13.0%	–11.4%	991
Semperform	1,000	14.8%	+8.2%	925
Sempermed	2,979	44.0%	–2.4%	3,051
Corporate Center	140	2.1%	–0.1%	140
Total	**6,773**	**100.0%**	**–1.0%**	**6,838**
thereof in Austria	896	13.2%	+6.5%	841
thereof Semperit AG Holding	136	2.0%	+14.5%	119

Research and development

For 195 years, Semperit has operated successfully in the rubber processing industry. Innovation strength is needed to survive such a long period of time. It takes a pioneering spirit and the motivation to research, understand and optimise materials, products and processes with regard to various criteria. At the same time, it is important to identify market trends and corresponding customer wishes and to respond to them.

The Research & Development team (R&D team) of the Semperit Group is continuously working on the development of innovative materials and products as well as on the improvement of manufacturing processes. Topics such as resource and energy efficiency in production as well as health and environmental compatibility in product application are always top priorities in research and development work. In 2018, expenses in research and development amounted to around EUR 14.0 million (EUR 14.2 million in 2017) and therefore around 1.6% of revenue.

Semperit has a Group-wide implemented innovation management, which is the core of all R&D activities. The focus is on systematic identification of potentials, the selection of suitable ideas and successful project management. The aim is to promote developments in a controlled manner and to sustainably secure innovation strength. Another component is risk analysis, which serves to estimate possible effects of products on human beings and environment, and to identify and address possible risks along the value chain at an early stage.

With its 247 employees in 2018 (267 in 2017), the R&D team is divided into a central and several decentralised areas. The central area, which is partially located in the R&D Center in Wimpassing, deals with fundamental projects in addition to material development and central process development as well as the control function of Group-wide activities. The decentralised part at segment level focuses on product and process optimisation – often in close cooperation with customers – and is formed by the product and process development teams of the various business units. In addition to the headquarters in Wimpassing, Semperit operates seven further research sites.

Supervisory and Management Board matters

Patrick Prügger, Veit Sorger and Felix Strohbichler stepped down from their Supervisory Board mandates on 25 April 2018 (date of the Annual General Meeting). In the Annual General Meeting on 25 April 2018, Christoph Kollatz, Felix Fremerey and Christoph Trentini were newly appointed to the Supervisory Board. Walter Koppensteiner and Klaus Erkes were reappointed as Supervisory Board members. At the constituent meeting of the Supervisory Board, Christoph Kollatz was appointed successor of Veit Sorger as Chairman of the Supervisory Board. Stefan Fida was elected Deputy Chairman of the Supervisory Board.

On 10 September 2018, the Supervisory Board of Semperit AG Holding has agreed to the request of Michele Melchiorre, COO and responsible for the Medical Sector, to terminate his Management Board contract. Until the reappointment to the Management Board position, Felix Fremerey, member of Semperit' Supervisory Board, and CEO Martin Füllenbach will be responsible for the Board portfolio of Michele Melchiorre on an interim basis. In this transition phase, Felix Fremerey's Supervisory Board mandate is suspended.

Disclosures pursuant to Section 243a (1) of the Austrian Commercial Code (UGB)[1]

1. The share capital of Semperit AG Holding amounted to EUR 21,358,996.53 as at 31 December 2018 and consisted of 20,573,434 non-par-value ordinary shares, each carrying equal rights in every respect.

2. There are no restrictions with regard to voting rights or the transfer of shares except for provisions contained in the Austrian Stock Corporation Act (Aktiengesetz – AktG).

3. B & C Semperit Holding GmbH directly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2018 and is the majority shareholder of Semperit AG Holding. The private foundation B & C Privatstiftung is the highest controlling legal entity. B & C Holding Österreich GmbH is an indirect majority shareholder, who prepares and publishes consolidated financial statements including the Semperit Group.

4. No shares were issued entitling the owners to special control rights.

5. Employees who own shares are entitled to exercise their right to vote at the Annual General Meeting.

6. The Management Board consists of up to five people. Members of the Management Board are appointed by the Supervisory Board for a maximum period of five years. Reappointments, for a maximum of five years, are permissible.

The following applies with respect to the appointment and revocation of Supervisory Board members pursuant to the Articles of Association: unless a shorter term of office is specified, Supervisory Board members are elected until the end of the Annual General Meeting resolving upon the ratification of the actions of the Management and Supervisory Boards for the fourth year after the election, not including the financial year in which the election took place. However, at least two members of the Supervisory Board shall resign each year at the end of the Ordinary Annual General Meeting. Members of the Supervisory Board who have resigned from the Supervisory Board since the last Annual General Meeting or have resigned from office with effect from the end of the respective Annual General Meeting shall be counted towards this figure.

Apart from that, the members having to vacate their position are determined as follows: firstly, those members have to leave, whose term of office expires. If this does not apply to at least as many members that, taken together with other members who have left since the last Annual General Meeting or have resigned from office at the end of the respective Annual General Meeting, two members may be determined, those members shall leave, who have been in office for the longest period of their term of office. In cases in which this procedure yields a number of members eligible for departure that is greater than required, the selection among them will be undertaken through the drawing of lots. This procedure is also used to decide in cases in which the above rules do not suffice to determine which members will depart. Those departing are immediately eligible for re-election.

If an elected member of the Supervisory Board retires from the Supervisory Board during his term of office, a substitute election shall only be held immediately if the number of elected Supervisory Board members falls below three. Substitute elections shall be held for the remaining term of office of the retiring Supervisory Board member unless the Annual General Meeting decides otherwise at the time of election. If a member is elected to the Supervisory Board by an Extraordinary Annual General Meeting, the first year in office is considered to be completed upon the close of the next Ordinary Annual General Meeting.

[1] The numbering in this chapter refers to the numbers mentioned in Section 243a (1) UGB (Austrian Commercial Code).

Each member of the Supervisory Board may resign from office by giving written notice to the Chairman of the Supervisory Board without giving reasons, subject to a four-week period of notice.

Resolutions of the Annual General Meeting require a simple majority of the votes cast, unless mandatory law requires a larger majority. In cases where a majority of capital is required, it shall pass resolutions by a simple majority of the share capital represented at the passing of the resolution, unless mandatory law requires a larger majority of capital.

7. The Management Board is authorised by the Annual General Meeting on 25 April 2018, with the consent of the Supervisory Board, to increase the nominal capital of the Company within five years from the registration of the amendments to the articles of incorporation with the commercial register – if necessary in several tranches – by up to EUR 10,679,497.23 by way of issuing up to 10,286,716 new no-par value shares in bearer or registered form against cash and/or payment in kind and to determine the share type, the issue price and the terms and conditions of the issue. The Management Board is also authorised, with the consent of the Supervisory Board, to issue convertible bonds. This may combine a conversion or subscription right or a conversion or subscription obligation for up to 10,286,716 no-par-value shares of the Company. The share capital is conditionally increased according to section 159 (2) (1) of the Austrian Stock Corporation Act by up to EUR 10,679,497.23 by issuing up to 10,286,716 new no-par value shares.

The Annual General Meeting on 25 April 2018 authorised the Management Board with the consent of the Supervisory Board, to repurchase and, if applicable, retire own shares up to the legally permitted maximum of 10% of the share capital for a period of 30 months from the adoption of the resolution in the Annual General Meeting in accordance with Section 65 (1) (8) of the AktG. At the same Annual General Meeting, the Management Board was authorised, pursuant to Section 65 (1b) of the AktG and with the consent of the Supervisory Board, to decide on a different method of selling shares than via the stock exchange or through a public offer and on a possible exclusion of the pre-emption rights (subscription right) of shareholders. There is currently no share buyback programme and the company does not hold any treasury shares.

8. Certain financing agreements contain contractual clauses regarding a change of control in the event of takeovers pursuant to Section 243a (1) (8) of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB).

9. There are no compensation agreements pursuant to Section 243a (1) (9) of the UGB.

Risk management

Basic principles of risk management

The risk policy of the Semperit Group reflects the effort to achieve competitive advantages, thus increasing the Semperit Group's company value in the long term. In addition to meeting legal requirements (compliance) and occupational safety, the aim is to increase risk awareness. The knowledge gained as a result should be incorporated into operational work and strategic company development.

Semperit controls reasonable risks and tries to reduce or prevent unreasonable risks. The group-wide risk management of the Semperit Group is an integral part of planning and implementing Semperit's business strategies, with the Management Board defining the risk policy. In accordance with the organisation and the accountability structure, all Semperit companies are obliged to follow and implement the defined risk management process. Enterprise Risk Management is organised in the Group Risk Management & Assurance department.

Enterprise risk management process

Semperit uses a series of coordinated risk management and control systems, which support the Semperit Group in identifying developments that could jeopardise the continued existence of the business at an early stage. In this context, the greatest importance is attached to group-wide processes and developments which serve to assess potential risks as long as possible before major business decisions are made. The internal reporting system allows monitoring such risks in business development in greater detail.

The Semperit Group's risk management is based on a comprehensive enterprise risk management (ERM) approach, which is integrated into corporate organisation. The ERM approach is based on a globally recognised framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the "Enterprise Risk Management – Integrated Framework" (2004). The ERM process aims at an early identification, assessment and control of risks which could have a significant influence on achieving strategic, operational, financial and compliance-relevant goals of the company.

Along a structured process combining elements of both the bottom-up and the top-down approach, risks are identified and evaluated. The reporting period within the framework of the ERM approach usually amounts to one year; in exceptional cases (for example for research and development) this period may be longer. Transition to a five-year risk assessment period has begun. The ERM is based on a net principle, according to which the risks remaining after (control) measures have been conducted are addressed. If risks have already been accounted for in planning, in the budget, in forecasts or in the consolidated financial statements, these risks are no longer shown. Only those potential deviations from the business objectives which have not been accounted for financially in any form are presented as risks. The progress made in implementing risk-reducing measures is monitored on a regular basis.

The Group Risk Management & Assurance department is responsible for the central coordination, moderation and monitoring of the structured risk management process for the entire group. Relevant risks are prioritised from different perspectives and later assessed for their impact and probability of occurrence. The bottom-up identification and prioritisation process is supported by workshops with the management of the respective Semperit companies. This top-down element ensures that potential new risks are brought up for discussion at the management level and are then incorporated into the reporting, if relevant. The risks are discussed and coordinated with the segment management (top down). Individual reporting follows immediately after visiting the respective Semperit companies. A comprehensive risk report of the individual risks and an aggregation are submitted to the Audit Committee and the Supervisory Board at least once per year. The regular reporting process is supplemented by an ad hoc reporting process in order to escalate critical topics in due time.

Organisation of risk management and responsibilities

To monitor the ERM process and to drive the integration and standardisation of existing controlling activities in accordance with legal and operational requirements, the Management Board has established the Risk Management Board. This Board consists of the CEO, CFO and Head of Group Risk Management & Assurance. If required, additional members of the Management Board are called in and risks are discussed. In addition, the top risks are monitored quarterly in the Executive Committee.

The Group Risk Management & Assurance department is supported in the process by the individual Semperit companies. The update on the measures is largely provided directly by the risk owners. Measures to reduce risks are also implemented in the form of insurance contracts (see also "Insurable risks").

The legal framework and principles applicable to risk management are set forth in the Risk Management Guideline.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. audited and confirmed the functionality of the risk management system of Semperit for the year 2018 in accordance with C-Rule 83 of the Austrian Code of Corporate Governance.

Risk report

The global economic development with its strong regional variations continuously confronts Semperit as a group with international activities with new challenges. Semperit operates in countries with different economic framework conditions. Moreover, these countries are in different phases of political, constitutional and social development. The success of Semperit's two sectors and/or the four operating segments depends on the overall economic environment to a varying degree based on their strategic orientation. Accordingly, Semperit is exposed to risks.

An assessment of the general market risks and the development of the global economy is presented in the respective chapters of the management report.

Selected individual risks are explained below. In addition to the risks listed here, further strategic, operational, financial risks as well as risks related to compliance, occupational safety, health and environment (SHE) and other external risks possibly exist, which are currently unknown to Semperit or which Semperit is not aware of at present. If one or several known or unknown risks occur, this may have significant adverse effects on the business, asset, financial and earnings position as well as the reputation of the Semperit Group.

Strategic risks

Transformation, restructuring and governance risks

Semperit is undergoing a restructuring and transformation process including cost-reduction initiatives, restructuring of individual segments, evaluation of Semperit's portfolio as well as adjustments in the manufacturing footprint. The management information system, which only exists to a limited extent, and the lack of structures and standardised processes lead to risks of corporate management due to insufficient data and non-stable processes, and hence to potentially incorrect decisions.

There is a risk that the decisions made take more time and are associated with higher costs so that their actual benefit is lower than originally estimated, that they take effect later than assumed or they have no effect at all. In any case, Semperit's profitability is influenced by savings actually achieved and the ability of the Semperit Group to implement these ongoing projects on a sustained basis.

Like other international companies, Semperit, as a publicly listed company, is exposed to the risk of hostile takeover attempts. This could hinder the implementation of the strategy and the restructuring and transformation process and therefore negatively impact the business, asset, financial and earnings situation of the Group.

Technology development

The markets in which Semperit operates are subject to significant changes resulting from the introduction of innovative and disruptive technologies. In the area of digitalisation (Industry 4.0), there are risks of the substitution of existing products and new business models. In addition, there is a risk that competitors are able to launch their products and solutions in the market earlier than Semperit due to faster time-to-market strategies. The development of results significantly depends on the ability to anticipate changes in the markets, to adjust accordingly and to cut the manufacturing costs of the products. The introduction of new products and technologies requires a strong commitment to research and development, which is associated with substantial investments of financial resources and is not always successful. This could lead to a negative influence on the earnings situation, when investments do not lead to the expected success or are not met with the expected market acceptance. Existing patents and other intellectual property rights of Semperit cannot prevent competitors from developing and selling products themselves that are very similar to Semperit products.

Customer needs and market trends

There is an inherent risk for the Semperit Group that market trends are not identified in due time or that the company is not flexible enough to adjust its products and production to market changes in time. This may lead to a non-competitive cost position and a significant negative effect on the business, asset, financial and earnings position of the Semperit Group.

Operational risks

Organisational risks

The organisation of the Semperit Group in the form of a matrix organisation is not fully developed yet on a global scale and includes potential process overlaps, inflexibilities and inefficiencies. Decision-making procedures in response to market-related or critical developments potentially bear the risk of time delays or other inefficiencies. The control systems and the measurement of key figures against internal and external benchmarks have to be developed further. As transparency is consequently limited, wrong decisions could be made. In addition, there is a potential risk of losing competitive advantages or not being able to generate new ones.

Investment and divestment risks

The Semperit Group invests in existing sites, for example through the construction of new buildings, purchasing new machines and replacement investments. In addition, there is the possibility that acquisitions of new companies or divestments (sale, closure) of existing parts of the company are carried out. In the course of such investments and divestments there is among other things a risk of misjudgements and of accrued legacy issues of any kind.

Value chain risks

The value chain of Semperit covers all stages from research and development, through supply chain management and production to marketing and sales. In particular, bottlenecks in raw material supply may arise along the value chain; likewise, production disruptions, scrap, quality defects in products/packaging/storage/delivery may occur and lead to additional costs and delivery bottlenecks and/or delays. Moreover, this may result in reputational damage and loss of orders as well as potential product liability, occupational safety, regulatory and environmental risks, which may have a negative effect on the asset, financial and earnings position of the Semperit Group.

The earnings position of the Semperit Group depends on the reliable and effective management of our supply chain for raw materials and mixes. Capacity limitations and supply shortages could lead to delays and additional costs. Semperit is fully dependent on external suppliers with regard to raw material and energy supply, and partially depends on them for the supply of mixes. This reduces the indirect possibilities of influencing productivity, quality assurance, delivery dates and costs, and increases the risk of not being able to react in due time and adequately to changing situations.

Supply shortages and delays could damage the business activities of the Semperit Group to a significant extent. Unexpected price increases for raw materials and components, for example due to market shortages, could also have a negative effect on the asset, financial and earnings position of the Semperit Group. Furthermore, Semperit could be confronted with the risk of delays and disruptions of the supply chain as a result of disasters, especially if Semperit does not manage to open up alternative sources of supply. If Semperit is not able to gain sufficient security along the supply chain, its reputation could also be adversely affected.

Procurement risks

Semperit purchases large amounts of raw materials such as rubber, (natural and synthetic rubber), chemicals, bulking agents (e.g. carbon black) and both textile and steel reinforcing materials as well as energy (gas, electricity) for manufacturing its products. These raw materials are subject to high price volatility. Price increases can be passed on to the customer only partially or with delay – depending on the respective market situation. Therefore, an increase in raw material prices may have a negative impact on earnings. In some areas, there are also monopolistic and oligopolistic supply situations for raw material and chemical suppliers. Semperit also has a limited option for negotiations with energy and water providers.

Furthermore, the Sempermed segment is to a large extent dependent on the supply of finished products by third parties.

A supply shortage of (individual) raw materials or finished products, or restrictions on imports (e.g. steel wire from China), or a failure of an important supplier may lead to a massive production loss and to a significant negative impact on the asset, financial and earnings position of the Semperit Group.

Production and utilisation risks

Within the Semperit machine park, there are (partly outdated) facilities which are essential for production and for which there are no adequate replacements. An essential failure of one of these machines would lead to a (partial) loss of production and negative effects on the asset, financial and earnings position of the Semperit Group.

Quality problems may arise in Semperit products, which result from the development or production of these products. Despite all efforts, the risk of operational downtimes, accidents, underutilisation, and limited availability of production, movement and storage areas cannot be ruled out. Such risks may lead to delayed deliveries and, subsequently, potentially to a loss of customers, with possible negative effects on the asset, financial and earnings position of the Semperit Group.

Information technology (IT) and data protection risks

The majority of production and control systems as well as services are dependent on a functioning and error-free IT landscape. The failure of essential servers and production scheduling units, ERP systems, non-availability and unauthorised access to IT networks (cyber-crime) may lead to an irrecoverable loss of production volumes, a negative impact on quality or delivery delays and thus be detrimental for Semperit. Like other multi-national companies, Semperit is also a target of cyber-attacks. Such attacks can potentially lead to the disclosure, falsification, espionage or loss of information, abuses of information systems or product faults, production losses and supply shortages, with negative effects on the reputation and competitiveness of the Semperit Group.

Additional risks are posed by IT systems developed in-house and a wide variety of different systems in use requiring a large number of manual interventions, which could have a negative effect on data quality and processes. The traceability of goods produced may not be given due to faulty and non-existent systems.

Handling sensitive/confidential data inappropriately or not in compliance with legal requirements (particularly GDPR) may also represent a risk.

Personnel risks

Semperit continuously needs highly qualified employees. The competition for qualified employees continues to be intensive in regions where Semperit operates. Some Semperit sites are located in regions with persistently low unemployment and constant high demand for qualified skilled workers. Semperit's future business performance will be largely determined by the recruitment of adequately qualified professional and managerial staff at the individual locations, their integration, further development and long-term retention. The departure of key personnel must be covered by internal successors who have been trained in due time. Should this not be possible, it may lead to a risk of a deterioration of the business, asset, liabilities, financial, and earnings position of the Semperit Group.

Labour shortages or restrictions on the admission of guest workers or outsourcing, state minimum wage regimes, strikes or outflow/unauthorised disclosure of know-how may lead to an impairment of production and to limitations in other business areas, thus also burdening productivity and the business, asset, financial and earnings position.

Financial risks

As required by IFRS 7.31, the financial risks are described in detail in the notes under point 11 (Risk management). A summary and interpretation are provided below.

Capital, financial and liquidity risks (capital management)

Capital risk is the risk of capital bundled in investments. Liquidity risk (also known as refinancing risk) refers to the risk of being unable to raise the necessary cash for possible payments or only at increased refinancing costs. Financing risk refers to the risk that financing instruments are not available or not available to the required extent and thus threaten to cause payment difficulties or even insolvency.

The objective of capital management in the Semperit Group is to ensure the continuation of the company, to enable growth-oriented organic and non-organic investment activities and a dividend policy based on this goal.

The risk from capital management can be divided into market and corporate risks.

Market risks to which the Semperit Group is exposed include political and economic developments that negatively influence the financial markets all over the world. These may be, for example, more restrictive regulations of the finance sector or policies of central banks, the limited availability of financial resources, changes of the credit ranking and legal capacity of banks and other funders, changes of interest rates or restrictions on the use of financial instruments, which affect our scope of action regarding the taking up of financing operations or which impair our financing costs and deposit conditions.

Furthermore, the Semperit Group is subject to corporate risks in capital management. For example, a deterioration of its own creditworthiness may lead to higher expenses for borrowings or no further financing granted by creditors. An increase in credit risk premiums may also result in a negative change of the market values of financial assets due to uncertainty and risk aversion on the financial markets. In the context of loan contracts and Schuldschein loans, there are customary clauses ("Covenants criteria"), which, if not met, could lead to a termination by investors. In addition, there are agreements with joint venture partners which result in restrictions on the free availability of the respective liquid funds.

The risks from capital management may have a significant negative impact on our business, asset, financial and earnings situation.

Foreign currency risk

Foreign currency risks can generally be divided in transaction and translation risks. A transaction risk exists in the case of receivables or payables in a foreign currency, whose value may change due to exchange rate fluctuations. The translation risk refers to possible value fluctuations of assets as a result of changes of exchange rates and occurs in the consolidation of subsidiaries that do not enter in EUR. Due to international trade relations and existing subsidiaries all over the world, the Semperit Group is exposed to both risks.

Transaction risks exist in all subsidiaries that, for example, purchase raw materials in a currency other than the functional currency or sell products in a currency other than the functional one. The main currencies in this context are US dollar, Czech koruna, Polish zloty and Malaysian ringgit. In the notes under point 11 Risk management/Currency risk management there is a listing of revenue by the major currencies as well as those currency pairs that exist versus the euro and the US dollar which pose a significant currency risk. Translation risks exist in the Semperit Group wherever a consolidation of annual financial statements takes place in different currencies.

Furthermore, in some countries there are capital controls that limit the Semperit Group in its freedom of action. Some national banks, for example, have restrictions on trade in currencies and hedging instruments.

The risks from foreign currency risk management may have a significant negative impact on our business, asset, financial and earnings situation.

Interest rate risks

Interest rate risks arise from the change in interest rates, both for variable and fixed interest financing, in the form of interest change risks or cash value risks.

The external financings of the Semperit Group are partly variable and partly fixed interest rates. Internal financing is usually granted with fixed interests to subsidiaries. With an increase in variable interest rates, this leads to higher interest expenses. The Semperit Group is exposed to the cash value risk when fixed market interests fall. Individual risk positions were hedged in 2018 using derivative financial instruments. For details see the notes under point 11 Risk management/Interest rate risk management.

The risks from interest rate risk management may have a significantly negative influence on our business, asset, financial and earnings position.

Default risks of customers and banks

The Semperit Group is exposed to the default risk with regard to receivables from customers. If the credit rating of Semperit customers deteriorates, the default risk increases. The default of a key business partner could have a negative impact on our receivables and our results. Due to a higher counterparty risk, the costs for hedging credit risks could be increased.

There are also default risks relating to Semperit's bank deposits. These deposits are not or only partially secured by deposit protection funds and may be the reason why Semperit cannot or only partially or only with some delay access this liquidity or credit lines in case of bankruptcy of individual banks or another bank and/or financial crisis.

There are additional risks in the case of a loss of value of collateral transferred to Semperit.

The risks from the default of customers and banks can have a significantly negative influence on our business, asset, financial and earnings position.

Tax risks

The companies of the Semperit Group are subject to local tax legislation in the respective countries and have to pay profit taxes as well as other (local) taxes and fees. Changes in tax legislation and regulations in these jurisdictions could lead to higher tax expenses. A negative influence on tax receivables and liabilities of the Semperit Group as well as on deferred tax assets and liabilities is also possible. Unused tax loss carryforwards could be subject to tax audits and be questioned in part. Moreover, uncertainties in the tax environment of some regions could limit the possibilities of enforcing our own rights. The Semperit Group and its local companies are subject to regular tax audits by financial authorities which may entail negative findings.

If one or several of the above-mentioned events occur, a negative effect on the business, asset, financial and earnings position has to be assumed.

A subsidiary of the Semperit Group is currently involved in tax proceedings regarding levies (tax PIS/COFINS) for the assessment years 2008 to 2010 in Brazil, for which the management for the import tax (import PIS/COFINS) still assumes that the requirement of a provision is met (see explanation 7.2, Other provisions, in the notes). For the resale levy (resale PIS(COFINS) in 2017, a deposit was set for the further treatment of the case in the court instances. The provision is therefore offset by a corresponding claim from possible refund claims. For the assessment years 2011 and 2012, the management assumes that a limitation period has materialised (see 7.2, Other provisions, in the notes.

Compliance risks

Regulatory risks and potential sanctions

Semperit has business activities with customers and suppliers in countries such as Russia, Ukraine or China, which are subject to export and import control regulations or other forms of trade restrictions (for example through the USA and the EU). New or extended sanctions in countries in which Semperit has business operations could lead to restrictions of the existing business activities in these countries, or indirectly in other countries. In addition, Semperit could be subject to claims or other measures by customers due to the termination of our business in countries, which are subject to sanctions.

For business activities in emerging countries, there are risks such as unrest, health risks, cultural differences, for example regarding employment relationships and business practices, volatility of the gross domestic product, economic and governmental instability and legal uncertainty, possible nationalisation of private assets as well as imposition of currency restrictions and stricter environmental requirements.

Risks arising from cartel and corruption allegations

Future proceedings against Semperit regarding corruption and cartel allegations as well as other violations of laws could lead to monetary fines under criminal or civil law as well as to penalties, sanctions, court orders regarding future behaviour, disgorgement of profits, to the exclusion from directly or indirectly participating in certain business transactions, to the loss of trade licences or other restrictions and legal consequences. Part of Semperit's business activities is accounted for by state-owned companies. Pending and possible future investigations into corruption or cartel allegations or allegations regarding other legal violations could have a long-term impact on the Semperit Group's business, including even an exclusion from public and private-sector orders. Moreover, such investigations could also lead to the cancellation of existing contracts and loss of orders and customers, and proceedings against Semperit could be initiated.
Developments in ongoing or potential future investigations, such as the reaction to requests by the authorities and cooperation with the authorities, could distract the attention and resources of the management from other business matters.

One subsidiary is involved in unfair competition proceedings. The case is currently at a stage at which the outcome cannot be estimated with a sufficient degree of probability. The case is being heard before the authorities in consultation with local specialists. The subsidiary is cooperating with the competent authorities and is providing all the necessary assistance. For the anticipated costs and the appropriate risk, an appropriate provision has been made according to the assessment of the Semperit Group.

Risks related to legal proceedings

Semperit is, and will be in the future, confronted with different legal disputes and proceedings as part of its ordinary business activities. As a consequence of such litigation, the payments of damages, punitive damages, meeting other claims as well as criminal or civil sanctions, fines or disgorgements may be imposed on Semperit. In addition, this may in individual cases result in the formal or informal exclusion from tendering procedures, or withdrawal or loss of business licences or permits. Moreover, further proceedings may be initiated, and existing proceedings could be extended. Asserted claims from litigation are generally subject to interest payments.

In some of these legal disputes, negative decisions can be made against Semperit, which may have significant effects on the business, asset, financial and earnings position of the company.

The Asian markets are of major importance for Semperit. These markets are subject to legal systems where regular changes occur, which could have negative effects on the business, asset, financial and earnings position of the Semperit Group.

Occupational safety, health and environmental risks (SHE)

Present or future occupational safety-related, environmental and health-related or other state regulations, or changes of such regulations, could require adjustments of the operating activities of the Semperit Group or lead to a significant increase in operating costs. Moreover, there are risks regarding a possible occupational safety-related, environmental and health-related incident, also when handling hazardous substances, as well as non-compliance with environmental, health- or occupational safety-related regulations, which could subsequently lead to severe accidents, reputation loss and legal consequences. Environmental damage could result in losses for Semperit, which exceed the insured amount or are not covered by insurance, and such losses could have a negative impact on the business, asset, financial and earnings position.

Compliance risks regarding Corporate Social Responsibility (CSR)

There is a risk of violating existing CSR regulations of the local jurisdictions in the respective countries. In addition to burdens on the company's business, asset, financial and earnings position, this could also result in reputational damage and loss of customers.

Insurable risks

The existing insurance cover does not protect Semperit from possible reputational damage. Moreover, Semperit may suffer losses resulting from legal disputes which exceed the insured amount or are not covered by insurance.

Fire, elementary events and natural disasters hold significant loss potential for Semperit, which may not be fully covered despite the insurance programme in place.

Finally, it cannot be guaranteed that Semperit will also receive adequate insurance cover on economically reasonable conditions in the future.

Market risks

Competitive environment

The global markets for our products are highly competitive in terms of pricing, product and service quality, product development and introduction times, customer service and financing conditions, and shifts in market needs. Semperit is confronted with strong competitors, partially also from emerging countries, which have a more favourable cost structure. Some industries in which Semperit operates are undergoing consolidation, which could lead to increased competition and a change in the relative market position of the Semperit Group. Furthermore, it must be noted that suppliers are also increasingly becoming serious competitors for Semperit.

Economic, political and geopolitical framework conditions

From Semperit's perspective there is currently a high level of insecurity regarding the future development of the global economy. One significant risk, for example, results from the United Kingdom's leaving the EU (Brexit). This could increase business volatility and represent risks for the financial markets. The investment climate could suffer a slump due to political friction, further independence movements in countries of the European Union or because of sustainable successes of protectionist parties and policies that are hostile to business and the EU.

A further intensification of the conflicts between the USA and China as well as USA and Russia could have negative effects on the business performance of the Semperit Group.

A slowdown of economic growth in Asia or even a collapse of the Chinese real estate market, the banking sector or the stock market also represent significant risks.

A terrorist attack or a series of such attacks in large economies could reduce the global economic activity and cause the business climate to collapse. Further risks include political tensions, for example in Syria, Turkey, Ukraine, Russia, Iran and Egypt.

If the current economic recovery comes to a halt again and Semperit is not able adjust its production and cost structures appropriately, there is a risk of a negative impact on the asset, financial and earnings position of Semperit. For example, the financing options of our customers could deteriorate. As a result, intended purchases of our products could be changed, delayed or dropped, or purchases or contracts that have been commenced could not be completed. Moreover, the margins on Semperit products could drop to a greater extent than Semperit can currently foresee. In addition, contractual terms of payment could change to the disadvantage of Semperit, which could lead to negative effects on our financial position.

Internal Control System (ICS)

Semperit's internal control system is designed to ensure the effectiveness and efficiency of its business activities, the reliability of its financial reporting and compliance with relevant statutory regulations. It also supports the early recognition and monitoring of risks deriving from inadequate monitoring systems and fraudulent actions and is revised and expanded on an ongoing basis by the Group Risk Management & Assurance department together with the relevant specialist departments. The management of the respective business unit is responsible for implementing and monitoring the ICS and the risk management system. The Management Board of Semperit AG Holding stipulates cross-divisional framework conditions and regulations that are applicable throughout the group. Regular follow-up audits are performed at the locations to ensure the sustained implementation of the framework conditions and regulations.

The following principles form the basis of the ICS:
- Recognition of potential operating risks and making losses visible that have already occurred
- Protection of property
- Improvement in operating effectiveness
- Ensuring the accuracy of accounting and reporting
- Compliance with internal and external laws and regulations
- Auditability by independent experts
- Ensuring adequate implementation and segregation of duties
- Ensuring the controls provided in the process

At the time this management report was prepared, no risks could be identified in connection with future developments that could threaten the continued existence of the Semperit Group either in isolation or jointly. Adequate insurance has been taken out for specific liability risks and damages when reasonable and cost effective.

Essential characteristics of the internal control and risk management system with regard to the financial reporting process

The key points of the existing internal control system and the risk management system with regard to the (corporate) financial reporting process are summarised as follows:
- With regard to the financial reporting process, the functions of accounting are separated from other areas of responsibility such as treasury.
- The applied financial systems are protected against unauthorised access by appropriate IT facilities.
- With regard to applied financial systems, standard software is widely used.
- A guideline system (e.g. accounting guidelines, payment guidelines) has been implemented.
- Received or forwarded accounting data should be examined for completeness and correctness, e.g. by means of random samples, by the responsible persons.
- The dual-control-principle is applied in accounting-related processes.
- Accounting-related processes are examined on a random basis by internal audit.

Outlook

The Management Board of Semperit will continue the restructuring and transformation process that has been started with all its consequences. Continuous and potentially new measures to increase profitability and reduce complexity remain at the top of the Management Board's agenda.

The focus of the restructuring measures will clearly be on the Sempermed segment, continuing the hard work on its turnaround. Progress is clearly visible in the Industrial Sector, where ongoing and further initiatives are being implemented. Semperit will initially focus on organic growth, particularly in the Industrial Sector, and will also gradually focus on inorganic growth considerations over the course of the year.

Since Semperit currently has sufficient capacities in production and in Mixing, capital expenditures (CAPEX, including maintenance) of only around EUR 40 million are planned for 2019. In 2018, this figure was at EUR 81 million, twice as high due to extensive expansion investments initiated in previous years. This should also bring us closer to the goal of a balanced or positive free cash flow in 2019.

Increased financial discipline is enforced through step-by-step cost optimisation and reduced net debt, with our focus on value management and free cash flow as a key performance indicator in our financial planning.

Since the beginning of the restructuring and transformation process, the Management Board has identified significant potentials for earnings improvement and initiated appropriate implementation measures. The conclusion of the transformation of the Semperit Group is scheduled for the end of 2020. From this point of time, the Semperit Group aims to achieve an EBITDA margin of around 10% (run rate 2021) as central key performance indicator.

Note

This outlook is based on the assessments of the Management Board as of 21 March 2019 and does not take into account the effects of possible acquisitions, divestments or other unforeseeable structural or economic changes during the further course of 2019. These assessments are subject to both known and unknown risks and uncertainties, which may result in actual events and outcomes differing from the statements made here.

Vienna, 21 March 2019

The Management Board

Martin Füllenbach
CEO

Frank Gumbinger
CFO

Felix Fremerey
Member of the Management Board

Consolidated Financial

Consolidated income statement

in EUR thousand	Note	2018	2017[1]
Revenue	2.2	878,482	874,181
Changes in inventories		–3,665	14,785
Own work capitalised		2,744	4,116
Operating revenue		**877,561**	**893,082**
Other operating income	2.3	5,409	92,440
Cost of material and purchased services	2.4	–512,266	–541,293
Personnel expenses	2.5	–178,018	–186,521
Other operating expenses	2.6	–146,787	–157,968
Share of profits from associated companies	10.3	530	453
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**46,428**	**100,193**
Depreciation and amortisation of tangible and intangible assets	3.1, 3.2	–34,146	–36,593
Impairment of tangible and intangible assets	3.1, 3.2	–59,969	–25,976
Earnings before interest and tax (EBIT)		**–47,687**	**37,625**
Finance income	2.7	1,158	1,257
Finance expenses	2.7	–9,179	–14,965
Profit / loss attributable to redeemable non-controlling interests	6.1	–4,251	–5,326
Other financial result	2.7	–3,298	–6,495
Financial result		**–15,571**	**–25,529**
Earnings before tax		**–63,258**	**12,096**
Income taxes	2.8	–17,104	–38,351
Earnings after tax		**–80,362**	**–26,255**
thereof attributable to the shareholders of Semperit AG Holding – from ordinary shares	2.9	–84,971	–25,657
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	2.9	5,327	0
thereof attributable to non-controlling interests	2.9	–719	–598
Earnings per share in EUR (diluted and undiluted)[2]	**2.9**	**–4.13**	**–1.25**

[1] The comparative figures were adjusted (see chapter 1.6).
[2] The earnings per share is solely attributable to the ordinary shareholders of Semperit AG Holding (excl. interest from hybrid capital).

Consolidated statement of comprehensive income

in EUR thousand	Note	2018	2017
Earnings after tax		**–80,362**	**–26,255**
Other comprehensive income that will not be recognised through profit and loss in future periods		**–396**	**548**
Remeasurements of defined benefit plans	7.1	–180	1,472
thereof Revaluation gains / losses for the period		–180	1,472
thereof related to income tax	9	–215	–925
Other comprehensive income that will potentially be recognised through profit and loss in future periods		**679**	**–11,389**
Available-for-sale financial assets		0	–123
thereof Revaluation gains / losses for the period		0	–123
Cashflow hedges		–352	–66
thereof Revaluation gains / losses for the period	11	–1,221	262
thereof Reclassification to profit / loss for the period		869	–328
Other comprehensive income from joint ventures / non-current assets held for sale		0	–14,033
thereof Reclassification to profit / loss for the period		0	–14,033
Currency translation differences		896	2,801
thereof currency translation differences for the period		896	2,801
thereof related to income tax	9	135	32
Other comprehensive income		**283**	**–10,841**
Comprehensive income		**–80,079**	**–37,096**
thereof on earnings attributable to the shareholders of Semperit AG Holding – from ordinary shares		–84,763	–36,449
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital		5,327	0
thereof on earnings attributable to non-controlling interests		–644	–647

Consolidated cashflow statement

in EUR thousand	Note	2018	2017[1)]
Earnings before tax		–63,258	12,096
Depreciation, amortisation, impairment and write-ups of tangible and intangible assets	3.1, 3.2	94,115	62,568
Profit / loss from disposal of assets (including current and non-current financial assets)		790	5,109
Change in non-current provisions	7	1	–6,325
Share of profits from associated companies	10.3	–530	–453
Dividends received from non-current assets held for sale (Joint Ventures)		0	47,751
Dividends received from joint ventures and associated companies	10.3	0	938
Profit / loss attributable to redeemable non-controlling interests	6.1	4,251	5,326
Earnings from sale of non-current assets held for sale and repayment of non-controlling interests		0	–75,000
Net interest income (including income from securities)		6,189	7,299
Taxes paid on income	2.8	–7,655	–19,768
Other non-cash expense/income		3,545	0
Gross cashflow		**37,448**	**39,541**
Change in inventories	4.1	8,710	–21,631
Change in trade receivables	4.2	2,102	15,267
Change in other receivables and assets	3.3, 6.5, 8.1	–923	6,213
Change in trade payables	4.3	–37,693	–583
Change in other liabilities and current provisions	6.3, 7, 8.2	–950	26,235
Changes in working capital resulting from currency translation adjustments		1,475	–919
Cashflow from operating activities		**10,170**	**64.123**
Proceeds from sale of tangible and intangible assets		1,584	317
Proceeds from sale of current and non-current financial assets		2	6
Investments in tangible and intangible assets		–80,847	–74,475
Proceeds from sale of subsidiaries	10.1	1,174	0
Proceeds from sale of non-current assets held for sale		0	168,627
Taxes in connection with disposal of non-current assets held for sale		0	–25,078
Interest received		1,154	1,123
Cashflow from investing activities		**–76,933**	**70,520**
Cash receipts from current and non-current financial liabilities	6.2	891	0
Repayment of current and non-current financial liabilities	6.2	–96,304	–86,161
Dividend to shareholders of Semperit AG Holding	5.1	0	–14,401
Dividends to non-controlling shareholders of subsidiaries	5.3, 6.1	–4,932	–19,979
Cash outflow for purchased non-controlling interests in subsidiaries	6.1	0	–25,842
Acquisition of non-controlling interests	5.3	–46	–39
Cash receipts from hybrid capital	5.2	130.000	0
Interest paid		–7,538	–8,477
Cashflow from financing activities		**22,071**	**–154,899**
Net increase / decrease in cash and cash equivalents		**–44,692**	**–20,256**
Currency translation differences		711	–4,422
Cash and cash equivalents at the beginning of the period		165,530	190,208
Cash and cash equivalents at the end of the period	**6.6**	**121,549**	**165,530**

1) The comparative figures were adjusted (see chapter 1.6).

Consolidated balance sheet

in EUR thousand	Note	31.12.2018	31.12.2017 [1)]
ASSETS			
Non-current assets			
Intangible assets	3.1	11,935	17,513
Tangible assets	3.2	335,363	347,348
Investments in joint ventures and associated companies	10.3	2,653	2,124
Other financial assets	3.3	7,653	13,298
Other assets	8.1	6,946	10,875
Deferred taxes	9	4,364	8,164
		368,914	**399,322**
Current assets			
Inventories	4.1	150,425	159,736
Trade receivables	4.2	101,645	103,577
Other financial assets	6.5	7,702	2,373
Other assets	8.1	14,017	15,165
Current tax receivables		4,555	7,509
Cash and cash equivalents	6.6	121,549	165,530
		399,893	**453,891**
ASSETS		**768,807**	**853,212**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.1	21,359	21,359
Capital reserves	5.1	21,503	21,503
Hybrid capital	5.2	130,000	0
Revenue reserves	5.1	164,630	244,464
Currency translation reserve		–7,999	–8,820
Equity attributable to the shareholders of Semperit AG Holding		**329,494**	**278,506**
Non-controlling interests	5.3	904	1,784
		330,398	**280,291**
Non-current provisions and liabilities			
Provisions	7	48,173	48,652
Liabilities from redeemable non-controlling interests	6.1	13,376	13,276
Financial liabilities	6.2	213,301	305,478
Other financial liabilities	6.3	2,017	936
Other liabilities	8.2	561	701
Deferred taxes	9	7,120	5,218
		284,548	**374,261**
Current provisions and liabilities			
Provisions	7	21,151	27,359
Financial liabilities	6.2	20,933	21,120
Trade payables	4.3	67,746	110,913
Other financial liabilities	6.3	19,935	17,076
Other liabilities	8.2	21,478	20,631
Current tax liabilities		2,619	1,562
		153,861	**198,660**
EQUITY AND LIABILITIES		**768,807**	**853,212**

[1)] The comparative figures were adjusted (see chapter 1.6).

Consolidated statement of the changes in equity

in EUR thousand	Note	Share capital	Capital reserves	Hybrid capital	Revenue reserves[1]	Currency translation reserve[2]	Total	Non-controlling interests	Total equity
As at 01.01.2017		**21,359**	**21,503**	**0**	**284,079**	**2,363**	**329,304**	**1,675**	**330,979**
Earnings after tax		0	0	0	–25,657	0	–25,657	–598	–26,255
Other comprehensive income		0	0	0	390	–11,183	–10,792	–49	–10,841
Total recognised comprehensive income		0	0	0	–25,266	–11,183	–36,449	–647	–37,096
Dividend		0	0	0	–14,401	0	–14,401	0	–14,401
Acquisition of non-controlling interests	5.3	0	0	0	53	0	53	–92	–39
Other		0	0	0	0	0	0	848	849
As at 31.12.2017		**21,359**	**21,503**	**0**	**244,464**	**–8,820**	**278,506**	**1,784**	**280,291**
As at 01.01.2018		**21,359**	**21,503**	**0**	**244,464**	**–8,820**	**278,506**	**1,784**	**280,291**
Initial adjustment under IFRS 9	**1.5**	**0**	**0**	**0**	**422**	**0**	**422**	**0**	**422**
Adjusted as at 01.01.2018		**21,359**	**21,503**	**0**	**244,886**	**–8,820**	**278,928**	**1,784**	**280,712**
Earnings after tax		0	0	0	–79,644	0	–79,644	–719	–80,362
Other comprehensive income		0	0	0	–613	821	208	75	283
Total recognised comprehensive income		0	0	0	–80,257	821	–79,435	–644	–80,079
Acquisition of non-controlling interests	5.3	0	0	0	1	0	1	–47	–46
Raise of hybrid capital	5.2	0	0	130,000	0	0	130,000	0	130,000
As at 31.12.2018		**21,359**	**21,503**	**130,000**	**164,630**	**–7,999**	**329,494**	**904**	**330,398**

[1] These include reserves at 1 January 2017 which are to be classified as non-current assets held for sale.
[2] As of 1 January 2017 includes currency translation reserves which are classified as non-current assets held for sale.

Notes to the consolidated statement

1. General

1.1. General information

Semperit Aktiengesellschaft Holding (hereinafter Semperit AG Holding), a joint stock company under Austrian law, is an international industrial corporation listed on the stock exchange. It is domiciled at Modecenterstrasse 22, 1031 Vienna, and it develops, produces and sells highly specialised rubber products for the medical and industrial sectors. B & C Semperit Holding GmbH is the direct majority shareholder of Semperit AG Holding, and the private foundation B & C Privatstiftung is the dominant legal entity. Business activities are divided into the four business segments: Sempermed, Semperflex, Sempertrans and Semperform. For further information on these business segments, please see Chapter 2.1.

The Semperit Group modified the structure of its consolidated financial statements in the 2018 financial year. These modifications took place under the auspices of the International Accounting Standards Board's (IASB) 'Better Communication in Financial Reporting' initiative. The goal of this initiative is to communicate financial information that is relevant to decision-making processes in a more effective and structured manner.

1.2. Basic compilation principles

The consolidated financial statements at 31 December 2018 were compiled in accordance with Section 245a of the Austrian Commercial Code and the International Financial Reporting Standards (IFRS), which are binding within the European Union (EU). The financial year comprises the period from 1 January to 31 December.

The reporting currency is the euro, with figures rounded to the nearest thousand, unless expressly stated otherwise. Rounding differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

With the exception of valuations of certain financial instruments, as well as reserves and taxes carried forward, the consolidated financial statements were compiled on the basis of ongoing procurement or production costs. Securities as well as derivative financial instruments and liabilities were measured at fair value. The three levels in the fair value hierarchy are defined as follows:

- Level 1: measurement based on quoted prices on an active market for a specific financial instrument.
- Level 2: measurement based on quoted market prices for similar instruments or on the basis of valuation models based exclusively on inputs that are observable on the market.
- Level 3: measurement based on models with significant inputs that are not observable on the market.

In the financial year 2018, there were no reclassifications of financial instruments between the individual levels.

The amount of provisions corresponds to the best possible estimate of expenses that are required to fulfil obligations at the reporting date. Deferred taxes that are likely to be carried forward are calculated on the basis of the nominal amount, which consists of temporary differences between the IFRS and fiscal accounting principles based on the tax rate that is likely to be applied.

1.3. Principles of consolidation

The consolidated financial statements consist of the parent company's financial statement and the statements of its subsidiaries. The subsidiaries' statements shall be included in the consolidated financial statements at the date in which they are under the control of the parent and until the date when this control ends. Additionally, the consolidated financial statements include profit or loss components of companies that have been consolidated according to the equity method at the date on which significant influence or joint control is being exerted and until the date on which such influence or such control ends.

The consolidation of capital occurs through the offsetting of the procurement costs of the holding in the subsidiary and of the costs incurred on the interest of such subsidiary's equity. In the context of debt consolidation, receivables and liabilities shall be offset between the companies that are part of the fully consolidated group. Within the scope of expense and income elimination, all expenses and income from transactions within the group, such as trade receivables, group financing or the payment of dividends, shall be offset against one another. Furthermore, interim results from trade receivables within the group shall be eliminated.

For further information on the basis of consolidation, please see Chapter 10.1.

Currency translation

Assets and debts, including those of a goodwill transaction conducted by a subsidiary included in the consolidated financial statements whose functional currency is not the euro, shall be converted to the mid-market rate at the reporting date. Items included in the consolidated income statement and other items listed in profit or loss shall be converted using the average mid-market rate for that financial year. The differences in currency resulting from the conversion of the subsidiaries' statements shall appear in the consolidated financial statements under other results in the currency translation reserve; if such subsidiaries are sold or otherwise divested, these differences shall be reclassified under profit or loss.

Pursuant to IAS 21, some subsidiaries have mixed factors and indicators for the determination of their functional currency. In the case of the following subsidiaries, Semperit management's unfettered discretion dictates that the attributes in favour of a functional currency differing from that of the national currency outweigh those having the same functional and national currency:

- Semperit Investments Asia Pte Ltd., Singapore (USD)
- Semperit Industrial Products Singapore Pte Ltd., Singapore (USD)
- Sempermed Kft., Sopron, Hungary (EUR)

In the case of Semperflex Optimit s.r.o., Czechia and Sempertrans Bełchatów Sp. z o.o., Poland, the evaluation of the indicators on determination of the functional currency result in a decision to use the national currencies as functional currencies.

1.4. Judgements and estimation uncertainties

Judgements

The accounting standards laid out by the IFRS allow users various implicit and explicit decision-making options. Therefore, the application of the accounting standards are subject to the management's unfettered discretion, which can have a significant impact on the amounts that appear in the statement. The following judgement decisions taken by Semperit management have a significant impact on these statements:

- Hybrid capital (see Chapter 5.2): Differentiation between equity and borrowed capital (perpetual bond) and the resulting difference between interest and dividend payments
- Fully consolidated companies (see Chapter 10.2): Evaluation of whether there is (no) control over a subsidiary
- Treatment of minority interests in subsidiaries with cancellation options (see Chapters 6.1 and 10.2)
- Determination of subsidiaries' functional currency (see Chapter 1.3)

Significant estimates and assumptions

For the compilation of the consolidated financial statements, Semperit management is required to make estimates and assumptions about future developments that will have an impact on the following: inclusion and valuation of assets and liabilities reported in the balance sheet, information on other obligations at the reporting date, and the declaration of income and expenses incurred during the financial year. The actual amounts incurred can deviate from the amounts reported on the basis of such estimates and assumptions. Estimates and underlying assumptions shall be evaluated regularly and amended as necessary.

The following estimates have been made, with additional disclosures on each estimate included under the item in question:

- Intangible assets: the annual goodwill impairment test (see Chapter 3.1)
- Intangible and tangible assets: Determination of assets' useful life when such assets have a particular useful life (see Chapters 3.1 and 3.2)
- Intangible and tangible assets: impairment test of assets as needed on a case-by-case basis in the Sempermed segment (see Chapter 3.2)
- Approach to deferred taxes: Availability of earnings to be taxed in future, against which tax losses carried forward and not yet used or tax credits can be offset (see Chapter 9)
- Determination of the net sales vales within the scope of the inventory valuation (see Chapter 4.1)
- Impairment of receivables (see Chapter 4.2)
- Valuation of provisions for pensions, severance payments and anniversary payments (see Chapters 7.1 and 7.2)
- Inclusion and valuation of other provisions: significant assumptions regarding the likelihood of occurrence and the extent thereof (see Chapter 7.2)
- Determination of the fair value of financial instruments for which no active market is available (see Chapter 6.4)

1.5. New and amended accounting standards

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

First-time adoption of standards and interpretations		Effective date	Endorsement	Significant effects on the Semperit Group:
New standards and interpretations				
IFRS 9	Financial Instruments	1 January 2018	22 November 2016	yes
IFRS 15	Revenue from Contracts with Customers	1 January 2018	22 September 2016	yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	28 March 2018	no
Amended standards				
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	31 October 2017	no
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	26 February 2018	no
IFRS 4	Insurance contracts related to the first-time adoption of IFRS 9	1 January 2018	3 November 2017	no
IAS 40	Transfers of Investment Property	1 January 2018	14 March 2018	no
Misc.	Annual Improvements to IFRS, cycle 2014–2016	1 January 2018	7 February 2018	no

IFRS 9 Financial instruments

In July 2014, the IASB issued the new standard IFRS 9 Financial Instruments, which is effective for financial years beginning on or after 1 January 2018 and replaces IAS 39. IFRS 9 specifies the requirements for recognition, measurement and derecognition of financial assets and financial liabilities, as well as general hedge accounting. IFRS 9 amendments concern three areas: classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

IFRS 9 also provides a new classification model for assets, whereby assets are classified on initial recognition based on the characteristics of the cashflows associated with the financial asset (cashflow conditions) but also the company's business model for managing its financial assets (business model conditions). The subsequent measurement of the asset based on this classification is either at amortised cost or at fair value (under other comprehensive income or through profit or loss). The Semperit Group classified its assets at 1 January 2018 according to these new categories.

From 1 January 2018, shares in funds are reclassified according to IFRS 9. Under this new classification, shares in funds are no longer measured at fair value in other comprehensive income, but rather at fair value through profit or loss. To fulfil this new accounting requirement, the group reclassified its entire revaluation reserves within equity at 1 January 2018 to other revenue reserves in the amount of EUR 117 thousand (see Chapter 5.1). The measurement of the shares in funds at fair value led to the recognition in net income of unrealised losses in the 2018 financial year income statement in the amount of EUR 169 thousand, which under IAS 39 would have been recognised in other comprehensive income. The first-time adoption of IFRS 9 did not cause any conversion effects in financial liabilities.

Due to the amendments under IFRS 9 a new three-stage impairment model for financial assets was introduced. Under this general approach, entities must recognise a risk provision for expected credit losses based on two steps: in the case of financial instruments with credit risk that has not increased significantly since initial recognition, and which were not classified as impaired from the beginning, the entity must recognise a risk provision for the amount of the credit losses expected to occur within the next twelve months. In the case of financial instruments for which the credit risk has increased significantly since initial recognition, an entity must recognise a risk provision for the amount of the credit losses expected over the residual term. This is irrespective of when the default event occurs. In the case of trade receivables, lease receivables and contractual assets, IFRS 9 permits the application of a simplified impairment model, under which the impairment is always the amount of the credit loss expected over the residual term of the financial instrument. The Semperit Group also exercises its right to choose this option. To that end, the Group analysed the payment defaults over the past four financial years by segment and region, and used this analysis to create an impairment matrix based on timeframes (see chapter 4.2). For all other financial assets (particularly bank deposits and deposits receivable), the Group uses the three-stage impairment model.

The first-time adoption of IFRS 9 resulted in a EUR 581 thousand reduction in the impairments on trade receivables between 31 December 2017 and 1 January 2018. This difference was recognised under equity.

The requirements for hedge accounting under IFRS 9 continue to include the same types of hedge accounting as under IAS 39, so the accounting for hedging relationships has not changed compared with 31 December 2017. The hedges established in the Semperit Group at 31 December 2017 (cashflow hedges and fair value hedges) were carried forward unchanged from 1 January 2018 in accordance with the transitional provisions. The hedging relationships in question are to be classified as effective under IAS 39 as well as IFRS 9.

The first-time adoption of IFRS 9 results in the following values and adjusted figures of the opening balances at 1 January 2018:

in EUR thousand	31.12.2017	Adjustment IFRS 9	01.01.2018
Non-current assets			
Financial assest at fair value through OCI	6,376	–6,376	0
Financial assets at fair value through P&L	0	6,376	6,376
Current assets			
Trade receivables	103,577	581	104,158
Assets	**109,953**	**581**	**110,534**
Equity			
Revaluation reserve	117	–117	0
Other revenue reserves	244,347	538	244,886
Non-current provisions and liabilities			
Deferred taxes	5,218	159	5,377
Equity and liabilities	**249,682**	**581**	**250,263**

The impact on revenue reserves at 1 January 2018 from the adoption of IFRS 9 is as follows:

in EUR thousand	Revaluation reserves	Other revenue reserves
Revenue reserves at 31.12.2017 (reported)	**117**	**244,347**
Reclassification non-current shares from AFS[1] to category FVPL[2]	–117	117
Adoption allowance for trade receivables	0	581
Adoption deferred taxes	0	–159
Revenue reserves 1.1.2018	**0**	**244,886**

[1] AFS (available for sale)
[2] FVPL (Fair Value through Profit and Loss)

The impact of the new IFRS 9 classification requirements on financial assets and financial liabilities in the Semperit Group is shown in the table below.

in EUR thousand	Classification IAS 39[1]	Classification IFRS 9[2]	Carrying amount 31.12.2017 IAS 39	Carrying amount 01.01.2018 IFRS 9
Other non-current financial assets	**other**	**other**	**13,297**	**13,297**
Long-term derivatives with positive fair value	HFT	FVPL	5,610	5,610
Securities available for sale	AFS	FVPL	6,376	6,376
Other non-current assets	LAR	AC	1,311	1,311
Trade receivables	**LAR**	**AC**	**103,577**	**104,158**
Other current financial assets	**other**	**other**	**2,373**	**2,373**
Current derivatives with a positive market value	HFT	FVPL	95	95
Other current assets	LAR	AC	2,279	2,279
Cash and cash equivalents	**LAR**	**AC**	**165,530**	**165,530**
Financial liabilities	**AC**	**AC**	**326,598**	**326,598**
Liabilities from redeemable non-controlling interests	**AC**	**AC**	**13,276**	**13,276**
Other non-current financial liabilities	**AC**	**AC**	**936**	**936**
Trade payables	**AC**	**AC**	**110,913**	**110,913**
Other current financial liabilities	**other**	**other**	**17,076**	**17,076**
Current derivatives with a negative market value	HFT	FVPL	908	908
Other current liabilities	LAR	AC	16,168	16,168

[1] HFT (held for trading); AFS (available for sale); LAR (loans and receivables); AC (at cost)
[2] FVPL (Fair Value through Profit and Loss); FVOCI (Fair Value through OCI); AC (At Cost)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as the corresponding interpretations. The Semperit Group applied the regulations of IFRS 15 by selecting the modified retrospective approach with effect from 1 January 2018. This would generally provide for the cumulative conversion effect to be recognised in equity without any adjustment of the previous year; however, the cumulative conversion effect was insignificant. The first-time adoption of IFRS 15 only resulted in a change in the disclosure of current liabilities for the Semperit Group, because expected contractual penalties were previously recognised as provisions, but are now to be recognised as variable considerations and thus as contract liabilities. This means that an amount of EUR 1,237 thousand was posted at 31 December 2018 (at 1 January 2018: EUR 1,099 thousand). In financial year 2018, revenue recognition in accordance with IFRS 15 had an insignificant impact on the accounting of tool costs, product returns, extensive guarantee, or warranty commitments (service type warranties) and sales commissions for long-term supply contracts. The amendment of IFRS 15 leads to an immaterial clarification.

Standards and interpretations to be applied in the future

Standards and interpretations applicable in the future		Effective date	Endorsement	Anticipated impact on the Semperit Group:
New standards and interpretations[1)]				
IFRS 16	Leases	1 January 2019	31 October 2017	yes
IFRS 17	Insurance contracts	1 January 2021	ongoing	no
IFRIC 23	Uncertainty regarding income tax treatment	1 January 2019	23 October 2018	no
Amended standards				
IFRS 9	Amendments to financial instruments	1 January 2019	22 March 2018	no
IAS 28	Amendments to investments in associates and joint ventures	1 January 2019	8 February 2019	no
IAS 19	Amendments to employee benefits	1 January 2019	ongoing	no[2)]
IFRS 3	Amendments to business combinations	1 January 2020	ongoing	no[2)]
IAS 1/8	Amendments to the definition of materiality	1 January 2020	ongoing	no
Misc.	Annual Improvements to IFRS, cycle 2015–2017	1 January 2019	ongoing	no
Misc.	Recommendations on framework concept	1 January 2020	ongoing	no

1) EU Endorsement Status Report from 20 February 2019.
2) Not currently applicable.

IFRS 16 Leases

IFRS 16 will replace the existing rules for accounting for leases (in particular concerning lessees) at 1 January 2019. The new standard no longer distinguishes on the lessee side between operating and finance leases. With a few exceptions, all leases and the rights and obligations associated with them will have to be recognised in the lessee's balance sheet. This will lead to an increase in assets and liabilities, which will result in higher depreciation and interest expenses, while rental and leasing expenses will decrease. EBITDA and EBIT will therefore improve as a result of the first-time adoption of IFRS 16. Cashflow from operating activities will also improve, as rental and lease payments will become interest and principal payments, and these will be allocated to cashflows from financing activities in the future.

The Semperit Group is not applying IFRS 16 prematurely. The modified retrospective approach will be applied for the first time without adjusting the previous year. Lease liabilities will be recognised as liabilities at the cash value of the remaining lease payments; the rights of use will be assessed at the amount of the lease liability to be recognised. The Semperit Group will exercise the option provided for in IFRS 16 of not applying the leasing accounting rules to leasing contracts with a short term (i.e. less than 12 months), to leased assets of low value, or to intangible assets. The Semperit Group has around 260 lease agreements, 48% of which involve lease agreements with short terms and leased assets of low value. The Semperit Group is in particular a lessee in respect to rights of use to land and buildings, office equipment and motor vehicles.

For the lease agreements that must be recognised, the Semperit Group will capitalise the right of use assets as part of its tangible assets, and it will recognise leasing liabilities as other financial liabilities. The greatest effects from capitalisation of the rental and lease agreements arise from contracts for office and warehouse buildings as well as machinery and vehicles. Around EUR 5.5 million will additionally be capitalised for property and buildings and around EUR 2.0 million for other facilities, operating and business equipment at 1 January 2019. The lease liabilities in the Semperit Group will amount to approximately EUR 7.5 million at 1 January 2019. The Semperit Group does not expect IFRS 16 to have an impact on its ability to comply with the covenants.

At the time of initial application, incremental borrowing rates were used for the calculation of the leasing liabilities' cash values. A base interest rate that was increased by a credit spread and a country risk premium was used for each country and term for the respective lease agreements.

The Semperit Group exercises the right to record those leasing contracts whose term ends within 12 months of the date of initial application on the balance sheet in the same manner as short-term lease agreements. Costs that are attributable directly at the time of initial application are not taken into account.

Furthermore, at the Semperit Group's reporting date, there are two corporations with which the Group has financing lease agreements that are recognised at 1 January 2019 under IFRS 16. At 31 December 2018, the lease payments from finance leases had a cash value of EUR 70 thousand. Usage rights to property in Asia for which no further lease payments are incurred are also stated at 1 January 2019 in accordance with IFRS 16.

1.6. Amendments to comparative information

A more representative overview of the financial result

Following the Semperit Group's modification of its consolidated financial statements (see Chapter 1.1), a more appropriate method of presenting the financial result was chosen. From now on, income and expenses from financing are reported in the Consolidated Income Statement separately from the other financial result. Information in the notes was adapted accordingly (see Chapter 2.7).

The effects of these changes on presentation of the financial result are summarised in the table below:

in EUR thousand	2017 as reported	Net foreign exchange result	Other adjustments	2017 adjusted
Finance income (formerly: financial income)	33,058	–31,801	0	1,257
Finance expenses (formerly: financial expenses)	–53,261	37,706	590	–14,965
Profit / loss attributable to redeemable non-controlling interests	–5,326	0	0	–5,326
Other financial result	-	–5,905	–590	–6,495
thereof net foreign exchange result	-	–5,095	0	–5,095
thereof other expenses from the amendment of redeemable non-controlling interests resulting from a capital measurement	-	0	–372	–372
thereof net result from the valuation categories FVPL and FV – Hedging Instrument	-	–810	–67	–877
thereof other	-	0	–150	–150
Financial result	**–25,529**	**0**	**0**	**–25,529**

The other amendments include the reclassification of the net earnings from financial instruments, other expenses incurred through the adjustment of redeemable non-controlling interests as a result of a capital measure well as the remaining other financial expenses.

Amendments to the consolidated cashflow statement

Following the Semperit Group's modification of its consolidated financial statements (see Chapter 1.1), a more compact method was chosen for presenting the Consolidated statement of cashflows which enables more consistent deduction of the free cashflow. In accordance with IAS 7, paid interest was reclassified into the cashflow from financing activities; the interest payments received were reclassified into the cashflow from investing activities. These changes were also implemented retrospectively for the previous year.

Amendments to how information is presented in the consolidated balance sheet

In future, down payments made will no longer be recorded in the schedule of assets for tangible assets (see Chapter 3.2). Down payments made for tangible assets accordingly will no longer be recognised under intangible and tangible assets, and will instead now appear under other non-current assets. The comparative figures were amended accordingly in the consolidated balance sheet and the consolidated schedule of assets through reclassifications.

The effects of the reclassifications on the consolidated balance sheet can be seen in the following table:

in EUR thousand	31.12.2017 as reported	Reclassification of prepayments for tangible assets	31.12.2017 adjusted
Non-current assets			
Tangible assets	356,040	–8,693	347,348
Other assets	2,183	8,693	10,875

Additional amendments to comparative information affect the summary of how positions on the consolidated balance sheet are categorized so as to improve the consolidated balance sheet's readability. Specifically, the provisions for pension and severance payments as well as other provisions were summarised under Provisions in the consolidated balance sheet. The corporate *Schuldschein* loan and liabilities to banks now appear under Financial liabilities. This categorisation will now be used in Chapter 7 and Chapter 6.2.

in EUR thousand	31.12.2017 as reported	Reclassifications	31.12.2017 adjusted
Non-current provisions and liabilities			
Provisions for pension and severance payments	35,815	–35,815	-
Other provisions	12,837	–12,837	-
Provisions	**-**	**48,652**	**48,652**
Corporate *Schuldschein* loan	254,168	–254,168	-
Liabilities to banks	51,310	–51,310	-
Financal liabilities	**-**	**305,478**	**305,478**
Current provisions and liabilities			
Provisions for pension and severance payments	2,489	–2,489	-
Other provisions	24,870	–24,870	-
Provisions	**-**	**27,359**	**27,359**
Corporate *Schuldschein* loan	15,542	–15,542	-
Liabilities to banks	5,578	–5,578	-
Financial liabilities	**-**	**21,120**	**21,120**

A more representative overview of Group equity

Following the Semperit Group's modification of its consolidated financial statements (see Chapter 1.1), a more compact method of presenting the consolidated statement of changes in equity was chosen. The subcategories of revenue reserves will appear as a total in the consolidated statement of changes in equity. Revenue reserves will be presented as individual subcategories in the Notes (see Chapter 5.1).

2. Performance

2.1. Segment reporting

In accordance with IFRS 8, segment reporting takes place in line with internal reporting to the Semperit AG Holding's Management Board, which is the Chief Operating Decision Maker. The Chief Operating Decision Maker decides on the allocation of resources towards the business segments.

The segments were determined on the basis of product groups. They are taxed separately and correspond to Semperit Group's business activities. Therefore, Semperit Group has four segments subject to reporting requirements:

- **Sempermed:** The Sempermed segment produces gloves by means of immersion technology, sells and trades gloves worldwide. The product portfolio encompasses gloves for examinations and operations in the medical sector as well as protective gloves for the industrial sector.

- **Semperflex:** The business area Semperflex develops, produces and sells hoses worldwide. These low-pressure and high-pressure hoses are used in the construction and transport industries, in mines as well as in farming equipment. These hoses are made using either fabric (industrial hoses) or metal wiring (hydraulic hoses) for reinforcement.

- **Sempertrans**: The Sempertrans segment is active in the production and sale of transport and conveyor belts. Transport and conveyor belts are used in mining, in the steel industry, the cement industry, in power plants as well as in civil engineering and the transport industry. In order to ensure that the respective industry's requirements are met in an optimal manner, the belts are reinforced with either textile or steel cord carcasses.

- **Semperform:** Semperform produces and sells moulded and extruded products. Its product portfolio includes elastomeric and sealing strips, escalator handrails, vibration absorption film for skis and snowboards, customised injection moulding parts with isolating or absorption functions, rubber rings for cableways as well as elastomeric plates and wear resistance plates.

The methods used to calculate the balance sheet and valuation figures for each segment are identical to those used for the Semperit Group's balance sheet and valuations. The segment result is its EBITDA. It is this result that is reported to the Management Board for the purposes of allocating resources and performance measurement. The trade working capital and additions to the tangible assets and intangible assets are reported to the Management Board as key indicators of the segment's assets.

Income from licences that are calculated based on when they expire is, as in the case of income from rentals, recorded pro rata temporis for the duration of the contract. Income from licences that are measured using other indicators are measured and recorded in line with underlying indicators.

Segmentation according to business areas

Segmentation according to business areas is in line with management and reporting policies within the Group.

2018 in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-form	Corporate Center	Inter-company transactions	Total
Revenue	311,461	230,048	144,762	192,211	0		878,482
Share of profits from associated companies	530	0	0	0	0		530
EBITDA	–3,914	48,911	517	21,895	–20,476	–505	46,428
EBIT	–69,565	38,444	–7,066	13,213	–22,207	–505	–47,687
Depreciation and amortisation of tangible and intangible assets	–9,869	–10,421	–3,467	–8,659	–1,730		–34,146
Impairments of tangible and intangible assets	–55,783	–46	–4,116	–24	0		–59,969
Trade Working Capital	65,370	56,985	30,915	34,374	–3,318		184,325
Additions to tangible and intangible assets	12,423	30,069	26,850	10,698	1,046		81,086
Employees (at balance sheet date)	2,979	1,776	878	1,000	140		6,773

Impairments in the Sempermed and Sempertrans segments are outlined in Chapters 3.1 and 3.2 respectively.

2017 in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-form	Corporate Center	Inter-company transactions	Total
Revenue	337,134	206,052	145,958	185,038	0	0	874,181
Share of profits from associated companies	453	0	0	0	0	0	453
EBITDA	77,868	40,415	–16,713	19,242	–20,080	–539	100,193
EBIT	38,022	31,782	–20,322	10,978	–22,295	–539	37,625
Depreciation and amortisation of tangible and intangible assets	–13,870	–8,633	–3,609	–8,265	–2,215	0	–36,593
Impairments of tangible and intangible assets	–25,976	0	0	0	0	0	–25,976
Trade Working Capital	51,044	44,152	33,585	27,881	–4,262		152,400
Additions to tangible and intangible assets	23,414	30,615	7,478	12,336	428	0	74,271
Employees (at balance sheet date)	3,051	1,732	991	925	140	0	6,838

The income and expenses of companies involved in production and distribution in more than one segment are subdivided and allocated to the appropriate segments accordingly so that no further eliminations are necessary. The Corporate Center consists of Semperit AG Holding, which is not involved in operating activities, and those portions of a management company in China and a service company in Singapore that are allocated to the Corporate Center. In addition, certain Corporate Center payments are made through operative companies. Internal recharging and the allocation of Corporate Center costs have already been attributed to the segments as much as possible.

The EBITDA that appears in the Total column corresponds to that of the Semperit Group's Consolidated income statement. For this reason, the reconciliation account for the result before income taxes can be found in the Consolidated income statement.

Trade working capital consists of inventories and trade receivables minus trade payables (see also Chapter 4).

Geographic Segmentation

The Group's business activities are conducted mainly in Europe, Asia and the Americas. In accordance with IFRS 8, information on revenue is reported based on customer sites, whereas information on non-current assets and on the additions to the tangible assets and intangible assets is reported based on the relevant sites of the companies in the Semperit Group. Information on non-current assets does not include deferred taxes, securities or shares to joint ventures and associated companies. Consolidating entries were made according to geographical region wherever possible.

The Semperit Group does not depend on any one customer for more than 10% of its total turnover.

			2018			2017
in EUR thousand	Non-current assets	Additions to tangible and intangible assets	Revenue	Non-current assets	Additions to tangible and intangible assets	Revenue
Austria	44,672	5,795	36,795	59,243	8,358	35,336
EU excluding Austria	218,705	61,282	524,551	187,109	42,019	495,601
Total for EU	263,377	67,077	561,346	246,352	50,378	530,937
Rest of Europe	0	0	57,805	0	0	69,067
Total for Europe	263,377	67,077	619,151	246,352	50,378	600,004
Asia	88,186	13,514	95,732	134,944	23,768	99,742
The Americas	4,142	493	132,141	1,359	124	153,110
Rest of the world	3	1	31,457	3	1	21,326
Group	**355,708**	**81,086**	**878,482**	**382,658**	**74,271**	**874,181**

2.2. Revenue

Revenues are recorded with the transaction prices of contractual obligations. Deductions are made for agreed rebates, bonuses, discounts and other similar revenue deductions as well as penalty fees and anticipated returns.

These reductions in revenues are based on contractual agreements. All existing information and empirical values are taken into account in estimating the variable price components. The amount that will probably be claimed based on the agreements or empirical values is generally defined as the transaction price reduction. This estimate is regularly updated.

A liability account for reimbursements is set up for potential returns and repayments to be expected and this is based on contracts or empirical values from the last three years. Refund assets are recorded using the original carrying amount minus anticipated costs of receipt of the products; they are recognised in Inventories.

The agreed transaction price is generally billed upon distribution. Revenue from deliveries is recognised in accordance with the Incoterm agreed for the delivery of the goods once the customer obtains power of disposal over the goods. The payment terms normally granted are between 14 and 90 days.

Interest income is recorded pro rata temporis with due regard to the effective interest rate. No revenue was generated from contracts that include a material financing components in the 2018 financial year. Revenue from the costs of contractual fulfilment, for example tool costs, is recognised in profit and loss over their useful lives.

Some contracts involve multiple component contracts that also include additional performance obligations such as services in addition to the sale of certain products. In accordance with IFRS 15, the consideration is split over the components in line with the relative individual transaction prices.

Contractually agreed guarantees that are an individual and definable contractual obligation will be recorded in profit and loss pro rata for the duration of the guarantee period upon delegation of the power of disposition over the product that was sold.

The costs of contract fulfilment arise in the form of tool costs, and these costs are capitalised and written off in accordance with the provisions of IAS 16.

The costs of contract initiation are only capitalised in cases where the contractual terms exceed 12 months. There were no cases where this was applied in the 2018 financial year.

Revenue from contracts with customers is broken down by segment and geographical region as follows:

in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Group
2018					
Western Europe	162,365	135,056	50,470	135,734	483,625
Eastern Europe	35,639	46,093	28,628	25,166	135,527
North America	67,074	23,820	10,759	9,664	111,317
Central and South America	9,415	1,745	8,453	1,211	20,824
Africa	1,950	2,195	7,139	214	11,498
Asia	31,478	18,445	25,693	20,116	95,732
Australia	3,539	2,696	13,618	106	19,959
Revenue [1)]	**311,461**	**230,048**	**144,762**	**192,211**	**878,482**
2017					
Western Europe	156,345	119,050	46,140	129,472	451,007
Eastern Europe	39,943	44,138	38,942	25,974	148,996
North America	95,734	19,286	3,061	7,811	125,892
Central and South America	13,342	3,289	9,471	1,116	27,217
Africa	1,732	991	5,097	643	8,464
Asia	26,304	17,399	36,175	19,864	99,742
Australia	3,733	1,899	7,071	159	12,862
Revenue	**337,134**	**206,052**	**145,958**	**185,038**	**874,181**

[1)] in accordance with IFRS 15

2.3. Other operating income

in EUR thousand	2018	2017
Insurance claims	1,474	401
Research reward	720	799
Sale of by-products and waste materials	506	687
Rental income	201	269
Other income from the sale of SCC incl. reclassification of currency translation differences to profit/loss for the period	0	78,109
Other income minus paid receivables from the settlement ICC cases	0	9,441
Other	2,509	2,733
Total	**5,409**	**92,440**

The one-time change in other operating income for the 2017 financial year is attributable to the termination of nearly all joint business activities with Sri Trang Agro-Industry Public Co Ltd., the Thai joint venture partner, in the first quarter of 2017 (see Chapter 10.1). The other operating earnings essentially include earnings from the sale of flexible packaging and reimbursement of input tax.

2.4. Cost of material and purchased services

in EUR thousand	2018	2017
Cost of materials	453,189	490,087
Energy expenses	51,509	44,142
Purchased services	7,568	7,063
Total	**512,266**	**541,293**

2.5. Personnel expenses

in EUR thousand	2018	2017
Wages	66,769	62,433
Salaries	72,922	80,329
Severance payments	2,434	8,897
Retirement benefit expenses	972	1,003
Statutory social security expenses and other compulsory wage-related payments	30,339	29,837
Other social security expenses	4,582	4,023
Total	**178,018**	**186,521**

One-off expenses were incurred in the 2017 financial year for special compensation for employees, payments to members of the Managing Board, executives and employees who left the Group as well as for the closure of the Sempertrans plant in France. In the financial year 2018, the costs of R&D amounted to approximately 14,000 EUR thousand (previous year: EUR 14,200 thousand); these are attributable in particular to personnel expenses. The personnel expenses also include the costs for temporary staff. The average number of temporary staff in the 2018 financial year was 783 employees (previous year: 892). Severance and pension payments for executives totalled EUR 56 thousand in the 2018 financial year (previous year: EUR 55 thousand).

In Austria, the average number of employees was 866 (previous year: 836). The average number of employees in the Semperit Group is broken down as follows:

	2018	2017
Blue-collar workers	5,091	4,989
White-collar workers	1,700	1,729
Total	**6,791**	**6,718**

2.6. Other operating expenses

in EUR thousand	2018	2017
Maintenance and services	41,075	42,845
Outgoing freight	30,967	31,272
Legal, consulting and auditing fees	25,278	20,979
Travel expenses	7,586	8,608
Commission and advertising costs	5,897	6,846
Rental and leasing expenses	5,630	5,641
Insurance premiums	4,790	4,336
Other taxes	3,347	4,427
Expenses for software licences	2,833	1,924
Complaint costs	2,827	2,103
Waste disposal	2,059	2,932
Energy costs not for production	1,417	1,359
Communications	1,395	2,151
Training and education expenditures	1,322	1,218
Valuation allowance	1,179	1,171
Fees, subscriptions and donations	1,136	1,486
Office equipment	1,127	1,067
Bank expenses	650	678
Result from deconsolidation	287	0
Other	5,983	16,929
Total	**146,787**	**157,968**

In both financial years, the costs associated with consultation fees include hiring interim managers and executing projects related to the restructuring and transformation process. There were also legal and consultation fees incurred in the previous year associated with the termination of the joint venture transaction.

In addition to this, impairments of EUR 1,757 thousand were also stated in the other operating expenses in the previous year as a result of the company audit for the years 2011–2014; provisions of EUR 3,256 thousand were also formed for the repayment of the energy levy reimbursement for 2011–2014. A provision was formed in the previous year in the amount of EUR 1,600 thousand for the procedure at the Austrian Federal Competition Authority (BWB). See Chapter 10.1 for the composition of the earnings from deconsolidation.

Costs in connection with the closure of the Chinese production facility amounting to EUR 1,799 thousand (previous year: EUR 0 thousand) are included in the remaining Other operating expenses (see Chapter 3.2). Expenses in the amount of EUR 3,636 thousand, incurred as a result of an amended estimate about how an ERP software program could be used in future, and EUR 1,155 thousand, from the derecognition of technical equipment in connection with the closure of the French production facility belonging to Sempertrans in Argenteuil in France, are included in the remaining Other operating expenses.

For the services rendered by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., the auditors of the consolidated financial statements, as well as those rendered by subsidiaries of the international Ernst & Young network in the financial year 2018, the following fees were recorded as expenses:

in EUR thousand	2018	2017
Auditing of consolidated financial statements and thereto related audit opinion	969	980
there of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	396	414
Other valuation and certification services	113	35
Other services	121	175
Total	**1,203**	**1,190**

Semperit Group rents storage and office space mostly through operative lease arrangements. The expenses incurred as a result are recorded under Rental and leasing expenses. Most of the leases have a term that is less than five years. The contracts are normally drawn up in a way that it is possible to extend them. In the case of individual contracts, an option to purchase at fair value has been provided for. Some leasing contracts include a cancellation clause.

In addition, required company cars, IT equipment and machines and office equipment are leased. For the most part, the remaining terms of the contracts are less than five years at the reporting date. Individual contracts include an extension clause and/or an option to purchase at fair value upon termination of the contract.

Minimum lease payments to be made in future for unredeemable operating rental and leasing contracts are to be made to the following extent at the reporting date:

in EUR thousand	31.12.2018	31.12.2017
Within the following year	2,776	2,741
Within the following 2 to 5 years	5,685	5,168
More than 5 years	655	734

The rental and leasing expenses from operating lease agreements amounted to EUR 5,630 thousand in the 2018 financial year (previous year: 5,641 thousand).

2.7. Financial result

in EUR thousand	2018	2017[1)]
Finance income		
Income from securities	88	83
Interest and related income	1,070	1,174
	1,158	**1,257**
Finance expenses		
Repayment of liabilites from redeemable non-controlling interests concerning the Joint-Venture-transaction	0	–4,223
Interest expense	–9,179	–10,742
	–9,179	**–14,965**
Other financial result		
Net foreign exchange result	–1,743	–5,095
Other expenses from the amendment of redeemable non-controlling interests resulting from a capital measurement	0	–372
Net result from the valuation categories FVPL and FV – Hedging Instrument	–621	–877
Other	–935	–150
	–3,298	**–6,495**
Profit / loss attributable to redeemable non-controlling interests	**–4,251**	**–5,326**
Financial result	**–15,571**	**–25,529**

[1)] The comparative figures were adjusted (see chapter 1.6).

The net earnings from financial assets from the AC (at cost) valuation category are categorized as follows:

in EUR thousand	2018	2017
Interest and related income	1,070	1,174
Valuation allowance	–1,179	–2,151
Net foreign exchange result	2,176	–6,559
Net result from the valuation category AC (at cost)	**2,067**	**–7,536**

The impairments for financial assets at cost are recorded under other operating expenses. These also include liquidations recognised in profit or loss as impairments of financial assets at cost.

The net earnings from financial instruments in the valuation category at fair value (FVPL) in profit or loss are categorized as follows:

in EUR thousand	2018	2017
Income from foreign exchange transactions	1,574	979
Expenses from foreign exchange transactions	–1,159	–1,789
Income / expenses arising from the measurement and disposial of securities	–185	0
Net result from the valuation category FVPL (Fair Value through Profit and Loss)	**230**	**–810**

in EUR thousand	2018	2017
Cashflow Hedges – reclassified from OCI including costs of hedging reserve	–869	0
Cashflow Hedges – ineffective portion of changes in fair value	18	–67
Net result from the valuation category FV – Hedging Instrument	**–851**	**–67**

Of the interest contained in the financial result, EUR 9,179 thousand (previous year: EUR 9,713 thousand) is attributable to liabilities measured at amortised cost. In the liabilities from redeemable non-controlling interests, the part of the earnings recorded in the Consolidated income statement at the amount of EUR 4,251 thousand (previous year: EUR 5,326 thousand) represents the effective interest expense.

The net foreign currency earnings from financial liabilities at amortised cost amounts to EUR –5,116 thousand (previous year: EUR 3,074 thousand). The interest expense in the financial result essentially corresponds with the effective interest expense from financial liabilities in the AC (at cost) valuation category.

2.8. Income taxes

The tax expense stated for the financial year includes the current taxes calculated for the individual companies from taxable income and the tax rate applicable in the relevant country as well as deferred taxes.

in EUR thousand	2018	2017
Current tax expense (+) / tax income (-)		
for the current period	13,218	40,833
for previous periods	–1,625	802
Sum of current tax expense / tax income	**11,593**	**41,635**
Deferred tax expense (+) / tax income (-)		
from the origination or reversal of temporary differences	–11,815	–8,003
from value adjustment of tax loss carryforwards and temporary differences	30,260	30,860
other deferred tax effects	–12,934	–26,141
Sum of deferred tax expense / tax income	**5,511**	**–3,284**
Total	**17,104**	**38,351**

The other deferred tax effects primarily include the loss carryforwards formed in the current financial year and changes to the deferred tax claims on usable tax credits and tax concessions, as well as deferred tax for previous periods.

Please see Chapter 9 for information on the accounting and measurement methods, reconciliation of earnings and details on deferred taxes.

2.9. Earnings per share

in EUR		2018	2017
Earnings after tax	in EUR	–80,362,194	–26,255,037
Result from hybridcapital attributable to the shareholders of Semperit AG Holding	in EUR	–5,327,292	0
Result attributable to non-controlling interests	in EUR	718,519	598,305
Results attributable to ordinary shares	**in EUR**	**–84,970,967**	**–25,656,732**
Average number of shares issued	**in units**	**20,573,434**	**20,573,434**
Earnings per share (diluted and undiluted)	**in EUR**	**–4.13**	**–1.25**

There were no dilution effects to be taken into account at 31 December 2017 or 31 December 2018.

The earnings from hybrid capital attributable to the shareholders of Semperit AG Holding relate to “interest” accrued on the hybrid capital. Semperit AG Holding does not have to pay any “interest” on the hybrid capital. However, payments that would be treated as dividend payments pursuant to IFRS must be made in particular if dividends are distributed to shareholders or if Semperit management decides to make a voluntary payment of “interest”.

2.10. Consolidated cashflow statement

The operating cashflow is prepared using the indirect method. The cashflows from investing and financing activities are based on direct determination. Interest received are stated in the cashflow from investing activities, while the interest paid are stated in the cashflow from financing activities (see chapter 1.6).

The investments affecting cashflows include expenses from the previous year in the amount of EUR 14,725 thousand (previous year: EUR 15,724 thousand) which became cash items in the 2018 financial year.

The additions stated in the changes to intangible assets and tangible assets (see Chapters 3.1 and 3.2) totalling EUR 81,086 thousand (previous year: EUR 74,271 thousand) include expenses in the amount of EUR 9,750 thousand (previous year: EUR 14,684 thousand) which did not yet result in any cash payments in the 2018 financial year.

The investments in tangible and intangible assets were used primarily for the purposes of expanding capacities at the plants in Odry in the Czech Republic (Semperflex segment) and in Bełchatów in Poland (Sempertrans and Semperform segments).

The cashflow from financing activities includes payments in the amount of EUR 46,191 thousand following the repayment of two corporate *Schuldschein* loans (previous year: EUR 0 thousand).

See chapter 10.1 for a statement of the cash effects from the joint-venture transaction from the previous year.

Liabilities from financing activities

in EUR thousand	Financial liabilities	Liabilities from redeemable non-controlling interests	Derivative financial liabilities	Effects from equity	Other	Total
As at 01.01.2017	**420,782**	**51,824**	**171**		**30**	**472,807**
Changes from financing cashflows [1)]	–94,609	–45,821	0	–14,401	–68	–154,899
Effect of changes in foreign exchange rates	–8,281	–270	0	0	–1	–8,551
Changes in fair values	0	0	737	0	0	737
Other changes	8,705	7,542	0	0	0	16,247
As at 31.12.2017	**326,598**	**13,276**	**908**			**326,341**
As at 01.01.2018	**326,598**	**13,276**	**908**			**326,341**
Changes from financing cashflows	–103,021	–4,742	0	129,810	24	22,071
Effect of changes in foreign exchange rates	3,180	591	0	0	0	3,771
Changes in fair values	0	0	819	0	0	819
Other changes	7,477	4,251	0	0	0	11,728
As at 31.12.2018	**234,233**	**13,376**	**1,727**			**364,730**

[1)] The comparative figures were adjusted (see chapter 1.6).

The effects from equity in the previous year included the dividend payments and in the 2018 financial year included the taking up of the hybrid capital as well as the dividends paid to non-controlling shareholders.

The Other column essentially includes the acquisition of non-controlling interests in subsidiaries and the liabilities from finance leases in the Change to cashflow from financing activities.

The Other changes line includes interest expenses and the share in the earnings after tax for redeemable non-controlling interests.

See Chapter 10.1 for an illustration of the impact of the previous year's joint venture transaction on the cashflow statement.

3. Non-current assets

3.1 Intangible assets

Acquired intangible assets
Acquired intangible assets are recognised at cost. These are subsequently subject to scheduled straight line depreciation and amortisation over the expected useful life. The assumed useful life is generally within a range of one to ten years. Assumptions and estimates are required when determining useful lives.

Internally generated intangible assets
Internally generated intangible assets are recognised at cost of production. With respect to scheduled depreciation and amortisation the statements made on acquired intangible assets apply analogously. The internally generated intangible assets essentially include software and research and development costs that are eligible for capitalisation.

Intangible assets acquired as part of business combinations
In the case of intangible assets acquired as part of a business combination and recognised separately from any goodwill, the fair value at the relevant date of acquisition represents the costs of acquisition. With respect to scheduled depreciation and amortisation the statements made on acquired intangible assets apply analogously.

Emissions certificates
Semperit Technische Produkte Gesellschaft m. b. H. and Semperflex Optimit s.r.o. are subject to the Emissions Certificates Acts *[Emissionszertifikatsgesetze]* in Austria and the Czech Republic as relevant, and are awarded emissions certificates free of charge from the public sector. The emissions certificates are recognised at a cost of acquisition of zero in the balance sheet (net method). As in the previous year there were no sales in the year.

Goodwill
Goodwill is not subject to scheduled amortisation but is instead subject to an impairment test annually, and additionally if there are circumstances that indicate potential impairment, provided that there are no circumstances which permit the annual impairment test to be omitted in accordance with IAS 36.

Within the Semperit Group, the segments represent the lowest level (cash generating units, CGUs) at which goodwill is monitored for internal management purposes.

Any reversals are included in the Depreciation and amortisation of tangible assets and intangible assets in the Consolidated income statement.

The goodwill stated is distributed across the cash generating units as follows:

Cash generating unit in EUR thousand	31.12.2018	31.12.2017
Segment Semperflex	1,677	1,693
Segment Sempertrans	71	71
Total	**1,749**	**1,765**

The reduction in the goodwill stated is attributable to the deconsolidation of Semperflex Roiter S.r.l, Rovigo, Italy (see Chapter 10.1).

Management determined the recoverable amount at 30 September 2018 for the impairment tests of the goodwill in the Semperflex and Sempertrans segments. No recoverable amount was determined in the 2017 financial year for the Semperflex segment in accordance with IAS 36, as the probability that the recoverable amount would be lower than the current carrying amount was extremely low. The composition of the segment assets changed in the 2018 financial year as a result of the capacity expansion at the plant in Odry in the Czech Republic, which is why an impairment test had to be carried out and references to earlier impairments tests could no longer be made. The recoverable amount was calculated as value in use. The calculation was based on the most recent medium-term planning using updated cashflow forecasts from 30 September 2018 until the end of 2021, which took into account both the status quo of the ongoing restructuring and transformation process and the uncertainties that can be observed in business development. The cashflows after the 2021 financial year were extrapolated based on a sustainable growth rate of 0.75% (previous year Sempertrans: 1.00%; previous year Semperflex: n/a). The growth rate reflected competitive and price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. A uniform group of comparison companies (peer group) was imputed with this for the industrial sector (Semperflex, Sempertrans and Semperform segments). The peer group was reduced by one company as compared with the previous year as this company is no longer listed on the stock exchange. The discount rate before tax determined for the Semperflex segment is 10.9% and for the Sempertrans segment is 10.4% (previous year: 11.1%). The discount rate after tax is 8.8% for both segments (previous year: 8.8%).

The main assumptions used in determining the recoverable amount of the Semperflex or Sempertrans segments relate to the future development of the EBITDA margin in view of the ongoing restructuring and transformation process. In the detailed planning phase, the margin was expected to gradually improve in order to achieve an EBITDA margin of around 11.8% for the Sempertrans segment and 19.1% for the Semperflex segment in the bond phase (i.e. from 2022). In the Semperflex segment, the return on invested capital (ROIC) was well above the WACC on a sustained basis. The planning was initially based on management's assumptions regarding market development, the market shares of the Semperflex and Sempertrans segments along with strategic product and customer initiatives. In addition, planned measures to improve earnings from the current restructuring and transformation process were taken into account, which, however, were provided with empirically observed melting rates depending on their degree of implementation. Planned earnings-enhancing measures that require capacity expansion or infrastructure improvement and have a low implementation level were not taken into account when determining the value in use. The changes in trade working capital were planned depending on sales and are based on a three-year average. Investments in property, plant and equipment have the effect of sustaining capacities in both segments; they correspond roughly with the scheduled depreciation.

The impairment of the goodwill recognised was confirmed by carrying out the impairment test for the Semperflex and Sempertrans segments.

No impairment test was required for the Semperform segment which features no goodwill or intangible assets with an undetermined useful life.

Aside from goodwill the Semperit Group did not have any intangible assets at its disposal with an undetermined useful life.

The change in intangible assets is as follows:

in EUR thousand	Software licences, industrial property rights and similar rights	Goodwill	Intangible assets in development	Total
Acquisition costs				
As at 01.01.2017	**50,707**	**44,812**	**4,749**	**100,268**
Currency translation differences	–281	–914	2	–1,193
Additions	325	0	336	661
Disposals	–2,839	0	–3,636	–6,475
Transfers	154	0	–14	140
As at 31.12.2017	**48,067**	**43,898**	**1,437**	**93,402**
Currency translation differences	265	50	0	315
Additions	889	0	570	1,459
Disposals	–358	0	0	–358
Disposals resulting from changes in the scope of consolidation	–203	–16	0	–219
Transfers	723	0	–593	130
As at 31.12.2018	**49,383**	**43,932**	**1,413**	**94,729**
Depreciation / write-ups / impairment				
As at 01.01.2017	**29,887**	**16,985**	**0**	**46,872**
Currency translation differences	–65	0	0	–65
Depreciation and amortisation	6,768	0	0	6,768
Impairment loss	0	25,149	0	25,149
Disposals	–2,838	0	0	–2,838
Transfers	3	0	0	3
As at 31.12.2017	**33,755**	**42,134**	**0**	**75,888**
Currency translation differences	192	50	0	242
Depreciation and amortisation	5,494	0	0	5,494
Impairment loss	1,454	0	0	1,454
Disposals	–105	0	0	–105
Disposals resulting from changes in the scope of consolidation	–182	0	0	–182
Transfers	2	0	0	2
As at 31.12.2018	**40,610**	**42,184**	**0**	**82,794**
Carrying amount				
Carrying amount 01.01.2017	20,820	27,827	4,749	53,396
Carrying amount 31.12.2017	14,312	1,764	1,437	17,513
Carrying amount 31.12.2018	**8,773**	**1,749**	**1,413**	**11,935**

The impairments of intangible assets in the 2018 financial year amounted to EUR 1,446 thousand (previous year: EUR 0 thousand) on software, industrial property rights and similar rights in the

Sempermed segment and to EUR 0 thousand for goodwill (previous year: EUR 25,149 thousand). The amortisation and impairment of intangible assets in the Sempertrans segment (closure of the Chinese production facility, see chapter 3.2) amounted to EUR 8 thousand (previous year: EUR 0 thousand).

3.2 Tangible assets

Tangible assets are measured at acquisition or production costs less cumulative depreciation and impairment.

They are depreciated by distributing the acquisition or production costs less their expected residual values in a straight line over the expected useful life. Assumptions and estimates were required in determining the useful lives with these assumptions and estimates reviewed and if necessary adjusted at each reporting date. The expected useful lives assumed for each category of tangible asset are within the following ranges:

	Useful life in years
Land	endless
Technical plants and other operational buildings	10–50
Technical equipment, plant and machinery	2–30
Office furniture and equipment	2–25
Vehicles	5–10

Depreciation and amortisation and reversals

Following indications of depreciation, tangible assets are reviewed to see whether the carrying amount of the asset or the relevant cash generating unit exceeds the recoverable amount in accordance with IAS 36. Depreciation is recognised accordingly if the carrying amount is above the recoverable amount. Evaluation of recoverability and determination of the recoverable amount are subject to essential assumptions and judgemental decisions. These relate in particular to assumptions regarding corporate planning, future inflation and growth rates as well as exchange rates, the capital cost rate for discounting future cashflows, as well as the expected economic development of each individual cash generating unit.

Reversals are included in the Depreciation and amortisation of tangible assets and intangible assets in the Consolidated income statement. No reversals took place in the 2018 and 2017 financial years.

Impairment need in the Sempermed segment

The profits of the Sempermed segment declined in the second quarter of 2018: There were indications of increasing competition and price pressure on the market. In addition, gas price increases, a shortage of the raw material nitrile (nitrile butadiene rubber, NBR), and related production inefficiencies are weighing on current business development. The weighted average cost of capital (WACC) also increased from 7.13% (before tax: 8.12%) at 30 June 2017 to 7.65% (before tax: 8.93%) at 30 June 2018, mainly due to the increased market risk premium and the beta factor.

Against this background, the Semperit management determined the recoverable amount for the cash-generating unit of the Sempermed segment at 30 June 2018. The recoverable amount was calculated as value in use. The calculation was based on the most recent medium-term planning using updated cashflow forecasts for 5 years from the end of 2018, which take into account both the status quo of the current restructuring and transformation process and the uncertainties in business development that can be observed. The cashflows after the five-year period were generated with a sustainable growth rate of 0.75% (30 June 2017: 0.75%). The growth rate reflected the competition and the price pressure in the market as well as an assumption of moderate market growth.

The main assumptions used in determining the recoverable amount of the Sempermed segment relate to the future development of the EBITDA margin in view of the ongoing restructuring and transformation process and the uncertainties in business development that can be observed. In the detailed planning phase, the margin is expected to gradually improve in order to achieve an EBITDA margin of around 9% in the bond phase (i.e. from 2024). In the bond phase, the return on invested capital (ROIC) of the Sempermed segment is oriented towards the lower end of the peer group and the WACC. The planning is initially based on management's assumptions regarding market development, the market shares of the Sempermed segment along with strategic product and customer initiatives. In addition, planned measures to improve earnings from the current restructuring and transformation process have been taken into account, which, however, are provided with empirically observed melting rates depending on their degree of implementation. Planned earnings-enhancing measures that require capacity expansion or infrastructure improvement and have a low implementation level were not taken into account when determining the value in use. The uncertainties in the business development of the Sempermed segment that have arisen in the past and can currently be observed are accordingly accounted for by planned deductions based on what has happened at the company in the past. These will be decreasing almost completely as the restructuring and transformation progresses. The changes in trade working capital were planned depending on sales and are based on a three-year average. Investments in property, plant and equipment maintain capacity and were planned explicitly until 2022 and thereafter at 4.5% of sales and derived from the peer group; they roughly correspond to the planned depreciation.

At 30 June 2018, the recoverable amount for the cash-generating unit of the Sempermed segment was EUR 126,532 thousand and was thus below the carrying amount of EUR 182,312 thousand at the reporting date (thereof trade working capital: EUR 69,075 thousand). The resulting impairment loss of EUR 55,780 thousand at 30 June 2018 was allocated to non-current segment assets as follows, recognised in the functional currencies of the subsidiaries belonging to the Sempermed segment and translated into euros at the respective average exchange rates:

in EUR thousand	2018	2017
Goodwill	0	–25,149
Other intangible assets	–1,446	0
Tangible assets	–53,794	–827
Investments in associated companies	0	0
Impairment expense	**–55,241**	**–25,976**
Currency translation differences in OCI	–539	46
Impairment of tangible and intangible assets as of 30.06.2018 resp. as of 30.06.2017	**–55,780**	**–25,930**

There were no indications of any further impairments in the Sempermed segment at 31 December 2018.

The change in tangible assets is as follows:

in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Assets under construction [1]	Total
Acquisition costs					
As at 01.01.2017	**175,015**	**443,248**	**73,141**	**33,194**	**724,599**
Currency translation differences	1,266	2,594	32	521	4,412
Additions [1]	7,445	43,009	5,065	18,090	73,610
Disposals	–214	–15,672	–2,035	–57	–17,978
Transfers [1]	1,784	32,857	39	–34,820	–140
As at 31.12.2017	**185,296**	**506,035**	**76,243**	**16,929**	**784,503**
Currency translation differences	–134	81	509	–388	68
Additions	8,280	35,520	4,022	31,805	79,627
Disposals	–1,226	–8,653	–2,062	–216	–12,156
Disposals resulting from changes in the scope of consolidation	–2,249	–4,131	–1,039	0	–7,419
Transfers	2,709	15,862	191	–18,890	–128
As at 31.12.2018	**192,677**	**544,714**	**77,864**	**29,239**	**844,495**
Depreciation / write-ups / impairment					
As at 01.01.2017	**78,073**	**289,054**	**52,987**	**0**	**420,114**
Currency translation differences	859	1,561	161	0	2,581
Depreciation and amortisation	3,772	21,296	4,783	–38	29,813
Impairment loss	12	827	0	0	838
Disposals	–198	–14,162	–1,828	0	–16,188
Transfers	7	0	–10	0	–3
As at 31.12.2017	**82,524**	**298,576**	**56,094**	**–38**	**437,156**
Currency translation differences	–117	85	341	–3	306
Depreciation and amortisation	3,712	20,481	4,459	0	28,652
Impairment loss	13,504	39,046	5,460	505	58,515
Disposals	–67	–8,030	–1,917	–23	–10,037
Disposals resulting from changes in the scope of consolidation	–959	–3,567	–934	0	–5,460
Transfers	0	477	–477	0	0
As at 31.12.2018	**98,597**	**347,066**	**63,027**	**441**	**509,132**
Carrying amount					
Carrying amount 01.01.2017	96,942	154,195	20,154	33,194	304,485
Carrying amount 31.12.2017	102,772	207,460	20,149	16,967	347,348
Carrying amount 31.12.2018	**94,079**	**197,648**	**14,838**	**28,798**	**335,363**

[1] The comparison figures have been adjusted (see Chapter 1.6).

Of the carrying amount stated for land and buildings, including the buildings on third-party property, EUR 7,894 thousand (previous year: EUR 10,196 thousand) is attributable to the land (basic value). The disposals from the scope of consolidation relate entirely to Semperflex Roiter S.r.l, Rovigo, Italy (see Chapter 10.1).

Borrowing costs were capitalised in the 2018 financial year as a part of the production costs for qualified assets in the amount of EUR 210 thousand (previous year: EUR 108 thousand). The financing cost rate applied was 1.8% (previous year: 2.4%).

Depreciation of tangible assets was required in the 2018 financial year at the amount of EUR 54,337 thousand (previous year: EUR 838 thousand) for the Sempermed segment. Of this amount, EUR 53,794 thousand was attributable to the tangible assets excluding land as part of the aforementioned impairment test for the Sempermed segment. Individual tangible assets were also depreciated in the amount of EUR 542 thousand in the Sempermed segment and EUR 168 thousand in the Sempertrans segment. The remaining depreciation in the Sempertrans segment in the amount of EUR 3,941 thousand (previous year: EUR 0 thousand) related primarily to technical plant and machinery following closure of the Chinese production facility.

No tangible assets were pledged as collateral for liabilities to banks or liabilities from finance leases at 31 December 2018 and 31 December 2017.

At 31 December 2018 there are contractual obligations in place to acquire tangible assets amounting to EUR 15,987 thousand (previous year: 53,547 thousand).

Closure of the Chinese production facility belonging to Sempertrans

In June 2018, the Management Board at Semperit AG Holding, in agreement with the Supervisory Board, decided to close the conveyor belt production plant of the Semperit Group in Taierzhuang, China and the associated production company, Sempertrans Best (ShanDong) Belting Co. Ltd. (SBB). Sempertrans Best (ShanDong) Belting Co Ltd. is fully consolidated; the state-affiliated Chinese Shandong Wang Chao Coal & Electricity Group Co., Ltd. currently holds 16.1% of the shares. The non-controlling share is stated in the Liabilities from redeemable non-controlling interests. Production was stopped immediately. Appropriate social measures were prepared for the approximately 120 employees; the severance payments have since been basically made.

The closure of the plant is part of the ongoing restructuring and transformation process of the Semperit Group and put pressure on earnings in the financial year 2018 as follows:

in TEUR	2018
Impairment of intangible assets and technical equipment	3,949
Restructuring costs (in other operating expenses; thereof EUR 853 tsd provision as per 31.12.2018)	1,799
Cost for social compensation plans (in personal expenses; thereof EUR 396 tsd provision as per 31.12.2018)	1,403
Impairment loss and loss of sales of inventories (in changes in inventories and material expenses)	664
Total	**7,815**

Any reimbursement claims in the amount of EUR 268 thousand arise from the joint venture agreement with Shandong Wang Chao Coal & Electricity Group Co., Ltd and represent contingent assets that cannot be recognised in the balance sheet in management's view; they remained off balance sheet at 31 December 2018.

The liquidation committee, consisting of representatives of the Semperit Group and the Shandong Wang Chao Coal & Electricity Group Co., Ltd, is responsible for the liquidation of the company. The district government is ensuring the legality of the procedure. The search for a buyer for tangible assets and certain inventories has been actively started. The limited reusability of the plants and the fact that the boards had not made the final decisions concerning the sale at 31 December 2018 are currently preventing the non-current assets from being classified as held for sale.

Earnings in the 2017 financial year were encumbered in the amount of EUR 11,398 thousand through saving and restructuring measures related to subsidiary Sempertrans France Belting Technology S.A.S. Please see chapter 7.2 for further information.

3.3 Other financial assets (non-current)

The carrying amounts of the other non-current financial assets are as follows:

in EUR thousand	31.12.2018	31.12.2017
Financial assets recognised at fair value through profit or loss		
Shares in funds, shares, other securities	6,188	6,376
Derivatives	240	5,610
	6,429	**11,986**
Financial assets recognised at amortised cost		
Loans to associated companies	563	563
Receivables to employees	20	28
Other financial assets	641	721
	1,224	**1,311**
Total	**7,653**	**13,297**

The units in funds relate to 97,500 shares (previous year: 97,500 shares) in PIA TopRent, a bond fund that is suitable for covering pension provisions and which overwhelmingly invests in fixed and variable interest government bonds in the eurozone.

The receivables from employees essentially include advance payments to employees.

Disclosures on financial instruments – non-current and current assets

The following table shows the carrying amounts of the individual financial assets classified in accordance with the valuation categories under IFRS 9.

in EUR thousand	Valuation category IFRS 9[1)]	Level	Note	Carrying amount 31.12.2018	Carrying amount 31.12.2017
Trade receivables	AC	–	4.2	101,645	103,577
Other financial assets			3.3, 6.5		
Securities	FVPL	1		6,188	6,376
Loans to associated companies	AC	–		563	563
Derivative financial instruments	FVPL	2		4,211	5,076
Derivative financial instruments	FV – Hedging Instrument	2		263	629
Other financial assets	AC	–		4,129	3,028
Cash and cash equivalents			6.6		
Cash on hand, cheques and cash deposits in banks	–	–		121,549	165,530

1) FVPL (fair value through profit and loss); FVOCI (fair value through OCI); AC (at cost)

The item Other financial assets includes receivables from employees and other receivables (see Chapters 3.3 and 6.5).

Non-current financial assets measured at fair value

The recognition and derecognition of financial assets based on a standard market purchase or sale take place at the date of fulfilment. The fair values of securities are determined using publicly available prices.

The derivative financial instruments at fair value through profit and loss are foreign exchange forward contracts, a cross currency swap and an interest floor.

The derivative financial instruments designated as hedges are foreign exchange forward contracts and cross currency swaps, which in turn are backed by interest rate floors.

The fair values of the foreign exchange forward contracts and cross currency swaps are determined using accepted actuarial valuation models. Future payment flows are simulated using the yield curves published at the reporting date. In addition, the carrying amount is adjusted to take into account the credit risk of the respective counterparty. When doing so, positive exposures are measured considering the default risk of the counterparty, while negative exposures are measured considering the group's own default risk.

In addition to operational measures, individual derivative financial instruments, in particular foreign exchange forward contracts, are used to hedge foreign currency risks. These are measured at current market value. The market value corresponds with the value that the relevant company would receive or would have to pay had the transaction been terminated at the reporting date. Positive fair values at the reporting date are stated under the other financial assets and negative market values under the other financial liabilities. If the conditions are met for hedge accounting then this is overwhelmingly applied. This is stated as described below depending on whether this relates to a cashflow hedge or a fair value hedge.

Derivative financial instruments are used in isolated cases to hedge against interest rate risks. Provided that the prospective effectiveness measurements as required by IFRS 9 are met and the hedging strategy is documented, the derivative financial instruments are either accounted for as cashflow hedges or as fair value hedges.

Derivatives designated as hedging instruments are accounted for at their current market value. With cashflow hedges, any unrealised gains or losses for the effective part (in accordance with the effectiveness measurement) are recognised in Other comprehensive income. The ineffective part is recognised in the profit or loss for the period as other financial result. Once the hedged transaction is realised (e.g. payment of interest) the amount recognised in Other comprehensive income is reclassified into the Consolidated income statement. With fair value hedges, the earnings are recognised immediately in net income in the other financial result within the Consolidated income statement.

Non-current financial assets not measured at fair value

The carrying amounts of all financial assets not measured at fair value correspond approximately with the fair value.

4. Trade Working Capital

Trade working capital consists of inventories, trade receivables and trade payables.

4.1. Inventories

Inventories must be measured at the lower value of acquisition or production costs and the net sales value, whereby, in the course of ascertaining the net sales values, in particular utilisation risks related to obsolete or surplus inventories are taken into account. Utilisation is determined using the moving average price method. Interim results from intercompany deliveries of inventories are eliminated unless they are of minor significance.

in EUR thousand	31.12.2018	31.12.2017
Raw materials and supplies	43,877	47,805
Work in progress	23,137	24,569
Finished goods and merchandise	83,234	86,380
Refund assets	19	0
Prepayments	158	455
Services not yet billable	0	526
Total	**150,425**	**159,736**

in EUR thousand	31.12.2018	31.12.2017
Inventories		
thereof at acquisition / production costs	116,823	123,766
thereof at their net realisable value	33,603	35,970
Total	**150,425**	**159,736**

When determining the net sales values as part of the inventory measurement at the reporting date, specific customer contracts are used. If the contracts are not available, then existing list prices are used. Estimates are also required from the relevant segment management related to the recoverable prices and market developments. These are evaluated regularly and amended as necessary. The inventory impairments recognised in expense amounted to EUR 5,416 thousand in the current year (previous year: 4,067 thousand).

4.2. Trade receivables

The trade receivables, which essentially originate from revenues with customers of the Semperit Group, must be allocated to the AC (at cost) category in accordance with IFRS 9 and are therefore measured at cost less any expected defaults.

The trade receivables are made up of the following:

in EUR thousand	31.12.2018 Gross	Allowances	Net	31.12.2017 Gross	Allowances	Net
Receivables not yet due	79,641	–209	79,433	84,928	–220	84,708
Up to 30 days overdue	14,108	–100	14,007	13,295	–109	13,186
30 to 90 days overdue	5,700	–272	5,428	4,065	–239	3,826
More than 90 days overdue	6,540	–3,763	2,777	5,089	–3,232	1,857
Total	**105,989**	**–4,344**	**101,645**	**107,377**	**–3,800**	**103,577**

The trade receivables due but not yet impaired amounted to EUR 18,744 thousand in total at 31 December 2018 (previous year: EUR 17,347 thousand).

The group assesses their creditworthiness based on internal valuation guidelines. In determining the extent of the impairment, the Semperit Group, as part of the transition to IFRS 9, evaluated the defaults from the past four years by segment. Using this analysis, the Group created an impairment matrix based on timeframes. The payment terms normally granted are between 14 and 90 days. The analysis of the past did not identify an elevated default risk for receivables that are past due by more than 90 days. As a result, the group does not deem an overdue period of more than 90 days to be an indicator that a loss event has occurred, which would imply an allocation to Stage 3 of the impairment model according to IFRS 9.

The group has credit insurance coverage for a significant portion of the trade receivables (86.2%; previous year 72.4%). This insurance coverage includes an excess if a loss occurs. For such receivables, the maximum impairment recognised for a credit loss is the retained amount of the defaulted receivable.

Receivables not covered by credit insurance or excesses for receivables covered by credit insurance are impaired based on empirical values in accordance with the default risk categories in the impairment matrix (level 2 of the impairment model pursuant to IFRS 9).
Receivables allocated to level 3 of the impairment model pursuant to IFRS 9 based on an individual assessment of the relevant customers are also written down to the expected recoverable amount.

The overdue receivables are essentially covered by credit insurance as all subsidiaries featuring substantial volumes of receivables hold credit insurance. With respect to the receivables not covered by credit insurance and to the excess for receivables covered by credit insurance there is no significant concentration of credit risk as the customers are widely dispersed.

The relevant default risk categories can be found in the following impairment matrix:

	31.12.2018			
	Not overdue	1-30 days	31-90 days	>90 days
Semperflex	0.00-0.13%	0.07-1.07%	0.28-4.01%	0.9-11.17%
Sempermed	0.00-1.51%	0.02-5.20%	0.04-10.31%	0.09-20.08%
Semperform	0.02%	0.14-0.30%	0.81-1.39%	3.62-5.90%
Sempertrans	0.00-0.44%	0.03-0.97%	0.06-2.09%	0.14-9.71%

The ranges arise from the geographic regions where the revenues are generated.
The impairment of trade receivables is generally recognised indirectly via impairment accounts. The impairment has changed as follows:

	2018			2017
in EUR thousand	Lifetime expected credit loss based on portfolio valuation, value-adjusted (level 2)	Lifetime expected credit loss based on single valuation, value-adjusted (level 3)	Total	nach IAS39
As at 31.12.	973	2,827	3,800	3,399
Adjustment IFRS 9	–581	0	–581	–
As at 01.01.	**392**	**2,827**	**3,219**	**3,399**
Release	–231	–71	–301	–592
Currency translation difference	–2	81	79	–254
Written down due to irrecoverability	0	–11	–11	–225
Additions	142	1,216	1,358	1,472
As at 31.12.	**301**	**4,042**	**4,344**	**3,800**

Receivables determined to be unrecoverable are derecognised if the receivable loss has been determined conclusively, with the impairment provision formed beforehand used. Trade receivables in the amount of EUR 133 thousand (previous year: EUR 1,357 thousand) were derecognised in the 2018 financial year with no impairment taking place.

4.3. Trade payables

The trade payables must be allocated to the AC (at cost) category in accordance with IFRS 9 and are therefore measured at cost.

The carrying amount of the trade payables at 31 December 2018 amounted to EUR 67,746 thousand (previous year: EUR 110,913 thousand).

5. Equity

5.1. Share capital and reserves

Share capital

The share capital of Semperit AG Holding at 31 December 2018 remained unchanged compared to the previous year at EUR 21,358,997. This is broken down into 20,573,434 fully paid-in no-par-value ordinary shares of which each has an equal participation in the share capital. Each share is entitled to a voting right and they are all entitled to receive a dividend.

The Management Board was authorised by the Annual General Meeting on 25 April 2018 with the agreement of the Supervisory Board to increase the share capital by 50% or up to 10,286,716 new no-par-value shares over the next five years following registration of the change to the Articles of Association on the Company Register, through cash and/or non-cash contributions. The Management Board was also authorised to issue convertible bonds with agreement from the Supervisory Board. This may be linked to a right of conversion or purchase or a mandatory conversion or purchase of up to 10,286,716 no-par-value shares (50% of the existing shares) in the company.

The Management Board was authorised by the Annual General Meeting on 25 April 2018 to buy back and, if necessary, to redeem the company's own shares up to the legally permissible amount of 10% of the share capital for a period of 30 months from the date that the resolution was passed in the Annual General Meeting pursuant to Section 65 (1) no. 8 of the Stock Corporation Act (AktG) with agreement from the Supervisory Board. At the same Annual General Meeting, the Management Board was also authorised pursuant to Section 65 (1b) AktG and with agreement from the Supervisory Board to decide on a different type of sale than via the stock exchange or through a public offering, and to decide on an exclusion of the repurchase option (purchase right) on the part of shareholders. There is no share buyback programme in place at present, the company does not hold any treasury shares.

Capital reserves

The capital reserves essentially result from the amount generated beyond the proportional amount of the share capital following the issue of shares (share premium). As in the previous year the capital reserves include EUR 21,503 thousand in tied reserves. These may only be released to offset any balance sheet loss otherwise stated in the corporate law annual financial statements of Semperit AG Holding, unless there are any free reserves available to cover such a loss.

Revenue reserves

The distribution of revenue reserves is as follows:

Revenue reserves

in EUR thousand	Retained earnings	Revaluation reserves	Hedge reserve	IAS 19 reserve	Total revenue reserves
As at 01.01.2017	**295,169**	**209**	**–11**	**–11,288**	**284,079**
Earnings after tax	–25,657	0	0	0	–25,657
Other comprehensive income		–92	–65	548	390
Total recognised comprehensive income	–25,657	–92	–65	548	–25,266
Dividend	–14,401	0	0	0	–14,401
Acquisition of non-controlling interests	53	0	0	0	53
As at 31.12.2017	**255,164**	**117**	**–76**	**–10,740**	**244,464**
As at 01.01.2018	**255,164**	**117**	**–76**	**–10,740**	**244,464**
Initial adjustment under IFRS 9	**538**	**–117**	**0**	**0**	**422**
Adjusted as at 01.01.2018	**255,702**	**0**	**–76**	**–10,740**	**244,886**
Earnings after tax	–79,644	0	0	0	–79,644
Other comprehensive income	0	0	–217	–396	–613
Total recognised comprehensive income	–79,644	0	–217	–396	–80,257
Acquisition of non-controlling interests	1	0	0	0	1
As at 31.12.2018	**176,060**	**0**	**–293**	**–11,136**	**164,630**

The earnings generated include the statutory reserve of Semperit AG Holding, which may only be released to offset a balance sheet loss otherwise stated in the latter's corporate law annual financial statements, whereby the fact that free reserves are available to offset the loss is no obstacle to the release for the purposes of offsetting the loss.

In accordance with IAS 39, the revaluation reserves contain the cumulative fair value changes in financial assets available for sale until the assets are derecognised or impaired. The first-time adoption of IFRS 9 means that financial assets previously classified as available for sale are to be measured at fair value. The resulting effects are shown in Chapter 1.5.

The hedging reserve comprises the portion of the cumulative net changes in the fair value of hedging instruments used to hedge payment flows (cashflow hedge) until the subsequent recognition of the hedged cashflows or underlying transactions through profit or loss.

The IAS 19 reserve includes the effects of revaluations of defined benefit plans due to severance payments and pensions (IAS 19).

Currency translation reserve

The currency translation reserve records translation differences resulting from converting the subsidiaries' financial statements from their functional currency to euros until the subsidiaries in question are sold or disposed of by other means.

5.2. Hybrid capital

On 12 December 2017, the Management Board of Semperit AG Holding signed an agreement regarding hybrid capital of up to EUR 150,000 thousand with B & C Holding GmbH, a wholly-owned subsidiary of B & C Industrieholding GmbH. The agreed interest rate is 5.25% p.a. and the commitment fee is 1.75% p.a. The expense resulting from the commitment fee is reported under other financial result. The hybrid capital is a subordinated source of financing with an unlimited term on which the Semperit Group was able to draw in multiple tranches until 31 December 2018. In December 2018, the hybrid capital line was extended until 31 December 2019. Under the agreement, the creditor does not have a redemption or conversion right. Semperit AG Holding reserves right to repay EUR 5,000 thousand or a multiple of that amount plus pro-rata "interest" at the end of each quarter. In March 2018, EUR 130,000 thousand were drawn from the hybrid capital.

Due to the contractual terms and conditions, the hybrid capital is reported as equity capital in accordance with IAS 32. Since the hybrid capital is categorised as equity, corresponding payments are treated as distributions to shareholders. The payment of "interest" is e.g. triggered by dividend payments and is also recognised as such in equity once the resolution has been passed on the dividend.

5.3. Non-controlling interests

In the financial year 2018, the non-controlling interests and their corresponding portion of earnings after tax and comprehensive income relate to Latexx Partners Berhad (shareholding of 98.85%) and its subsidiaries as well as FormTech Engineering (M) Sdn Bhd (shareholding of 69.88%). Dividends in the amount of EUR 190 thousand (previous year: EUR 0 thousand) were also paid in the 2018 financial year to the non-controlling interests in FormTech Engineering (M) Sdn Bhd.

Further stakes in Latexx Partners Berhad were acquired during the past financial year in the amount of EUR 47 thousand (previous year: EUR 39 thousand).

5.4. Dividends and treasury shares

The shareholders are entitled to a distribution of Semperit AG Holding's net profit for the year.

Semperit AG Holding reported a net loss in the past 2018 financial year meaning that no dividend can be paid. Semperit AG Holding's net profit in the previous year amounted to EUR 12 thousand. The Management Board had proposed not to distribute dividends.

Semperit AG Holding did not hold any treasury shares at 31 December 2018 or at 31 December 2017.

6. Net debt

The net debt is made up of the liabilities from redeemable non-controlling interests, financial liabilities, other financial liabilities, other financial assets (current) and cash and cash equivalents.

6.1. Liabilities from redeemable non-controlling interests

Shares of subsidiaries' net assets held by non-controlling shareholders are recognised as liabilities from redeemable non-controlling interests if the respective shareholder has an unconditional termination right or a termination right linked to conditions whose fulfilment or non-fulfilment lies outside the control of the Semperit Group, or if the company in which the non-controlling shareholder owns an interest has a limited life span.

The liability is initially recognised at fair value. As IFRS do not provide any guidance on the subsequent measurement of such an obligation, the amount of the liability initially recognised is increased by the share in profit or reduced by the share in loss accruing at the measurement date in accordance with the option described in the statement issued by the Institute of Public Auditors in Germany (IDW RS HFA 45). In this connection, this share of profit or loss also includes the share in other comprehensive income. In addition, any amounts reported directly in equity are included in the measurement of the liability. Dividends distributed to non-controlling shareholders reduce the liabilities. The amounts recognised as part of the subsequent measurement are recognised in the consolidated income statement and constitute financial expense. This is disclosed separately as results attributable to redeemable non-controlling interests.

The pro-rata measurement-related cashflows were derived from the latest medium-term forecasts in determining the fair value of the redeemable non-controlling interests in SAC (level 3). The detailed planning period extends until the end of 2023. The pro-rata measurement-related cashflows after the 2023 financial year were extrapolated based on a sustainable growth rate of 0.75%. The growth rate reflected competitive and price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. The discount rate after tax is 8.6%. The main assumptions used in determining the fair value relate in particular to the market-dependent future development of the EBITDA margin.

The fair value of the redeemable non-controlling interests in SBB (level 3) was determined using an estimator of the expected pro-rata liquidation proceeds and approximates the pro-rata equity on the books.

Liabilities from redeemable non-controlling interests changed as follows:

in EUR thousand	2018	2017
Carrying amount 01.01.	13,276	51,825
Dividends	–4,743	–19,979
Share of annual income after tax	4,251	5,326
Currency translation differences	591	–270
Other changes	0	71
Carrying amount 31.12.	**13,376**	**13,276**
thereof Semperflex Asia Corp. Ltd., Thailand (SAC)	12,583	11,157
thereof Sempertrans Best (ShanDong) Belting Co. Ltd., China (SBB)	793	2,119
Fair Value 31.12.	**55,476**	**n/a**

6.2. Financial liabilities

in EUR thousand	31.12.2018	Thereof non-current	Thereof current	31.12.2017	Thereof non-current	Thereof current
Corporate *Schuldschein* loan	226,492	212,106	14,386	269,710	254,168	15,542
Liabilities to banks	7,742	1,195	6,547	56,888	51,310	5,578
Total	**234,233**	**213,301**	**20,933**	**326,598**	**305,478**	**21,120**

The corporate *Schuldschein* loans as well as the liabilities to banks are initially recognised at their fair value net of transaction costs. They are then subsequently measured at amortised cost in accordance with the effective interest method.

They are derecognised if and when the underlying obligation is settled or terminated or has expired.

Corporate *Schuldschein* loan

Between 2013 and 2016, Semperit AG Holding issued several corporate *Schuldschein* loans, some with fixed and some with variable interest rates, in EUR as well as in US dollars, Polish zlotys and Czech korunas. The loans had a total volume of EUR 344,466 thousand; variable-interest-rate tranches dating back to 2013 in the amount of EUR 72,000 thousand were repaid in 2015.

The current tranches in EUR have terms of five, seven, ten and fifteen years, while those in foreign currencies have terms of three, five and seven years. The current total nominal value amounts to EUR 225,033 thousand (previous year: EUR 272,466 thousand), with around 53% denominated in EUR and around 47% in the three foreign currencies. EUR 13,500 thousand of EUR-denominated corporate *Schuldschein* loans was repaid on time as it fell due in July 2018. A further USD 37,000 thousand of USD-denominated corporate *Schuldschein* loans (equating to EUR 32,691 thousand) was repaid ahead of time in November 2018.

At 31 December 2018, accrued interest amounting to EUR 1,816 thousand (previous year: EUR 2,049 thousand) was recognised under current liabilities. The differences between the carrying amounts excluding interest (clean price) and the nominal amounts are the transaction cost of the *Schuldschein* offerings, which are allocated over the terms of the corporate *Schuldschein* loan tranches in accordance with the effective interest rate method.

Semperit AG Holding has entered into cross currency swaps in order to hedge financing to subsidiaries issued in foreign currencies. Hedge accounting is applied insofar as the relevant requirements are met. See Chapter 11 (Interest rate risk management and currency risk management) for additional information.

						31.12.2018
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	1.77%–3.65%	EUR	119,500	120,642	119,290	1,351
Fixed-interest corporate bond	1.29%	CZK	180,000	7,005	6,991	14
Variable-interest corporate bond	2.45%–2.50%	CZK	360,000	14,042	6,992	7,050
Variable-interest corporate bond	3.04%–3.24%	PLN	142,000	33,044	27,389	5,655
Variable-interest corporate bond	4.06%	USD	59,000	51,758	51,443	315
Total				**226,492**	**212,106**	**14,386**

						31.12.2017
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	1.77%–3.65%	EUR	133.000	134,224	119,240	14,984
Fixed-interest corporate bond	1.29%	CZK	180.000	7,056	7,042	14
Variable-interest corporate bond	1.23%–1.28%	CZK	360.000	14,114	14,086	27
Variable-interest corporate bond	3.06%–3.26%	PLN	142.000	34,097	33,926	171
Variable-interest corporate bond	2.89%	USD	96.000	80,220	79,873	346
Total				**269,710**	**254,168**	**15,542**

Liabilities to banks

In December 2014, a framework loan agreement for an initial EUR 250,000 thousand was concluded with a consortium of six banks, revised to EUR 200,000 thousand in the 2017 financial year. This agreement comprises two tranches, one for EUR 100,000 thousand, revised to EUR 50,000 thousand in the 2017 financial year with a five-year term, and another in the amount of EUR 150,000 thousand with a seven-year term (original term of five years with the option of two one-year extensions, both of which have already been exercised). Framework credit of EUR 50,000 thousand was repaid with the hybrid capital made available in March 2018 and is therefore no longer available. At the reporting date, EUR 0 thousand (previous year: EUR 50,000 thousand) had been utilised.

						31.12.2018
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Variable-interest liabilities to banks	0,0 - 4,1%	TEUR	2.000	1,315	1,195	120
	4,0 - 6,0%	TMYR	42,100	6,427	0	6,427
Total				**7,742**	**1,195**	**6,547**

						31.12.2017
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Variable-interest liabilities to banks	1,0 - 4,1%	TEUR	102,000	51,428	51,310	118
	3,0 - 6,0%	TMYR	42,100	5,460	0	5,460
Total				**56,888**	**51,310**	**5,578**

6.3. Other financial liabilities

With the exception of derivatives, other financial liabilities are measured at amortised cost in accordance with the effective interest method. Liabilities from derivative financial instruments are measured at fair value through profit or loss (see Chapter 6.4 for information on determining fair values).

Liabilities to personnel (including bonuses and commission) are recognised at the cash value of the amount expected to be paid out insofar as they relate to services already rendered.

in EUR thousand	31.12.2018	Thereof non-current	Thereof current	31.12.2017	Thereof non-current	Thereof current
Sales incentives and penalty fees	6,838	0	6,838	0	0	0
Personnel liabilities	5,543	25	5,518	5,068	25	5,043
Derivatives	1,727	1,284	443	908	0	908
Accrued commisions	1,006	0	1,006	1,111	0	1,111
Loans from non-controlling shareholders of subsidiaries	126	0	126	0	0	0
Liabilities from finance leases	70	42	29	0	0	0
Accrued bonifications	0	0	0	2,745	0	2,745
Remaining other financial liabilities	6,642	666	5,976	8,180	911	7,269
Total	**21,952**	**2,017**	**19,935**	**18,012**	**936**	**17,076**

The other remaining financial liabilities contain in particular accruals and deferrals.

6.4. Disclosures on financial instruments – liabilities

in EUR thousand	Valuation category IFRS 9[1]	Level	Note	Carrying amount 31.12.2018	Carrying amount 31.12.2017
Liabilities from redeemable non-controlling interests	AC	–	6.1	13,376	13,276
Corporate *Schuldschein* loan	AC	3	6.2	226,492	269,710
Liabilities to banks	AC	–	6.2	7,742	56,888
Trade payables	AC	–	4.3	67,746	110,913
Other financial liabilities			6.3		
Derivative financial liabilities	FVPL	2		241	845
Derivative financial liabilities	FV – Hedging Instrument	2		1,486	62
Liabilities from finance leases	AC	–		70	0
Remaining other financial liabilities	AC	–		20,155	17,104

[1] FVPL (fair value through profit and loss); FVOCI (fair value through OCI); AC (at cost)

Liabilities measured at fair value

The financial instruments measured at fair value are derivative financial instruments. The derivative financial instruments (freestanding financial instruments) are foreign exchange forward contracts, a cross currency swap and an interest rate floor. The derivative financial instruments held for hedging are cross currency swaps, which in turn are backed by interest rate floors.

The fair values of the foreign exchange forward contracts and cross currency swaps are determined using accepted actuarial valuation models. Future payment flows are simulated using the yield curves published at the reporting date. In addition, the carrying amount is adjusted to take into account the credit risk of the respective counterparty. When doing so, positive exposures are measured considering the default risk of the counterparty, while negative exposures are measured considering the Group's own default risk.

Liabilities not measured at fair value

The fair values correspond to the carrying amounts for all financial assets and liabilities, with the exception of those stated below and the liabilities from redeemable non-controlling interests (see Chapter 6.1). Actuarial valuation methods are used to determine the fair value of financial instruments for which no active market is available. The parameters relevant to valuation for determining fair value are based in part on forward-looking assumptions.

in EUR thousand	Valuation category IFRS 9[1]	Fair Value 31.12.2018	Fair Value 31.12.2017
Liabilities			
Corporate *Schuldschein* loan	AC	220,026	281,728

1) AC (At cost)

The fair value of the corporate *Schuldschein* loan was determined by discounting the contractual payment streams with current interest rates. The comparable interest rates at the reporting date were derived from capital market yields with matching maturities and then adjusted for current risk and liquidity costs that are observable on the market. These comparable interest rates were derived based on management's current assessment of the rating of the Semperit Group. The difference between carrying amount and fair value is the result of the fall in the banks' refinancing costs (as part of the cost of corporate financing through banks) since the corporate *Schuldschein* loans were issued due to the measures taken by the ECB, such as medium-term refinancing tenders for banks at a current interest rate of 0.00% p.a. and the ECB's quantitative easing measures, which led to a significant decrease in risk premiums. In addition, several clauses in the corporate *Schuldschein* loan contract, which deviate from a standard loan, are worded positively in Semperit's favour.

6.5. Other financial assets (current)

The only assets reported as other current financial assets are financial instruments that fall within the scope of application of IFRS 9. Chapter 3.3. details how the assets are allocated to the relevant valuation categories in accordance with IFRS 9. See Chapter 3.3 for details on the fair values and for other more detailed information. An impairment needs to be taken into account for financial assets measured at amortised cost (see Chapter 4.2). See Chapter 11 (Interest rate risk management and currency risk management) for derivatives held under a hedging relationship.

in EUR thousand	31.12.2018	31.12.2017
Financial assets recognised at fair value through profit or loss		
Derivatives	4,234	95
Financial assets recognised at amortised cost		
Receivables to employees	344	433
Accruals and deferrals	1,846	1,000
Other financial assets	1,277	846
	3,467	**2,279**
Total	**7,702**	**2,373**

The other financial assets include blocked funds in the amount of EUR 364 thousand (previous year: EUR 660 thousand).

6.6. Cash and cash equivalents

in EUR thousand	31.12.2018	31.12.2017
Cash on hand	24	38
Cash deposits in banks	121,526	165,493
Total	**121,549**	**165,530**

The term to maturity of all short-term deposits at the time of the investment was less than three months.

7. Provisions

7.1. Retirement benefit expenses, provisions for pensions and severance payments

Retirement benefit plans – defined benefit plans

In the case of defined benefit plans, the cost of providing the benefit is calculated using the projected unit credit method; for this purpose, an actuarial assessment is carried out at each reporting date. All revaluations of plan assets and obligations, especially actuarial gains and losses, are reported directly in equity under other comprehensive income in accordance with IAS 19.

The provision recognised in the balance sheet for defined benefit plans equals the present value of the benefits accruing to the employees at the reporting date, less the fair value of the plan assets required to settle the obligation at the balance sheet date.

Pension commitments

In accordance with the Austrian Corporate Pension Statute of 1997, employees who joined their companies prior to 1 January 1991 are granted occupational pensions that take the form of a fixed amount that depends on an employee’s length of service. The statute stipulates that only retired former employees or their surviving dependants are now entitled to these pensions. The obligations in accordance with this statute are not funded by plan assets.

A number of former members of the Management Board have been granted pensions under individual pension agreements. These liabilities are not covered by pension plan assets either.

Severance payment commitments

Depending on their length of service, most employees in Austria, France, India, Poland and Thailand are legally entitled to a one-off payment, particularly on retirement.

The benefits due on retirement are considered to be payments due following termination of the employment relationship in accordance with IAS 19. These obligations are not funded by plan assets.

Actuarial assumptions

The most important actuarial parameters for the defined benefit pension and severance plans are as follows. Discount rates were determined separately in the individual countries depending on the pension plan.

Discount rate p.a. in %	31.12.2018	31.12.2017
Austria – pensions	1.60% / 1.80%	1.40% / 1.60%
Austria – severance payments	1.80%	1.70% / 1.80%
Germany – pensions	1.80% / 1.90%	1.60%
Other countries – severance payments		
France	1.90% –2.1%	1.80% –2.0%
Italy	n/a	1.90%
Poland	3.00%	3.25%
India	7.40%	7.40%
Thailand	1.73% –4.38%	1.46% –3.97%

Salary increases were determined in the individual countries by the relevant benefit plan and, if relevant, separately for wage-earning and salaried employees.

Salary increases p.a. in %	31.12.2018	31.12.2017
Austria – pensions	0% / 1.75%	0% / 1.75%
Austria – severance payments	3.00%	3.50% / 4.00%
Germany – pensions	1.80% / 3.40%	1.80% / 2.30%
Other countries – severance payments		
France	2.00% / 2.50%	2.20%
Italy	n/a	1.50%
Poland	2.00%	2.00%
India	5.00% / 12.00%	5.00% / 12.00%
Thailand	3.00% / 5.00%	3.00% / 5.00%

Fluctuation deductions were taken into account depending on the length of service of the employees.

Fluctuation deductions p.a. in %	31.12.2018	31.12.2017
Austria – pensions	0.00%	0.00%
Austria – severance payments	0.00% –2.5%	0.00% –2.08%
Germany – pensions	0.00%	0.00%
Other countries – severance payments		
France	0.00% –7.00%	0.00% –7.00%
Italy	n/a	5.00%
Poland	5.25%	5.12%
India	2.00%	2.00%
Thailand	0.00% –30.00%	0.00% –30.00%

The retirement age was set either in accordance with the individual regulations of the specific plan or, in the absence of such, at the earliest possible statutory retirement age of the country concerned.

The following biometric parameters and assumptions were used:
- Austria: AVÖ (Austrian Actuarial Society) 2018-P ANG (previous year: AVÖ 2008-P ANG)
- Germany: Heubeck 2005G
- France: TH 00-02 / TF 00-02
- Italy: RG48 (Ragioneria Generale dello Stato)
- Poland: Life Expectancy Table of Poland 2016
- India: Indian Assured Live Mortality (2006 – 08)
- Thailand: Thailand TM017

The provisions for pension and severance payments comprise the following:

in EUR thousand	Total 31.12.2018	Thereof non-current	Thereof current	Total 31.12.2017	Thereof non-current	Thereof current
Provisions for pensions	17,827	16,208	1,619	18,448	16,783	1,665
Provisions for severance payments	18,689	17,177	1,512	19,857	19,032	825
Total	**36,516**	**33,385**	**3,131**	**38,305**	**35,815**	**2,489**

Provisions for pensions

in EUR thousand	31.12.2018	31.12.2017
Present value of funded defined benefit obligations	3,440	3,586
Fair value of the plan assets	–293	–503
Deficit	3,147	3,083
Present value of unfunded defined benefit obligations	14,680	15,365
Provisions for pensions as of 31.12.	**17,827**	**18,448**

The present value of the obligations arising from defined benefit pension plans changed as follows:

in EUR thousand	2018	2017
Present value of the obligations (DBO) as at 01.01.	18,951	20,314
Current service costs	10	21
Interest expense	294	271
Total expenses for pensions	**303**	**292**
Remeasurements	506	30
Payments/Transfers	–1,640	–1,685
Present value of the obligations (DBO) as at 31.12.	**18,120**	**18,951**

The expenses shown in the tables are recognised as pension expenses under personnel expenses in the consolidated income statement (see Note 2.5).

Plan assets measured at fair value consist of the following:

in EUR thousand	31.12.2018	31.12.2017
Cash funds	28	247
Other receivables	265	255
Fair value of the plan assets as at 31.12.	**293**	**503**

Plan assets changed as follows:

in EUR thousand	2018	2017
Fair value of the plan assets as at 01.01.	503	691
Interest income from plan assets	2	1
Remeasurements of plan assets	5	20
Payments/Transfers	–217	–210
Fair value of the plan assets as at 31.12.	**293**	**503**

Provisions for severance payments

in EUR thousand	2018	2017
Present value of the obligations (DBO) as at 01.01.	19,857	23,055
Current service costs	348	561
Past service costs	31	0
Change in benefit plan resulting from restructuring	0	–1,089
Interest expense	341	381
Total expenses for severance payments	**721**	**–147**
Remeasurements	–320	–1,482
Payments	–797	–1,552
Currency translation differences	4	–17
Changes in the scope of consolidation	–776	0
Present value of the obligations (DBO) as at 31.12.	**18,689**	**19,857**

The change in benefit plan resulting from restructuring relates to the announcement of cost-saving and restructuring measures introduced at a subsidiary in France (see Chapter 7.2.).

Revaluations

The revaluations recognised under other comprehensive income in accordance with IAS 19 comprise the following:

in EUR thousand	2018	2017
Pensions		
Remeasurements of the obligation		
from changes to demographic assumptions	–248	0
from changes to financial assumptions	328	415
Experience adjustments	–586	–445
	–506	**–30**
Remeasurements of plan assets	5	20
Pensions total	**–500**	**–10**
Severance payments		
Remeasurements of the obligation		
from changes to demographic assumptions	–296	123
from changes to financial assumptions	1,115	293
Experience adjustments	–499	1,066
Severance payments total	**320**	**1,482**
Total remeasurements	**–180**	**1,472**

In the 2018 financial year, other income from revaluations recognised included EUR 881 thousand (previous year: EUR 0 thousand) in expenses resulting from the revision of the Austrian mortality tables (AVÖ 2018-P ANG).

Sensitivity analysis

Sensitivity analyses were performed for pension and severance plans regarding the effect of significant actuarial assumptions. Sensitivities were determined based on the same actuarial assumptions used to value the provisions for pension and severance payments. The remaining parameters remained unchanged.

A change of one percentage point in each of these parameters has the following impact on the present value of pension obligations totalling EUR 18,120 thousand (previous year: EUR 18,951 thousand) and on the present value of severance payment liabilities amounting to EUR 18,689 thousand (previous year: EUR 19,857 thousand):

		Present value of obligation (DBO) 31.12.2018		Present value of obligation (DBO) 31.12.2017	
in EUR thousand	**Change in parameter**	**increase in parameter**	**decrease in parameter**	**increase in parameter**	**decrease in parameter**
Pensions					
Interest rate	+/–1 percentage point	16,566	19,966	17,289	20,937
Increases in salaries	+/–1 percentage point	19,114	17,277	20,384	18,074
Life expectancy	+/–1 year	19,059	17,192	19,774	18,136
Severance payments					
Interest rate	+/–1 percentage point	16,876	20,816	17,905	22,150
Increases in salaries	+/–1 percentage point	20,675	16,952	21,947	18,034

The average weighted duration of defined benefit pension and severance liabilities, presented in years, is as follows:

Weighted average duration	31.12.2018	31.12.2017
Austria – pensions	9.3	9.6
Austria – severance payments	10.8	11.1
Germany – pensions	10.0	10.2
Other countries – severance payments		
France	15.4	15.5
Italy	n/a	13.2
Poland	19.5	10.4
India	10.5	9.7
Thailand	13.7	15.0

The following table shows the maturities of the expected benefit payments:

in EUR thousand	31.12.2018	31.12.2017
Severance payments		
under 1 year	1,512	825
1 to 5 years	4,251	4,639
6 to 10 years	5,755	6,064
over 10 years	15,851	17,820
Pensions		
under 1 year	1,619	1,665
1 to 5 years	6,148	6,320
6 to 10 years	4,552	4,620
over 10 years	8,197	8,382

Retirement benefit plans – defined contribution plans

Contributions to defined contribution plans are recognised as expense if the employees have actually completed the service obliging the company to make this contribution.

Semperit AG Holding is required to contribute to a pension fund for all current members of the Management Board. 1/14 of the respective fixed remuneration is paid into a pension fund (APK Pensionskasse AG) each year. In the 2018 financial year, the expense for these contributions amounted to EUR 95 thousand (previous year: EUR 105 thousand).

One former member of the Management Board and selected executives were granted pensions in the past that are covered by reinsurance policies with Generali Versicherung AG, with the pension entitlement matching the amount covered by the reinsurance. In the 2018 financial year, the expense for these contributions amounted to EUR 308 thousand (previous year: EUR 344 thousand).

Employees whose employment is subject to Austrian law and who entered into this employment relationship after 31 December 2002 are not entitled to severance payments from their employer. For these employees and all current members of the Management Board, contributions amounting to 1.53% (previous year: 1.53%) of their wages or salaries are paid into a staff pension fund. In the financial year 2018, the expense for these contributions totalled EUR 582 thousand (previous year: EUR 574 thousand).

For employees in the USA, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2018 financial year, the expense for these contributions amounted to EUR 107 thousand (previous year: EUR 119 thousand).

For employees in Singapore, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2018 financial year, the expense for these contributions amounted to EUR 105 thousand (previous year: EUR 140 thousand).

Semperit Group employees are also entitled to country-specific state pension plans, which are usually financed on a pay-as-you-go (unfunded) basis. The obligations of the Group are limited to paying contributions when they are due. There is no legal or de facto obligation with regard to future benefits.

7.2. Other provisions

The carrying amounts of the other provisions are as follows:

in EUR thousand	31.12.2018	Thereof non-current	Thereof current	31.12.2017	Thereof non-current	Thereof current
Long-service bonuses	4,066	3,824	241	4,097	3,864	233
Guarantees	6,097	1,310	4,786	5,334	1,396	3,937
Bonuses and other personnel provisions	9,686	471	9,214	9,977	594	9,383
Other	12,960	9,182	3,778	18,299	6,983	11,316
Total	**32,808**	**14,788**	**18,020**	**37,707**	**12,837**	**24,870**

The other provisions changed as follows:

in EUR thousand	01.01.2018	Changes in the scope of con-solidation	Currency differences	Release	Use	Additions	Interest cost	31.12.2018
Long-service bonuses	4,097	0	0	–28	–238	235	0	4,066
Guarantees	5,334	0	–30	–740	–414	1,947	0	6,097
Bonuses and other personnel provisions	9,977	–3	28	–691	–8,898	9,273	0	9,686
Other	18,299	–9	–755	–361	–12,122	7,699	209	12,960
Total	**37,707**	**–13**	**–757**	**–1,820**	**–21,672**	**19,154**	**209**	**32,808**

Provisions are recognised at the present value of the expected settlement amount based on management's best possible estimate of the uncertain obligation, taking account of unavoidable risks and uncertainties associated with a large number of events and scenarios as well as future events, insofar as there exist sufficient objective and substantial indications of their occurrence.

If it can be assumed that the amount required to settle the obligation will be completely or partially reimbursed by a third party, this reimbursement claim is recognised if and to the extent that it is virtually certain that such reimbursement will be received and its amount can be estimated reliably.

The timings of the expected payment flows from other provisions largely reflect the maturities outlined above, except in the case of the provision for long-service bonuses, where the expected payment flows at 31 December 2018 amount to EUR 243 thousand due within a year (previous year: EUR 241 thousand) and EUR 8,956 thousand (previous year: EUR 9,529 thousand) due in over a year.

Long-service bonuses

Provisions for long-service bonuses are calculated using the projected unit credit method in accordance with IAS 19, based on an actuarial assessment. Revaluations (actuarial gains and losses) are reported in the consolidated income statement for the period as personnel expenses.

Provisions for long-service bonuses are established for employees in Austria, Germany and the Czech Republic, whose entitlement to them is based on collective bargaining agreements. They were valued based primarily on the same actuarial assumptions used to value the provisions for pension and severance payments.

The average weighted duration of the present value of the long-service bonus obligations is around 9 years (previous year: 10 years). Sensitivity analyses were performed regarding the effect of significant actuarial assumptions. These resulted in the following effects on the present value of the provisions for long-service bonuses:

		Present value of obligation (DBO) 31.12.2018		Present value of obligation (DBO) 31.12.2017	
in EUR thousand	Change in parameter	increase in parameter	decrease in parameter	increase in parameter	decrease in parameter
Interest rate	+/–1 percentage point	3,734	4,455	3,742	4,516
Increases in salaries	+/–1 percentage point	4,366	3,803	4,424	3,813

Guarantees

The provisions for guarantees are based largely on a case-by-case assessment of the risks. In addition, provisions are allocated on a portfolio basis and according to experience, based on the revenue of the previous financial year. Since guarantee claims may involve lengthy negotiations as well as legal disputes, it is not possible to accurately predict when payments will actually have to be made.

Other provisions

The remaining other provisions include a provision for transaction taxes in Brazil in respect of the assessment years 2008–2010 in the amount of EUR 6,768 thousand (previous year: EUR 4,144 thousand). The duty (PIS/COFINS) is levied on the import and resale of goods in Brazil.

With regard to the import PIS/COFINS, there are indications in the lengthy administrative instances that the decision may ultimately be positive. However, until a final decision is reached, due to the legal uncertainties management continues to assume that the levy will be due until further notice. For the resale PIS/COFINS, a deposit was made in the financial year 2017 after unsuccessful appeals in the administrative proceedings for the further handling of the case in the courts. The provision in the amount of EUR 2,892 thousand is accompanied by a corresponding demand from any reimbursement claims. Furthermore, provisions were formed for expected litigation costs in connection with the tax proceedings in Brazil in the amount of EUR 1,250 thousand (previous year: EUR 1,546 thousand). For the assessment years 2011 and 2012, management is assuming that the period of limitation has expired.

Provisions of EUR 1,239 thousand were set aside primarily for consulting costs for completion of the restructuring process due to the closure of the Chinese production site Sempertrans Best (ShanDong) Belting Co. Ltd., which was decided during the past financial year (see Chapter 3.2.).

Other provisions still include an amount of EUR 1,592 thousand (previous year: EUR 8,939 thousand) in conjunction with the closure of the plant operated by the subsidiary Sempertrans France Belting Technology S.A.S., Argenteuil, France.

One subsidiary is involved in competition law proceedings. The case is currently at a stage at which the outcome cannot be gauged with a sufficient degree of probability. The case is being heard before the authorities in consultation with local specialists, and the subsidiary in question is cooperating with the authorities responsible and providing all necessary assistance. Semperit management does not expect this case to significantly impair the Group's asset, financial or earnings position either. For the anticipated costs and the associated risk, a provision in the most likely amount has been set aside in line with an assessment made by the Semperit Group. The amount is reviewed periodically in order to determine if it needs to be adjusted.

Detailed information on the specific financial impact would seriously weaken the position of the Semperit Group in asserting its interests in the current legal proceedings and is therefore omitted pursuant to IAS 37.92.

8. Other non-financial assets and liabilities

8.1. Other non-financial assets

in EUR thousand	31.12.2018	Thereof non-current	Thereof current	31.12.2017[1)]	Thereof non-current	Thereof current
Accrued expenses	5,265	401	4,863	6,938	1,667	5,271
Prepayments	3,683	3,325	359	9,673	8,693	980
Tax receivables	11,117	3,160	7,957	8,484	456	8,028
Other non-financial receivables	897	60	837	946	60	886
Total	**20,963**	**6,946**	**14,017**	**26,041**	**10,875**	**15,165**

[1)] The non-current prepayments of the previous year were adjusted (see chapter 1.6).

The long-term advance payments made are attributable entirely to advance payments for tangible assets.

8.2. Other non-financial liabilities

in EUR thousand	31.12.2018	Thereof non-current	Thereof current	31.12.2017	Thereof non-current	Thereof current
Liabilities from taxes and social security contributions	9,799	0	9,799	12,047	0	12,047
Contract liabilities	4,848	0	4,848	1,794	0	1,794
Accrued income	23	22	1	166	153	13
Unused holidays and overtime balances	5,797	200	5,597	5,947	290	5,657
All other liabilities	1,572	339	1,232	1,380	258	1,122
Total	**22,040**	**561**	**21,478**	**21,333**	**701**	**20,631**

The contractual liabilities valued at EUR 4,745 thousand (previous year: EUR 1,489 thousand) were incurred in their entirety in the 2018 financial year. The previous years value was recognised as sales revenue.

9. Taxes

Tax reconciliation statement

The following table reconciles earnings before tax with the income tax expense reported in the consolidated income statement:

in EUR thousand	2018	2017
Earnings before tax	**–63,258**	**12,096**
Tax expense / income (-/+) at 25%	**15,815**	**–3,024**
Tax rates in other countries	2,345	–715
Share of profits from associated companies	132	–121
Other income from the sale of SSC	0	19,527
Profit / loss attributable to redeemable non-controlling interests	–1,063	–1,331
Non-deductible expenses	–3,239	–6,298
Non-taxable income, tax exemptions and tax deductibles	334	1,006
Tax credits and tax concessions usable in future periods	0	5,963
Reduction of current tax expenses on the basis of yet unused tax loss carryforwards	950	0
Non-recognised deferred tax assets on new losses carryforwards and temporary differences in the financial year	–13,463	–19,569
Value adjustment of deferred tax assets from loss carryforwards or temporary differences arising and recognised in previous years	–17,747	–11,290
Change to outside-basis-differences	–767	14,437
Tax effects on write-downs and ups on holdings of fully consolidated companies	–90	3,632
Non-deductible impariment of goodwill	0	–6,195
Withholding taxes	–2,719	–32,321
Tax arrears from previous periods	1,625	–802
Other	782	–1,250
Income taxes according to the consolidated income statement	**–17,104**	**–38,351**

in EUR thousand	2018	2017
Earnings before tax	–63,258	12,096
Profit / loss attributable to redeemable non-controlling interests	4,251	5,326
Total	**–59,007**	**17,422**
Income taxes according to the consolidated income statement	17,104	38,351
Effective tax rate in %	**29.4%**	**220.1%**

The reduction in deferred taxes from available tax credits and tax allowances is stated in the item "Impairment of deferred tax assets from loss carryforwards or temporary differences arising and recognised in previous years".

The income from taxes for previous periods essentially arises from the release of a provision for a procedure with the Malaysian tax authorities for subsidiary Latexx Partners Berhad, Malaysia that ended as the deadline had expired.

Deferred tax

Following temporary differences, deferred taxes in the balance sheet are categorised as follows:

in EUR thousand	31.12.2018 Deferred tax assets	31.12.2018 Deferred tax liabilities	31.12.2017 Deferred tax assets	31.12.2017 Deferred tax liabilities
Intangible assets	1,424	228	1,143	647
Tangible assets	2,962	5,516	527	15,344
Financial assets	12	20	3,361	257
Inventories	2,821	0	2,551	1
Receivables	1,520	3,466	469	7,278
Other assets	31	1,125	430	90
Provisions for personnel	5,405	0	6,219	455
Other provisions	1,256	0	2,970	0
Trade payables	63	22	38	45
Other liabilities	790	1,938	1,050	3,878
Temporary differences in connection with shares in subsidiaries and joint ventures / non-current assets held for sale (outside-basis-differences)	0	1,842	0	1,075
Tax loss carryforwards and as yet unused tax credits	66,399	n/a	54,554	n/a
Total deferred tax assets and liabilities	**82,685**	**14,157**	**73,311**	**29,070**
Valuation allowance for deferred tax assets	–71,284	n/a	–41,295	n/a
Offset of deferred tax assets and liabilities	–7,037	–7,037	–23,852	–23,852
Net deferred tax assets	**4,364**		**8,164**	
Net deferred tax liabilities		**7,120**		**5,218**

The impairment for deferred tax assets of EUR 71,284 thousand (previous year: 41,295 thousand) includes impairment of deferred tax assets on temporary differences in the amount of 11,952 thousand (previous year: 11,487 thousand) and impairment of deferred tax assets on loss carry forwards and unused tax credits in the amount of 59,333 thousand (previous year: EUR 29,808 thousand). The impairment also includes deferred tax assets that arose but were not recognised in the relevant financial year.

From the impairment of deferred tax assets arising from temporary differences and loss carry forwards, EUR 25,591 thousand (previous year: EUR 20,637 thousand) relates to the group of companies in accordance with Section 9 of the Austrian Corporation Tax Act for which Semperit AG Holding acts as the holding company. Due to the Austrian tax group's history of losses in the recent past, the IFRS requirements to establish reliable tax planning are increased. The recognition of deferred tax assets (not covered by deferred tax liabilities) on temporary differences and loss carryforwards requires additional substantial evidence that, in the upcoming financial years, tax results will be generated that can be used for future tax relief. In view of the Austrian tax group's history of losses in the recent past, as well as the fact that the Semperit Group is expected to remain in a restructuring and transformation phase until 2020, the deferred tax assets of the Austrian tax group are not eligible for recognition. The same applies in particular to the tax loss carryforwards and tax credits not yet used in Malaysia and Singapore.

Deferred tax assets and liabilities of the same taxable entity are offset if they relate to income taxes levied by the same taxation authority and the entity in question has a legally enforceable right to offset current tax liabilities against current reimbursement claims. The tax group formed in Austria in accordance with Section 9 of the Austrian Corporation Tax Act is deemed to constitute a taxable entity for this purpose. A corporation tax group exists in Germany between Semperit Profiles Deggendorf GmbH and Semperit Profiles Leeser GmbH.

Of the changes to the deferred taxes included on the balance sheet, EUR –5,511 thousand (previous year 2,946 thousand) is included in the tax expense and EUR –192 thousand (previous year EUR –1,348 thousand) in other income.

The change in the deferred taxes recognised in other comprehensive income for the period is as follows:

in EUR thousand	2018	2017
Initial adjustment under IFRS 9		
Initial adjustment under IFRS 9	57	n/a
Other comprehensive income that will not be recognised through profit and loss in future periods		
Deferred taxes related to remeasurements of defined benefit plans (IAS 19)	–215	–925
Other comprehensive income that will potentially be recognised through profit and loss in future periods		
Deferred taxes related to available-for-sale financial assets	n/a	31
Deferred taxes related to cashflow hedges	135	1
Currency translation differences related to deferred taxes	–168	–456
	–33	**–424**
Total	**–192**	**–1,348**

The deferred taxes attributable to the remeasurements of defined benefit plans (IAS 19) which are included in other comprehensive income for the financial year were influenced by impairment, taking into account a maturity analysis.

At the reporting date, there are further deductible temporary differences of 47,989 thousand (previous year: 43,489 thousand) as well as tax loss carryforwards and unused tax losses of 178,097 thousand (previous year: 128,665 thousand), for which no deferred tax assets were recognised. Of these unused tax losses, EUR 11,894 thousand (previous year: 15,768 thousand) expire within the next five years. Otherwise, these losses and deductible temporary differences can be carried forward without limit.

Recognised deferred tax assets include deferred tax assets for tax jurisdictions in which, during the reporting period or in the previous period, tax losses were incurred that exceed the deferred tax liabilities of the relevant companies by 2,968 thousand (previous year: 6,526 thousand). Deferred tax assets are recognised based on the assumption that there will be sufficient taxable profit in the coming years.

In addition, there are taxable temporary differences in the amount of EUR 66,224 thousand (previous year: EUR 114,415 thousand) and deductible temporary differences of EUR 150,161 thousand (previous year: EUR 177,063 thousand) in connection with investments in subsidiaries for which deferred tax liabilities of EUR 16,500 thousand (previous year: EUR 27,619 thousand) and deferred tax assets of EUR 29,106 thousand (previous year: EUR 35,480 thousand) were not recognised. This is because the parent is able to manage the timing of the offset of the temporary difference, and it is unlikely at the reporting date that the temporary differences will be offset in the foreseeable future.

10. Structure of the company

10.1. Scope of consolidation

Subsidiaries over which control is exercised within the meaning of IFRS 10 are included by means of full consolidation. Associated companies over which there is significant influence are accounted for as investments in associates using the equity method.

The scope of consolidation of Semperit AG Holding developed as follows in financial year 2018:

	Fully consolidated companies	Associated companies	Joint ventures
As at 01.01.2018	**47**	**1**	**0**
Deconsolidation	3	0	0
Stand 31.12.2018	**44**	**1**	**0**

Deconsolidations relate to the sale of Semperflex Roiter S.r.l, Rovigo, Italy and the liquidation of PA 82 WT Holding GmbH, Vienna, Austria and Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia.

	Fully consolidated companies	Associated companies	Joint ventures
As at 01.01.2017	**48**	**1**	**1**
Deconsolidation	0	0	1
Merger	1	0	0
As at 31.12.2017	**47**	**1**	**0**

In the previous year Semperit and the Thai company Sri Trang Agro-Industry Public Co Ltd. Group (Sri Trang) signed an agreement to terminate nearly all of their joint business activities. Siam Sempermed Corporation Ltd (SSC) was sold to Sri Trang as part of this transaction. As a result of the agreement Siam Sempermed Corporation Ltd (SSC) was sold to Sri Trang and in return Semperit acquired the relevant share of the following joint ventures from Sri Trang:

- Sempermed USA Inc. (USA)
- Shanghai Sempermed Glove Sales Co Ltd. (China) (previously: Shanghai Sempermed Gloves Co Ltd.)
- Sempermed Singapore Pte Ltd. (Singapore)
- Formtech Engineering (M) Sdn Bhd (Malaysia)
- Sempermed Brasil Promoção de Vendas Ltda. (Brazil) (previously: Sempermed Brazil Comèrcio Exterior Ltda.)
- Semperflex Shanghai Ltd. (China)
- Shanghai Semperit Rubber & Plastic Products Co. Ltd. (China)

The closing of the joint venture transaction resulted in the following material one-off effects (excluding consultation expenses) in the consolidated income statement:

in EUR thousand	2017
Other income from the sale of SCC incl. reclassification of currency translation differences to profit an loss for the period	78,109
Other income from the ICC settlement	14,044
Settled receivables from ICC settlement	–4,603
Stamp duty	–169
Effect on earnings before interests and tax (EBIT)	**87,381**
Losses from the purchase of non-controlling interest	–4,224
Effect on earnings before tax	**83,158**
Withholding tax resulting from sale of SSC and dividends SSC/SAC	–16,061
Effect on earnings after tax	**67,097**

The joint-venture transaction was reflected in the Consolidated statement of cashflows with a positive one-time effect of EUR 160,324 thousand, of which EUR 56,667 thousand is attributable to the gross cashflows, EUR 143,549 thousand to cashflows from investing activities and EUR –39,892 thousand with a negative effect on cashflows from financing activities.

Deconsolidation

The deconsolidations in the 2018 financial year essentially relate to the sale of Semperflex Roiter S.r.l, Rovigo, Italy with effect from 28 December 2018. The companies PA 82 WT Holding GmbH, Vienna, Austria and Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia were also liquidated.

The effects of the deconsolidation of Semperflex Roiter S.r.l, Rovigo, Italy are stated in the following table:

in EUR thousand	31.12.2018
Non-current assets	
Intangible assets	21
Tangible assets	1,960
	1,980
Current assets	
Inventories	600
Trade receivables	410
Other assets	257
Cash and cash equivalents	1,324
	2,591
Non-current provisions and liabilities	
Provisions	706
Deferred taxes	15
	721
Current provisions and liabilities	
Provisions	13
Trade payables	637
Other liabilities	431
	1,080
Net assets sold	**2,770**
Goodwill of segment Semperflex	16
Realised net assets including goodwill	**2,786**

	2018
Consideration received in cash and cash equivalents	2,726
Less costs of disposial	–227
Less net assets sold	–2,786
Result from deconsolidation	**–287**
Consideration received in cash and cash equivalents less costs of disposial	2,499
Less cash and cash equivalents sold	–1,324
Net inflow of cash and cash equivalents	**1,175**

There is a reduction in the goodwill for the Semperflex segment of EUR 16 thousand through the deconsolidation of Semperflex Roiter S.r.l. Rovigo, Italy. The goodwill was divided in proportion to the recoverable amounts between Semperflex Roiter S.r.l. Rovigo, Italy (purchase price) and the rest of the Semperflex segment. See Chapter 3.1 for the remaining goodwill in the Semperflex segment.

The deconsolidation result and the net inflow of cash and cash equivalents relate primarily to the sale of Semperflex Roiter S.r.l, Rovigo, Italy.

The deconsolidation result is included in other operating expenses (see Chapter 2.6).

10.2. Fully consolidated companies

		31.12.2018				31.12.2017			
	Currency	Authorised share capital in ´000s	Direct Holding in %	Group holding in %		Authorised share capital in ´000s	Direct Holding in %	Group holding in %	
Europe									
Semperit Aktiengesellschaft Holding, Vienna, Austria	EUR	21,359				21,359			
Semperit Technische Produkte Gesellschaft m.b.H., Vienna, Austria	EUR	61,701	100.00	100.00		10,901	100.00	100.00	
Semperit Import & Services GmbH, Vienna, Austria	EUR	36	100.00	100.00		36	100.00	100.00	
PA 82 WT Holding GmbH, Vienna, Austria	EUR	0	0.00	0.00	3)	35	100.00	100.00	
Semperflex Rivalit GmbH, Waldböckelheim, Germany	EUR	1,281	100.00	100.00		1,281	100.00	100.00	
Semperit Profiles Deggendorf GmbH, Deggendorf, Germany	EUR	11,050	100.00	100.00		11,050	100.00	100.00	
Semperit Profiles Leeser GmbH, Hückelhoven, Germany	EUR	81	100.00	100.00		81	100.00	100.00	
Semperit Profiles Leeser Verwaltungs GmbH, Germany	EUR	25	100.00	100.00		25	100.00	100.00	
Semperit (France) S.A.R.L., Levallois Perret, France	EUR	495	100.00	100.00		495	100.00	100.00	
Sempertrans France Belting Technology S.A.S., Argenteuil, France	EUR	10,165	100.00	100.00		3,165	100.00	100.00	
Sempertrans Maintenance France Nord S.A.S., Argenteuil, France	EUR	176	100.00	100.00		176	100.00	100.00	
Semperit Industrial Products Ltd., Birmingham, Great Britain	GBP	150	100.00	100.00		150	100.00	100.00	
Semperflex Roiter S.r.l., Rovigo, Italy	EUR	0	0.00	0.00	3)	750	100.00	100.00	
Sempertrans Bełchatów Sp. z o.o., Bełchatów, Poland	PLN	7,301	100.00	100.00		7,301	100.00	100.00	
Carlona Sp. z o.o., Warsaw, Poland	PLN	66,394	100.00	100.00		66,394	100.00	100.00	
Semperflex Optimit s.r.o., Odry, Czech Republic	CZK	470,318	100.00	100.00		470,318	100.00	100.00	
Semperflex A.H. s.r.o., Odry, Czech Republic	CZK	100	100.00	100.00		100	100.00	100.00	
Elastomer Technology Kmenta s.r.o., Husava, Czech Republic	CZK	2,848	75.00	75.00	2)	2,848	75.00	75.00	2)
Sempermed Kft., Sopron, Hungary	EUR	3,680	100.00	100.00		3,680	100.00	100.00	
Semperform Kft., Sopron, Hungary	HUF	243.000	100.00	100.00		243.000	100.00	100.00	
Sempermed Magyarország Kft., Budapest, Hungary	HUF	3.000	100.00	100.00		3.000	100.00	100.00	
Sempertrans Conveyor Belt Solutions GmbH, Vienna, Austria	EUR	3,136	100.00	100.00		36	100.00	100.00	

	Currency	31.12.2018 Authorised share capital in ´000s	Direct Holding in %	Group holding in %		31.12.2017 Authorised share capital in ´000s	Direct Holding in %	Group holding in %	
The Americas									
Sempermed Brasil Promoção de Vendas Ltda., Piracicaba, Brazil	BRL	12,547	100.00	100.00		12,547	100.00	100.00	
Semperit Brasil Produtos Tècnicos Ltda., Sao Paulo, Brazil	BRL	641	100.00	100.00		641	100.00	100.00	
Sempermed USA Inc., Clearwater, Florida, USA	USD	4.000	100.00	100.00		4.000	100.00	100.00	
Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA	USD	1	100.00	100.00		1	100.00	100.00	
Sempertrans North America Investments Corp., Atlanta, USA	USD	9.000	100.00	100.00		0,001	100.00	100.00	
Sempertrans USA, LLC, Atlanta, USA	USD	0	100.00	100.00		0	100.00	100.00	
Semperit Productos Técnicos SpA, Santiago de Chile, Chile	CLP	46.000	100.00	100.00		46.000	100.00	100.00	
Asia									
Semperflex Shanghai Ltd., Shanghai, China	USD	15.000	100.00	100.00		15.000	100.00	100.00	
Semperit (Shanghai) Management Co. Ltd., Shanghai, China	USD	2.000	100.00	100.00		2.000	100.00	100.00	
Sempertrans Best (ShanDong) Belting Co. Ltd., Shandong, China	EUR	24,800	83.87	83.87	1)	24,800	83.87	83.87	1)
Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China	EUR	2,471	100.00	100.00		2,471	100.00	100.00	
Shanghai Sempermed Glove Sales Co Ltd., Shanghai, China	USD	1.000	100.00	100.00		1.000	100.00	100.00	
Shanghai Changning Sempermed Glove Trading Co. Ltd., Shanghai, China	USD	310	100.00	100.00		310	100.00	100.00	
Sempertrans India Pte. Ltd., Roha, Maharashtra, India	INR	662,769	100.00	100.00		262,769	100.00	100.00	
FormTech Engineering (M) Sdn Bhd, Nilai, Malaysia	MYR	8,300	69.88	69.88		8,300	69.88	69.88	
Latexx Partners Berhad, Kamunting, Malaysia	MYR	256,150	98.85	98.85		137,886	98.63	98.63	
Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia	MYR	0,002	100.00	98.85		0,002	100.00	98.63	
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	121,264	100.00	98.85		3.000	100.00	98.63	
Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	5.000	100.00	98.85		5.000	100.00	98.63	
Total Glove Company Sdn Bhd, Kamunting, Malaysia	MYR	10	50.01	49.43		10	50.01	49.32	
Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	0	0.00	0.00	3)	500	100.00	98.63	
Semperit Engineering Technology Asia Sdn Bhd, Penang, Malaysia	MYR	600	100.00	100.00		600	100.00	100.00	
Semperit Industrial Products Singapore Pte Ltd., Singapore	USD	665	100.00	100.00		665	100.00	100.00	
Semperit Investments Asia Pte Ltd., Singapore	EUR	209.000	100.00	100.00		159.000	100.00	100.00	
Sempermed Singapore Pte Ltd., Singapore	USD	13,360	100.00	100.00		13,360	100.00	100.00	
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	THB	380.000	50.00	50.00	1)	380.000	50.00	50.00	1)

[1] The investments of other shareholders are reported as redeemable non-controlling interests.
[2] Not consolidated due to a lack of materiality.
[3] Deconsolidated.

Semperflex Asia Corp. Ltd. (SAC)

With respect to Semperflex Asia Corp. Ltd. (SAC) the Semperit Group's capital investment and voting rights amount to 50%. The management of the Semperit Group has conducted and continues to conduct an ongoing analysis of its interest in SAC in order to determine whether control exists within the meaning of IFRS 10 and if full consolidation would therefore be required. On the basis of past and current analyses, the management of the Semperit Group remained, at 31 December 2018, of the opinion that SAC should be incorporated into the consolidated financial statements of the Semperit Group as a fully consolidated subsidiary. This judgemental decision is based on the underlying contractual agreements, the investigation of the relevant activities and the facts and circumstances relating to SAC. The following key points were evaluated:

- The deciding vote in place for the chairman of the Board of Directors who is appointed by the Semperit Group.
- The Semperit Group holds an option to purchase the remaining 50% share of the Sri Trang Group, whereby this option can be exercised at a fixed purchasing price between mid-2019 and mid-2021.
- Semperflex management's control over purchasing, production and sales management.
- Within the framework of the joint venture transaction in the 2017 financial year, two local employees were deployed to strengthen and implement the Semperit Group's right of control.
- At the reporting date, there were no indications of the Sri Trang Group restricting in any manner the Semperit Group's exercise of control.

The 50% minority interest in SAC is recognised in the consolidated financial statements as a redeemable non-controlling interest.

No significant non-controlling interests exist for Semperit (see Chapter 5.3). The non-controlling interests in Semperflex Asia Corp. Ltd. (SAC) and in Sempertrans Best (ShanDong) Belting Co. Ltd. are reported as redeemable non-controlling interests in the Liabilities from redeemable non-controlling interests (see Chapter 6.1).

10.3. Associated companies

The financial interest of the Semperit Group in assets accounted for using the equity method consists solely of investments in associates.

Foreign	Currency	Nominal capital in thousand	Group holding in %
Synergy Health Allershausen GmbH, Allershausen, Germany	EUR	512	37.5

The change in the investments in Synergy Health Allershausen GmbH is as follows:

in EUR thousand	2018	2017
As at 01.01.	**2,124**	**2,608**
Proportionate period result	530	453
Dividends	0	–938
As at 31.12.	**2,653**	**2,124**

The reporting date of the company is 31 March. The update at 31 December is based on the company's internal reporting, which is then submitted for the consolidated financial statements of the Semperit Group.

At 31 December 2018 Group companies had the following assets and liabilities against the associated company, and their business relationships resulted in the following income and expenses in 2018:

in EUR thousand	2018	2017
Other operating expenses	105	293
Financial income	6	6
	31.12.2018	**31.12.2017**
Other financial assets	563	563
Trade payables	4	25

The loan to an associated company in the amount of EUR 563 thousand (previous year: EUR 563 thousand) bore a standard market rate of interest of 1.12% (previous year: 1.12%) at 31 December 2018 and is attributable to Synergy Health Allershausen GmbH, Allershausen, Germany, a company that is recognised in the consolidated financial statements in accordance with the equity method.

11. Risk management

As a group with international operations, Semperit is continuously confronted with new challenges resulting from global economic developments and the strong regional variations within the global economy. The Semperit Group operates in countries with different economic framework conditions. In addition, these countries are going through different phases of political, constitutional and social development. The success of the Semperit Group's two sectors and four operating segments is dependent to varying degrees on the overall economic environment, on account of the differences in their strategic orientation. As a result, the Semperit Group is exposed to corresponding risks.

Due to its involvement in international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. Associated transaction risks exist at all Group companies that purchase raw materials in foreign currencies and/or sell products in a currency other than the euro, for example. The main currencies in this context are the US dollar, Chinese renminbi, Czech crown, Polish zloty and Malaysian ringgit.

Derivative financial instruments are used in the Semperit Group to hedge against currency and interest rate risks. The risk management strategy aimed at hedging against currency and interest rate risks is applied to individual cases and specific projects in both the long-term and short-term areas. Cost/benefit/risk considerations play a crucial role here. In the long term, currency and interest rate risks from Group or intercompany financing are hedged in some cases using cross currency swaps, which are accounted for as hedging transactions. The terms of the underlying transaction and hedging instruments essentially match this (critical terms match); the ineffectiveness of the hedging relationships is immaterial. In the short term, currency risks arising from e.g. expected customer, investment and dividend payments, are hedged in some cases using foreign exchange forward contracts that are accounted for as freestanding derivatives.

Capital risk management

The goals of capital management are to ensure the company's continued existence and to enable growth-oriented organic and non-organic investment activity and dividend policies aligned with such activity. In connection with loan agreements, standard clauses (covenants) exist that include termination by banks/investors in case of non-compliance as well as a lowering of agency credit ratings for the Semperit Group and that could therefore result in a potential negative effect on the company's business, asset, financial and earnings position.

From a capital risk management perspective, the total capital of the Semperit Group consists of equity, including non-controlling interests in subsidiaries, the hybrid capital, the redeemable non-controlling interests and the net financial debt defined in the covenants.

In order to calculate net financial debt, the balance of cash, cash equivalents and securities measured at fair value in net income is compared with the interest-bearing financial liabilities (corporate *Schuldschein* loans, liabilities to banks, liabilities from finance leases).

At 31 December 2018, net financial debt was EUR 106,566 thousand. At 31 December 2017, the Semperit Group had net financial debt amounting to EUR 154,692 thousand.

The Group is not subject to any statutory requirements regarding a minimum level of equity, a minimum equity ratio or a maximum level of gearing.

The Group is subject to certain loan agreement requirements in connection with the consolidated financial statements. These requirements relate to a minimum equity ratio and a maximum level of gearing. At 31 December 2018, the corresponding requirements were complied with.

Liquidity risk management

The Semperit Group can be exposed to default risks relating to its bank deposits in the event that individual banks experience difficulties or another banking and/or financial crisis occurs. Such deposits are not or only partially secured by deposit protection funds. In addition, the Semperit Group has business activities in countries with capital controls and also has agreements with joint venture partners. In countries with restricted cash transfers, Semperit tries to limit the amount kept locally to the minimum necessary for business operations. In general, the above-mentioned risks may have a negative effect on the company's asset, financial and earnings position in the event of restrictions being placed on the free availability of cash and cash equivalents, or on access to credit lines.

Within the scope of liquidity risk management, the existing credit agreement clauses (covenants) are monitored and the options for drawing (from the framework credit agreement and the hybrid capital line) and reserve liquidity are made available in addition to the ongoing liquidity planning. A cash pool was also introduced in euros in the 2018 financial year for material Group companies.

The maturities of the undiscounted contractual cashflows from financial liabilities break down as follows:

						31.12.2018
in EUR thousand	**Total**	**Up to 1 month**	**2 to 3 months**	**4 to 12 months**	**1 to 5 years**	**Over 5 years**
Corporate *Schuldschein* loan	250,529	0	0	13,528	190,902	46,100
Liabilities to banks	7,982	2,931	3,529	87	751	683
Trade payables	67,746	45,310	18,354	2,359	1,395	327
Sales incentives and penalty fees	6,838	1,727	1,099	1,134	2,877	0
Derivatives	35,530	0	0	6,369	29,161	0
Liabilities from finance leases	71	18	3	8	42	0
Other financial liabilities	13,036	7,105	1,676	4,192	31	32

The derivatives stated above include undiscounted cashflows in the amount of EUR 35,505 thousand from the two cross currency swaps to hedge against the corporate *Schuldschein* loan in Polish zlotys (4 to 12 months EUR 6,344 thousand and 1 to 5 years EUR 29,161 thousand). The monetary payments are accompanied by payments received from the cross currency swaps in the amount of EUR 35,520 thousand (4 to 12 months EUR 6,442 thousand and 1 to 5 years EUR 29,078 thousand).

in EUR thousand	Total	Up to 1 month	2 to 3 months	4 to 12 months	1 to 5 years	Over 5 years
						31.12.2017
Corporate *Schuldschein* loan	297,975	0	0	20,100	211,051	66,824
Liabilities to banks	57,122	2,859	2,635	84	50,725	819
Trade payables	111,925	56,783	51,798	2,619	388	337
Derivatives	908	33	338	537	0	0
Other financial liabilities	15,132	6,875	5,608	2,146	471	32

Default / Credit risk management

Credit risks arise when the other parties to transactions do not meet their obligations, resulting in a financial loss for the Group. The Semperit Group's contracting partners are for the most part banks with good credit ratings. Furthermore, Semperit has defined maximum investment amounts with each contracting partner in order to minimise the default risk.

In addition, the default risk is largely limited by credit insurance and in certain cases through bank collateral (bank guarantees) (see Chapter 4.2). Dubious receivables are only derecognised after processing. If credit limits are exceeded or payments delayed, deliveries are halted and only resumed after specific conditions have been met and the resumption of deliveries has been approved by authorised individuals specified in Semperit Group directives. Since credit risks also arise for financial partners with excellent creditworthiness, developments in the financial markets are monitored continuously and credit limits are adjusted accordingly.

The default risk associated with non-insured receivables from customers is assessed as low, as customer creditworthiness is monitored continuously. Furthermore, the Group's diversified customer structure means that risk is not concentrated on individual customers. However, the default risk is assumed to be increased significantly if there are negative effects on credit ratings on account of bankruptcy or if insolvency proceedings have been initiated. Default is assumed if recoverability is no longer seen as realistic and payment is therefore no longer expected. There were two new cases of insolvency in the financial year with a total nominal amount of receivables in the amount of EUR 369 thousand. The receivables were written off in their entirety at 31 December 2018.

The default risk associated with liquid funds is low, since the Group's contracting parties are largely banks with very good credit ratings from international credit rating agencies. Defined maximum credit amounts are also set for each contracting party in order to further minimise risk.

The default risk associated with financial assets is taken into account through impairment.

The Group's maximum exposure to default risk in the corresponding valuation categories is as follows:

in EUR thousand	31.12.2018	31.12.2017
Loans to associated companies	563	563
Other financial assets	4,122	3,017
Derivative financial instruments	4,474	5,705
Other financial assets – securities	6,188	6,376
Trade receivables	22,525	28,140
Cash and cash equivalents	121,549	165,530

Interest rate risk management
Operating resources, investments and acquisitions within the framework of the Group's business operations are partially financed using debt and partially carry variable interest rates. Depending on the development of interest rates, hedging transactions could have a significant influence on the Group's business, asset, financial and earnings position.

The risk related to fixed-interest financial instruments is that market values can be negatively impacted by interest rate changes. In the case of variable-interest financial instruments, the risk is that fluctuations in cashflows can adversely affect the balance of cash and cash equivalents, and the planning of future cashflows.

Cross currency swaps exist for financing to a subsidiary in Malaysian ringgit and these are accounted for partly as cashflow hedges and partly as freestanding derivatives. For the cashflow hedges, the hedged underlying transaction is an intercompany monetary item that is eliminated in the consolidation, except for the gains and losses from the currency translation. These cross currency swaps converted the variable refinancing into fixed interest rates, and pegged the exchange rate of the euro and the Malaysian ringgit. These cross currency swaps are classified both as cashflow hedges (with respect to interest rate risks) and fair value hedges (with respect to exchange rate risks), provided that the conditions are met for hedge accounting. These cross currency swaps are matched by interest rate floors. At 31 December 2018 the hedge provision in this respect amounted to EUR -74 thousand (previous year: EUR 11 thousand). Other comprehensive income for the 2018 financial year included valuation gains in the amount of EUR 140 thousand and transfers to the other financial result in the Consolidated income statement in the amount of EUR –226 thousand. The extent of the ineffectiveness recorded in the other financial result is immaterial. With respect to the fair value hedge, the difference between the changes in value for the internal Group monetary item from the currency translation and the change in value of the synthetic EUR/MYR currency swap amounted to EUR 20 thousand in the 2018 financial year (previous year: EUR –80 thousand). The difference was recognised in the other financial result.

Two cross currency swaps were concluded in the 2018 financial year to hedge the corporate *Schuldschein* loan issued in Polish zlotys. These cross currency swaps will be used to hedge all future cashflows, i.e. both interest and principal payments. Both these cross currency swaps are classified as cashflow hedges and are accounted for at fair value. The hedge provision in this regard amounted to EUR –329 thousand at 31 December 2018. Other comprehensive income for the 2018 financial year included valuation losses in the amount of EUR 1,362 thousand and transfers to the other financial result in the Consolidated income statement in the amount of EUR 1,032 thousand. The extent of the ineffectiveness recorded in the other financial result is immaterial.

The current balance of interest rate risks is derived from the interest-bearing financial instruments at the reporting date. The interest rate profile of the Group's interest-bearing financial instruments is shown below:

	31.12.2018		31.12.2017	
in EUR thousand	Fixed interest	Variable interest	Fixed interest	Variable interest
Financial assets	9,969	77,192	137	92,626
Financial liabilities	127,773	106,657	139,775	184,774

The interest rate sensitivity analysis focuses on the risk arising from variable-interest financial instruments. It is assumed that the variable-interest assets and liabilities have been outstanding for a full year at the reporting date. When performing this analysis, an increase and a decrease in interest rates of 100 basis points are simulated.

The effects of the simulations on the financial result are shown below:

	31.12.2018			31.12.2017		
	Sensitivity to changes in interest rates by			Sensitivity to changes in interest rates by		
in EUR thousand	Balance	+100 basis points	–100 basis points[1]	Balance	+100 basis points	–100 basis points[1]
Variable-interest financial assets	77,192	772	–141	92,626	926	–60
Variable-interest financial liabilities	106,657	–1,067	1,067	184,774	–1,848	1,848

[1] For interest rates below 1%, negative interest rates are not taken into account.

Currency risk management

Due to its involvement in international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. Associated transaction risks exist at all Group companies that purchase raw materials in foreign currencies and/or sell products in a currency other than the euro, for example. The main currencies in this context are the US dollar, Czech crown, Polish zloty, Chinese renminbi and Malaysian ringgit.

The translation of foreign financial statements into the euro reporting currency results in currency translation differences (translation risk) amounting to EUR 896 thousand (previous year: EUR –11,232 thousand), which were recognised in other comprehensive income. Of this amount, EUR 75 thousand (previous year: EUR –49 thousand) was attributable to non-controlling interests, while foreign exchange differences from joint ventures / non-current assets held for sale amounted to EUR 0 thousand (previous year: EUR 0 thousand).

The currency translation reserve changed from EUR –8,820 thousand to EUR –7,999 thousand in the 2018 financial year. In the previous year the currency translation reserve changed from EUR 2,363 thousand to EUR –8,220 thousand. The carrying amounts of assets and liabilities belonging to subsidiaries not based in the Eurozone and the contribution of these subsidiaries to the earnings of the Group depend to a significant degree on the exchange rate between the euro and the functional currency used by these subsidiaries. Translation risk is not taken into account in the following disclosures under IFRS 7.

The following breakdown of the Semperit Group's revenue into key currencies (as a percentage of overall revenue) shows that in financial year 2018, 36.2% (previous year: 38.1%) of revenue was realised in a foreign currency.

in % of Group's revenue	2018	2017
EUR	63.8%	61.9%
USD	26.4%	30.1%
CNY	3.3%	3.1%
INR	1.6%	1.5%
GBP	2.6%	1.1%
CZK	0.1%	0.6%
MYR	0.8%	0.4%
THB	0.2%	0.3%
Other	1.3%	1.0%

A significant portion of the Group's earnings is generated by subsidiaries that are not headquartered in the Eurozone.

The Group's financial management system aims to avoid currency risks as much as possible by co-ordinating payment flows.

The table below shows the derivative financial instruments used to hedge against currency risk by company, type of forward transaction and hedged currency. These derivative financial instruments involve forward sales and cross currency swaps.

31.12.2018	Country	Type of transaction	Currency	Hedge amount 1)	Hedge rate 2)	Fair value in EUR thousand 31.12.2018	Range of remaining days to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	1,161,268	37.93	16	110-186
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	15,000,000	4.21	–199	135
Semperit Investments Asia Pte Ltd., Singapore	Singapore	Forward exchange	EUR	456.000	1.20	–18	2-58
Semperit Investments Asia Pte Ltd., Singapore	Singapore	Cross Currency Swap	EUR/MYR	30,000,000/ 141,150,000	4.71	32	350
Semperit AG Holding	Austria	Cross Currency Swap 3)	EUR/PLN	28,291,256/ 118,000,000	4.17	–1,284	1,039
Semperit AG Holding	Austria	Cross Currency Swap 3)	EUR/PLN	5,754,153/ 24,000,000	4.17	–202	308
Semperit AG Holding	Austria	Cross Currency Swap 3)	EUR/MYR	1,749,973/ 8,000,000	4.57	23	88
Semperit AG Holding	Austria	Cross Currency Swap 3)	EUR/MYR	6,625,881/ 30,000,000	4.53	240	1,186
Semperit AG Holding	Austria	Cross Currency Swap	EUR/MYR	25,641,026/ 100,000,000	3.90	4,163	354

1) Refers to the total amount of all existing derivative financial instruments at the end of the reporting date.
2) Refers to the weighted average rate derived from all existing derivative financial instruments at the end of the reporting date.
3) Hedge Accounting applied.

For the 2018 financial year, the effective portion of cashflow hedges in the amount of EUR –1,221 thousand was recognised in other comprehensive income, while EUR 869 thousand was reclassified to the consolidated income statement. At 31 December 2018, the cashflow hedge reserve from these foreign exchange forward contracts amounted to EUR –403 thousand (previous year: EUR 62 thousand).

31.12.2017	Country	Type of transaction	Currency	Hedge amount [1]	Hedge rate [2]	Fair value in EUR thousand 31.12.2017	Range of remaining days to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	2,993,933	39.05	–20	163-184
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	8,070,278	33.05	95	36-172
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	38,500,000	5.20	–763	75-165
Semperit Investments Asia Pte Ltd., Singapore	Singapore	Forward exchange [3]	GBP	1,721,026	1.31	–62	16-134
Semperit AG Holding	Austria	Cross Currency Swap [3]	EUR/MYR	6,562,397/ 30,000,000	4.57	257	453
Semperit AG Holding	Austria	Cross Currency Swap [3]	EUR/MYR	6,625,881/ 30,000,000	4.53	372	1,551
Semperit AG Holding	Austria	Cross Currency Swap [3]	EUR/MYR	25,641,026/ 100,000,000	3.90	4,981	719

[1] Refers to the total amount of all existing derivative financial instruments at the end of the reporting date.
[2] Refers to the weighted average rate derived from all existing derivative financial instruments at the end of the reporting date.
[3] Hedge Accounting applied.

The derivatives of Semperflex Asia Corp. Ltd., Semperit Investments Asia Pte Ltd. and Latexx Manufacturing Sdn Bhd are accounted for as other financial assets – derivative financial instruments (freestanding financial instruments) and not as hedging instruments. The fair values are shown in the consolidated balance sheet as other financial assets or other financial liabilities. The remaining derivatives mentioned are accounted for as hedges and are also stated in the consolidated balance sheet as other financial assets or other financial liabilities as relevant.

For the purposes of currency risk management, sensitivity analyses of monetary items that deviate from the functional currency are prepared for measurement at the reporting date. These analyses also present the effects on profit of hypothetical changes in exchange rates for each currency pair. Here, receivables and liabilities in the currency pair in question at the reporting date are taken into account, as are the currency derivatives. A uniform change in the range of exchange rate fluctuation was not assumed; instead, appropriate fluctuation ranges for each currency pair were determined on the basis of historical fluctuations during the year.

The following table shows the effects of the appreciation and depreciation of major currencies versus the euro.

Change in currency to EUR	2018 Calculated fluctuation range in %	2018 Impact on profit from price increase in EUR thousand	2018 Impact on profit from price decrease in EUR thousand	2017 Calculated fluctuation range in %	2017 Impact on profit from price increase in EUR thousand	2017 Impact on profit from price decrease in EUR thousand
USD	6%	3,621	–3,621	8%	13,557	–13,557
THB	3%	85	–85	4%	–658	658
PLN	3%	–576	576	2%	617	–617
CZK	2%	–725	725	4%	–860	860
HUF	4%	71	–71	2%	29	–29
GBP	2%	28	–28	4%	44	–44
CNY	4%	52	–52	5%	177	–177
INR	5%	–14	14	8%	–360	360
MYR	2%	–753	753	5%	–7,122	7,122
CHF	3%	4	–4	6%	16	–16

Change in currency to USD	2018 Calculated fluctuation range in %	2018 Impact on profit from price increase in EUR thousand	2018 Impact on profit from price decrease in EUR thousand	2017 Calculated fluctuation range in %	2017 Impact on profit from price increase in EUR thousand	2017 Impact on profit from price decrease in EUR thousand
THB	4%	269	–269	5%	263	–263
PLN	8%	453	–453	11%	881	–881
CZK	7%	81	–81	14%	111	–111
HUF	9%	–188	188	10%	–232	232
GBP	7%	188	–188	7%	237	–237
CNY	7%	94	–94	4%	123	–123
INR	9%	–49	49	4%	–16	16
MYR	5%	–2,542	2,542	6%	–1,318	1,318
AUD	7%	–74	74	5%	–48	48
SGD	4%	21	–21	4%	23	–23

12. Other

12.1. Related-party transactions with companies and individuals

Outstanding balances and transactions between Semperit AG Holding and its subsidiaries were eliminated in the course of consolidation and are not further discussed here.

B & C Semperit Holding GmbH is the direct majority shareholder of Semperit AG Holding, and B & C Privatstiftung is the dominant legal entity. B & C Holding Österreich GmbH is the shareholder holding an indirect majority stake which draws up and publishes consolidated financial statements in which the Semperit Group is consolidated. According to IAS 24, B & C Privatstiftung and all its subsidiaries, joint ventures and associates are related parties of the Semperit Group.

Related parties of the Semperit Group include the members of the Management and Supervisory Boards of Semperit AG Holding, the managing directors and Supervisory Board members of all companies which directly or indirectly hold a majority stake in Semperit AG Holding, and finally the members of the Management Board of B & C Privatstiftung and the close family members of these Management and Supervisory Board members and managing directors.

The remuneration of members of the Management Board and the Supervisory Board is presented in the following table:

			2018			2017
in EUR thousand	Supervisory board members	Management board members	Total	Supervisory board members	Management board members	Total
Short-term benefits	518	1,977	2,495	489	4,448	4,937
Benefits after termination of employment relationship	0	124	124	0	714	714
Total	**518**	**2,101**	**2,619**	**489**	**5,163**	**5,651**

The payments following termination of the employment relationship in the 2018 financial year relate to payments to the employee provision fund (MVK) and to pension fund APK Pensionskasse AG. The additional payments in the 2017 financial year involve payments to Mr Ehrenfeldner. Payments to former members of the Management Board and their survivors in the 2018 financial year totalled EUR 642 thousand (previous year: EUR 636 thousand).

Supervisory Board remuneration consists of basic compensation, compensation for membership on each committee and compensation for attendance at each meeting.

Balances and transactions with associated companies are explained in more detail in Chapter 10.3.

The following transactions have been conducted with the other related companies mentioned below: In financial year 2018, the Group conducted transactions with unit-it GmbH in the amount of EUR 605 thousand (previous year: EUR 480 thousand). These transactions relate to the maintenance of SAP licences and were conducted at arm's length conditions. No liabilities were owed to unit-it GmbH at 31 December 2018 (previous year: EUR 0 thousand).

Transactions amounting to EUR 16 thousand were conducted with Grohs Hofer Rechtsanwälte GmbH & Co KG. in the 2018 financial year (previous year: EUR 1,251 thousand). These transactions relate to legal consulting services and were conducted at arm's length conditions. At 31 December 2018, there were unpaid liabilities to this company in the amount of EUR 3 thousand (previous year: EUR 5 thousand).

In financial year 2018, the Group conducted transactions with B & C Industrieholding GmbH in the amount of EUR 43 thousand (previous year: EUR 98 thousand). These transactions relate to management and other services, and internal charging, and were conducted at arm's length conditions. At 31 December 2018, there were liabilities to this company as well as services not yet invoiced in the amount of EUR 39 thousand (previous year: EUR 35 thousand).

In the 2018 financial year, the Group conducted transactions with B & C Holding GmbH in the amount of EUR 886 thousand (previous year: EUR 146 thousand). These transactions relate to the commitment fee for the hybrid capital line (see Chapter 5.2.). This transaction was conducted at arm's length conditions. At 31 December 2018, there were liabilities to this company in the amount of EUR 0 thousand (previous year: EUR 146 thousand).

The remaining level of transactions with associated companies and other related companies and individuals is low, and these are all conducted at arm's length conditions.

12.2. Other commitments and risks

Contingent liabilities and other financial obligations

Liabilities exist that relate to the use of tangible assets that are not reported in the balance sheet and which are based on tenancy or leases, as well as liabilities related to the acquisition of tangible assets based on contractually binding investment projects involving tangible assets (see Chapter 3.2.).

Legal disputes

Various companies in the Group are the defendant in cases in which the plaintiffs claim to have incurred damages caused by products of the defendant. The Semperit Group rejects all of these claims as being unjustified. None of the cases are currently at a stage at which the outcome is fraught with any particular uncertainty. However, in light of current insurance coverage, Semperit management does not expect these cases to impair the Semperit Group's asset, financial or earnings position significantly either.

For all legal disputes that resulted in the formation of provisions, see Chapter 7.2..

Proceedings with the Austrian Federal Competition Authority (BWB)

Following the successful closing of the joint venture transaction in March 2017, all pending arbitration proceedings between the Semperit Group and Sri Trang Agro-Industry Public Co. Ltd. Group or Siam Sempermed Corporation Ltd. (SSC, now Sri Trang Gloves (Thailand) Co. Ltd.) were resolved by mutual agreement. The proceedings before the Thai courts were also resolved by the third quarter of 2017 as a result of the successful closing of the joint venture transaction.

In October 2015 the Austrian Federal Competition Authority (BWB) – acting on a petition from Sri-Trang companies, which were Semperit's joint venture partners in SSC – had initiated a proceeding against Semperit and these Sri-Trang companies at the Austrian Cartel Court in Vienna. The proceeding relates to exclusive distribution rights in Europe.

The Austrian Supreme Court (OGH) issued a ruling in September 2017 that Semperit's previous exclusivity arrangement in Europe for the sale and marketing of gloves which were produced in the former joint venture company in Thailand did not comply with competition law and decided not to refer the matter to the European Court of Justice.

Further discussions took place with the Federal Competition Authority (BWB) in the first quarter of 2018 regarding a settlement of the yet-unanswered question of a fine in order to avoid further lengthy proceedings, and in July 2018 the Cartel Court ruled on the BWB's application and imposed a fine of EUR 1.6 million. This amount has already been paid on the basis of the legally binding decision, whereby a provision for such payment had already been set aside in the previous year in line with an assessment and estimate previously made. The fine was paid in the fourth quarter of 2018.

12.3. Events after the balance sheet date

No events requiring disclosure occurred between the reporting date of 31 December 2018 and the approval of this report for publication on 21 March 2019.

Vienna, 21 March 2019

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Independent Auditor's Report[1)]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Semperit Aktiengesellschaft Holding, Vienna,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2018 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[1)] The consolidated financial statements with our Independent Auditor's Report may only be published or otherwise disclosed in the version approved us. This audit opinion is only applicable to the German-language complete consolidated financial statements, including the management report for the Group. Section 281 paragraph 2 of the Austrian Commercial Code (UGB) applies to any other versions.

Below we describe the Key Audit Matters:

Impairment of goodwill in the Sempermed segment

Heading

Risk

In June 2018, there were indications towards a need for impairment in the CGU Sempermed. Based on the impairment test that was carried out as of June 30, 2018, EUR 55.8 million of the Sempermed CGU was impaired. Of this amount, EUR 1.5 million was attributable to intangible assets and EUR 54.3 million to property, plant and equipment.

When performing the impairment test key assumptions and estimates in regard of future cash flows and discount rate must be made in calculating value in use, which is determined using the discounted cash flow method. The key risk lies in the estimation of these future cash flows and the discount rate.

The corresponding disclosures of the Semperit Group on impairment are contained in Note "3.1 Intangible assets" and "3.2 Property, plant and equipment".

Audit response

- Assessed the planning and design of the process to determine recoverability of assets of Sempermed segment
- Audited the methodology applied, the mathematical accuracy of the documentation and calculations provided, and reviewed the plausibility of the discount rate with the assistance of our valuation specialists
- Audited whether the forecasted revenue and earnings for the Sempermed CGU are based on the plans submitted to the Supervisory Board, and whether these items are in compliance with the requirements of IAS 36
- Reviewed the planning documentation and performed a plausibility analysis of the key value drivers (revenue, expenses, investments, changes in working capital and cash flow) in order to verify the appropriateness of these plans

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter 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 would reasonably be expected to out-weigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor’s report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 25, 2018. We were appointed by the Supervisory Board on June 5, 2018. We are auditors without cease since fiscal year 2012.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hans-Erich Sorli.

Vienna, March 21, 2019

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher eh
Wirtschaftsprüfer /
Certified Public Accountant

Mag. Hans-Erich Sorli eh
Wirtschaftsprüfer /
Certified Public Accountant

*)This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated

Balance sheet of Semperit AG Holding[1)]

in EUR thousand	31.12.2018	31.12.2017
ASSETS		
Fixed assets		
Intangible assets	3,234	5,844
Tangible assets	597	752
Financial assets	289,892	162,450
	293,723	**169,045**
Current assets		
Receivables from affiliated companies	114,306	203,478
Other receivables	3,104	1,837
Cash on hand, bank deposits	50,248	47,998
	167,658	**253,313**
Accruals and deferrals	1,299	1,130
ASSETS	**462,680**	**423,488**
LIABILITIES		
Equity		
Share capital	21,359	21,359
Capital reserves	21,540	21,540
Revenue reserves	30,399	30,399
Net profit for the period	–6,307	12
	66,990	**73,310**
Hybrid capital	**135,327**	**0**
Provisions		
Provisions for severance payments	1,524	1,596
Provisions for pensions	11,236	11,546
Other provisions	6,727	7,024
	19,487	**20,167**
Liabilities		
Corporate *Schuldschein* loan	229,822	277,473
Liabilities to banks	5	50,006
Trade payables	1,171	1,939
Liabilities to affiliated companies	9,547	138
Other liabilities	330	455
	240,875	**330,011**
LIABILITIES	**462,680**	**423,488**

1) Shortened version.

Income statement of Semperit AG Holding[1)]

in EUR thousand	2018	2017
Revenue	**36,741**	**27,946**
Other operating income	5,461	2,588
Personnel expenses	–19,191	–20,178
Depreciation and amortisation of tangible and intangible assets	–3,529	–7,562
Other operating expenses	–39,483	–37,137
Earnings before interest and tax (EBIT)	**–20,001**	**–34,344**
Income from investments	0	60.000
Income from other securities of financial assets	58	58
Interest and related income	29,247	23,010
Income from write up to financial assets	9,532	0
Expenses from financial assets	–3,892	–21,038
Interest and related expenses	–22,240	–30,221
Financial result	**12,705**	**31,810**
Result from ordinary business activities	**–7,297**	**–2,534**
Income taxes	977	–700
Earnings after tax	**–6,320**	**–3,234**
Release of other reserves	0	3,100
Profit carried forward from the previous year	12	146
Net profit for the period	**–6,307**	**12**

[1)] Shortened version.

The unabridged 2018 annual financial statements of Semperit AG Holding, which were prepared in accordance with Austrian accounting standards and were awarded an unqualified audit opinion by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, were submitted together with all the relevant documentation to the commercial register of the Vienna Commercial Court under the commercial register number 112544 g. These financial statements are included in the Annual Financial Report 2018 in German, which is available for download from the Semperit Group website at: www.semperitgroup.com/ir.

The annual financial statements of Semperit Aktiengesellschaft Holding at 31 December 2018 feature a net loss for the period of EUR 6,307,462.19. It is not possible therefore to pay a dividend (previous year: proposal to pay a dividend of EUR 0.00 per share).

Vienna, 21 March 2019

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Statement of all legal representatives

Pursuant to Section 124 (1) (3) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements at 31 December 2018 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management report for the Group describes the Group's development, performance and position in a manner that ensures a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, including a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the annual financial statements of Semperit Aktiengesellschaft Holding at 31 December 2018 prepared in accordance with the Austrian Commercial Code (UGB) give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and that the management report describes the company's development, performance and position in a manner that ensures a true and fair view of the assets, liabilities, financial position and profit or loss, including a description of the principal risks and uncertainties the company faces.

Vienna, 21 March 2019

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Milestones of Semperit Group

2018
Start of the restructuring and transformation programme SemperMOVE10

2017
Termination of almost all joint ventures with Thai partner

2015
Acquisition of Leeser, Germany

2012
Acquisition of Latexx Partners, Kamunting, Malaysia

2011
Construction of a porcelain mouldings production with joint venture partners in Malaysia

2007
Opening of a new hose factory in China

2001
Acquisition of a majority interest in an Indian conveyor belt plant

2000
Acquisition of the plant in Bełchatów, Poland

1998
Acquisition of the plant in Odry, Czech Republick

1996
Opening of the locations in Thailand and China

1985
Sale of tire production and focus on Industrial and Medical Sectors

1920
Start of latex glove production

1912
Semperit Group established following the merger of several factories

1900
Company name Semperit is used for the first time

1890
Semperit goes public on the Vienna Stock Exchange

1852
Construction of the first European factory for rubber products in Wimpassing, Austria

1824
Johann Nepomuk Reithoffer receives the patent for waterproof fabrics

Glossary

C

Compliance
Conformity with regulations; adherence to rules, guidelines and voluntary codes within a company.

Corporate Governance
Rules for the responsible management and control of a company; laid out in the Austrian Corporate Governance Code.

D

Directors’ Dealings / Managers' transactions
Share transactions conducted by the management of exchange-listed companies in the companies’ own shares.

Directors and Officers (D&O) Insurance
Liability insurance taken out by a company for its boards and executives.

Dividend ex day
The day on which the amount of the dividend is deducted from the share price.

Dividend payout ratio
Distribution ratio; share of the profit that is distributed to shareholders in the form of dividends.

E

EBIT
Earnings before interest and tax; operating result.

EBIT margin
EBITDA in relation to revenue.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EBITDA margin
EBITDA in relation to revenue.

Equity ratio
The ratio of shareholders’ equity to total assets.

Elastomer
Form stable but elastically deformable plastics.

Equity consolidation / Equity method
The share in earnings after tax prorated according to the proportion of ownership interest is disclosed in the income statement under the item “Investments in joint ventures and associated companies”.

F

Full consolidation
All assets and liabilities, expenses and income of the subsidiaries are included in full in the consolidated financial statements. If the shareholding is less than 100% the share in equity not attributable to the group is reported either in equity under non-controlling interests or in debt under redeemable non-controlling interests.

I

IFRS (International Financial Reporting Standards)
Accounting standards developed by the International Accounting Standards Board (IASB). In addition to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the IASB, it also incorporates the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Interpretations of the Standing Interpretations Committee (SIC).

Industrial Sector
The Industrial Sector comprises the Semperflex, Sempertrans and Semperform segments.

M

Market capitalisation
Number of shares multiplied by the share price; market value of a company in absolute terms.

Medical Sector
The Medical Sector consists of the segment Sempermed.

N

Natural latex
Milky juice of the rubber tree that is obtained by grazing the bark.

Nitrile
Comprehensive term for a group of chemical compounds – basic material for Semperit's synthetic gloves.

O

Organisation for Economic Cooperation and Development (OECD)
An organisation of 30 industrial states aiming to promote economic growth and global trade.

P

Payout ratio
See dividend payout ratio.

Provisions
Accounting provisions for future obligations, the extent and maturity of which cannot be determined explicitly.

R

Return on equity
The return on equity in terms of earnings after tax.

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Financial Calendar 2019

22.03.2019	Publication of 2018 annual financial statements
28.04.2019	Record Date Annual General Meeting
08.05.2019	Annual general meeting, Vienna
09.05.2019	Last day at which shares can be bought with dividend entitlement[1)]
10.05.2019	Ex-dividend day[1)]
13.05.2019	Record Date Dividend (= day, on which settled positions are struck at CSD Austria at close of business to determine the entitlement) [1)]
14.05.2019	Dividend payment day[1)]
28.05.2019	Report on the first quarter of 2019
14.08.2019	Half-year financial report 2019
21.11.2019	Report on the first three quarters of 2019

1) No dividend proposed for FY 2018 to AGM on 08.05.2019.

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The terms "Semperit" or "Semperit Group" in this report refer to the group; "Semperit AG Holding" or "Semperit Aktiengesellschaft Holding" is used to refer to the parent company (individual company).

We have prepared this report and verified the information it contains with the greatest possible care. Nevertheless, rounding, typesetting and printing errors cannot be ruled out. Rounding of differences in the summation rounded amounts and percentages may arise from the automatic processing of data.

The forecasts, plans and forward-looking statements contained in this report are based on the knowledge and information available and the assessments made at the time that this report was prepared (editorial deadline: 21 March 2019). As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements. Words such as "expect," "want", "believe," "anticipate," "includes," "plan," "assumes," "estimate," "projects," "intends," "should," "will," "shall," or variations of such words are generally part of forward-looking statements.

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Statements referring to people are valid for both men and women.

This report has been written in German and English. In case of doubt, the German version shall take precedence.

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