SEMPERIT

2018

Half-year financial report

Key performance figures

in EUR million	H1 2018	Change	H1 2017	Q2 2018	Change	Q2 2017	2017
Revenue	448.5	–2.8%	461.6	227.6	–2.0%	232.3	874.2
EBITDA	28.9	–70.3%	97.3	13.1	>100%	2.9	100.2
EBITDA margin	6.4%	–14.7 PP	21.1%	5.8%	+4.6 PP	1.2%	11.5%
EBIT	–49.8	–	54.3	–55.8	+74.1%	–32.0	37.6
EBIT margin	–11.1%	–22.9 PP	11.8%	–24.5%	–10.7 PP	–13.8%	4.3%
Earnings after tax	–67.4	–	21.2	–64.8	+55.7%	–41.6	–26.3
Earnings per share (EPS)[1], in EUR	–3.33	–	1.03	–3.19	+57.8%	–2.02	–1.25
Gross cash flow	20.9	–57.1%	48.7	9.6	–52.8%	20.3	32.2
Return on equity[2]	–38.8%	–52.0 PP	13.2%	–74.4%	–22.7 PP	–51.7%	–9.2%

Balance sheet key figures

in EUR million	30.6.2018	Change	30.6.2017	31.3.2018	Change	31.3.2017	31.12.2017
Balance sheet total	872.3	–1.6%	886.0	933.7	–3.8%	971.0	853.2
Equity	343.7	+6.8%	321.9	407.9	+7.2%	380.7	278.5
Equity ratio	39.4%	+3.1 PP	36.3%	43.7%	+4.5 PP	39.2%	32.6%
Investments in tangible and intangible assets	42.1	+17.5%	35.8	24.5	+12.7%	21.7	74.5
Employees (at balance sheet date)	6,874	+5.2%	6,532	6,729	–1.1%	6,801	6,838

Sector and segment key figures

in EUR million	H1 2018	Change	H1 2017	Q2 2018	Change	Q2 2017	2017
Industrial Sector = Semperflex + Sempertrans + Semperform							
Revenue	291.4	+4.0%	280.3	150.5	+7.4%	140.1	537.0
EBITDA	37.9	+43.7%	26.4	19.1	>100%	9.2	42.9
EBIT	22.6	+36.3%	16.6	9.5	>100%	4.3	22.4
Semperflex							
Revenue	121.5	+13.9%	106.7	62.8	+17.9%	53.2	206.1
EBITDA	28.7	+29.0%	22.2	14.9	+41.5%	10.5	40.4
EBIT	23.4	+28.8%	18.2	12.3	+44.4%	8.6	31.8
Sempertrans							
Revenue	71.7	–8.3%	78.2	37.0	+0.6%	36.8	146.0
EBITDA	–2.6	–69.5%	–8.6	–3.1	–66.2%	–9.1	–16.7
EBIT	–8.3	–19.7%	–10.4	–7.9	–20.9%	–10.0	–20.3
Semperform							
Revenue	98.2	+3.0%	95.4	50.7	+1.3%	50.1	185.0
EBITDA	11.8	–6.9%	12.7	7.3	–6.0%	7.8	19.2
EBIT	7.5	–14.4%	8.8	5.1	–11.1%	5.8	11.0
Medical Sector = Sempermed							
Revenue	157.1	–13.4%	181.4	77.1	–16.4%	92.2	337.1
EBITDA	0.1	–99.9%	79.8	–1.3	–	1.7	77.9
EBIT	–62.5	–	48.1	–60.3	>100%	–27.2	38.0

Note: Rounding differences in the totalling of rounded amounts and percentages may arise from the use of automatic data processing.
[1] Earnings per share are solely attributable to the ordinary shareholders of Semperit AG Holding (excl. interest from hybrid capital).
[2] Based on a full-year projection.

Management Report

Economic environment

The International Monetary Fund (IMF) has left its forecast for 2018 published in July 2018 unchanged in comparison with the version of April 2018. However, there are warnings that risks will increase due to ongoing tensions in world trade. Global economic growth in 2018 is expected to amount to 3.9% (2019: 3.9%). 4.9% are forecast for emerging and developing countries (2019: 5.1%), followed by the USA with 2.9% (2019: 2.7%) and the euro zone with 2.2% (2019: 1.9%). It should be noted that growth prospects for emerging and developing countries as well as the USA maintained unchanged in comparison with the forecast of July and April 2018, while the forecast for the euro zone was reduced by 0.2% in July 2018 compared with April 2018. Despite the good growth rates in all important regions, the IMF notes that the current growth rates will not be permanent.

Developments in the raw material markets

The markets for natural rubber/natural latex as well as synthetic rubber/synthetic latex and carbon black 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 rubbers, availability has 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 continued in the first months of 2018. The average price indices of the first half of 2018 were below the average values of the first half of 2017, which was influenced by increased prices that declined in the second half of 2017. In a comparison of the average values of the first half of 2018 with the average values of whole year of 2017, there was a decline, although an increase was recorded compared with the values at the end 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 has shown a continuous rise since the third quarter of 2017. Therefore, the average prices for carbon black in the first half of 2018 were above the average of the first half of 2017 (more than 30%) and also the average for 2017 (around 20%).

In the first half of 2018, the prices for wire, which is used primarily in the Semperflex and Sempertrans segments, rose compared with the average prices of the first half of 2017 and also with the annual average of 2017 due to the price increase for wire rods.

Revenue and earning of Semperit Group

First half of 2018

In the first half of 2018, the Semperit Group recorded a decrease in revenue of 2.8% to EUR 448.5 million, primarily due to the Medical Sector with a decrease of 13.4%. In contrast to this, the Industrial Sector achieved an increase in revenue of 4.0% (for details on the development of sectors and segments see page 10f.). The increase in the Industrial Sector was characterised primarily by higher volumes sold in the Semperflex segment. The decrease in revenue in the Medical Sector, i.e. the Sempermed segment, is primarily based on the decrease in volumes sold as a result of the increasing competitive and price pressure and the limited availability of synthetic latex (nitrile).

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

In the first half of 2018, inventories increased by EUR 4.2 million compared with a decrease of EUR 1.3 million in the first half of 2017.

Other operating income amounted to EUR 2.0 million in the first half of 2018. The value of the first half of 2017, adjusted for the positive one-off effect (from last year's joint venture transaction, see below), totalled EUR 3.3 million. The reported value of the first half of 2017 amounted to EUR 91.3 million, including around EUR 88 million of positive one-off effects relating to the termination of almost all joint activities with the Thai joint venture partner Sri Trang Agro-Industry Public Co Ltd. Group ("joint venture transaction") of which 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 the first half of 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 the first half of 2017, for example those resulting from the shutdown of the Sempertrans site in France.

The positive one-off effect, which had an impact on EBITDA, totalled around EUR 75 million, while the effect which had an impact on EBIT amounted to around EUR 48 million in the first half of 2017.

Cost of materials decreased by EUR 19.3 million or 6.9% to EUR 262.1 million. The change was influenced primarily by lower sales (see first paragraph on this page) and therefore by fewer expenses for material and purchased services, but also by partially higher raw material prices and limited availability.

Personnel expenses decreased to EUR 91.6 million (–8.0%) despite increases in salaries and wages. In a comparison of both periods it should be noted that in the first half of 2017 one-time expenses included special compensations for employees, payments to resigned board members, executives and employees as well as for the shutdown of the Sempertrans site in France.

At EUR 74.2 million, other operating expenses remained almost unchanged compared with last year's period. In the first half of 2018, consulting expenses relating to Semperit's restructuring and transformation are included. In the first half of 2017, there were higher legal and consulting expenses (among other things due to the joint venture transaction).

The item "Share of profits from associated companies" at EUR 0.3 million included the earnings 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 22.5 million (adjusted value for the first half of 2017) to EUR 32.7 million (value for the first half of 2018, adjusted for the negative one-off effect of EUR 3.9 million from the shutdown of the Sempertrans site in China), while the adjusted EBITDA margin increased from 4.9% to 7.3%. The reported EBITDA amounted to EUR 28.9 million in the first half of 2018 after EUR 97.3 million in the first half of 2017.

Depreciation increased to EUR 19.4 million (+13.9%), which was primarily due to the investments carried out. In the first half of 2018, impairments totalling EUR 59.3 million were recorded. In the second quarter of 2018, the Sempermed segment basically reported an impairment of EUR 55.2 million (see interim financial report page 30f.), while the Sempertrans segment reported an impairment of EUR 3.9 million relating to the shutdown of the site in China.

EBIT (earnings before interest and tax) rose from EUR 6.2 million (adjusted value for the first half of 2017) to EUR 13.2 million (value for the first half of 2018, adjusted for the reported one-off effects), while the adjusted EBIT margin increased from 1.3% to 2.9%. The reported EBIT amounted to EUR 54.3 million in the first half of 2017 and EUR –49.8 million in the first half of 2018.

Key figures Semperit Group

in EUR million	H1 2018[1)]	H1 2017[2)]	Change	Change in EUR million	2017
Revenue	448.5	461.6	–2.8%	–13.1	874.2
EBITDA	28.9	97.3	–70.3%	–68.4	100.2
EBITDA margin	6.4%	21.1%	–14.7 PP	–	11.5%
EBIT	–49.8	54.3	–	–104.1	37.6
EBIT margin	–11.1%	11.8%	–	–	4.3%
Earnings after tax	–67.4	21.2	–	–88.6	–26.3
Investments in tangible and intangible assets	42.1	35.8	+17.5%	+6.3	74.5
Employees (at balance sheet date)	6,874	6,532	+5.2%	+342	6,838

1) EBITDA for the first half of 2018, adjusted for the one-off effect of the shutdown of the Sempertrans site in China, amounted to EUR 32.7 million. EBIT, additionally adjusted for, among other things, the depreciations (EUR 55.2 million for the Sempermed segment), amounted to EUR 13.2 million and adjusted earnings after tax to EUR –4.4 million.
2) EBITDA for the first half of 2018, adjusted for, among other things, the one-off effect of the shutdown of the Sempertrans site in France, amounted to EUR 22.5 million, while EBIT, additionally adjusted for the depreciations (EUR 26.0 million for the Sempermed segment, among other things), amounted to EUR 6.2 million and adjusted earnings after tax to EUR –7.9 million.

The financial result totalled EUR –6.6 million in the first half of 2018 after EUR –14.6 million in the same period last year. Financial income, which includes foreign currency gains, amounted to EUR 18.7 million and was below the previous year's period. Financial expenses, which also include foreign currency losses, decreased by EUR 9.4 million to EUR 23.8 million compared with the first half of 2017. The reasons for this are primarily repayment expenses for the acquisition of redeemable non-controlling interests within the context of the joint venture transaction, which was recognised as profit or loss in the item "Financial expenses" and caused higher financial expenses.

At EUR –1.5 million, the item "Profit/loss attributable to redeemable non-controlling interests" was higher compared with the first half of 2017. 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. The shares in this company are held with the Chinese energy company Shandong Wang Chao Coal & Electricity Group Co., Ltd.

Income tax expenses decreased by EUR 7.6 million to EUR 11.0 million in the first half of 2018. In the first half of 2017 this item included one-off effects relating to the joint venture transaction.

Adjusted earnings after tax totalled EUR –4.4 million in the first half of 2018 compared with the adjusted value of EUR –7.9 million for the first half of 2017. The reported value for the first half of 2018 amounted to EUR –67.4 million after EUR 21.2 million for the first half of 2017.

Adjusted earnings per share amounted to EUR –0.21 in the first half of 2018 after EUR –0.39 in the first half of 2017 (adjusted). The reported values amounted to EUR –3.33 after EUR 1.03.

Second quarter of 2018

In a comparison of the second quarters of 2018 and 2017, the Semperit Group recorded a decrease in revenue of 2.0% to EUR 227.6 million. An increase in revenue in the Industrial Sector (+7.4%) was up against a decline in the Medical Sector (–16.4%). In the Industrial Sector, all segments increased their revenues in a quarter-on-quarter comparison.

Other operating income declined. Cost of material and purchased services, personnel expenses as well as other operating expenses decreased.

EBITDA (earnings before interest, tax, depreciation and amortisation) rose from EUR 12.9 million (adjusted value for the second quarter of 2017) to EUR 17.0 million (value for the second quarter of 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 5.6% to 7.5%. The reported EBITDA was EUR 13.1 million in the second quarter of 2018 after EUR 2.9 million in the second quarter of 2017.

Depreciations and impairments increased. The highest impairments affected the Sempermed segment: EUR 55.2 million in the second quarter of 2018 and EUR 26.0 million in the second quarter of 2017.

In total, there were negative one-off effects of EUR 63.0 million in the second quarter of 2018 after EUR 36.7 million in the second quarter of 2017. EBIT (earnings before interest and tax) rose from EUR 4.6 million (adjusted value for the second quarter of 2017) to EUR 7.2 million (value for the second quarter of 2017, adjusted for the reported one-off effects), while the adjusted EBIT margin increased from 2.0% to 3.2%. The reported EBIT was EUR –55.8 million in the second quarter of 2018 and EUR –32.0 million in the second quarter of 2017.

Adjusted earnings after tax totalled EUR –1.7 million in the second quarter of 2018 after EUR –6.1 million, while the adjusted earnings per share was EUR –0.08 after EUR –0.30. The reported earnings after tax totalled EUR –64.8 million in the second quarter of 2018 after EUR –41.6 million, while earnings per share were EUR –3.19 after EUR –2.02.

Key figures Semperit Group / Second quarter

in EUR million	Q2 2018	Q2 2017	Change	Change in EUR million
Revenue	227.6	232.3	–2.0%	–4.7
EBITDA	13.1	2.9	>100%	+10.2
EBITDA margin	5.8%	1.2%	+4.6 PP	–
EBIT	–55.8	–32.0	+74.1%	–23.8
EBIT margin	–24.5%	–13.8%	–10.7 PP	–
Earnings after tax	–64.8	–41.6	+55.7%	–23.2
Investments in tangible and intangible assets	17.6	14.1	+25.0%	+3.5
Employees (at balance sheet date)	6,874	6,532	+5.2%	+342

1) EBITDA for the second quarter of 2018, adjusted for the one-off effect from the shutdown of the Sempertrans site in China, amounted to EUR 17.0 million, while EBIT, additionally adjusted for depreciations (EUR 55.2 million for the Sempermed segment, among others), was EUR 7.2 million and adjusted earnings after tax totalled EUR –1.7 million.
2) EBITDA for the second quarter of 2018, adjusted, among other things, for the one-off effect from the shutdown of the Sempertrans site in France, amounted to EUR 12.9 million, while EBIT, additionally adjusted for depreciations (EUR 26.0 million for the Sempermed segment, among others), was EUR 4.6 million and adjusted earnings after tax totalled EUR –6.1 million.

Dividend and treasury shares

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 2017 and the continued restructuring and transformation process, the Management Board and the Supervisory Board did not propose a dividend for 2017 (2016: EUR 0.70 per share) at the Annual General Meeting on 25 April 2018. This was decided by a majority at the Annual General Meeting.

Semperit AG Holding does not own treasury shares as of 30 June 2018.

Assets and financial position

Compared with the balance as of 31 December 2017, the balance sheet total rose by 2.2% to EUR 872.3 million in the first half of 2018. On the asset side, the main reason for this was an increase in cash and cash equivalents, an increase in trade receivables, which was up against a decrease in tangible assets (primarily due to the depreciation in the Sempermed segment). The other items on the asset side remained almost unchanged.

On the liabilities side, basically two items changed: The equity ratio was positively influenced by EUR 130.0 million raised from hybrid capital in March 2018. This was up against a reduction of revenue reserves as a result of the decline in earnings after tax, which was primarily due to the depreciation in the Sempermed segment. Due to this allocation of funds, non-current liabilities to banks decreased by around EUR 50 million.

Trade working capital (inventories plus trade receivables minus trade payables) increased from EUR 152.4 million at the end of 2017 to EUR 191.0 million, and therefore constituted 22.2% of the revenues of the last four quarters (year-end 2017: 17.4%). The change is primarily attributable to an increase in trade receivables (+27.2%) and the inventories (+3.7%) while trade payables declined (–4.1%).

Cash and cash equivalents were EUR 201.1 million at the end of June 2018 and were therefore above the level of the end of 2017 (EUR 165.5 million). The reason for this was primarily the raising of funds from hybrid capital.

As of 30 June 2018, the Semperit Group's equity (without non-controlling interests) stood at EUR 343.7 million, EUR 65.2 million higher than at the end of 2017 (EUR 278.5 million). The change resulted almost exclusively from having raised funds from hybrid capital.

As of 30 June 2018, the group's reported equity ratio amounted to 39.4% (year-end 2017: 32.6%). The return on equity was –2.6% after –4.9% (adjusted values). The reported value for the first half of 2018 was –38.8%, while the value for the first half of 2017 was 13.2%. The return on equity is calculated based on the earnings after tax (excl. remuneration from hybrid capital) in relation to equity attributable to the shareholders of Semperit AG Holding of EUR 343.7 million.

Debt is lower at EUR 527.6 million compared with the end of 2017 at EUR 572.9 million. Liabilities from the corporate Schuldschein loan and liabilities to banks decreased from EUR 326.6 million at the end of 2017 to EUR 279.8 million as of 30 June 2018. Taking into consideration cash and cash equivalents, this resulted in a net debt of EUR 78.7 million (net debt at the end of 2017: EUR 161.1 million). The net debt/EBITDA ratio (net debt in relation to EBITDA) as of 30 June 2018 is therefore 2.48 (year-end 2017: 1.61).

The liabilities from redeemable non-controlling interests at EUR 15.0 million increased compared with the end of 2017 and affected primarily Semperflex Asia Corp. Ltd. Provisions including social capital amounted to EUR 73.8 million and were therefore below the value at the end of 2017. Other liabilities and deferred taxes increased to EUR 158.9 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 accounting law, the hybrid capital line is classified as equity according to IFRS provisions (see page 37 in the notes). In March 2018, EUR 130.0 million were drawn from the hybrid capital.

Cash flow

The gross cash flow in the first half of 2018 amounted to EUR 20.9 million after EUR 48.7 million in the first quarter of 2017. This was caused primarily by the low level of operating earnings, although it must be pointed out that the first half of 2017 included positive one-off effects from the joint venture transaction.

Cash flow from operating activities decreased to EUR –3.1 million in the first half of 2018. The negative cash flow from operating activities in the first half of 2018 was due to the changes (increase) in trade receivables and the decrease in trade payables, among other things.

In the first half of 2018, cash flow from investing activities amounted to EUR –42.0 million and was therefore above the previous year's value that was positive due to the payments from the joint venture transaction.

In the first half of 2018, cash flow from financing activities was in total positively influenced by the payment from the funds raised from the hybrid capital and the repayment of liabilities to banks and amounted to plus EUR 80.8 million, while the value was negative in the first half of 2017 due to the repayment of liabilities to banks as well as payments for the acquisition of redeemable non-controlling interests.

Investments

At EUR 42.1 million, cash-relevant investments in tangible and intangible assets in the first half of 2018 were higher than in the previous year (EUR 35.8 million). The investment priorities were on expansion and improvement in the segments Semperflex (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 interim consolidated financial statements.

Performance of sectors and segments

Industrial Sector

The Industrial Sector comprises the segments Semperflex, Sempertrans and Semperform and developed in a differentiated way. The sales volumes (volumes sold) in Semperflex increased, while they remained approximately on the same level in Semperform and declined in Sempertrans. Revenue increased by 4.0% to EUR 291.4 million. The by far largest share of the increase was in the Semperflex segment, followed by Semperform, while Sempertrans recorded declining revenues.

Profitability of Semperflex developed well in absolute and relative terms causing an overall increase in profitability in the Industrial Sector. Semperform's profitability was below the previous year's level. The Sempertrans segment showed a negative EBITDA margin in the first half of 2018; the adjusted EBITDA margin, that is without the one-off effect of EUR 3.9 million from the shutdown in China, was positive. The Semperflex segment contributed by far the largest share to EBITDA in the Industrial Sector, followed by Semperform and Sempertrans.

Key figures Industrial Sector

in EUR million	H1 2018	Change	H1 2017	Q2 2018	Change	Q2 2017	2017
Revenue	291.4	+4.0%	280.3	150.5	+7.4%	140.1	537.0
EBITDA	37.9	+43.7%	26.4	19.1	>100%	9.2	42.9
EBITDA margin	13.0%	+3.6 PP	9.4%	12.7%	+6.1 PP	6.6%	8.0%
EBIT	22.6	+36.3%	16.6	9.5	>100%	4.3	22.4
EBIT margin	7.8%	+1.9 PP	5.9%	6.3%	+3.2 PP	3.1%	4.2%
Investments in tangible and intangible assets	33.5	+51.5%	22.1	15.5	+69.7%	9.1	48.5
Employees (at balance sheet date)	3,745	+6.4%	3,519	3,745	+6.4%	3,519	3,648

Semperflex segment

The Semperflex segment increased sales as well as revenue thanks to higher production and sales performances. Profitability also increased. Demand in the global market, particularly in Europe, China and North America, is still good, although it slightly slowed down towards the end of June. The business unit for hydraulic hoses achieved sales successes primarily in Europe and China. Revenue in the business unit for hydraulic hoses increased, also due to newly available capacities. Revenue for industrial hoses also increased due to customer acquisitions inside and outside Europe. Capacities are well utilised.

In order to meet the good demand better, approximately EUR 20 million will be invested in an expansion of the capacities for hydraulic hoses at the site in Odry, Czech Republic, also in 2018. They will be available step by step as of late 2018/early 2019.

In the first half of 2018 compared with the same period of the previous year, the increase in revenue, EBITDA and EBIT occurred primarily due to the additionally available capacities in Odry and the sales increase related to it. In a comparison of the second quarters of 2018 and 2017, the picture was similar.

Sempertrans segment

In the first half of 2018, revenue declined compared with the first half of 2017 due to decreasing volumes. This was attributable, among other things, to an increased focus on profitability, a change in the product mix as well as the shutdown of the Sempertrans site in France in the second half of 2017 and a low production level in China in the first half of 2018.

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.

Revenue decreased in the first half of 2018 compared with the previous year's period. However, the restructuring and transformation programme resulted in improvements of EBITDA and EBIT with regard to the adjusted values, though profitability remained below average. In a comparison of the second quarters of 2018 and 2017, revenue showed a slight increase, while EBITDA and EBIT developed positively as in the half-year comparison.

Production capacities at the site in Bełchatów, Poland, will be expanded step by step.

Semperform segment

The Semperform segment profited from an increased demand, primarily from the construction industry with different effects on the individual business units. The raw materials used in production had to be used in the way they were available in the market, which strongly affected EPDM rubbers and the filling material carbon black and had a negative impact on profitability.

Sales of window and door profiles were increased compared to the first half of 2017, due to an increased expansion into the segment for aluminium windows especially in Europe as well as the market entry in the USA.

Demand for products of the business unit Semperit Engineered Solutions was below the previous year's period. Sales of handrails was slightly above previous year's level, although in China, the world's largest single market for escalators, construction activities were cut back in the first quarter of 2018 to prevent a real estate bubble.

The business unit Sheeting recorded declining demand, while Special Applications recorded increased sales due to higher market demands.

In a comparison of the first half of 2018 with the previous year's period, the increase in revenue was to a large extent due to increased sales, while the decrease in EBITDA and EBIT resulted from higher raw material costs. The comparison of the second quarters of 2018 and 2017 showed an almost identical picture for revenue, EBITDA and EBIT.

Key figures Semperflex

in EUR million	H1 2018	Change	H1 2017	Q2 2018	Change	Q2 2017	2017
Revenue	121.5	+13.9%	106.7	62.8	+17.9%	53.2	206.1
EBITDA	28.7	+29.0%	22.2	14.9	+41.5%	10.5	40.4
EBITDA margin	23.6%	+2.8 PP	20.8%	23.8%	+4.0 PP	19.8%	19.6%
EBIT	23.4	+28.8%	18.2	12.3	+44.4%	8.6	31.8
EBIT margin	19.3%	+2.2 PP	17.1%	19.7%	+3.6 PP	16.1%	15.4%
Investments in tangible and intangible assets	17.1	+73.5%	9.9	9.2	+74.9%	5.2	30.1
Employees (at balance sheet date)	1,788	+8.9%	1,641	1,788	+8.9%	1,641	1,732

Key figures Sempertrans

in EUR million	H1 2018[1)]	Change	H1 2017[2)]	Q2 2018[3)]	Change	Q2 2017[4)]	2017
Revenue	71.7	–8.3%	78.2	37.0	+0.6%	36.8	146.0
EBITDA	–2.6	–69.5%	–8.6	–3.1	–66.2%	–9.1	–16.7
EBITDA margin	–3.6%	+7.4 PP	–11.0%	–8.3%	+16.5 PP	–24.8%	–11.5%
EBIT	–8.3	–19.7%	–10.4	–7.9	–20.9%	–10.0	–20.3
EBIT margin	–11.6%	+1.7 PP	–13.3%	–21.4%	+5.9 PP	–27.3%	–13.9%
Investments in tangible and intangible assets	11.6	> 100%	2.9	4.2	> 100%	1.4	5.9
Employees (at balance sheet date)	940	–6.6%	1,006	940	–6.6%	1,006	991

1) EBITDA for the first half of 2018, adjusted for the negative effects of the closure costs for China, amounted to EUR 1.3 million, while the adjusted EBIT was EUR –0.5 million.
2) EBITDA for the first half of 2017, adjusted for the negative effects of the closure costs for France, amounted to EUR –1.8 million, while the adjusted EBIT was EUR –3.6 million.
3) EBITDA for the second quarter of 2018, adjusted for the negative effects of the closure costs for China, amounted to EUR 0.8 million, while the adjusted EBIT was EUR –0.1 million.
4) EBITDA for the second quarter of 2017, adjusted for the negative effects of the closure costs for France, amounted to EUR –2.4 million, while the adjusted EBIT was EUR –3.3 million.

Key figures Semperform

in EUR million	H1 2018	Change	H1 2017	Q2 2018	Change	Q2 2017	2017
Revenue	98.2	+3.0%	95.4	50.7	+1.3%	50.1	185.0
EBITDA	11.8	–6.9%	12.7	7.3	–6.0%	7.8	19.2
EBITDA margin	12.1%	–1.2 PP	13.3%	14.4%	–1.1 PP	15.5%	10.4%
EBIT	7.5	–14.4%	8.8	5.1	–11.1%	5.8	11.0
EBIT margin	7.7%	–1.5 PP	9.2%	10.1%	–1.4 PP	11.5%	5.9%
Investments in tangible and intangible assets	4.9	–48.3%	9.4	2.1	–14.8%	2.5	12.5
Employees (at balance sheet date)	1,018	+16.7%	872	1,018	+16.7%	872	925

Medical Sector: Sempermed segment

The development of the Sempermed segment was characterised by the increasing competitive and price pressure, which 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 prior year period.

The expansion of the new plant, and consequently the expansion of the own production capacities for examination and protective gloves in Malaysia, was completed in late 2017/early 2018 and is in the start-up and optimisation phase.

In total, the earnings development in the first half of 2018 was characterised by a competitive and price pressure, limited availability of synthetic latex (Nitrile) as well as production inefficiencies. In the results of the first half of 2018, a depreciation of EUR 55.2 million (only relevant for EBIT) is included. In a year-on-year comparison it should be noted that in the first half of 2017 a positive one-off effect of around EUR 78 million resulting from the termination of the joint venture for the glove production in Thailand as well as the negative one-off effect of the depreciation of EUR 26.0 million (only relevant for EBIT) was recorded. The adjusted EBITDA for the first half of 2017 amounted to EUR 1.7 million, while the adjusted EBIT was EUR –4.0 million. In comparison with the adjusted values of the first half of 2017, adjusted EBITDA and EBIT at EUR 0.1 million and EUR –7.3 million, respectively, in the first half of 2018 were below the levels of the prior year period. A similar pattern is shown in a comparison of the second quarters of 2018 and 2017.

Key figures Sempermed

in EUR million	H1 2018[1)]	Change	H1 2017[2)]	Q2 2018[3)]	Change	Q2 2017[4)]	2017
Revenue	157.1	–13.4%	181.4	77.1	–16.4%	92.2	337.1
EBITDA	0.1	–99.9%	79.8	–1.3	–	1.7	77.9
EBITDA margin	0.1%	–43.9 PP	44.0%	–1.7%	–	1.9%	23.1%
EBIT	–62.5	–	48.1	–60.3	> 100%	–27.2	38.0
EBIT margin	–39.8%	–	26.5%	–78.2%	–48.7 PP	–29.5%	11.3%
Investments in tangible and intangible assets	8.0	–39.0%	13.2	1.6	–65.0%	4.6	25.3
Employees (at balance sheet date)	3,008	+4.8%	2,871	3,008	+4.8%	2,871	3,051

1) EBITDA for the first half of 2018, adjusted for the negative effects of the depreciation of EUR 55.2 million, amounted to EUR –7.3 million.
2) EBITDA for the first half of 2017, adjusted for the positive effects of the joint venture transaction, amounted to EUR 1.7 million, while EBIT was EUR –4.0 million, also taking into account the depreciation of EUR 26.0 million.
3) EBIT for the second quarter of 2018, adjusted for the negative effects of the depreciation of EUR 55.2 million, amounted to EUR –5.1 million.
4) EBIT for the second quarter of 2017, adjusted for the negative effects of the depreciation of EUR 26.0 million, amounted to EUR –1.2 million.

Employees

As of 30 June 2018, the number of employees was 6,874 which is 5.2% above the level of 30 June 2017. The employee headcount rose in the Semperflex, Semperform and Sempermed segments and fell in the Sempertrans segment in a comparison by period. The analysis by segments shows that in June 2018 around 45% of all employees work in the Sempermed segment, while around 25% work in the Semperflex segment and around 15% in the Sempertrans and Semperform segments respectively.

Outlook

In the further course of the restructuring and transformation process, the Management Board will decide step by step whether there will be changes in the portfolio of existing segments as well as further adaptations in the manufacturing footprint. Continuous and potentially new measures to increase profitability remain right at the top of the Management Board's agenda. Further considerable one-off charges in addition to the measures already taken and still being analysed can therefore not be excluded in the coming quarters. Therefore, 2018 should be still viewed as a transition year. Due to the above-mentioned developments, the outlook remains suspended for the coming quarters.

Semperit focus for the moment on organic growth, especially in the industrial sector. In addition to the ongoing optimisation measures in the Sempermed segment, Semperit has started further implementation steps for Sempertrans and Semperform at the beginning of the year. Semperflex is also part of the transformation process. Here, like in Mixing too, the focus is on accelerating the profitable implementation of still necessary investment projects and the related organic growth course. Investments in the expansion of capacities will be continued. Total capital expenditures (CAPEX) of around EUR 80 million (2017: EUR 74.5 million) have been planned for 2018.

Since the beginning of the analysis and transformation process in autumn 2017, 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% as central key performance indicator.

Note

This outlook is based on the assessments of the Management Board as of 22 August 2018 and does not take into account the effects of possible acquisitions, divestments or other unforeseeable structural or economic changes during the further course of 2018. 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, 22 August 2018

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Finance

Michele Melchiorre
Operations

Half-Year Consolidated Financial Statements and Notes

Consolidated income statement

in EUR thousand	1.1.-30.6.2018	1.1.-30.6.2017	1.4.-30.6.2018	1.4.-30.6.2017
Revenue	448,542	461,639	227,633	232,299
Changes in inventories	4,246	–1,268	–362	661
Own work capitalised	1,726	2,085	981	899
Operating revenue	**454,513**	**462,456**	**228,252**	**233,860**
Other operating income	2,006	91,320	1,076	1,403
Cost of material and purchased services	–262,130	–281,422	–130,841	–143,897
Personnel expenses	–91,584	–99,553	–47,430	–49,624
Other operating expenses	–74,196	–75,722	–38,094	–39,010
Share of profits from associated companies	276	221	163	153
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**28,886**	**97,300**	**13,127**	**2,884**
Depreciation and amortisation of tangible and intangible assets	–19,368	–17,007	–9,791	–8,957
Impairment of tangible and intangible assets	–59,339	–25,976	–59,148	–25,976
Earnings before interest and tax (EBIT)	**–49,821**	**54,317**	**–55,812**	**–32,049**
Financial income	18,663	20,960	9,872	11,812
Financial expenses	–23,770	–33,204	–10,572	–17,406
Profit / loss attributable to redeemable non-controlling interests	–1,518	–2,306	–266	–925
Financial result	**–6,624**	**–14,550**	**–966**	**–6,518**
Earnings before tax	**–56,446**	**39,767**	**–56,778**	**–38,567**
Income taxes	–10,954	–18,519	–7,981	–3,022
Earnings after tax	**–67,400**	**21,247**	**–64,760**	**–41,589**
thereof attributable to the shareholders of Semperit AG Holding – from ordinary shares	–68,459	21,233	–65,664	–41,624
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	1,839	0	1,725	0
thereof attributable to non-controlling interests	–779	14	–821	35
Earnings per share in EUR (diluted and undiluted)[1)]	**–3.33**	**1.03**	**–3.19**	**–2.02**

[1)] Earnings per share are solely attributable to the ordinary shareholders of Semperit AG Holding (excluding interest from hybrid capital).

Consolidated statement of comprehensive income

in EUR thousand	1.1.-30.6.2018	1.1.-30.6.2017	1.4.-30.6.2018	1.4.-30.6.2017
Earnings after tax	**–67,400**	**21,247**	**–64,760**	**–41,589**
Other comprehensive income that will not be recognised through profit and loss in future periods	**–44**	**–52**	**–33**	**–20**
Remeasurements of defined benefit plans	–5	8	1	17
thereof Revaluation gains / losses for the period	–5	8	1	17
Davon related income tax	–40	–60	–33	–37
Other comprehensive income that will potentially be recognised through profit and loss in future periods	**1,448**	**–14,258**	**–243**	**–2,808**
Available-for-sale financial assets	0	–106	0	22
thereof Revaluation gains / losses for the period	0	–106	0	22
Cash flow hedges	1,993	–10	2,011	7
thereof Revaluation gains / losses for the period	2,016	175	2,037	91
thereof Reclassification to profit / loss for the period	–23	–185	–27	–84
Other comprehensive income from joint ventures / non-current assets held for sale	0	–14,033	0	0
thereof Reclassification to profit / loss for the period	0	–14,033	0	0
Currency translation differences	–18	–137	–1,708	–2,828
thereof currency translation differences for the period	–18	–137	–1,708	–2,828
Davon related income tax	–528	27	–545	–9
Other comprehensive income	**1,403**	**–14,310**	**–275**	**–2,828**
Comprehensive income	**–65,997**	**6,937**	**–65,035**	**–44,417**
thereof on earnings attributable to the shareholders of Semperit AG Holding – from ordinary shares	–67,094	6,976	–65,955	–44,399
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	1,839	0	1,725	0
thereof on earnings attributable to non-controlling interests	–741	–39	–806	–17

Consolidated cash flow statement

in EUR thousand	1.1.- 30.6.2018	1.1.- 30.6.2017
Earnings before tax	–56,446	39,767
Depreciation, amortisation, impairment and write-ups of tangible and intangible assets	78,707	42,983
Profit / loss from disposal of assets (including current and non-current financial assets)	13	4,748
Change in non-current provisions	–1,254	–1,330
Share of profits from associated companies	–276	–221
Dividends received from non-current assets held for sale (Joint Ventures)	0	47,751
Profit / loss attributable to redeemable non-controlling interests	1,518	2,306
Earnings from sale of non-current assets held for sale and repayment of non-controlling interests	0	–75,368
Net interest income (including income from securities)	3,309	3,575
Interest paid	–1,855	–2,407
Interest received	302	432
Taxes paid on income	–3,205	–13,510
Other non-cash expense/income	82	0
Gross cash flow	**20,894**	**48,726**
Change in inventories	–5,870	–3,422
Change in trade receivables	–27,611	–13,414
Change in other receivables and assets	1,134	2,181
Change in trade payables	1,508	–13,913
Change in other liabilities and current provisions	3,795	14,934
Changes in working capital resulting from currency translation adjustments	3,071	2,114
Cash flow from operating activities	**–3,079**	**37,207**
Proceeds from sale of tangible and intangible assets	119	171
Proceeds from sale of current and non-current financial assets	0	6
Investments in tangible and intangible assets	–42,125	–35,838
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
Cash flow from investing activities	**–42,007**	**107,887**
Cash receipts from current and non-current financing liabilities	825	0
Repayment of current and non-current financing liabilities	–50,056	–87,232
Dividend to shareholders of Semperit AG Holding	0	–14,401
Dividends to non-controlling shareholders of subsidiaries	0	–14,897
Cash outflow for purchased non-controlling interests in subsidiaries	0	–25,842
Acquisition of non-controlling interests	–5	–23
Cash receipts from hybrid capital	130,000	0
Cash flow from financing activities	**80,764**	**–142,395**
Net increase / decrease in cash and cash equivalents	**35,678**	**2,698**
Effects resulting from currency translation	–105	–3,862
Cash and cash equivalents at the beginning of the period	165,530	190,208
Cash and cash equivalents at the end of the period	**201,103**	**189,044**

Consolidated balance sheet

in EUR thousand	30.6.2018	31.12.2017
ASSETS		
Non-current assets		
Intangible assets	13,709	17,513
Tangible assets	315,029	356,040
Investments in joint ventures and associated companies	2,400	2,124
Other financial assets	14,182	13,298
Other assets	1,080	2,183
Deferred taxes	3,309	8,164
	349,708	**399,322**
Current assets		
Inventories	165,606	159,736
Trade receivables	131,769	103,577
Other financial assets	3,048	2,373
Other assets	15,276	15,165
Current tax receivables	5,753	7,509
Cash and cash equivalents	201,103	165,530
	522,555	**453,891**
ASSETS	**872,263**	**853,212**
EQUITY AND LIABILITIES		
Equity		
Share capital	21,359	21,359
Capital reserves	21,503	21,503
Hybrid capital	130,000	0
Revenue reserves	179,687	244,464
Currency translation reserve	–8,877	–8,820
Equity attributable to the shareholders of Semperit AG Holding	**343,673**	**278,506**
Non-controlling interests	1,038	1,784
	344,711	**280,291**
Non-current provisions and liabilities		
Provisions for pension and severance payments	35,405	35,815
Other provisions	11,994	12,837
Liabilities from redeemable non-controlling interests	14,964	13,276
Corporate Schuldschein loan	254,618	254,168
Liabilities to banks	1,253	51,310
Other financial liabilities	965	936
Other liabilities	604	701
Deferred taxes	5,143	5,218
	324,945	**374,261**
Current provisions and liabilities		
Provisions for pension and severance payments	2,544	2,489
Other provisions	23,899	24,870
Corporate Schuldschein loan	17,473	15,542
Liabilities to banks	6,489	5,578
Trade payables	106,372	110,913
Other financial liabilities	18,855	17,076
Other liabilities	23,667	20,631
Current tax liabilities	3,309	1,562
	202,607	**198,660**
EQUITY AND LIABILITIES	**872,263**	**853,212**

Consolidated statement of the changes in equity

				Revenue reserves						
in EUR thousand	Share capital	Capital reserves	Hybrid capital	Re-valuation reserves	Other revenue reserves	Total	Currency translation reserve	Total	Non-controlling interests	Total equity
As at 1.1.2017	**21,359**	**21,503**	**0**	**209**	**283,870**	**284,079**	**2,363**	**329,304**	**1,675**	**330,979**
Earnings after tax	0	0	0	0	21,233	21,233	0	21,233	14	21,247
Other comprehensive income	0	0	0	–79	–61	–141	–14,117	–14,257	–53	–14,310
Total recognised comprehensive income	0	0	0	–79	21,172	21,092	–14,117	6,976	–39	6,937
Dividend	0	0	0	0	–14,401	–14,401	0	–14,401	0	–14,401
Acquisition of non-controlling interests	0	0	0	0	52	52	0	52	–75	–23
Other	0	0	0	0	0	0	0	0	848	848
As at 30.6.2017	**21,359**	**21,503**	**0**	**130**	**290,692**	**290,822**	**–11,754**	**321,930**	**2,410**	**324,340**
As at 1.1.2018	**21,359**	**21,503**	**0**	**117**	**244,347**	**244,464**	**–8,820**	**278,506**	**1,784**	**280,291**
Initial adjustment under IFRS 9	**0**	**0**	**0**	**–117**	**538**	**422**	**0**	**422**	**0**	**422**
Adjusted as at 1.1.2018	**21,359**	**21,503**	**0**	**0**	**244,886**	**244,886**	**–8,820**	**278,928**	**1,784**	**280,712**
Earnings after tax	0	0	0	0	–66,620	–66,620	0	–66,620	–779	–67,400
Other comprehensive income	0	0	0	0	1,421	1,421	–56	1,365	38	1,403
Total recognised comprehensive income	0	0	0	0	–65,199	–65,199	–56	–65,255	–741	–65,997
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	–5	–5
Raise of hybrid capital	0	0	130,000	0	0	0	0	130,000	0	130,000
As at 30.6.2018	**21,359**	**21,503**	**130,000**	**0**	**179,687**	**179,687**	**–8,877**	**343,673**	**1,038**	**344,711**

Notes to the half-year consolidated financial statements

Preparation and presentation of the consolidated half-year financial statements

These consolidated half-year financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as well as IAS 34 for interim financial statements.

For more information on accounting and valuation methods of the Semperit Group, please see the consolidated financial statements at 31 December 2017, which in this regard form the basis for these consolidated half-year financial statements.

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.

These consolidated half-year financial statements of the Semperit Group at 30 June 2018 have not been fully audited or reviewed by the Group's auditor.

Principles and methods of consolidation

The Semperit Group prepared these consolidated half-year financial statements using the same accounting policies – with the exception of the IASB's new accounting regulations as described below – that it applied in its consolidated financial statements at 31 December 2017.

Standards and interpretations to be adopted for the first time

The following amended standards and interpretations were applicable for the first time in the first half of 2018.

First-time adoption of standards and interpretations		Effective date	Endorsement
New standards and interpretations			
IFRS 9	Financial Instruments	1 January 2018	22 November 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018	22 September 2016
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	28 March 2018
Amended standards and interpretations			
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	22 September 2016
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	26 February 2018
IFRS 4	Insurance contracts related to the first-time adoption of IFRS 9	1 January 2018	3 November 2017
IAS 40	Transfers of Investment Property	1 January 2018	14 March 2018
Misc.	Annual Improvements to IFRS, cycle 2014-2016	1 January 2018	7 February 2018

IFRS 9 Financial Instruments

In July 2014, the IASB issued 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 changes 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 cash flows associated with the financial asset (cash flow 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 classified according to IFRS 9. Under this new classification, shares in funds are no longer measured at fair value in other comprehensive income, 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. The measurement of the shares in funds at fair value led to the recognition of unrealised gains in the income statement at 30 June 2018 in the amount of EUR -82 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 modifications under IFRS 9 a new 3-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 use 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. For all other financial assets (particularly bank deposits, deposits receivable, travel advances to employees), the group uses the 3-stage impairment model.

The impairment of trade receivables has reduced by EUR 581 thousand from 31 December 2017 to 1 January 2018 as a result of the first-time adoption of IFRS 9.

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 (cash flow hedges and fair value hedges) were carried forward unchanged from 1 January 2018 in accordance with the transitional provisions.

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	1.1.2018
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	**244,464**	**581**	**244,886**

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 as 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 as at 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 1.1.2018 IFRS 9
Other non-current financial assets	**diverse**	**diverse**	**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	**diverse**	**diverse**	**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**
Interest-bearing current and non-current 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	**diverse**	**diverse**	**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 at 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 application of IFRS 15 resulted in only an insignificant 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 consideration and thus as contract liabilities. This means that an amount of EUR 1,472 thousand was posted at 30 June 2018. In the first half of 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 commissions for long-term supply contracts.

Others

The amendments to IFRS 2, IFRS 4 and IAS 40 have no effect on the consolidated financial statements of the Semperit Group. The effects of the first-time application of IFRIC 22 are immaterial. The annual improvements to the IFRSs, cycle 2014-2016 relate to IFRS 1, IFRS 12 and IAS 28 and have no effect on the consolidated financial statements of the Semperit Group.

Standards and interpretations to be applied in the future

IFRS 16 Leasing

IFRS 16 will replace the existing rules for accounting for leases (in particular concerning lessees) as of 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. Cash flows from operating activities will also improve, as rental and lease payments will become interest and principal payments, and the latter will be allocated to cash flows 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 can be capitalised either at the value that would have resulted from retrograde accounting or alternatively 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 impact of the first-time adoption of IFRS 16 in terms of amount is currently being evaluated as part of a project. The Semperit Group currently has about 250 leasing contracts, 48% of which relate to 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.

Segment Reporting

in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Corporate Center and Group eliminations	Group
1.1.-30.6.2018						
Revenue	157,112	121,543	71,693	98,194	0	448,542
EBITDA	98	28,662	–2,608	11,836	–9,102	28,886
EBIT = segment result	–62,462	23,431	–8,340	7,517	–9,967	–49,821
Depreciation and amortisation of tangible and intangible assets	–7,399	–5,044	–1,745	–4,315	–865	–19,368
Impairment of tangible and intangible assets	–55,161	–187	–3,987	–4	0	–59,339
1.1.-30.6.2017						
Revenue	181,388	106,705	78,167	95,380	0	461,639
EBITDA	79,806	22,218	–8,560	12,713	–8,877	97,300
EBIT = segment result	48,137	18,198	–10,389	8,783	–10,412	54,317
Depreciation, amortisation and impairment of tangible and intangible assets	–31,669	–4,020	–1,829	–3,930	–1,535	–42,983
Depreciation and amortisation of tangible and intangible assets	–5,694	–4,020	–1,829	–3,930	–1,535	–17,007
Impairment of tangible and intangible assets	–25,976	0	0	0	0	–25,976

The income and expenses of subsidiaries 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. Internal charging and the allocation of Corporate Center costs have already been attributed to the segments as much as possible.

Notes to the consolidated income statement

Revenue

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

1.1.-30.6.2018 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Group
Western Europe	80,047	73,125	23,493	71,188	247,853
Eastern Europe	19,056	25,275	12,372	12,568	69,272
North America	33,474	10,729	7,177	4,306	55,685
Central and South America	5,441	787	3,789	640	10,657
Africa	734	1,573	4,887	96	7,289
Asia	16,779	9,521	10,083	9,375	45,757
Australia	1,581	533	9,892	21	12,028
Revenue[1)]	**157,112**	**121,543**	**71,693**	**98,194**	**448,542**

1.1.-30.6.2017 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Group
Western Europe	84,411	63,992	21,721	67,591	237,715
Eastern Europe	20,746	22,967	21,156	13,174	78,043
North America	52,735	8,913	984	3,995	66,628
Central and South America	8,133	1,736	5,685	623	16,177
Africa	729	458	3,511	312	5,010
Asia	12,851	8,139	21,472	9,598	52,059
Australia	1,782	500	3,639	87	6,007
Revenue	**181,388**	**106,705**	**78,167**	**95,380**	**461,639**

[1)] in accordance with IFRS 15

Other operating income

The change to other operating income as compared with the same period of the previous year is mainly attributable to the termination of almost all joint business activities with Thai joint venture partner Sri Trang Agro-Industry Public Co Ltd. in the first half of 2017. Positive extraordinary effects in the comparable period totalled EUR 87,381 thousand (excl. legal and consulting costs), of which EUR 78,109 thousand was recognised in the Sempermed segment and EUR 9,273 thousand in the Corporate Center segment as other operating income.

Closure of Sempertrans' Chinese production plant

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. 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. Production was stopped immediately. Appropriate social measures were prepared for the approximately 120 employees; the severance payments have since been made.

The closure of the plant is part of the ongoing restructuring and transformation process of the Semperit Group and burdened the result for the first half of 2018 with a total of EUR 7,851 thousand. This includes the formation of a restructuring provision (for social measures and consulting costs) in the amount of EUR 2,921 thousand, impairment of intangible assets, technical equipment and machinery in the amount of EUR 3,987 thousand, impairment of inventories in the amount of EUR 672 thousand, and current other operating expenses in the amount of EUR 271 thousand. The reimbursement claims against the Shandong Wang Chao Coal & Electricity Group Co., Ltd in the amount of EUR 371 thousand represent contingent assets that cannot be recognised in the balance sheet in management's view; they remained off balance sheet at 30 June 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 has already begun. The limited reusability of the plants and the fact that the boards have not yet made the final decisions concerning the sale are currently preventing the long-term assets from being classified as held for sale.

Personnel expenses

in EUR thousand	**1.1.-30.6.2018**	**1.1.-30.6.2017**
Wages	33,921	32,802
Salaries	38,034	44,740
Severance payments	1,675	4,109
Retirement benefit expenses	483	577
Statutory social security expenses and other compulsory wage-related payments	15,348	15,426
Other social security expenses	2,124	1,899
Total	**91,584**	**99,553**

Other operating expenses

in EUR thousand	1.1.-30.6.2018	1.1.-30.6.2017
Maintenance and services	21,124	19,103
Outgoing freight	15,944	15,480
Legal, consulting and auditing fees	12,592	11,706
Travel expenses	3,625	4,197
Commission and advertising costs	3,225	3,777
Rental and leasing expenses	2,900	2,805
Other taxes	2,452	2,602
Insurance premiums	2,428	2,291
Waste disposal	966	720
Reclamation costs	769	20
Energy costs not for production	614	642
Communications	589	682
Office equipment	567	624
Training and education expenditures	553	554
Fees, subscriptions and donations	511	807
Bank expenses	283	329
Other	5,053	9,382
Total	**74,196**	**75,722**

Impairment losses in the Sempermed segment

The results of the Sempermed segment declined in the second quarter of 2018: there were and are indications of increasing competitive and price pressure on the market. In addition, a shortage of the raw material nitrile (nitrile butadiene rubber, NBR), gas price increases and ongoing production inefficiencies are weighing on the 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, 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 cash flow forecasts for 5 years from the end of 2018, which take into account both the status quo of the ongoing restructuring and transformation process and the uncertainties in business development that can be observed. The cash flows after the 5-year period were extrapolated with a sustainable growth rate of 0.75% (30 June 2017: 0.75%) from 2024. The growth rate reflects competitive and 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 melt-down 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 net working capital were planned depending on sales and are based on a 3-year average. Investments in property, plant and equipment have a capacity-preserving effect and were explicitly planned 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 (of which net working capital: EUR 69,075 thousand). The resulting impairment loss as of balance sheet date amounting to EUR 55,780 thousand was recognised in the functional currencies of the subsidiaries belonging to the Sempermed segment, translated into euros at the respective average exchange rates of the first half of 2018 and allocated to non-current segment assets as follows:

in EUR thousand	1.1.-30.6.2018	1.1.-30.6.2017
Goodwill	0	–25,144
Other intangible assets	–1,507	0
Tangible assets	–54,274	–786
Investments in associated companies	0	0
Impairment as of balance sheet date	**–55,780**	**–25,930**
Currency translation differences in OCI	619	–46
Impairment of tangible and intangible assets	**–55,161**	**–25,976**

Financial result

in EUR thousand	1.1.-30.6.2018	1.1.-30.6.2017
Financial income		
Income from securities	1	2
Exchange rate gains	18,338	20,515
Interest income	324	443
	18,663	**20,960**
Financial expenses		
Write-downs of securities	-82	0
Repayment of liabilities from redeemable non-controlling interests concerning the Joint Venture transaction	0	-4,224
Exchange rate losses	-18,374	-23,842
Interest and other financial expenses	-5,314	-5,138
	-23,770	**-33,204**
Profit / loss attributable to redeemable non-controlling interests	**-1,518**	**-2,306**
Financial result	**-6,624**	**-14,550**

Income taxes

The tax expense in the first half of 2018 is mainly due to the impairment of deferred tax assets in the amount of EUR 5,383 thousand. In the comparable period, the tax expense included withholding tax of EUR 16,061 thousand resulting from the joint venture transaction.

Notes to the consolidated balance sheet

Investments in joint ventures and associates

The carrying amount of the investment in Synergy Health Allershausen GmbH at 30 June 2018 amounted to EUR 2,400 thousand (31 December 2017: EUR 2,124 thousand).

The change in the investments in joint ventures and associates is as follows:

in EUR thousand	1.1.- 30.6.2018	1.1.- 30.6.2017
At 1.1.	2,124	2,608
Proportionate profit/(loss) for the period	276	221
At 30.6.	**2,400**	**2,829**

Acquisition and disposal of tangible and intangible assets

In the first half of 2018 the Semperit Group made investments in tangible and intangible assets totalling EUR 42,125 thousand (first half of 2017: EUR 35,838 thousand). In contrast, tangible assets with a carrying amount of EUR 131 thousand (first half of 2017: EUR 315 thousand) were sold, resulting in a loss on disposal in the amount of EUR 13 thousand (first half of 2017: EUR 144 thousand).

Disclosures on financial instruments

The trade receivables not yet due are primarily owed by long-term business partners. 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 over the past four years by segment. Using this analysis, the group created an impairment matrix based on timeframes. The analysis showed that a material risk does not exist for receivables that are slightly overdue. A significant proportion of the trade receivables (30 June 2018: 79.8; 31 December 2017: 72.4%) is covered by credit insurance. This insurance coverage includes an excess if a loss occurs. For such receivables, the maximum impairment that would be recognised for a credit loss is the amount of the excess. 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 following tables show the carrying amounts of the individual financial assets and liabilities classified in accordance with the valuation categories under IFRS 9.

Assets

in EUR thousand	Valuation category IFRS 9[1)]	Carrying amount 30.6.2018	Carrying amount 31.12.2017
Trade receivables	AC	131,769	103,577
Other financial assets			
Securities	FVPL	6,294	6,376
Loans to associated companies	AC	563	563
Other loans	AC	9	10
Derivative financial instruments	FVPL	4,585	5,076
Derivative financial instruments	Fair Value - Hedging Instrument	2,235	629
Other financial assets	AC	3,545	3,017
Cash and cash equivalents			
Cash on hand, cheques and cash deposits in banks	–	201,103	165,530

1) FVPL (Fair Value through Profit and Loss); FVOCI (Fair Value through OCI); AC (At Cost)

Liabilities

in EUR thousand	Valuation category IFRS 9[1)]	Carrying amount 30.6.2018	Carrying amount 31.12.2017
Corporate Schuldschein loan	AC	272,091	269,710
Liabilities from redeemable non-controlling interests	AC	14,964	13,276
Trade payables	AC	106,372	110,913
Liabilities to banks	AC	7,742	56,888
Other financial liabilities			
Derivative financial liabilities	FVPL	243	845
Derivative financial liabilities	Fair Value - Hedging Instrument	0	62
Liabilities from finance leases	AC	93	0
Remaining other financial liabilities	AC	19,484	17,104

1) FVPL (Fair Value through Profit and Loss); FVOCI (Fair Value through OCI); AC (At Cost)

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

Assets and liabilities at fair value

Financial instruments at fair value include securities and derivative financial instruments.

in EUR thousand	Valuation category IFRS 9[1)]	Fair Value 30.6.2018	Fair Value 31.12.2017	Level
Assets				
Securities	FVPL	6,294	6,376	1
Derivative financial instruments	FVPL	4,585	5,076	2
Derivative financial instruments	FVOCI	2,235	629	2
Liabilities				
Derivative financial liabilities	FVPL	243	845	2
Derivative financial liabilities	FVOCI	0	62	2

[1)] FVPL (Fair Value through Profit and Loss); FVOCI (Fair Value through OCI).

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, that are each underlaid by an interest floor.

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.

Assets and liabilities not measured at fair value

The fair values correspond with the carrying amounts for all other financial assets and liabilities, with the exception of those stated below and the liabilities from redeemable non-controlling interests.

in EUR thousand	Valuation category IFRS 9[1)]	Fair Value 30.6.2018	Fair Value 31.12.2017	Level
Liabilities				
Corporate *Schuldschein* loan	AC	275,905	281,728	3
Liabilities from finance leases	AC	90	0	3

[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.

For existing fixed-interest finance lease liabilities, current third-party interest rates were queried and then compared with the contractually agreed interest rates. As a result, the difference between the carrying amount and the fair value shows the margin between the contractually agreed historical return and the return currently available on the market. The finance lease liabilities are shown under other financial liabilities.

For information on the valuation of liabilities from redeemable non-controlling interests, please refer to the explanations in the consolidated financial statements at 31 December 2017.

Debt capital structure of the Semperit Group

In 2014 the Semperit Group concluded a framework credit agreement of EUR 250 million with a consortium of six banks. On the one hand, this consists of a term loan originally amounting to EUR 100 million (utilisation as of 31 December 2017: EUR 50 million) and a revolving credit line of up to EUR 150 million (utilised as of 31 December 2017: EUR 0 million). The hybrid capital available in the first half of 2018 was used to repay financial liabilities amounting to EUR 50 million. This is therefore no longer available. The revolving credit line was not utilised in the first half of 2018.

The Semperit Group also has three corporate *Schuldschein* loans from 2013, 2015 and 2016 with a total nominal value of EUR 274 million. The corporate *Schuldschein* loans from 2013 and from 2015 were issued in euros, the corporate *Schuldschein* loan from 2016 in US dollars, Polish zlotys and Czech korunas.

in EUR thousand	30.6.2018	Thereof non-current	Thereof current	31.12.2017	Thereof non-current	Thereof current
Corporate *Schuldschein* loan	272,091	254,618	17,473	269,710	254,168	15,542
Liabilities to banks	7,742	1,253	6,489	56,888	51,310	5,578
	279,833	**255,871**	**23,962**	**326,598**	**305,478**	**21,120**

Cross currency swaps and foreign exchange forward contracts

Cross currency swaps exist for two financings denominated in Malaysian ringgit to a subsidiary. These cross currency swaps converted the variable refinancing into fixed interest rates, and pegged the exchange rate of the euro and the Malaysian ringgit. According to IFRS 9, these cross currency swaps are classified as both a cash flow hedges (regarding interest rate risk) and as a fair value hedges (regarding the exchange risk). Interest floors are existing to the cross currency swaps.

Two cross currency swaps were used in the first half of 2018 to hedge the corporate Schuldschein loan issued in Polish zlotys. These cross currency swaps will be used to hedge all future cash flows, i.e. both interest and principal payments. The foreign exchange forward contracts are classified as a cash flow hedge in accordance with IFRS 9.

Foreign exchange forward contracts were used by Semperit Investments Asia Pte. Ltd. to hedge a transaction in British pounds. These foreign exchange forward contracts were used to fix the exchange rate between the US dollar and British pound. These foreign exchange forward contracts are classified as cash flow hedges in accordance with IFRS 9 and are accounted for at fair value.

In addition, the Semperit Group uses various miscellaneous foreign exchange forward contracts for the hedging of large volume transactions. These are accounted at their fair values. The fair values are shown in the consolidated balance sheet as other financial assets or other financial liabilities.

Hybrid capital

On 12 December 2017 the Management Board of Semperit AG Holding signed a contract for hybrid capital of up to EUR 150 million with B & C Holding GmbH, a wholly owned subsidiary of the core shareholder B & C Industrieholding GmbH. The agreed interest rate is 5.25% p.a. and the commitment fee is 1.75% p.a.

The hybrid capital is a subordinated source of financing with an unlimited term. If necessary, Semperit Group can use the hybrid capital until 31 December 2018 in multiple tranches. Under the agreement, the creditor does not have a redemption or conversion right. In March 2018, EUR 130 million 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 triggered by dividend payments and is also recognised as such in equity.

The agreement governing the hybrid capital does not set a maturity date for repayment. Semperit AG Holding reserves right to repay EUR 5 million or a multiple of that amount, plus pro-rata interest, at the end of each quarter.

Dividends

No dividend was distributed for the full year 2017 in the first half of 2018. In the first half of 2017, the dividend of EUR 0.70 per share for the entire 2016 financial year was approved by the Annual General Meeting on May 23, 2017. A total of EUR 14.4 million was distributed in the first half of 2017.

Equity transactions

In the first half of 2018 an additional 0.004% (first half of 2017: 0.07%) of the shares in Latexx Partners Berhad was acquired for EUR 5 thousand (first half of 2017: EUR 23 thousand). The Group's holding at 30 June 2018 thereby amounted to 98.63% after 98.63% at 31 December 2017.

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 the private foundation B & C Privatstiftung is the dominant legal entity. B & C Holding Österreich GmbH is the indirect majority shareholder that draws up and publishes consolidated financial statements which include the Semperit Group. 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.

Business relations with related companies in the first half of 2018 are as follows:

The Group completed transactions amounting to EUR 346 thousand with unit-it GmbH in the first half of 2018 (first half of 2017: EUR 240 thousand). These transactions relate to the maintenance of SAP licences and were conducted at arm’s length conditions. There are no liabilities at 30 June 2018 (31 December 2017: EUR 0 thousand) towards unit-it GmbH.

Transactions amounting to EUR 17 thousand were completed with Grohs Hofer Rechtsanwälte GmbH & Co KG in the first half of 2018 (first half of 2017: EUR 1,216 thousand). These transactions relate to consulting services and were conducted at arm's length conditions. There are no liabilities at 30 June 2018 (31 December 2017: EUR 5 thousand) towards Grohs Hofer Rechtsanwälte GmbH & Co KG.

Transactions amounting to EUR 29 thousand were completed with B & C Industrieholding GmbH in the first half of 2018 (first half of 2017: EUR 77 thousand). These transactions relate to management and other services, and internal charging, and were conducted at arm's length conditions. There are no liabilities at 30 June 2018 (31 December 2017: EUR 35 thousand) towards B & C Industrieholding GmbH.

Transactions amounting to EUR 707 thousand were completed with B & C Holding GmbH in the first half of 2018 (first half of 2017: EUR 0 thousand). These transactions relate to the commitment fee for the hybrid capital line and were conducted at arm's length conditions. The group raised EUR 130 million in hybrid capital from B & C Holding GmbH in March 2018 (for further information, see page 35). There are liabilities amounting to EUR 88 thousand at the reporting date of 30 June 2018 (31 December 2017: EUR 146 thousand) towards B & C Holding GmbH.

Transactions with the associate Synergy Health Allershausen GmbH mean that the following assets and liabilities existed at 30 June 2018 and 31 December 2017 and/or the following income and expenses were received and incurred in the first halves of 2018 and 2017:

in EUR thousand	**1.1. - 30.6.2018**	**1.1.- 30.6.2017**
Other operating expenses	70	194
Financial income	3	3
	30.6.2018	**31.12.2017**
Other financial assets	563	563
Trade payables	13	25

The remaining business relationships with other related parties are, where applicable, insignificant and are conducted on normal business terms and conditions.

Legal disputes

Proceedings with the Austrian Federal Competition Authority

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 antitrust 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 in the first half of 2018 regarding a settlement of the yet-unanswered question of a fine in order to avoid further lengthy proceedings. In July, the Austrian antitrust court decided on the Federal Competition Authority's application and imposed a fine of EUR 1.6 million. It is expected that the decision of the Austrian antitrust court will be legally effective soon. Provisions of an appropriate amount had been made for this expected possible fine on the basis of an estimate.

Procedure for transaction taxes in Brazil

A subsidiary of the Semperit Group is currently conducting tax proceedings in Brazil on transaction taxes for the assessment years 2008 to 2010. 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 administrative instances that the decision may ultimately be positive. However, until a final decision is reached, management continues to assume that the levy will be due until further notice. At 30 June 2018 the provision for this Brazilian transaction tax amounted to EUR 3,725 thousand (31 December 2017: EUR 4,144 thousand). For the resale PIS/COFINS, a deposit was made in the 2017 financial year after unsuccessful appeals in the administrative proceedings for the further handling of the case in the courts. In management's view, any reimbursement claims represent contingent assets that cannot be recognised in the balance sheet; they remained off balance sheet at 30 June 2018. Furthermore, at 30 June 2018, expected litigation costs in connection with the tax proceedings in Brazil in the amount of EUR 1,247 thousand (31 December 2017: EUR 1,546 thousand) were accrued.

For the assessment years 2011 and 2012, management is assuming that the period of limitation has expired. Management continues to strive to take all necessary measures to successfully assert the legal position of the subsidiary.

Events after the reporting date

No events took place between the reporting date of 30 June 2018 and the release of this report for publication on 22 August 2018 that are subject to mandatory disclosure.

Vienna, 22 August 2018

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Finance

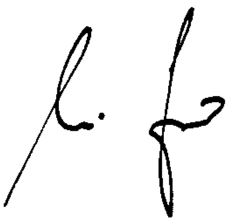
Michele Melchiorre
Operations

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated half-year financial statements at 30 June 2018 prepared in accordance with the regulations for half-year reports in the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) reflect the Group's financial position as faithfully as possible, and that the interim Group management report reflects the Group's financial position as faithfully as possible with respect to the significant events during the first six months of the financial year and their impact on the interim consolidated financial statements, with respect to the material risks and uncertainties in the remaining six months of the financial year, and with respect to the material transactions to be disclosed with related entities and individuals.

Vienna, 22 August 2018

The Management Board



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Financial Calendar 2018

23.08.2018	Half-year financial report 2018
21.11.2018	Report on the first three quarters 2018

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Ownership and publisher: Semperit Aktiengesellschaft Holding, Modecenterstrasse 22, 1031 Vienna, Austria
Produced in-house with firesys GmbH, www.firesys.de

Disclaimer

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: 22 August 2018). 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.

Furthermore, there is no guarantee that the contents are complete.

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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