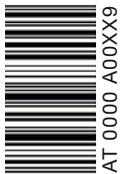
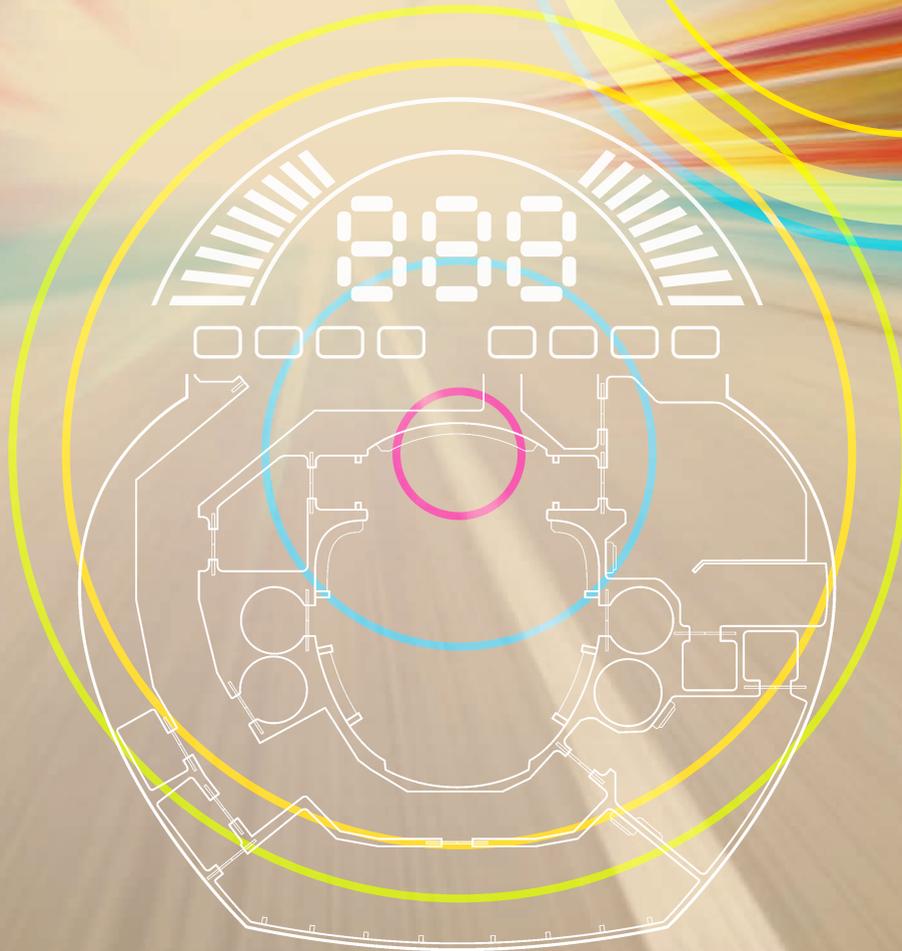
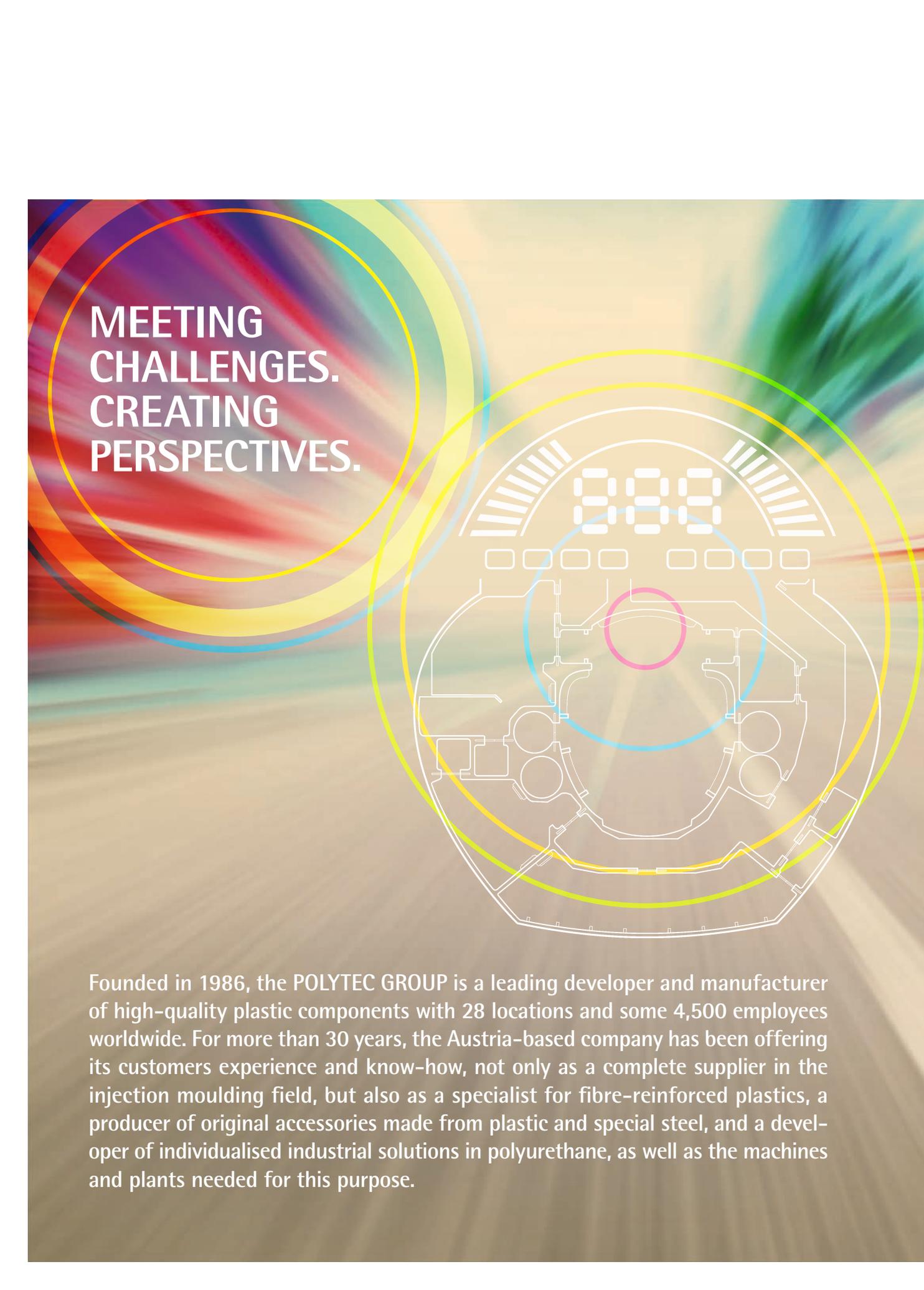


# POLYTEC

MEETING  
CHALLENGES.  
CREATING  
PERSPECTIVES.



POLYTEC GROUP



MEETING  
CHALLENGES.  
CREATING  
PERSPECTIVES.

Founded in 1986, the POLYTEC GROUP is a leading developer and manufacturer of high-quality plastic components with 28 locations and some 4,500 employees worldwide. For more than 30 years, the Austria-based company has been offering its customers experience and know-how, not only as a complete supplier in the injection moulding field, but also as a specialist for fibre-reinforced plastics, a producer of original accessories made from plastic and special steel, and a developer of individualised industrial solutions in polyurethane, as well as the machines and plants needed for this purpose.

# KEY FIGURES 2017

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

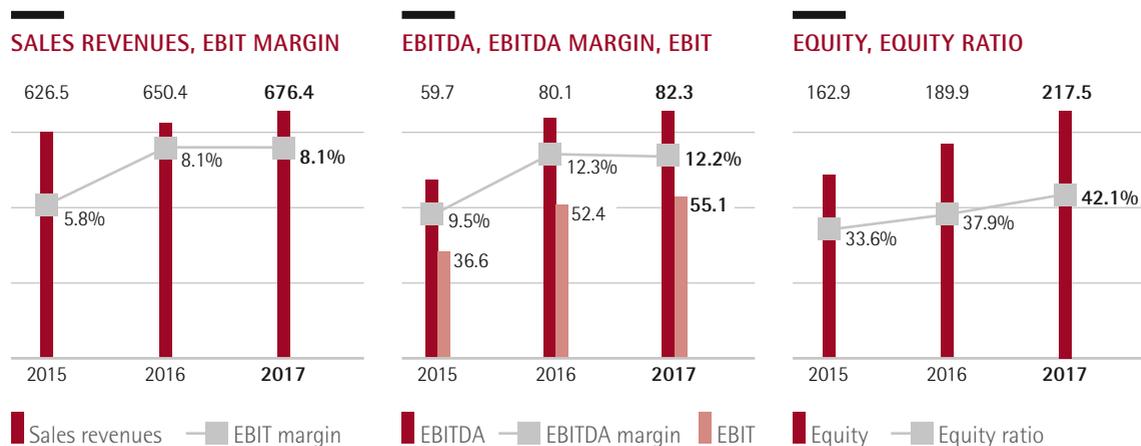
Balance sheet key figures	Unit	2017	2016	2015
Balance sheet total	EUR million	516.5	501.4	485.1
Equity ratio (equity/balance sheet total)	%	42.1	37.9	33.6
Investments in tangible assets	EUR million	36.6	33.2	134.4
Net working capital	EUR million	75.5	40.1	50.5
Net working capital/sales	%	11.2	6.2	8.1
Average capital employed	EUR million	297.5	274.8	219.1
ROCE before tax (EBIT/average capital employed)	%	18.5	19.1	16.7
Net debt (+)/assets (-)	EUR million	78.7	69.9	99.1
Net debt (+)/assets (-) to EBITDA	-	0.96	0.87	1.66
Gearing (net debt (+)/assets (-)/equity)	-	0.36	0.37	0.61

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

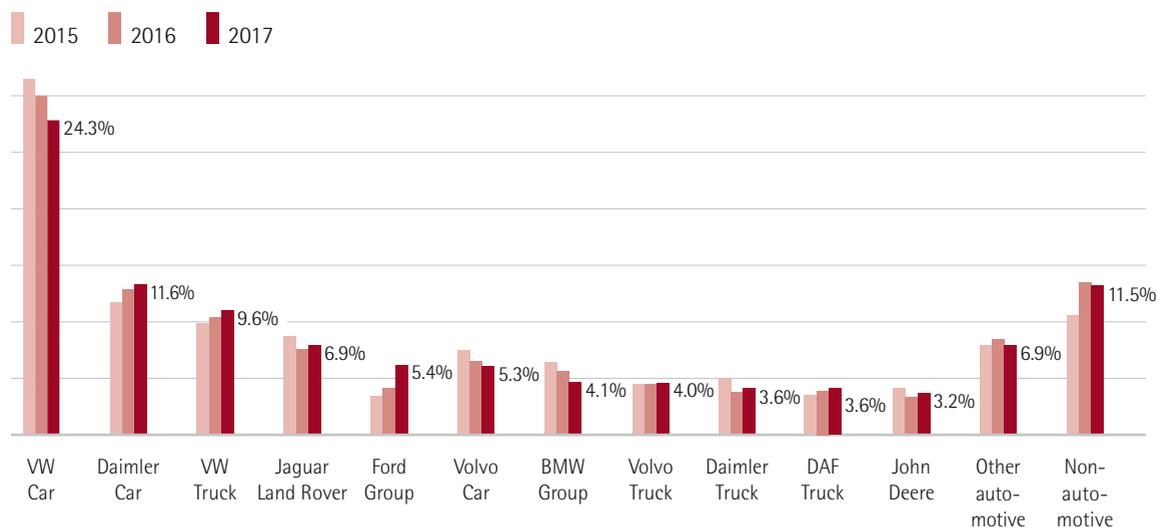
Personnel key figures (incl. leasing personnel)	Unit	2017	2016	2015
Employees on annual average	FTE <sup>1)</sup>	4,527	4,449	4,247
Employees as of 31 December	FTE	4,522	4,427	4,223
Sales per employee	EUR k	149	146	147

<sup>1)</sup> FTE: full-time equivalents

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



### GROUP SALES BY CUSTOMER



**28** LOCATIONS FOR  
RESEARCH, DEVELOPMENT  
AND PRODUCTION

SALES REVENUES **+4.0%**  
TO **EUR 676.4 million**

EBIT

**EUR 55.1 million**

BEST OPERATING RESULT  
IN POLYTEC'S HISTORY

INVESTMENTS 2015–2020:

**EUR 260 million**

POLYTEC numbers globally renowned automotive and commercial vehicle manufacturers among its customers, but is also increasingly supplying other markets outside this sector. The most important criteria in both cases consist of innovative technologies, perfect quality and absolute punctuality of delivery in combination with competitive prices.

In both the automotive and non-automotive areas, POLYTEC provides excellent value-added depth in every segment. This incorporates design and project development, as well as the production of tools and semis for fibre compound materials, component simulation and testing, and virtually all the available plastics processing technologies. In addition, POLYTEC

supplies excellent performance in the shape of downstream processes such as painting, assembly and just-in-time or just-in-sequence delivery.



POLYTEC GROUP

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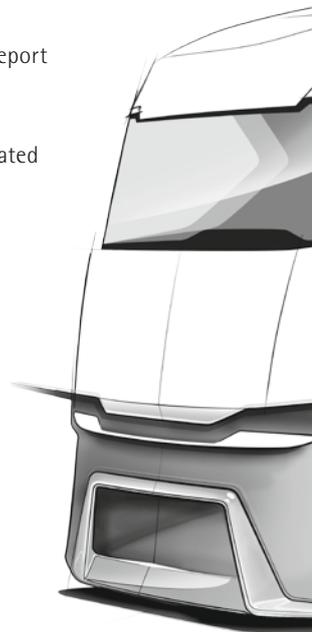
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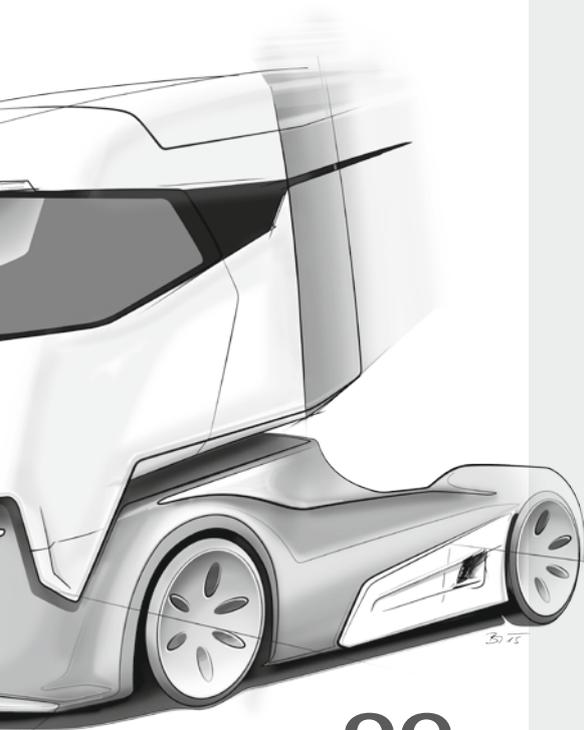
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## MEETING CHALLENGES. CREATING PERSPECTIVES.

This is not only the motto of this annual report, but also of our entire business activities. We are faced by a highly dynamic and volatile market environment, which is also characterised by disruptive technological changes. Many see this situation as a threat, however we regard it as a positive challenge that we can employ as a basis for the development of fresh perspectives. Indeed, since time immemorial we at POLYTEC have sought to exploit emerging opportunities in both an active and targeted manner.

In order to reliably secure this capability for the coming years, in the period between 2015 and 2020 we will invest over a quarter of a billion euros in our growth strategy, which is founded on lean and efficient structures, broad technical diversity, increasingly complex products and uncompromising quality. Digitisation, automation, enhanced process stability, IT land-

scape reorientation and production footprint optimisation are just some of the terms used in this connection. The realisation of these initiatives poses a major challenge for our organisation. However, following their accomplishment, we will be fit for the future and thus able to retain our status as one of the leading enterprises in our industrial field, to the benefit of our customers, our employees and our shareholders.

Yours sincerely,  
Friedrich Huemer





MEETING CHALLENGES. CREATING PERSPECTIVES.

# INVESTMENTS FOR FURTHER GROWTH

Between 2015 and 2020, the POLYTEC GROUP is to invest more than EUR 260 million in its growth strategy, which is based on lean and efficient structures, broad technological diversity, increasingly complex products and uncompromising quality.

Since its foundation, POLYTEC has had a targeted focus on growth. Initially, this was characterised by acquisitions and in only a few years the takeover of numerous firms resulted in the company developing into a significant plastics supply group with an extensive portfolio of production facilities, technologies and customers. However, owing to this diversity, and complexity, the importance of investments in organic growth has now also increased. This is because the calculated use of synergies and the strategic concentration on increasingly complex products with an ever-greater depth of production demands a range of additional facilities and equipment.

Therefore, the group is moving in three directions, as apart from renewal and replacement investments, it is pursuing a higher degree of automation and thus enhanced process stability, as well as the consolidated and targeted enlargement of its plants for the further optimisation of its production footprint. As Markus Huemer, the POLYTEC GROUP's COO, explains: "Over time, we have acquired numerous plants together with their orders and the matching machinery and equipment. However, these are not always suitable for the realisation of new contracts, which are often markedly more complex and demanding. Therefore, we must undertake an adjustment to our standards and at the same time redirect the IT landscape. Naturally enough, behind all these measures is the objective of attaining additional group growth."

As a consequence, in the period between 2015 and 2020, POLYTEC intends to invest more than EUR 260 million of which some

EUR 30 million is to be spent on buildings and infrastructure and around EUR 190 million on increased automation and new plants. A little less than half of the total budget, amounting to approximately EUR 120 million, has already been invested since 2015 and a further EUR 140 million is to follow by 2020.

#### Automation raises quality and productivity

With progressive automation, POLYTEC is not only reacting to the ever more stringent quality demands of its customers, but is also simultaneously raising its productivity and can thus remain true to its commitment to high-wage countries such as Germany and Austria. Director for Sales, Marketing and Development Alice Godderidge: "As a result, one can continue to find us in the vicinity of our premium European customers and as is the case with our various investments in renewal, we are thus able to enhance our attractiveness as an employer because we are considerably upgrading the working conditions on offer." In view of the increasingly urgent shortage of personnel,

especially in the case of specialists, this represents a not insignificant element in POLYTEC's diverse efforts to recruit and retain qualified employees.

POLYTEC is therefore investing considerably more in organic growth now than was the case in earlier years, during which average group CAPEX amounted to around EUR 30 million. The risk attached to these measures is limited because as a rule the group only invests in automation and plant enlargement when these are backed by concrete orders, and the appropriate sales revenues and results can be anticipated.

#### Expansion of the technological and application portfolio

The current investment offensive is taking place against the background of the group-wide POLYTEC Performance System lean management programme, which was launched in 2014 with the aim of boosting the group's operative performance. Under the title, ONE POLYTEC, it is targeted on the simplification and harmonisation throughout the group of processes vital to success, →

**New production hall**  
at the Telford plant



→ in order to bring POLYTEC's increasingly complex business under long-term control. Markus Huemer: "We are enlarging our portfolio of technologies and applications, and extending the depth of our value added with the result that we are deliberately moving in the direction of more sophisticated and closely integrated products. Virtually no one can offer a higher degree of technological diversity." However, these moves presuppose the existence of the appropriate skills and structures and therefore, apart from a fundamental shift in corporate culture and far-reaching organisational changes, also demand far larger investments.

#### Investments in every area

During the past three years, POLYTEC has already invested massively in the optimisation and expansion of its existing locations, especially with regard to the injection moulding plant in Ebensee and the works in Chodová Planá, which specialises in composites. In addition, an injection moulding factory was founded in China, as well as a COMPOSITES plant

in Aksaray, Turkey, and a tooling plant in Thannhausen, Bavaria, now POLYTEC TOOLING, was purchased and enlarged.

POLYTEC is heading into the future with equally dynamic investments. At present, fundamental renovations and enlargements are in progress at the Wolmirstedt injection moulding plant and the PU production facility in Hörsching, while since May 2017 a new POLYTEC CAR STYLING painting plant has been undergoing construction in Telford, UK. At the same time, the German locations in Cornberg and Weiden will be closed in the course of location concentration. Because to implement its growth strategy in a genuinely effective manner the POLYTEC GROUP must focus its investments, which implies location concentrations. On the one hand, this is due to overheads, which render small locations uneconomic and on the other, because qualified specialists are required for locations with a higher degree of automation in order to achieve the efficient use of limited resources. Conversely, the group is strengthening its other plants decisively and is preparing them in opti-

imum fashion for the planned expansion. Not least, this represents an important contribution to securing the employment of over 2,200 employees in Germany.

#### Focal point projects in Austria...

In 2015 and 2016, the plant in **Ebensee** was completely re-equipped for a major contract for IFCO involving the production of 50 million transport boxes. Nonetheless, POLYTEC also recently installed new injection moulding machines at the plant for car and commercial vehicle exterior parts, and is also investing in its infrastructure with a new crane runway for over-dimensional tools. Alice Godderidge: "We have thus also strengthened the automotive segment in Ebensee and now not only cover power train products, but also orders for car and truck exterior components. This fits perfectly into our cross business unit strategy."

#### ... the Czech Republic ...

Following spending in 2016, POLYTEC again invested heavily in the **Chodová Planá** plant during the past year. Apart from purchasing and enlarging the premises, 2016 saw the installation of a 3,000 t plastics press including a fully automated SMC production line, as well as three additional presses. CFO Peter Haidenek: "As planned, we have continued the measures begun in 2016 and have met with success because in 2017 new projects commenced in Chodová Planá. Incidentally, increasing

**In many respects**, the Ebensee plant is well suited to the testing of new digital technologies.





"WE ARE ENLARGING OUR PORTFOLIO OF TECHNOLOGIES AND APPLICATIONS, AND EXTENDING THE DEPTH OF OUR VALUE ADDED WITH THE RESULT THAT WE ARE DELIBERATELY MOVING IN THE DIRECTION OF MORE SOPHISTICATED AND CLOSELY INTEGRATED PRODUCTS."

MARKUS HUEMER, COO

automation is also important here, not only for reasons of process stability, but also because even at this best-cost location, wages and salaries are rising very rapidly and skilled labour at all levels is difficult to obtain."

#### ... China ...

The POLYTEC GROUP's injection moulding works in **Tianjin**, China, is progressing as planned. Markus Huemer: "The pace is somewhat slower than I would have wished but we have nonetheless obtained a new contract from another key customer and thus increased our business volume. It must also be said that following our customers within the scope of their requirements was one of the prime objectives for this location."

#### ... Germany ...

POLYTEC is currently completing major extension measures in **Wolmirstedt**. These were triggered by the urgent need to solve the question of a suitable replacement for a temporary warehouse. Markus Huemer: "Instead of opting for another provisional solution, or a simple storage building, we decided to immediately go for a flexible production hall. For although at present we only require storage space, this move will provide us with greater flexibility for our dynamic business environment." In fact, Wolmirstedt is a location with a solid infrastructure, a high level of automation and good results, and with the new facility POLYTEC has created capacity for additional orders. At the same time, Wolmirstedt provides evidence of carefully conceived planning, for as the group's first

greenfield location the plant was designed using a type of mirror image concept. Now a further expansion step is being realised and in addition POLYTEC is making large-scale investments in new machinery. Following the installation of an air intake system production line in 2014, a further line is now being added, which will allow the reliable manufacture of larger product volumes, especially with regard to modular elements.

Furthermore, POLYTEC is also presently investing in southern Germany and during 2018, the POLYTEC TOOLING location in **Thannhausen** is to receive a new two-component injection moulding machine, which is additionally equipped for injection compression moulding and physical foaming (MuCell). Moreover, the plant also →



**Soft engine covers** are manufactured at the Hörsching location using a fully automated system, which provides short cycle times and great component flexibility.

- possesses a six-axis robot for the removal of the injection moulded parts, which can also be used for their fitting with inserts.

In a parallel move, the newly created Tech-Center South will become operative in Thannhausen during 2018. Alice Godderidge: "We are thus enlarging the location with a new technical centre, while simultaneously undertaking its modernisation. Thannhausen will thus progress from being purely a tooling plant to become a fully fledged

development and sales location in the geographical proximity of our clients in southern Germany."

As a result of the concentration of competences in the tooling area, POLYTEC anticipates notable synergy effects, improved tool quality and logistical advantages. In future, injection mould dies will be tested and optimised on the spot, which will ease the burdens on other locations by freeing up the capacity used to date for mould testing. (More on page 29)

#### — ... Austria again ...

At present, POLYTEC is investing in both buildings and machinery in the PU produc-

tion area at its plant in **Hörsching**, Upper Austria. In this case, the group has once again decided to invest in a marked improvement in the working environment and enhanced plant flexibility rather than straightforward renovation. Markus Huemer: "Apart from the fact that the hall dating from the 1980s was in need of an overhaul, we are also installing a fully automatic line for a major new order in the soft engine cover area. Our technological competence will thus form the hub of a very exciting investment project, which entails a vast quantity of logistical challenges, as we are carrying out the renovation work during production without shutting down for a single day." The hall is to be markedly upgraded through the raising of its

roof, the addition of larger lighting surfaces, fresh flooring and increased energy efficiency. At the same time, the new production line is to be installed. With these measures POLYTEC is rendering the entire location fit for the future, both from a technical perspective because the new plant demonstrates top values with regard to cycle times and component flexibility, and with regard to the quality of the working environment.

#### ... the UK ...

As already mentioned, another major project is currently in progress in the town of **Telford** in the English Midlands. A new paint shop is undergoing construction, which represents a reaction on the part of POLYTEC to the good use of capacity at its CAR STYLING location in Bromyard. The foundation stone was laid in May 2017 and as scheduled the shop commenced pilot operation in March 2018. Once full-capacity working has been achieved, up to 3,000 parts with a Class A top coat will leave the shop daily and in Telford, too, a fully automated system will provide production reliability and a considerable increase in productivity. The geographical proximity to Jaguar Land Rover, POLYTEC CAR STYLING's main customer in the UK, facilitates just-in-sequence delivery. However, as Markus Huemer points out: "We not only wish to serve existing customers from Telford, but also further consolidate our solid position in the UK market. The planned Brexit will change nothing in this regard, as we estimate that at the very least development in the British automotive industry will remain stable."

#### ... and the entire POLYTEC GROUP

Parallel to these individual undertakings, POLYTEC is also investing in projects that cut right across the entire group. The focus in this regard is on an increase in digital efficiency through enhanced information quality, the availability of data in real time and the automation of standard sequences and tasks (more details starting on page 24). Within the scope of a comprehensive digitisation offensive, group IT is currently undergoing a fundamental redesign. Furthermore, since 2016 the historical structure of the POLYTEC GROUP, which evolved mainly from local and functionally limited units, has been entirely remodelled.

In the coming three years, the group is to spend roughly EUR 20 million alone on hard- and software and external services. In addition, far-reaching changes are to be made regarding its structural and sequential organisation, and in the autumn of 2017, the first implementation projects in segments of this major project were already set in motion. These extend from product lifecycle management and resource planning, production and quality

management, to administrative processes and cyber security. Markus Huemer: "Our objective is to launch all the production-oriented programmes contained in our 'guidebook' during 2018."

Accordingly, dynamism is at a high level in every area, which serves to generate inquisitiveness regarding the further development of the POLYTEC GROUP. Peter Haidenek: "As previously mentioned, additional group investments are highly dependent upon order developments. When we are able to convert our development work into contracts, then the corresponding investments in plants and equipment follow. Thanks to the investments during recent and coming years, the outlook in this regard is extremely good." ■

**In March 2018**, pilot operations commenced at the new paint shop in Telford. POLYTEC has thus reacted to the good use of capacity at its Bromyard location.



"... AUTOMATION AND  
DIGITISATION ARE CENTRAL  
ELEMENTS IN OUR CURRENT  
INVESTMENTS ..."



## AN INTERVIEW WITH THE MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS, FRIEDRICH HUEMER, MARKUS HUEMER, ALICE GODDERIDGE AND PETER HAIDENEK REGARDING GROWTH, INVESTMENTS, DIGITAL EFFICIENCY, HUMAN CAPITAL AND STOCK MARKET SUCCESS.

**Mr. Huemer, by way of an introduction may I ask you for a brief review of POLYTEC's performance, which in 2017 was once again impressive. How do you evaluate the general situation?**

**Friedrich Huemer:** I am satisfied with our overall development and the figures in particular. This is all the more the case, as at some locations we were confronted by quite imposing challenges. For example, we have enlarged our plant in the Czech Republic and have started production with new orders, which is always something that involves initial difficulties. In addition, the construction of a new paint shop in the UK has also naturally had an impact on existing production, while in China output continues to be below our expectations. Furthermore, at our paint shop in Rastatt, which is designed for truck parts, we are currently painting more car components and this is less than ideal. Nonetheless, as I said at the beginning, I am very happy with development as a whole and by implication the problems that I mentioned also offer potential for improvement.

**What were the driving forces behind this generally highly positive development?**

**Friedrich Huemer:** Of decisive importance was the largely favourable economic situation, which traditionally has an impact upon our branch of industry. In 2017, the

commercial vehicle segment, comprised of trucks and agricultural machinery, developed in a particularly positive manner and delivered a 12 per cent rise in sales revenues. In this area, we were also able to capture an increased number of new projects and thus exceeded our budget targets. Moreover, we once again succeeded in gaining two per cent with regard to car segment sales. At the start of my remarks I spoke of a few plants where we faced difficulties, but I should add that the majority of our locations developed in excellent fashion and above all successfully mastered higher output quantities.

**Markus Huemer:** In particular, this was the case where we have already achieved the integration of our POLYTEC Performance System (PPS) lean management programme, which has been under way across the group since 2014. In this respect, during the past year we made major progress at a number of plants and thereby attained valuable increases in both efficiency and productivity.

**Did the VW exhaust gas affair, the effect of which you barely felt in 2016, have any subsequent effects upon your business?**

**Alice Godderidge:** A slight fall in the number of call-ups has been tangible since the end of 2017, but until recently these were insignificant. However, following the latest verdict of the Federal Administrative

Court in Germany regarding driving bans on older diesel models, there has been a noticeable decline in the call-ups for diesel vehicle products and in the coming months we will see how the general trend for diesel vehicles evolves. Clearly a fundamental move away from diesel would affect us in the short term because at present, at least as far as the engine compartment is concerned, this area represents a higher share of our production than petrol-driven vehicles. Nonetheless, we are also well represented in the latter area and if necessary can strengthen this presence still further. In any case we have the appropriate technologies, which is something that also applies to e-vehicles.

**Peter Haidenek:** Apart from these facts, roughly 85 per cent of group revenues are independent of the diesel vehicle market, as engine compartment components for the latter only constitute roughly 15 per cent of our sales. The other products and sales revenue segments such as power train, exterior and structural components, tools and non-automotive products will either remain unaffected, or even benefit from a reduction in sales for diesel vehicles. Therefore, the threat potential is limited and from a current perspective at most relates to a temporary easing of the group's overall growth rates.

**What is your assessment of the mood in the automotive industry as far as the future is concerned?** →

→ **Markus Huemer:** As already mentioned, owing to the general economic situation, the mood at present is most upbeat. Apart from this, feelings of uncertainty only predominate with regard to which drive technology will win the day in the medium and long term. In general, current forecasts point to further growth in the combustion engine market, which also includes hybrids, until around 2030. Nevertheless, the aforesaid insecurity has resulted in tangible reticence within the automotive industry as far as vehicle launches and new developments are concerned. Therefore, it is vital that our production and product mix remain flexible and in addition we must monitor the market and our customers very closely and cultivate the latter intensively.

#### Where do you see interesting potential for POLYTEC?

For example in the previously mentioned e-mobility area?

**Alice Godderidge:** E-mobility undoubtedly constitutes an opportunity for us because the topic of lightweight design, which is of massive importance in this area, represents our daily bread and whatever the drive concept, material substitution is a constant winner. Moreover, as I have already said, we have all the necessary technologies in-house.

At the same time, we are making every effort to expand our non-automotive business, having started at a time when e-mobility was still regarded more as a threat to the automotive industry and its suppliers. A number of exciting contracts already confirmed the probity of this strategy in the past and the underlying idea is to exploit our know-how from the automotive sector for complex non-automotive projects. So-called white products, which consist of parts and

systems for household appliances, provide an interesting example in this connection, particularly where products make stringent development, engineering, surface quality and logistical demands. As a systems supplier, POLYTEC is able to offer attractive new solutions in this field and can also score through material substitution.

As one can gather from the cover story of this report, you are currently investing huge sums in the expansion and automation of your plants. What is the strategy behind this offensive?

**Markus Huemer:** All in all, this logically relates to further growth, which should be secured by means of the corresponding capacity, as well as the modification of our infrastructure to our increasingly demanding performance portfolio. New and more complex contracts require a greater level of automation and a partial modernisation of our equipment park, while at the same time we are both building new plants and enlarging and updating our existing locations. Another key element in our current investments is the topic of digitisation. This is because we do not merely wish to raise our capacities, but first and foremost are looking to enhance process reliability and efficiency, while reducing our dependence upon individual factors. For example, it is becoming steadily more difficult to recruit qualified employees and therefore digitisation helps us to shorten training periods and overcome language barriers through the provision of information and visual worker guidance. At the same time, digitisation will enable us to optimise our cost basis and the resultant fixed cost structure will represent an ever-smaller obstacle. Digitisation keeps overheads in check, which is important espe-

cially in high-wage countries such as Germany, where there is a growing tendency for allegedly variable personnel expenses to evolve into fixed costs. Accordingly, we are counteracting this development by means of automation that we are designing to be as flexible as possible.

At the moment organic growth would seem to be the main item on the agenda. What is the outlook with regard to new acquisitions, as originally POLYTEC grew primarily through takeovers?

**Markus Huemer:** We intend to continue to expand via acquisitions and are constantly monitoring possible candidates. We have already completed a number of purchases in recent years, but do not subject ourselves to any pressure in this respect and above all have no desire to pay exaggerated prices in order to merely be able to point to an acquisition story. Unfortunately, prices have recently surged because Asian competitors have entered the domestic markets of Western automotive manufacturers. In addition, the circle of suitable takeovers has shrunk due to our strategic focus. Nonetheless, we continue to be very interested in companies, which for example possess automation competence or technologies that complement our existing capabilities. Of equal interest is market consolidation through purchases amongst our direct competition.

**Friedrich Huemer:** There is also an economic aspect to be considered, as in the past we were highly successful with takeovers of turnaround candidates, but these mainly took place in periods of economic weakness. In view of the favourable situation at present, such companies are less numerous and firms performing well are generally too expensive.

“WE DO NOT MERELY WISH TO RAISE OUR CAPACITIES, BUT FIRST AND FOREMOST ARE LOOKING TO ENHANCE PROCESS RELIABILITY AND EFFICIENCY, WHILE REDUCING OUR DEPENDENCE UPON INDIVIDUAL FACTORS.”

MARKUS HUEMER, COO



**A supplementary question: is geographic expansion foreseen? Do you have an eye on new markets, perhaps within the framework of partnerships?**

**Markus Huemer:** We are constantly looking to enlarge our global footprint and our guiding principle involves following our customers should they so request. We have abided by this philosophy in China and at the moment something similar looks likely in South Africa. The background is provided by a global order that we serve largely from Europe. However, the customer would also like us to manufacture locally in South Africa and at present we are looking to see how we can best respond to this enquiry. As elsewhere, we have four variations to choose from: the building of our own plant, cooperation on a purely technological level with

a partner, but without financial involvement, the taking of a shareholding in a technology partner, or the acquisition of an existing producer.

In China, two parallel strategies have proven effective with the building of our own factory for injection moulding on the one hand and on the other, the development of a technological partnership for fibre composite products. In addition, we have also succeeded in capturing new orders and expanding our customer structure. Nonetheless, we do not see a necessity for opening up new markets per se. Our top priority is to consolidate our market position in Europe and we are pursuing whatever serves this purpose.

**Has anything changed in your overall strategy, or do you**

**see the need for adjustments in the near future?**

**Markus Huemer:** We do not envisage a need for substantial adaptation. Our three-cornerstone strategy has demonstrated its value and remains our guideline. However, in 2017 we defined current focal points more precisely and integrated them into this strategy. Digitisation and digital efficiency are now addressed directly as a separate thematic area, personnel and organisational development have an even stronger presence and in the technology area, even without a concrete customer order, we have put proactive pre-development on a still firmer footing. In line with these moves, at the end of 2017, we acquired the team from POLYTEC ENGINEERING SERVICES in Neckarsulm, Germany, from a development supplier and thus strengthened our engineering capability. →

→ You just mentioned the strategic topic of digital efficiency and POLYTEC launched a digitisation offensive in 2016. What happened in this regard during 2017?

**Markus Huemer:** I am pleased to be able to say, a very great deal. Following the start signal in 2016, during 2017 we worked intensively on the concept and both the system and partner selection. The concept is now in place and most of the decisions regarding systems and partners have been taken. All the main elements and streams, which range from ERP and production control, holistic fully networked operational and process data

logging and computer-aided quality management, to administrative processes, business intelligence and cyber security have entered the implementation phase and in 2018, the works in Ebensee, which in this area is serving as a pilot plant, should provide the blueprint for the entire group prior to the full rollout of all systems.

**And where do you stand with respect to increased efficiency and overhead reduction, which have also long been an important issue for POLYTEC? You already made reference to the POLYTEC Performance System ...**

**Markus Huemer:** During 2017, we made equally major progress in connection with the implementation of PPS. The main objective of this programme, which is the optimisation of all processes, represents an important prerequisite for successful digitisation. After four intensive years characterised by a fundamental change in corporate culture, the targeted development of methodological competence and the creation of greater personal responsibility on an operative level, during 2017 for the first time PPS showed broadly based, positive effects. These materialised in precisely those plants where the programme has already been fully implemented and I regard this as being important evidence of success. Especially as the problems that my

**"2017 WAS ONE OF OUR BEST YEARS YET WITH REGARD TO THE WINNING OF NEW CONTRACTS."**

ALICE GODDERIDGE, CSO



father referred to at the beginning occurred at exactly those plants where to date PPS has not been introduced in its entirety. It is there that we will now get moving.

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**Technological diversity and engineering competence traditionally play a central role in POLYTEC's (new) business. What happened in this field during 2017?**

**Alice Godderidge:** The trend towards systems competence is gaining in strength. On the one hand, customers are outsourcing a growing number of performance areas and on the other, the competition is pushing us in this direction, as we can only enjoy lasting success with complex products. We have responded to this situation through an increased emphasis upon pre-development and know-how transfers both within the automotive area and from it in the direction of non-automotive. As already discussed, the creation of POLYTEC ENGINEERING SERVICES in Neckarsulm serves this objective because there a team of specialist engineers operating outside the sphere of daily operations is already considering the issues of tomorrow. POLYTEC will thus become a preferred partner when innovative solutions are being sought for demanding assignments. A similar scenario applies in the case of the TechCenter South in Thannhausen, where we have combined development, sales and project management at a single location in order to furnish our customers in the Munich-Stuttgart area with competent, comprehensive support. Owing to the fact that the new technical centre can also offer the possibility of injection moulding, customers can convince themselves of our capabilities at first hand.

As well as consolidating and combining our technical competence, in the sales area we

have sharpened our focus with regard to major customers and in this connection are also using synergies within the group in targeted fashion. While in the past the business units largely acted independently in the customer support field, today we are concentrating on inter-group key account management. Clearly defined teams with overall competence now serve our clients and these are therefore naturally closer to the customer and provide far better service up to the pre-development phase.

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**Are you happy with the order intake situation?**

**Alice Godderidge:** Absolutely, 2017 was one of our best years yet with regard to the winning of new contracts. One should also not overlook the fact that the frequency of order allocations per segment has slowed. This development is due to longer production cycles and applies precisely to commercial vehicles and platforms, which are the parts employed in differing models. Furthermore, 2017 saw the catch-up effects related to the weaker previous year and maintaining this high level in 2018 will certainly be a challenge. Therefore, we are naturally extremely active in the market and have also managed to obtain some highly promising contacts in the non-automotive sector.

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**Know-how and professionalism are always dependent upon people. Is it difficult to find and keep qualified personnel? And what measures have you implemented in this connection?**

**Markus Huemer:** Obtaining the right employees in sufficient numbers really is a major challenge at present for both us and the whole of industry. Consequently,

we are making every effort to position ourselves as an attractive employer and in 2017 we made significant progress in the employer branding and recruiting areas. Owing to the expansion of our activities on social media such as XING, LinkedIn and YouTube, we now have a stronger presence in the labour market and have received positive feedback as a result. In addition, we are cooperating with various educational bodies, are represented at career fairs and regularly open the doors of our plants to interested visitors. A large number of interns are also employed in our group. In recent years, we have achieved a great deal in the managerial competence area with our Leadership Academy and therefore in 2018 the focus will be on structured, internal employee advancement where there is undoubtedly room for improvement.

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**Let us switch from human capital to the capital market. During 2017, the price of your share rose by almost 80 per cent and POLYTEC clearly outstripped the market as a whole. How do you assess this strong performance?**

**Peter Haidenek:** We were naturally delighted because it served as confirmation of our efforts in two respects. Firstly, the market honoured the significant increase in our profits and earnings power that we have achieved in the past three years. And secondly, we have thus succeeded in markedly raising our credibility within the capital market. Today, we are no longer seen as a commodity supplier, but instead as an innovative high-tech enterprise, which is what we are in reality. Another pleasing affirmation is provided by our acceptance into Morgan Stanley's MSCI World Small Cap Index, which is the world's most significant index for smaller →



“WE POSSESS SUFFICIENT LIQUIDITY RESERVES AND IN SPITE OF OUR SIZEABLE INVESTMENTS ARE LOOKING FOR A SLIGHTLY POSITIVE CASH FLOW IN 2018.”

PETER HAIDENEK, CFO

→ shares. This not only brings us additional attention and visibility, but access to future representation in other index funds.

**With total shareholder return of 82 per cent for the past year, the POLYTEC shareholders must be highly satisfied...**

**Peter Haidenek:** Indeed, and various investors have told us so explicitly. In fact, the figures are worthy of note because owing to the price gain and the dividend for 2016, in absolute terms investors earned EUR 8.52 on each of their POLYTEC shares during 2017, as opposed to EUR 3.03 in the preceding year. Market capitalisation rose by around 78 per cent to EUR 413.1 million and incidentally our price-profit ratio is still only in the single-digit range,

which permits the assumption that we are not overvalued.

**What will the dividend be for 2017?**

**Peter Haidenek:** We will remain true to our dividend strategy, which envisages a payout ratio of 20 to 30 per cent and will propose a dividend of 45 cents per share to the AGM. In view of our exceptionally large, ongoing investments, this represents a modest rise of 12.5 per cent over 2016. The payout ratio will thus amount to 25.9 per cent after 24.2 per cent last year and the dividend return will amount to 2.7 per cent.

**In view of the current investment programme, what is the situation**

**with regard to your liquidity and capacity for possible acquisitions? Do you see a need for action in connection with corporate financing?**

**Peter Haidenek:** We possess sufficient liquidity reserves and in spite of our sizeable investments are looking for a slightly positive cash flow in 2018. Therefore, no significant external financing is planned for this year.

**In closing, how will 2018 progress?**

**Markus Huemer:** We would not be investing as much as we are at present if we did not believe in the POLYTEC GROUP's lasting success. Among other decisive factors is the speed with which we can

adapt to changed conditions. We need freedom of movement and agility in order to master challenges and realise potential. Therefore, these are exactly the targets of our investments.

**Friedrich Huemer:** Our business activities are based on a broad and solid economic foundation, which makes me optimistic about the future. As far as 2018 is concerned, we assume that if

the economy remains stable, we will again achieve the excellent level of last year, which in view of the diesel debate is an ambitious goal. ■

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“OUR BUSINESS ACTIVITIES ARE  
BASED ON A BROAD AND SOLID  
ECONOMIC FOUNDATION,  
WHICH MAKES ME OPTIMISTIC  
ABOUT THE FUTURE.”

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FRIEDRICH HUEMER, CEO



INNOVATION GUARANTEED

# PRODUCT PORTFOLIO

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

Cylinder head cover



Intake manifold



## TECHNOLOGIES

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



## EXTERIOR & INTERIOR SOLUTIONS

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

Bumper



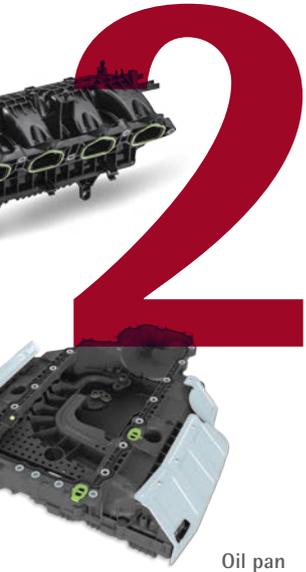
Trunk lid



- Air inlet covers
- Arm rests
- Bumpers
- Bumper parts
- Cabin corners
- Cargo step protection
- Cargo trays
- Dog and transport guards
- Entrance sills
- Fender extensions
- Front grilles
- Full bumper systems
- Logo faceplates
- Mud flaps
- Rear diffusers
- Roof and rear spoilers
- Running boards
- Side panels
- Side sills
- Tailgate trims
- Tonneau covers
- Trunk lids
- Underride protections
- Water box covers

Battery box cover





Oil pan

## 2 POWERTRAIN SOLUTIONS

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

- Air filtration systems
- Cable pass-throughs
- Chain adjustment systems
- Charge air ducts
- Crankcase ventilations
- Cylinder head covers
- Electronic boxes
- Engine covers
- Expansion pressure systems
- Intake manifolds
- Leads
- Oil pans
- Oil separation
- SCR tank systems
- Timing belt protection
- Transmission oil pans
- Venting systems
- Water management



Underbody cover

Soft engine cover

## 4 INTEGRATED ACOUSTIC SOLUTIONS

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

- Bulkheads
- Engine sound absorbers, cylinder head covers and ancillary devices
- Soft engine covers
- Underbody covers



Cabin floor

## 3 STRUCTURAL & FUNCTIONAL SOLUTIONS

Intelligent glass and carbon fibre reinforced composites for highstrength structural parts and maximum functional integration.

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



Drive shaft guard



Switch panel for washer

## 5 NON-AUTOMOTIVE

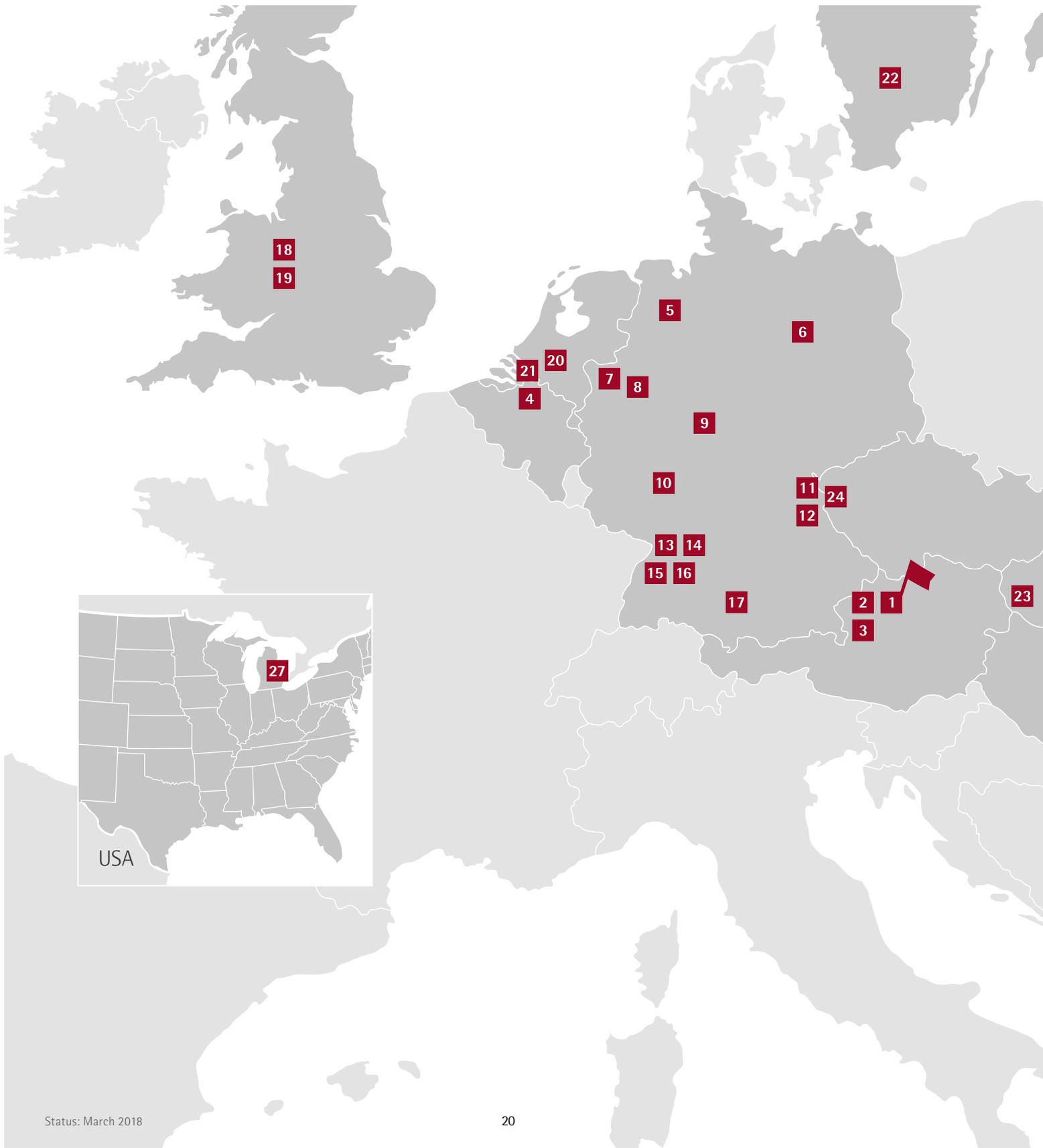
Extensive synergy effects, comprehensive know-how, great technological diversity and effective manufacturing and logistics systems ensure non-automotive solutions that offer optimum performance.

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



Mixing and dosing system







# LOCATIONS

PRESENT ON THREE CONTINENTS

- 1 Hörsching, Austria
- 2 Marchtrenk, Austria
- 3 Ebensee, Austria
- 4 Schoten, Belgium
- 5 Lohne, Germany
- 6 Wolmirstedt, Germany
- 7 Voerde, Germany
- 8 Bochum, Germany
- 9 Cornberg, Germany
- 10 Idstein, Germany
- 11 Altenstadt, Germany
- 12 Weiden, Germany
- 13 Kraichtal-Gochsheim, Germany
- 14 Kraichtal-Gochsheim, Germany
- 15 Rastatt, Germany
- 16 Neckarsulm, Germany
- 17 Thannhausen, Germany
- 18 Telford, UK
- 19 Bromyard, UK
- 20 Roosendaal, Netherlands
- 21 Putte, Netherlands
- 22 Ljungby, Sweden
- 23 Sládkovičovo, Slovakia
- 24 Chodová Planá, Czech Republic
- 25 Komló, Hungary
- 26 Aksaray, Turkey
- 27 Detroit, USA
- 28 Tianjin, China



25

26

## POLYTEC GROUP STRATEGY

# NETWORK. PIONEER. DEVELOP.

For over thirty years, the POLYTEC name has been a synonym for the top quality development and production of plastic parts and component systems that are both light and resilient. Today, the company enjoys a strong position as both a trustworthy partner to industry and an attractive option for investors from around the world. This is because the name POLYTEC is a synonym for innovation, reliability and continuity.

Not least, this reputation is due to three strategic cornerstones on which the POLYTEC GROUP continues to systematically build and that for many years have supported its growth course. These foundations are comprised by the strengthening of the market position in Europe, the development of new technologies and applications, and the creation of additional production capacity in growth regions. In addition, other important elements in the POLYTEC success story are provided by flat hierarchies and thus short decision-making processes, motivated employees, innovativeness, efficiency and extensive production engineering and logistical know-how.



## Strengthening of the market position in Europe

In its core European market, POLYTEC relies on close cooperation with its existing major customers and the selective obtainment of new clients. Uncompromising quality

and punctuality of delivery in combination with solid capitalisation provide the basis for stable, long-term customer relationships. At the same time, the group constantly makes every effort to secure and further consolidate its competitiveness through efficiency measures. One important example in this regard is provided by a current, comprehensive digitisation offensive. This is intended to not only markedly raise POLYTEC's level of efficiency, but above all enable the group to network and bundle the enormous technological, material and product diversity at its 28 locations worldwide and offer this capability to its customers on a universal basis.

Another factor in systematic anchorage within the domestic market is formed by targeted personnel development, which is focused on the enhancement of leadership competence and the personal responsibility of employees, as well as the careful selection of personnel for managerial positions. In a parallel initiative, POLYTEC makes continual efforts to both establish

and justify a reputation as an attractive employer, and thus secure the necessary key employees for its demanding business.

In addition to its diverse concepts for further organic growth, POLYTEC is also constantly on the alert with regard to potential acquisition possibilities. However, as a rule strategic fit takes priority over rapid growth.



### Development of new technologies and applications

As a full line supplier, POLYTEC offers its customers high quality, tailor-made parts and component systems. Apart from the substitution of metal by far lighter plastics, one related development focus is on the integration of complex functions into a part or component. Consequently, the group's extensive technological know-how base, which extends across numerous areas, repeatedly results in new material and prod-

uct innovations, especially in the lightweight construction area. In the automotive sector, lightweight parts from POLYTEC reduce vehicle weights and thus pollutant emissions with a subsequent improvement in the environmental balance. Lightweight construction also plays a special role with respect to the drive concepts of the future, as exemplified by hybrid and e-vehicles. In turn, POLYTEC strengthens its non-automotive business activities via technology transfers from the automotive sector.

POLYTEC regards itself as an integral development and production partner for its customers and as such it provides every service from pre-development to serial production and delivery. This ability is based on the intensive cooperation between its individual business units and locations, which has recently been boosted considerably by means of the digitisation offensive. Moreover, POLYTEC not only utilises the resultant technology transfer possibilities for concrete orders, but also proactively development work and is there-

fore already working on solutions for the product demands of tomorrow. It is thus extending its value-added chain and securing know-how of critical importance for success.



### Creation of additional production capacity in growth regions

Over the years, as opposed to Europe, the automotive industry in the global growth regions has seen massive and dynamic expansion. In order to be able to serve these markets with manageable risk, POLYTEC is stepping up its efforts with regard to teamwork with selected partners. At the same time, it is also relying upon the creation of its own local production centres and is thus following chosen clients into strategically interesting markets. This provides group customers with sizeable logistical advantages in tandem with valuable development synergies that also benefit the POLYTEC GROUP. ■

## DIGITISATION

# INTO THE DIGITAL FUTURE WITH SMART SOLUTIONS

The POLYTEC GROUP is in the midst of a comprehensive digitisation offensive. It is thus facing the challenges of digital change by means of the targeted use of future-oriented information technologies. Moreover, it is flexibly controlling the extreme complexity of a group with 28 locations on three continents and a vast portfolio of technologies and products.

One of the great strengths of the POLYTEC GROUP emanates from the fact that it systematically and continually improves its processes and procedures, and thus repeatedly raises its own efficiency levels. In this regard, during recent years the availability of data and information has gained in significance and especially in the digital age, it is essential that the right information is available to the right recipient at the right moment.

#### More transparent, faster and leaner

These are reasons enough for POLYTEC's launch of a broad-based digitisation offensive in the course of which the group's IT landscape is currently undergoing profound change. The aim is that in future, all required information and data should be available throughout the group in real time and that standard procedures and tasks should be further automated. The group will thus not only encourage work based on personal responsibility amongst its employees, but also increase their speed of reaction and the quality of decision-making processes. In addition, the automation of standard procedures will allow the workforce to concentrate to a far greater extent on its actual managerial and control tasks, as transfer activities will be reduced. Initially, digitisation should render procedures more transparent, faster and leaner, because information content and availability support speedy and precise decisions and thus save both time and costs. →

**En route to digital efficiency,** POLYTEC is pursuing three objectives within the scope of the digitisation offensive launched in 2016.



### 1. ENHANCED INFORMATION QUALITY

Information is to be provided efficiently and in a more user- and assignment-oriented form.



### 2. HIGHER SPEED

Information of relevance is to be made available in real time or at the press of a button, in order to increase the speed of reaction in the case of deviations. This facilitates the rapid recognition of the need for action and a prompt and correct response without the need for a lengthy analytical phase.



### 3. PROGRESSIVE AUTOMATION

Standard tasks are also to be largely automated even outside the value-added process.

### → The concept is far advanced

To this end, in 2016, the POLYTEC GROUP adopted a digitisation roadmap, which is intended to create digital efficiency through the very latest software and technology solutions. In readiness for its implementation, during 2017 intensive conceptual and preparation work then followed, which began with a critical analysis of the efficiency of structures and procedures within the group, and their simplification and harmonisation. Interdisciplinary teams of experts then drew up concrete requirement profiles for the software solutions and defined interfaces and overlaps. Subsequently, POLYTEC presented the results of these activities to various IT systems suppliers in order that they could prepare concepts after which, in a further step, the best solution for every task was selected. One major decision-making criterion was that the hard- and software solutions chosen should be capable of intelligent networking and thus simplify the internal exchange of data and information.

### Start of implementation in autumn 2017

While in some parts of the group conceptual activities were continued, which to a certain extent will also extend into 2018, in the autumn of 2017 POLYTEC already initiated massive investments in soft- and hardware, as well as optimisation along the entire process chain. Roughly 2,000 user

devices are to be updated by the close of the current year alone and before the end of 2020, some EUR 20 million are to be spent on hard- and software, as well as external IT services. As a consequence, the digitisation project, which is of such future importance, is progressing towards full realisation at pace.

### Pilot plant Ebensee

In order to subject the new systems to rigorous testing during genuine operation, POLYTEC decided to turn its works in Ebensee, Upper Austria into the group's primary digital plant. Ebensee was chosen deliberately for this new task, as it already plays a pioneering role as far as production technology is concerned, possesses a modern and homogeneous equipment park and manufactures products of manageable complexity. In addition, its portfolio is representative of a large part of the group's production range and thus offers a solid basis for a group-wide rollout. Last, but not least, Ebensee manufactures large batches, is expanding, has a highly motivated team and is in the vicinity of group headquarters in Hörsching.

In the course of the pilot project, by the end of this year all of the production phases in Ebensee should be digitally supported. The basis will be formed by an ERP system, which following test running is foreseen for future deployment throughout the group. Interdisciplinary teams are currently drawing up a blueprint for the utilisation across the group of the new SAP S/4 HANA, which will face its baptism of fire in Ebensee. At the same time and using

the same approach, POLYTEC is preparing a template for the MES system, which is linked directly to the ERP and CAQ systems. It will also first go live in Ebensee. And finally, the CAQ system at the plant, which is already in selective operation, will be integrated to a larger extent and tested for a complete rollout.

### Welcome to the future

Following successful test runs in Ebensee, the subsequent years will see the equipping of all the other POLYTEC GROUP locations with the new systems and their networking in accordance with a flexible approach. On the basis of data and information from across the entire group, teams of specialists are to employ model applications for the further development and testing of future-oriented answers for issues such as the internet of things, big data and machine learning. In addition, using computer-aided process analyses, findings from current production are to be integrated into new developments and future industrialisation solutions.

### Analysis and reporting

Another significant aspect of the POLYTEC GROUP's digitisation concept is formed by new solutions from the areas of data warehousing and business intelligence. In this area, interdisciplinary teams also selected a software supplier during 2017 and initiated system implementation. Within the framework of POLYTEC's new IT architecture, data warehousing will play a central role as an internal data hub, while business intelligence will simplify the systematic analysis of data from all business processes.

### Concentrated information

The networking of information also occupies a central role in POLYTEC's optimisation of product development processes. Therefore, within the framework of newly installed product lifecycle management (PLM), in future relevant details regarding all product development procedures will be logged centrally and visualised at a "central point of truth". This will allow valid project information to be called up at every stage of a development project and irrespective of the location. Apart from the individual development steps, the PLM system also depicts every item of information regarding project and assignment management, as well as all design data. Consequently, in addition to preventing errors, this system should secure top quality and encourage time efficiency in the POLYTEC GROUP during product development processes.

### Securely networked

Digitisation and networking also entail risks. Therefore, POLYTEC places an emphasis on cyber security throughout the group and has already implemented concrete measures in this connection. A 360° cyber security programme extends from the modernisation and standardisation of infrastructure, hard- and software, to increasing employee awareness and the monitoring of all systems and data flows. ■

### ERP

#### Enterprise resource planning

Timely and demand-driven resource planning and control

### SAP S/4 HANA

#### SAP Business Suite 4 SAP HANA

The SAP Business Suite 4 SAP HANA updates the SAP database system and the SAP HANA computing platform

### MES

#### Manufacturing execution system

A systems solution for efficient production control

### CAQ

#### Computer-aided quality

### PLM

#### Product lifecycle management

Integrated solution for the visualisation of the POLYTEC product development process (PEP) including project management, task management & design data administration

### Data warehouse

An optimised central database for analytical purposes, which combines and compacts data from several sources, which as a rule are heterogeneous

### Business intelligence

Procedures and processes for systematic analysis by means of the gathering, evaluation and presentation of data in electronic form



## ENGINEERING COMPETENCE

# ON THE TRAIL OF FUTURE SOLUTIONS

In the past, manufacturers of plastic components received precise specifications from their customers. Indeed, everything from the exact dimensions of the required parts to the desired material matrix was stipulated in minute detail. Today, however, clients only reveal the amount of space available and the required function and performance of complete component systems. For POLYTEC this is a pleasing market trend because for decades it has already seen its role as being one of a trusted partner for its customers and has steadily enlarged its responsibilities in the development field. Moreover, in 2017 further important steps were taken in this direction.

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

#### Room for innovation

The POLYTEC GROUP engineering teams are focusing increasingly on targeted pre-development and already cooperate with customers during the conceptual preparation phase. This allows customer pain points to be identified at any early stage and hence the creation of suggestions for solutions in advance.

#### PES boosts engineering

Since the end of the year, POLYTEC's engineering capacity has been boosted further by arrival of specialists from POLYTEC ENGINEERING SERVICES (PES) in Neckarsulm, Germany. This team was acquired from an insolvent supplier of development services and ten employees from the product and concept development and jig design areas are already considering what the market of tomorrow

might demand. The team operates outside the sphere of daily operations and concentrates on innovative products, applications and solutions, but naturally without losing sight of market needs. Not least, the PES engineers benefit from the know-how of the personnel at POLYTEC's three existing development competence centres, who already link up their expertise in a diversity of technological and production areas.

#### Concentrated toolmaking competence

In 2015, POLYTEC took over a Bavarian toolmaking company with long traditions and since then the group regards POLYTEC TOOLING in Thannhausen as a source of combined product know-how and tooling competence. After two years, a very positive balance can be drawn, as the development and production of top quality tools within the group has freed it from market capacity issues and protects its in-house manufacturing expertise. In this area, POLYTEC again profits from the targeted concentration of know-how from across the entire group. Furthermore, the regular exchange of experience between POLYTEC's tooling managers is intended to flow directly into development work and thus not only result in higher tooling quality, but also a sustained improvement in tool design.

#### Enhanced efficiency

Apart from additional technological competence and depth of value added, the investment in Thannhausen should also culminate in a marked increase in effi-

ciency. This is because POLYTEC TOOLING is to be equipped with a new injection moulding machine, which will allow the efficient, on-the-spot testing of new toolings and their optimisation up to serial production maturity. Consequently, production capacity at other plants, which was previously required for sampling, will be released and moreover the costs and time needed for tooling transport will be reduced considerably.

#### Greater customer proximity

The POLYTEC GROUP has taken another step in the direction of its customers with the new TechCenter South, which will go into operation in Thannhausen during the current year. Teams from the areas of sales, project management and engineering will work together on trendsetting innovations and the favourable geographical location with regard to a number of automotive manufacturers will also facilitate optimum customer support in the southern German region. ■



# TECHNOLOGY IS EVERYTHING

The development of new products and applications undoubtedly numbers among the key competences of the POLYTEC GROUP. It is deeply embedded in the concern as a strategic cornerstone and over the years has made a major contribution to its success. The four subsequent examples are intended to demonstrate how technological leadership and know-how networking result in concrete advantages for POLYTEC.

## Technology transfers

### KNOW-HOW KNOWS NO FRONTIERS

The experience that POLYTEC gathers during the production of highly complex vehicle parts and systems can also be applied in the non-automotive area. The fact that such know-how transfers also pay economic dividends is evidenced by both market analyses and the successful completion of numerous major orders.

Not only is development, material and production know-how involved in this connection, but also logistics, product complexity and operational excellence. Above all, this makes POLYTEC's capabilities interesting for customers seeking solutions for products subject to stringent demands regarding surfaces or strict technological requirements, as well as multi-stage production processes and complex logistical problems. The POLYTEC GROUP not only possesses the necessary competence in this regard, but also the required resources.

## Material and systems development

### FROM MATERIALS TO COMPLEX SYSTEMS

Ongoing material development and the precise coordination of material parameters are of very special significance in the plastics field. POLYTEC has a range of expertise in this area, as exemplified by the fact that the group is one of Europe's technological leaders in the manufacture of SMC semis. This results in plastics solutions that demonstrate particularly high strength, temperature resistance and excellent mould filling behaviour, as well as top surface quality.

Recently, POLYTEC was also able to again underline its material development competence in the polyurethane area. Using a successful blend of hollow glass spheres and carbon fibres, the weight of the already proven PUR RRIM Lightweight material for exterior applications was reduced still further.

Equally, POLYTEC's capabilities in the materials field play a central role in the development of complete component systems, especially for the engine compartment. On the basis of the information provided regarding the space available and the required performance (e.g. separation efficiency, air throughput, etc.) the group develops complete solutions for its customers that not only incorporate an optimum material concept, but also simulation and extensive testing. Consequently, POLYTEC has long ceased to merely manufacture prescribed parts and instead produces independent concepts for complex technical solutions of the highest standard in areas such as oil separation, filter design, flow behaviour, inlet manifolds and much more besides.

In recent months, POLYTEC successfully launched the new material Sylothan, which represents a valuable addition to its product portfolio in the vibration engineering field. Sylothan, a PUR elastomer with a fine cellular structure, guarantees a high deformation capacity under static and dynamic loads. Above all, Sylothan processing in combination with a hard polyurethane covering layer has met with major interest amongst POLYTEC's clientele.

### E-mobility

## FRESH OPPORTUNITIES THROUGH NEW CONCEPTS

As an innovative pioneer, POLYTEC is also intensively involved with the topic of e-mobility. In particular, during recent years the group's development engineers have focused on the question as to which components in an e-vehicle could be made from lightweight construction materials. This is important in view of the heavy batteries required for the drive system, which means that the remainder of e-powered vehicles should weigh as little as possible.

Consequently, e-mobility offers clear opportunities for POLYTEC, as in many cases its plastic components such as trunk lids, gear oil pans, battery boxes and complex acoustic solutions meet this demand for lightness to perfection. Conversely, the e-mobility trend also confronts POLYTEC with fresh challenges, as the components for e-vehicles partly require totally different solutions to those demanded by vehicles with conventional drive systems. This is exemplified by the acoustic solutions area, in which during recent years the POLYTEC GROUP has established a strong position with regard to combustion engines. In e-vehicles, the focus is no longer on engine insulation, but rather the minimisation of exterior and road noise. Therefore, concepts have to be newly evolved and developed in a process to which the latest initiatives for a further increase in POLYTEC's development competence should make a major contribution.

### Conventional vehicles

## IDEALLY EQUIPPED FOR EVERY ORDER

In future, the POLYTEC GROUP will also maintain its solid position in the market for vehicles with conventional combustion engines. And for good reason, as in October 2017, at the Automotive Powertrain Plastics Conference in Stuttgart, P3 automotive presented a study according to which in 2025 around 85 per cent of all new vehicle registrations worldwide will still be for vehicles with combustion engines. This figure also includes hybrids and in view of the growth rates forecast for the new registration market overall, the number of vehicles with combustion engines around the world should remain at a relatively stable level. Therefore, with its extensive and future-oriented product and technology portfolio the POLYTEC GROUP is well equipped for orders of every type.

## A PARTNER TO THE COMMERCIAL VEHICLE INDUSTRY

# STRENGTH BORN OF COMPLEXITY

Like virtually no other company in the plastics industry, POLYTEC offers its customers a complete range extending from pre-development to the sequencing of every production phase on a one-stop-shopping basis. To this end, the group can fall back on enormous technological diversity and thus enjoys a decisive competitive advantage.

The trend to outsourcing amongst vehicle manufacturers is far from new, but in recent years has strengthened considerably. Moreover, it has long ceased to apply purely to production. As early as the new part and component system development phase, suppliers are integrated into the complete range of procedures that lead to the creation of a new product. For the POLYTEC GROUP this is undoubtedly an advantage, as it possesses virtually inexhaustible technological know-how and is thus in great demand as a development and production partner. This adds up to a valuable asset for customers in the commercial vehicle manufacturing field, as

well as those in the car and non-automotive segments.

In particular, commercial vehicle manufacturers present supplier companies with highly specific challenges, which differ greatly from those of conventional car orders. Projects typically run for lengthy periods and the product programmes are oriented accordingly. In the case of medium-sized batches, a very large number of part variations is required in tandem with a vast colour range. Such demands mean that projects in the commercial vehicle segment involve great complexity with regard

to handling, development and production. It is therefore all the more remarkable that the POLYTEC GROUP obtains some 24 per cent of its total sales revenues from customers in this sector, who manufacture both trucks and agricultural vehicles. POLYTEC is successful in this highly specialised and demanding business area thanks to its long-term experience and exceptional know-how.

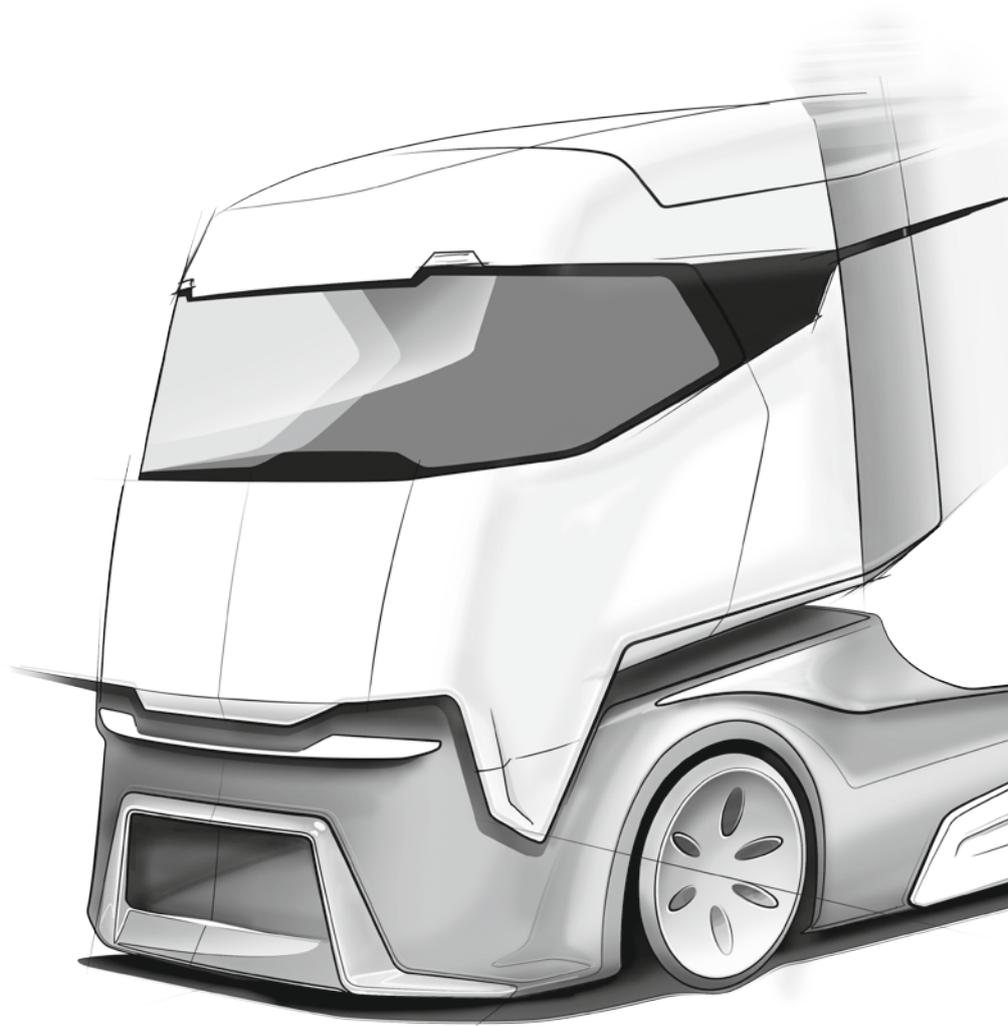
### Group-wide teamwork

The above is made possible by the close cooperation between all business units and

## A HOLISTIC APPROACH

POLYTEC sees itself as a partner to its customers that adopts a holistic approach to project completion, which is absolutely essential in view of the constant increase in enquiry complexity and requirement diversity. Moreover, the realisation process from development, validation and production to logistical services demands a wide range of know-how from a variety of technological areas and therefore it is important that all the experts needed are immediately available. The product portfolio for commercial vehicles provides one example of such complexity because it incorporates an enormously varied selection of surface-sensitive external parts and aerodynamic, interior and functional components, as well as systems for the engine compartment with integrated functions that fulfil important tasks within vehicle power trains.

locations, which within the framework of the ONE POLYTEC initiative has been subject to targeted intensification since 2015. In order to deal with individual customer enquiries, the entire strengths of the group are combined, which in an organisational regard means lean structures, rapid decision making, digitisation and networked communications, and from a technical perspective, access to the know-how and development and production competence of every location. POLYTEC customers benefit from both this approach and the group's solid financial position. ■



## A UNIQUE RANGE OF TECHNOLOGIES

POLYTEC disposes over a level of technological diversity that is unparalleled within the industry. Consequently, production can be customised and coordinated to meet client demands. During such processes, POLYTEC employs numerous materials in a range of differing processes and consequently, irrespective of the production technology employed, customers can be certain that an optimum solution will result. In this way, durable components are created that can be competitively manufactured in serial production.

## EVERYTHING UNDER ONE ROOF

POLYTEC offers its customers an enormous depth of value added, which extends from the development of materials, semis and tools, and the design of components including simulation, to prototype production, testing and validation, process planning, serial production, assembly, Class A painting, including just-in-sequence or just-in-time delivery.

# CONVINCING DIVERSITY

The vast number of differing parts that POLYTEC delivers for products such as commercial vehicles demonstrates its comprehensive production know-how and the technological and material diversity within the group.

## COMPONENTS

### EXTERIOR PARTS

- Bumpers
- Cabin roofs
- Cabin steps and corners
- Door extensions
- Bonnets
- Front panels
- Logo faceplates
- Pillar trim
- Radiator grilles

### ENGINE COMPARTMENT PARTS

- Cylinder head covers
- Oil pans

### AERODYNAMIC PARTS

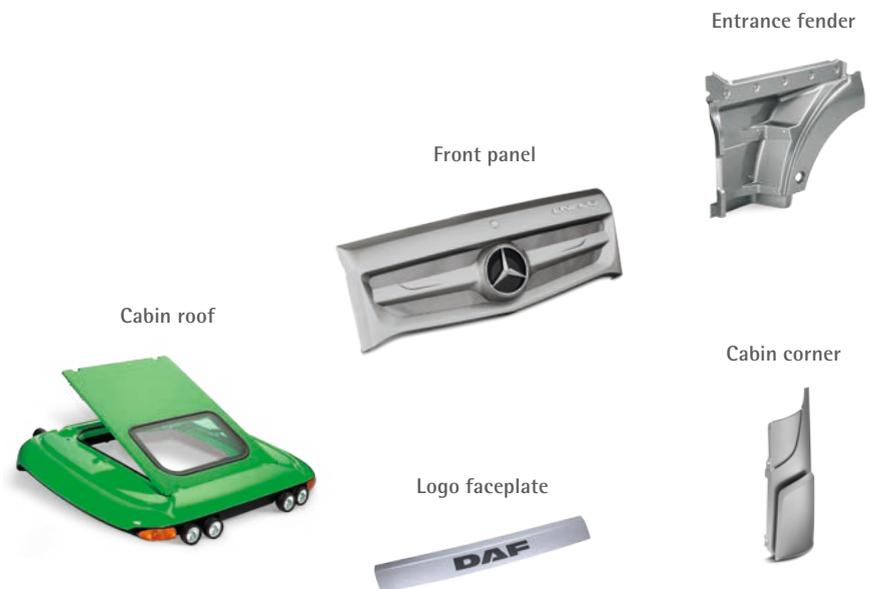
- Roof spoilers
- Side panels
- Side trims
- Underbody covers

### INTERIOR PARTS (WITH AND WITHOUT IN-MOULD DECORATION)

- Bottle and cup holders
- Central console shelves
- Decorative faceplates
- Door trims
- Light panels

### FUNCTIONAL AND STRUCTURAL PARTS

- Battery holders and boxes
- Brackets
- Driver's cab floorings
- Gas bottle holders
- Handles
- Tool boxes
- Wheel arch linings



## INTER-GROUP COOPERATION

Depending on the type and scope of an order, POLYTEC concentrates the capacities of the various business units within the group and is thus able to involve a number of locations in the development and production processes required within the framework of a project. As a result, POLYTEC not only offers impressive technological diversity, but also the most suitable production capacity.

## ONE FACE TO THE CUSTOMER

POLYTEC is available to its customers as a sole partner and provides support in every project phase from development to sequencing. This means that clients avoid the need for complicated coordination and monitoring, and can employ their valuable time for other tasks.

Polypropylene, polyethylene, acrylonitrile butadiene styrene, polyamide ...

**IF FOR YOU TECHNICAL JARGON IS DOUBLE DUTCH ...**

... you can find translations in our glossary on page 118.

## TECHNOLOGIES AND MATERIALS

- **Injection moulding using a range of materials** (PP, PE, ABS, PA, TPU ...)
- **Fibre composites manufactured using pressing processes** (SMC, GMT, D-LFT, LWRT ...)
- **Reaction injection moulding for polyurethane** (PUR)
- **Blow moulding** (ABS)
- **Surface finishing** (Class-A painting in up to 900 colours per truck, in-mould decoration, metallising ...)
- **Various post-production processes** (milling, water jet cutting, laser processing ...)
- **Assembly and delivery** (just-in-sequence or just-in-time)



## MANIFOLD SYNERGY EFFECTS

POLYTEC employs development specialists from a variety of technological areas, who prepare tailor-made concepts for every production project. The company also draws on the additional synergies derived from the inter-group bundling of raw material, purchased parts, die and tool sourcing, as well as the close cooperation between production specialists, who plan optimum plant layouts. Products of the highest quality can thus be developed and manufactured at reasonable cost.

## CONTINUITY AND RELIABILITY

Projects in the commercial vehicles sector are generally long-term and the start of production to the end of the series alone can last for anything from eight to 15 years. Moreover, the numbers of parts ordered can frequently vary. Accordingly, POLYTEC not only develops and manufactures – flexibly and reliably – large series with up to 70,000 parts annually, but also small serial batches of 200 pieces per year.

## LONDON TAXI

# HIGH-TECH FOR AN ICON

The "black cab" is as much a part of the London cityscape as red telephone boxes, double-decker buses and Big Ben. From 2018 onwards the taxis will be driving through the UK capital emission-free and with POLYTEC components on board.



The new TX5 is e-powered,  
but still a classic vehicle.

In 2018, a new era begins for London's black cabs for which POLYTEC is supplying side sills, as well as front and rear bumpers in polyurethane.



The London Taxi Company manufactured and operated the black cabs for some 70 years. These were traditionally fitted with a diesel engine, but from 2018 onwards only emission-free taxis are permitted in the British capital and the question arose as to whether that would mark the end of the road for these traditional vehicles?

#### Into the future with tradition

No way! Because in 2013 the London Taxi Company was taken over by the Chinese automotive group, Geely, which then continued to operate the firm under the new name London Electric Vehicle Company. In this case, the name also constitutes the programme because at the beginning of 2017 a new plant was opened in Coventry exclusively for the production of e-vehicles and up to 20,000 next-generation black cabs are rolling off the assembly line annually. With round headlights, swing doors for comfortable passenger entry and a fold-down ramp for wheelchairs, the optical appearance and functionality of the new e-taxis, which bear the model designation TX5, emulate those of their predecessors. Moreover, they naturally have the special

height that allows British gentlemen to enjoy a comfortable ride without having to remove their bowlers!

#### POLYTEC on board

Not only do the iconic black cabs possess a long tradition, but also the cooperation between the London Taxi Company and POLYTEC CAR STYLING in Bromyard, which in the meantime dates back some 20 years and is to continue with the production of the TX5. In concrete terms, since the autumn of 2017, Bromyard has been supplying the side sills, as well as front and rear bumpers for the new model. The exterior components are manufactured in weight-saving polyurethane using the RRIM process and in 2018, along with its POLYTEC components, the e-taxi will not only be seen in London, but around the world as a result of global sales.

#### "Green" under the bonnet

In spite of its retro look, the very latest technology is concealed under the bonnet of the TX5. It possesses a hybrid drive system that combines an e-motor with a

petrol-powered range extender and a rechargeable battery. Before the range extender kicks in, the e-motor offers a range of up to 100 km, which not least is due to the lightweight parts from POLYTEC. The company is therefore not only contributing to environmental and climate protection, but is also part of a unique and historic story of success. ■



# SHARE & CORPORATE GOVERNANCE

**+78.1%**

ANNUAL PERFORMANCE OF  
POLYTEC SHARE

PROPOSED DIVIDEND RISES BY **12.5%**  
TO **EUR 0.45** PER SHARE

**+131.8%**

AVERAGE DAILY TURNOVER ON THE VIENNA STOCK EXCHANGE  
MORE THAN DOUBLED TO **83,317 SHARES**  
(DOUBLE COUNTING)

HIGHEST EVER CLOSING PRICE:

**EUR 22.38**

(2 NOVEMBER 2017)

# SHARE & INVESTOR RELATIONS

## POLYTEC SHARE PRICE DEVELOPMENT

As at 29 December, the last stock exchange trading day in the 2017 financial year, the POLYTEC share (ISIN: AT0000A00XX9) closed at EUR 18.50 and was thus EUR 8.11 or some 78.1% up on the end value of the previous year (EUR 10.39). In the Vienna Stock Exchange performance ranking, the share was placed fifth in the list of all seventy stocks. The average price for the year stood at EUR 16.46 (2016: EUR 7.89) and market capitalisation at the end of the year totalled EUR 413.1 million (2016: EUR 231.9 million).

From the beginning of 2017, the ATX Prime Index rose by 28.1% to 1,725.19, while the STOXX® Europe 600 Automobile & Parts (SXAP) was up by 11.8% and closed at 615 points (2016: 543). Therefore, the PYT share performed six times better than the branch index.



Following the publication of the preliminary results for the 2016 financial year on 23 January 2017, the POLYTEC share gained ground and then rose even more sharply after the complete financial report for 2016 was issued on 6 April 2017. The summer was characterised by price corrections, but was

followed at the beginning of September by the second significant price upturn, which more than compensated for the falls of the preceding months.

11 October 2017 was a particularly special stock exchange day for POLYTEC Holding AG shareholders, as during trading the PYT share reached a price of EUR 22.60, which represented its highest ever value. As a result, market capitalisation passed the psychologically important EUR 500 million mark. On 2 November, the POLYTEC share closed at EUR 22.38, which represented a high for the year and thus the second major trading milestone in 2017. There followed two months of volatility during which larger trading volumes were registered, which probably resulted from shareholders taking profits from the high price level as opposed to the start of the year.

As opposed to the preceding year, the average daily trading volume more than doubled. During the 247 days of trading on the Vienna Stock Exchange, in 2017 the average trading volume amounted to 83,317 shares per day (2016: 35,937 shares, both figures using double counting). Improved liquidity enhanced the attractiveness of the POLYTEC share for investors in general and the international institutional segment in particular.

On 30 November 2017, the best trading day, 708,690 POLYTEC shares were traded and this high may have related to the acceptance of the POLYTEC share into the MSCI World Small Cap Index. Other strong trading days were 7 November with 478,280 and 24 January with 366,794 shares, double counting.

POLYTEC share (AT0000A00XX9)	Unit	2017	Change	2016	2015
Year-end closing price	EUR	18.50	78.1%	10.39	7.66
Highest closing price during the year	EUR	22.38	111.1%	10.60	8.45
Lowest closing price during the year	EUR	10.40	56.4%	6.65	6.20
Average closing price during the year	EUR	16.46	108.6%	7.89	7.52
Market capitalisation at year-end	EUR m	413.1	78.1%	231.9	171.0
Vienna Stock Exchange money turnover (double counting)	EUR m	347.9	385.2%	71.7	84.6
Vienna Stock Exchange share turnover (double counting)	Shares m	20.6	128.9%	9.0	11.3
Daily average share turnover (double counting)	Shares	83,317	131.8%	35,937	45,660

Source: Vienna Stock Exchange

After the 2017 reporting period, on 23 January 2018 the POLYTEC share reached an interim high of EUR 21.00, but at the end of January and the beginning of February 2018, was pulled down by the price corrections on the international stock exchanges.

## INVESTOR CONTACTS

In order to secure a comprehensive, timely and transparent presentation of POLYTEC GROUP information of relevance to the capital markets, the Board of Directors and the Investor Relations team maintained constant contacts with stockholders. During the 2017 financial year, POLYTEC presented road shows and participated in investors' meetings on 40 days at 20 European venues, and participated in several investor conferences with the aim of reporting upon the current business figures and development of the company. In addition, investor visits to POLYTEC headquarters in Hörsching were organised and plant tours offered, while a regular dialogue was continued with institutional and private investors and analysts by means of frequent telephone conferences.



From left: Paul Rettenbacher (Head of Investor Relations) and Peter Haidenek (CFO) during a road show in London in September 2017

## DIVIDEND POLICY

POLYTEC's dividend policy is based on profitability and the strategic growth perspectives and the capital requirements of the group. In the 2017 business year, POLYTEC Holding AG's net profit amounted to EUR 132.6 million. Therefore, the Board of Directors and the Supervisory Board will propose the distribution of a dividend of EUR 0.45 per eligible share to the 18<sup>th</sup> Ordinary Annual General Meeting to be held on 16 May 2018.

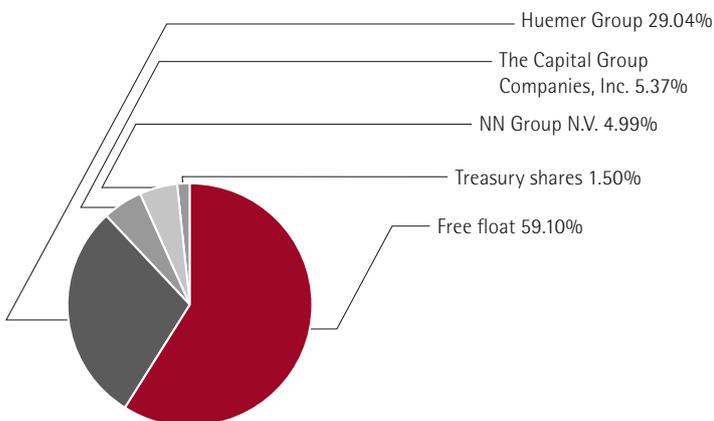
This corresponds to a gross dividend payment of around EUR 9.9 million (2016: EUR 8.8 million). The pay-out ratio amounts to 25.9%. It is thus in the middle of the 20% to 30% distributable earnings range. On the basis of an average price for the year of EUR 16.46, a dividend yield of 2.7% results. 22 May 2018 is the ex-dividend day and 24 May 2017 the dividend pay-out day.

POLYTEC share	Unit	2017	Change	2016	2015
Earnings per share	EUR	1.74	5.5%	1.65	1.08
Proposed dividend per share	EUR	0.45	12.5%	0.40	0.30
Dividend yield on the basis of the average share price	%	2.7	-47.1%	5.1	4.0
Pay-out ratio	%	25.9	7.0%	24.2	27.8

## SHAREHOLDER STRUCTURE

As at 31 December 2017, POLYTEC Holding AG's share capital remained unchanged at EUR 22.3 million and was divided into 22,329,585 bearer shares. On the balance sheet date POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which amounted to roughly 1.50% of share capital. The Huemer Group retained an unaltered 29.04% (16.0% Huemer Holding GmbH and 13.04% Huemer Invest GmbH) holding in POLYTEC Holding AG share capital. During the 2017 financial year, the NN Group N.V., Amsterdam (Netherlands), which was previously Delta Lloyd N.V., Amsterdam (Netherlands), sent POLYTEC Holding AG two voting right notifications in accordance with §91 of the Austrian Stock Exchange Act (now § 130 Stock Exchange Act 2018). For details, we would refer you to the group management report.

As at 31 December 2017, on the basis of the shares issued, the shareholder structure of POLYTEC Holding AG presented the following picture:



## AUTHORISED CAPITAL

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

## RESEARCH COVERAGE

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

During the 2017 financial year the following financial institutions published reports on POLYTEC Holding AG and the recommendations and price targets up to the editorial closing date of this report in mid-March 2018 are contained in the following table. The current recommendations and price targets can be accessed on the company website, [www.polytec-group.com](http://www.polytec-group.com) in the Investor Relations, Share, Analyses section.

Institute	Recommendation	Latest price target
BAADER Helvea Equity Research	Hold	EUR 21.5
ERSTE Group Research	Hold	EUR 19.0
M.M.Warburg Research	Buy	EUR 24.0
Raiffeisen CENTROBANK Research	Hold	EUR 20.5

## CORPORATE CALENDAR 2018

12 April 2018	Thursday	Publication of the financial statements and annual report for 2017
6 May 2018	Sunday	Record date "AGM"
9 May 2018	Wednesday	Publication of the interim report for Q1 2018
16 May 2018	Wednesday	18 <sup>th</sup> Annual General Meeting for the 2017 financial year, Hörsching, 10:00 a.m.
22 May 2018	Tuesday	Ex-dividend day
23 May 2018	Wednesday	Record date "Dividends"
24 May 2018	Thursday	Dividend pay-out day
8 August 2018	Wednesday	Publication of the financial report for HY1 2018
7 November 2018	Wednesday	Publication of the interim report for Q3 2018

## DETAILS REGARDING THE POLYTEC SHARE

ISIN	AT0000A00XX9
Total number of shares issued	22,329,585
Listing on the Vienna Stock Exchange	Prime Market
Indexes	ATX Prime, ATX CPS, ATX FMLY, ATX PC8, ATX PC8 NTR, ATX FMLY NTR, ATX PC8 TR, ATX FMLY TR, WBI MSCI World Small Cap Index
Share also traded in/via	Berlin, Frankfurt, London, Munich, Stuttgart, Tradegate
Ticker symbols	Vienna Stock Exchange: PYT; Bloomberg: PYT.AV; Reuters: POLV.VI; WKN: A0JL31

# CORPORATE GOVERNANCE

## 1. COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

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

Since its IPO, POLYTEC Holding AG has voluntarily committed itself to compliance with the Austrian Corporate Governance Code in its respective current edition. During the 2017 financial year, the version of the code from January 2015 applied and therefore all the information and statements provided in this report pursuant to § 243c and 267b of the Austrian Commercial Code (UGB) are based on this edition. The complete text of the Austrian Commercial Code can be accessed from the website of the Austrian Working Committee for Corporate Governance ([www.corporate-governance](http://www.corporate-governance)).

POLYTEC Holding AG complies with all the compulsory "L rules" (Legal Requirements) and all the "C rules" (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of Rule C-62. According to this rule, the company should allow the regular evaluation of adherence to the C rules of the code by an external institution at least every three years and to date this has not taken place. The company justifies this fact with the related high costs, but is nonetheless convinced that adherence to the C rules and transparency are secured through internal audits and measures. The Corporate Governance Report for the 2017 financial year is publicly available via the POLYTEC Holding AG's corporate website ([www.polytec-group.com](http://www.polytec-group.com)), which is registered in the Austrian Company Register.

## 2. POLYTEC HOLDING AG GOVERNING BODIES

### BOARD OF DIRECTORS

#### BOARD ORGANISATION AND WORKING METHODS

In accordance with the Articles of Association, the Board of Directors of POLYTEC Holding AG consists of one, two, three, four or five members. The Supervisory Board appoints the members of the Board of Directors. The Board of Directors manages the company in accordance with the relevant laws, the Articles of Association and the internal rules of procedure, which are subject to prior approval by the Supervisory Board. The scope of collaboration and distribution of responsibilities amongst the members of the Board of Directors are laid down in the internal rules of procedure. Details concerning the competence of each individual board member are provided in their personal descriptions.

The members of the Board of Directors are in constant and close communication with each other in order to assess corporate progress and take any necessary decisions in a timely manner. The POLYTEC Holding AG Board of Directors meets on a regular basis in order to discuss current developments in the individual business areas. The Board of Directors regularly informs the Supervisory Board of the course of business and the economic situation of the company on a quarterly basis at the minimum, while taking into account the future development of the group. The Chairman of the Supervisory Board must be informed immediately about any events with serious implications.

All of the serving members of the Board of Directors in 2016 were granted a unanimous discharge at the 17<sup>th</sup> Annual General Meeting on 22 May 2017.

At the meeting of the Supervisory Board held on 6 December 2017, the mandate of the Board Chairman, Friedrich Huemer was extended for a year and therefore ends on 31 December 2018.

**THE FOLLOWING FOUR PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN 2017:**

**Friedrich Huemer (CEO)**



- Born in: 1957
- Chairman of the Board of Directors and founder of the POLYTEC GROUP
- Date of initial appointment: year of company foundation
- End of current term of office: 31 December 2018
- Areas of responsibility: M&A, Investment Management, Corporate Strategy, Corporate Communications, Legal Affairs
- Supervisory Board positions: Globe Air AG (Chairman of the Supervisory Board)

**Markus Huemer (COO)**



- Born in: 1981
- Deputy Chairman of the Board of Directors
- Date of initial appointment: 1 January 2014
- End of current term of office: 31 December 2018
- Areas of responsibility: Business Development, Plants, Production, Purchasing, Human Resources, IT
- Supervisory Board positions: Globe Air AG (Member of the Supervisory Board)

**Alice Godderidge (CSO)**



- Born in: 1972
- Member of the Board of Directors
- Date of initial appointment: 1 January 2014
- End of current term of office: 31 December 2018
- Areas of responsibility: Sales and Engineering (Sales, Marketing, Development)
- Supervisory Board positions: none

**Peter Haidenek (CFO)**



- Born in: 1965
- Member of the Board of Directors
- Date of initial appointment: 1 February 2011
- End of current term of office: 31 December 2019
- Areas of responsibility: Finance, Controlling, Accounting, Investor Relations, Internal Audit
- Supervisory Board positions: none

**SUPERVISORY BOARD**

**BOARD ORGANISATION AND WORKING METHODS**

The Supervisory Board's scope of activities is defined by laws and regulations that apply to listed companies in Austria, e.g. the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. In addition, the Supervisory Board is obliged to comply with the rules of the Austrian Corporate Governance Code. As far as internal company regulations are concerned, the Articles of Association and the rules of internal procedure are of primary importance. The members of the Supervisory Board

are elected and can be removed from office by the Annual General Meeting. In accordance with the POLYTEC Holding AG Articles of Association, the Supervisory Board consists of at least three and no more than six members, elected by the Annual General Meeting. The members of the Supervisory Board are obliged to conduct an annual self-assessment of their activities.

All five serving members of the Supervisory Board in the 2016 financial year were granted a unanimous discharge at the 17<sup>th</sup> Annual General Meeting on 22 May 2017.

**THE FOLLOWING FIVE PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2017**

**Fred  
Duswald**



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

**Manfred  
Trauth**



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

**Viktoria  
Kicking**



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

**Robert  
Büchelhofer**



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

**Reinhard  
Schwendtbauer**



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

**INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS**

The members of the Supervisory Board are deemed to be independent if they have no business or personal relationships with the company or its Board of Directors that could result in a material conflict of interest and thus influence the members' conduct. One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan transactions. The

members of the POLYTEC Holding AG Supervisory Board have committed themselves to compliance with the criteria of independence pursuant to Rule C-53 of the Austrian Corporate Governance Code and have declared their independence. The requirements of Rule C-54 of the Code are fulfilled.

## BUSINESS TRANSACTIONS OF THE SUPERVISORY BOARD MEMBERS REQUIRING PRIOR APPROVAL

During the 2017 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to Rule L-48.

## SUPERVISORY BOARD COMMITTEES

In accordance with the Austrian Stock Corporation Act, the POLYTEC Holding AG Supervisory Board has established an audit committee, which carries out the scheduled controlling and monitoring functions. The chairperson of the audit committee disposes over the appropriate knowledge and practical experience with regard to financing, accounting and reporting (financial expert). Apart from the supervision of accounting and the auditing processes of both the financial statements and the consolidated financial statements, the effectiveness of the internal control and

risk management systems is also monitored. In addition, the Supervisory Board is required to examine the Corporate Governance Report and reporting with regard to Austrian sustainability and diversity improvement legislation. A report upon the contents is subsequently presented to the Annual General Meeting.

During the 2017 financial year, the audit committee met twice and a total of four Supervisory Board meetings were held. No additional sittings were required. No Supervisory Board member was absent from more than half of the board's meetings. In addition to the mandatory establishment of the audit committee, a nomination committee and a risk management committee were formed.

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

## COMPOSITION OF THE COMMITTEES

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

## REMUNERATION REPORT

### REMUNERATION OF THE BOARD OF DIRECTORS

When determining the total remuneration of the members of the Board of Directors, the Supervisory Board has to ensure that this is commensurate with their individual tasks and performance, the company's economic position and the customary levels of remuneration, while providing long-term incentives for a sustainable development of the company. Remuneration contains fixed and variable components. Apart from the achievement of performance-related targets set for each individual board member, the development of the return on capital employed (ROCE – EBIT/average capital employed) is the most important parameter for the calculation of the variable remuneration components.

There are no stock option plans or similar share-based remuneration systems currently in place.

In the year under review, total remuneration to the four members of the Board of Directors including performance-related components amounted to EUR 2,800 k (2016: EUR 2,541 k). Unpaid variable remuneration for 2017 is recognised in the current provisions for personnel. The Chairman of the Board of Directors, Friedrich Huemer works for POLYTEC Holding AG on the basis of a service contract via IMC Verwaltungsgesellschaft mbH, Hörsching. There is no company pension system for members of the Board of Directors. As at the balance sheet date on 31 December 2017, no loans or advance payments had been granted to the current or former members of the Board of Directors.

## REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2017 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable component of remuneration	Total
Friedrich Huemer <sup>1)</sup>	619	938	1,557
Markus Huemer <sup>2)</sup>	264	224	488
Alice Godderidge <sup>2)</sup>	233	194	427
Peter Haidenek <sup>2)</sup>	212	117	329
<b>Total</b>	<b>1,328</b>	<b>1,473</b>	<b>2,800</b>

Amounts in EUR k <sup>1)</sup> service contract fee, <sup>2)</sup> gross salaries

## REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board for the previous financial year is sanctioned within the framework of the Annual General Meeting. Total remuneration of the members of the Supervisory Board for the 2016 financial year was approved during the 17<sup>th</sup> Ordinary Annual General Meeting held on 22 May 2017 and totalled EUR 98,750. For the 2017 financial year, a total amount of EUR 98,750 for the remuneration of all

members of the Supervisory Board was again recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 18<sup>th</sup> Ordinary Annual General Meeting to be held on 16 May 2018 as total emoluments to the Supervisory Board. Subject to prior approval by the Annual General Meeting, this sum will be distributed among the individual members of the Supervisory Board as follows:

### REMUNERATION OF THE SUPERVISORY BOARD IN THE 2017 FINANCIAL YEAR

Member of the Supervisory Board	Function	Remuneration
Fred Duswald	Chairman of the Supervisory Board	25.00
Manfred Trauth	Deputy Chairman of the Supervisory Board	18.75
Viktoria Kicking	Member of the Supervisory Board	15.00
Robert Büchelhofer	Member of the Supervisory Board	25.00
Reinhard Schwendtbauer	Member of the Supervisory Board	15.00
<b>Total</b>		<b>98.75</b>

Amounts in EUR k

## 3. OTHER INFORMATION

### CODE OF CONDUCT AND COMPLIANCE

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

As a listed corporation POLYTEC Holding AG is obliged to fulfil all the stipulations of the Stock Exchange Act, the EU Market Abuse Directive and the related provisions for implementation. In order to prevent insider dealings, all employees and other persons acting on behalf of POLYTEC Holding AG have been informed of the ban on the misuse of insider information, and internal guidelines have been issued for the transfer of information within the company. Adherence to the latter is monitored and suitable organisational measures have been taken in order to prohibit the improper use or passing on of insider information. The related tasks constitute a major element within the compliance organisation. The members of the Supervisory

Board and the Board of Directors receive comprehensive information regarding compliance activities at regular intervals.

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

### DIVERSITY AND THE PROMOTION OF WOMEN

The POLYTEC GROUP operates 28 plants in twelve countries and employs a workforce of around 4,500. As a result of this internationality, diversity, respect, equality of opportunity and the integration of employees from differing cultures represent integral elements within corporate culture. Any form of personal discrimination whether due to origin, gender, skin colour, age, religion, sexual orientation or handicap is strictly rejected.

During recruitment for vacant positions, a focus is placed on performance orientation, knowledge, skills, equal opportunity and treatment. Candidates are selected primarily on the basis of the qualifications and experience they can contribute to the POLYTEC GROUP.

When electing members of the Supervisory Board, the Annual General Meeting has to account for requirements relating to professional and personal qualifications, as well as the balanced specialist composition of the board. In addition, diversity aspects have to be taken into reasonable account with regard to the representation of both genders, age structure and internationality. Newly elected Supervisory Board members must inform themselves appropriately regarding the structure and activities of the company and their tasks and responsibilities. The POLYTEC Holding AG Supervisory Board has had a female member for over a decade and during the 2017 financial year one of the five Supervisory Board positions was therefore occupied by a woman, which corresponded to a 20% share of membership.

A woman has also served on the four-member Board of Directors for more than four years, which represents a 25% share of the posts. On the 2017 balance sheet date for this report, women held an unchanged total of around 13% of the executive managerial posts at the POLYTEC GROUP's companies. On 31 December 2017, the quota of women in POLYTEC Holding AG amounted to around 45% (2016: 50%). In the Finance and Accounting, Sales and Marketing, as well as in the Legal departments, women currently hold clerical, middle and departmental management positions. As female employees have long been represented on both the Supervisory Board and the Board of Directors, and as no posts were unoccupied in 2017, during the year under report no measures were undertaken for the promotion of women in these two bodies.

The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily oriented towards technology. On 31 December 2017, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 20.4%, which was slightly higher than on the balance sheet date of the previous year (20.3%).

## D&O INSURANCE POLICY

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

## AUDITOR

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz was recommended by the Supervisory Board as the auditor of POLYTEC Holding AG's financial statements and consolidated financial statements for the 2017 financial year. This proposal was approved with the required majority at the 17<sup>th</sup> Ordinary Annual General Meeting held on 22 May 2017. In the year under review, total expenses for auditing purposes amounted to EUR 146 k (2016: EUR 175 k). A more detailed breakdown of these expenses in the single fields of activity is available in the notes to the consolidated financial statements.

## CHANGES AFTER THE REPORTING DATE

No changes to matters subject to obligatory reporting occurred between the reporting date and the editorial closing date of the Corporate Governance Report in mid-March 2018.

Hörsching, 22 March 2018

The Board of Directors of POLYTEC Holding AG

Friedrich Huemer  
Chairman – CEO

Markus Huemer, MBA  
Deputy Chairman – COO

Alice Godderidge  
Member of the Board – CSO

Peter Haidenek  
Member of the Board – CFO

# REPORT OF THE POLYTEC HOLDING AG SUPERVISORY BOARD FOR THE 2017 FINANCIAL YEAR

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

During the 2017 financial year, the committees formed in accordance with the Austrian Corporate Governance Code (audit, nomination and risk management committees) convened as stipulated. The meetings dealt largely with the discussion of the course of business and resolutions regarding business matters and measures of importance. The Supervisory Board of POLYTEC Holding AG is currently composed of five shareholder representatives and is committed to compliance with the Austrian Corporate Governance Code. All of the Supervisory Board members are deemed to be independent according to the definition contained in the Austrian Corporate Governance Code.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the financial statements including the management report, the consolidated financial statements and the group management report of POLYTEC Holding AG in its capacity as the auditor for the 2017 financial year. The auditor granted both the 2017 financial statements and consolidated financial statements of POLYTEC Holding AG an unqualified opinion. On the basis of this audit, apart from the clarification of especially important auditing matters, among other aspects it was confirmed that the financial statements and the consolidated financial statements comply with all legal requirements and provide a true and fair view of the asset and financial situation as at 31 December 2017, as well as the profit situation for the financial year ending on this closing date. Pursuant to the opinion of the auditor, the financial statements were prepared in accordance with the stipulations of Austrian company law and

the consolidated financial statements in line with the International Financial Reporting Standards, as applied in the EU (IFRS) and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code).

At its meeting on 11 April 2018, together with the auditor, the audit committee of the Supervisory Board studied in detail the annual financial statements including the management report, the corporate governance report, the consolidated financial statements including the group management report and the auditors' report. Following its own examination, the audit committee endorsed the findings of the auditors' report and informed the Supervisory Board accordingly.

The Supervisory Board examined the annual financial statements, the consolidated financial statements, the management report, the group management report and the corporate governance report and endorsed the result of the audit of the financial statements and consolidated financial statements. The Supervisory Board concurred with the annual financial statements, which are thus adopted pursuant to § 96 Para.4 of the Austrian Stock Corporation Act. The Supervisory Board also agreed with the recommendation of the audit committee and will propose to the Annual General Meeting that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as the auditor for the 2018 financial year.

Furthermore, the Supervisory Board concurs with the recommendation of the Board of Directors to distribute a dividend of EUR 0.45 per eligible share for the 2017 financial year.

On behalf of the Supervisory Board, I would like to express my gratitude to the Board of Directors and all the members of the POLYTEC GROUP workforce for their endeavors and great commitment during the 2017 financial year. I would also like to thank the POLYTEC GROUP's shareholders and customers for their trust.

Hörsching, April 2018

Fred Duswald  
Chairman of the Supervisory Board

# FINANCIALS 2017



# POLYTEC HOLDING AG GROUP MANAGEMENT REPORT FOR THE 2017 FINANCIAL YEAR

## 1. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

### AUTOMOTIVE INDUSTRY DEVELOPMENT 2017

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

in pieces	2017	Share	2016	Share	Change
China	24,171,400	42.8%	23,693,400	42.5%	2.0%
USA	17,134,700	30.4%	17,465,000	31.3%	-1.9%
European Union	15,137,700	26.8%	14,641,400	26.2%	3.4%
<b>Total three major markets</b>	<b>56,443,800</b>	<b>100%</b>	<b>55,799,800</b>	<b>100%</b>	<b>1.2%</b>
Other selected countries					
Japan	4,386,400		4,146,500		5.8%
India	3,229,100		2,966,600		8.8%
Brazil	2,176,000		1,988,600		9.4%
Russia	1,595,700		1,425,800		11.9%

The global automotive industry continued to demonstrate positive development in 2017. Both the Chinese and European markets registered new sales records, although the USA eased slightly. Nevertheless, new car registrations in these three predominant markets rose by over 0.6 million to a total of 56.4 million vehicles. Japan, the world's fourth largest car market, also showed strong sales growth with an increase of 5.8% to roughly 4.4 million cars. Moreover, the Indian market was even more dynamic in 2017 with an 8.8% rise in car sales to over 3.2 million new vehicles. Russia also achieved pleasing double-digit expansion of around 12% and Brazil maintained its successful recovery in 2017 with eight consecutive months of growth that culminated in a 9.4% increase in new registrations.

#### China consolidates its global no.1 ranking

For years, China has been the worldwide leader with regard to new car registrations and in 2017 was able to further strengthen this position. Some 24.2 million vehicles were newly registered, which as compared to the preceding year represented growth of 2.0%.

#### USA registrations showed a minus in 2017, but remained at a high level

While in 2016 the US light vehicle market (cars and light trucks) demonstrated slight overall growth of 0.4%, registrations already started to decline in the first quarter of 2017. Consequently, over the year as a whole, new registrations fell by 1.9% to 17.1 million new vehicles. However, despite this downturn, with two million units, the USA continued to surpass the number of new registrations in Europe.

## REGISTRATIONS OF NEW CARS IN THE EUROPEAN UNION

in pieces	2017	Share	2016	Share	Change
Germany	3,441,300	22.7%	3,351,600	22.9%	2.7%
United Kingdom	2,540,600	16.8%	2,692,800	18.4%	-5.7%
France	2,110,700	13.9%	2,015,200	13.8%	4.7%
Italy	1,970,500	13.0%	1,825,900	12.5%	7.9%
Spain	1,234,900	8.2%	1,147,000	7.8%	7.7%
Other EU countries	3,839,700	25.4%	3,608,900	24.6%	6.4%
<b>European Union</b>	<b>15,137,700</b>	<b>100%</b>	<b>14,641,400</b>	<b>100%</b>	<b>3.4%</b>

**The EU car market grows by 3.4%**

In absolute terms, the number of new registrations in the EU nations during 2017 again lagged behind those of the USA, which meant third place among the world's large volume markets. New car registrations in the EU rose by 0.5 million units, or 3.4%, to over 15.1 million vehicles (2016: 14.6 million).

In virtually all of the 28 EU states, the car markets reflected the general improvement in the economic situation. Four of the five main EU markets, in which a combined total of nearly three-quarters (74.6%) of all new registrations took place, saw growth. However, the UK, which remains Europe's second largest car market, was unable to maintain the high levels of the past and for the first time in six years experienced a fall of 5.7%, as opposed to growth in 2016 of 2.3%. Moreover, Ireland witnessed an even more marked decline of 10.4%, while Denmark and Finland showed slight falls of 0.5% and 0.4% respectively.

A third of the EU nations even achieved double-digit growth as displayed by Hungary (20.4%), Poland (16.9%), Croatia (17.2%) and even Greece (11.7%).

**New registrations of vehicles with alternative drive systems gather momentum**

The new registrations of vehicles with alternative powertrains (alternative fuel vehicles – AFV) in the European Union accelerated markedly in 2017. The registrations of battery electric

vehicles, hybrid electric vehicles and vehicles using propanol, ethanol and natural gas drives rose by a total of 39.7% to roughly 852,900 units (2016: approx. 610,500). The most notable increase by 54.8% related to hybrid electric vehicles (HEV), which with more than a half of all the newly registered units also represented the most important market segment. In addition, new registrations of electrically-chargeable vehicles (ECV) were some 39% up on the figure for the comparable period of 2016. When looking at their market share, with 5.7% AFV still only play a minor role in the EU.

As in the preceding periods, with 230,000 vehicles, Italy was the nation with the highest number of registrations in absolute terms and thus demonstrated growth of 24.0%. Thereof over 70% were registrations of liquefied petroleum gas-fuelled cars (LPG). Consequently, over a quarter of cars employing alternative drive systems were registered in Italy. The UK was ranked second with approximately 119,800 vehicles (growth of 34.8%), followed by Germany with 118,000 cars (79.6%), France with around 108,300 registrations (32.7%) and Spain with 67,900 units, which represented an increase of 87.5%.

According to information from the Center of Automotive Management (CAM) some 777,000 e-cars were registered in China, which was roughly 53% more than in the previous year (507,000). In the USA, the number of new e-car registrations rose by around 24% to about 194,500 units.

## REGISTRATIONS OF NEW COMMERCIAL VEHICLES IN THE EUROPEAN UNION

in pieces	2017	Share	2016	Share	Change
Light commercial vehicles <=3.5t	1,995,800	83.0%	1,920,000	82.4%	3.9%
Medium commercial vehicles >3.5t to <=16t	69,900	2.9%	72,400	3.1%	-3.5%
Heavy commercial vehicles >16t	297,200	12.4%	295,600	12.7%	0.5%
Medium and heavy buses and coaches >3.5t	40,500	1.7%	40,700	1.7%	-0.5%
<b>European Union</b>	<b>2,403,400</b>	<b>100%</b>	<b>2,328,700</b>	<b>100%</b>	<b>3.2%</b>

New commercial vehicle registrations in the EU during 2017 were nearly 0.1 million units higher at around 2.4 million vehicles, which corresponded with slight growth of 3.2%. This was opposed to the previous year, which with a rise of 11.6% saw more than treble this figure.

In the five most important sales markets, with 13.5% Spain again demonstrated the strongest expansion and occupied fourth place in terms of volume with 227,300 vehicles. The largest commercial vehicle market was again France (495,000 new registrations), which grew by 6.9%, while Germany (369,200) also showed 3.3% growth. In the UK (420,400) new registrations fell by 4.4% as compared to 2016 (+1.2%), as was the case in Italy (221,300), which suffered a decline of 2.3%. However, it should be noted that in 2016, Italy registered exceptional growth of 49.9%.

In 2017, light trucks with weights of up to 3.5t remained the EU's most important commercial vehicle segment and with sales of around 2.0 million units grew by 3.9% over the preceding year. Sales of heavy trucks with weights in excess of 16t rose marginally to be slightly up on the level of 2016.

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

## 2. GROUP BUSINESS DEVELOPMENT AND STATUS

### SALES REVENUES

In the 2017 financial year, POLYTEC GROUP sales revenues increased by 4.0% over the preceding year to stand at EUR 676.4 million (2016: EUR 650.4 million).

### SALES BY MARKET AREA

	Unit	2017	2016	2015
Passenger cars	EUR m	434.1	425.4	420.1
Commercial vehicles	EUR m	165.0	147.4	148.1
Non-automotive	EUR m	77.3	77.6	58.3
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>676.4</b>	<b>650.4</b>	<b>626.5</b>

As compared to 2016, sales revenues in the passenger car market area, which with 64.2% (2016: 65.4%) forms the strongest sales area within the POLYTEC GROUP, rose slightly by

around 2.0% to EUR 434.1 million (2016: EUR 425.4 million). On the basis of POLYTEC's consolidated sales revenues, relative growth resulted from the customers Ford Group (+1.8 percentage points), Daimler Car (+0.4 percentage points) and Jaguar/Land Rover (+0.3 percentage points). By comparison with the preceding year, 2017 sales revenues from the customer VW Car, which amongst the car clients contributes the largest share of POLYTEC consolidated sales revenues were down by 1.9 percentage points to 24.3%.

Sales in the commercial vehicle market area (24.4%, 2016: 22.7%) rose markedly as opposed to those of 2016, increasing by around 12.0% from EUR 147.4 million to EUR 165.0 million. All the commercial vehicle customers demonstrated growth with the highest relative increase in sales revenues deriving from VW Truck (+0.5 percentage points on the basis of total POLYTEC consolidated sales revenues).

In spite of a slight decline, the non-automotive market area contributed 11.4% to POLYTEC consolidated sales and thus virtually maintained the 11.9% level of the preceding year.

### SALES BY CATEGORY

	Unit	2017	2016	2015
Parts and other sales	EUR m	605.8	594.5	556.4
Tooling and other engineering sales	EUR m	70.6	55.9	70.1
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>676.4</b>	<b>650.4</b>	<b>626.5</b>

As compared to 2016, the serial production area showed a small increase of 1.9% to EUR 605.8 million. Tooling and other engineering sales revenues are subject to cyclical fluctuations and as opposed to the previous year rose considerably by 26.3% or EUR 14.7 million. This positive development, which in the medium term will lead to new part sales, was registered in both the passenger car and the commercial vehicles segments.

## SALES BY REGION

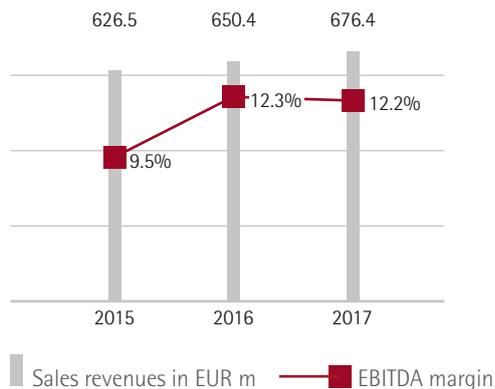
	Unit	2017	2016	2015
Austria	EUR m	23.4	17.4	15.5
Germany	EUR m	383.1	365.9	342.9
Rest of EU	EUR m	228.3	226.3	220.3
Other countries	EUR m	41.6	40.8	47.8
<b>POLYTEC GROUP</b>	<b>EUR m</b>	<b>676.4</b>	<b>650.4</b>	<b>626.5</b>

## EARNINGS DEVELOPMENT

### GROUP EARNINGS FIGURES

	Unit	2017	2016	2015
Sales revenues	EUR m	676.4	650.4	626.5
EBITDA	EUR m	82.3	80.1	59.7
EBITDA margin (EBITDA/sales)	%	12.2	12.3	9.5
EBIT	EUR m	55.1	52.4	36.6
EBIT margin (EBIT/sales)	%	8.1	8.1	5.8
Result after income tax	EUR m	39.0	37.0	24.2
Average capital employed	EUR m	297.5	274.8	219.1
ROCE before tax (EBIT/average capital employed)	%	18.5	19.1	16.7
Earnings per share	EUR	1.74	1.65	1.08
Dividend per share (proposal to the AGM)	EUR	0.45	0.40	0.30

### SALES AND EBITDA MARGIN DEVELOPMENT



## MATERIAL EXPENSES

In the 2017 financial year, material expenses rose by EUR 16.4 million from EUR 305.7 million to EUR 322.1 million due largely to higher prices and increased costs for purchased services. At 47.6%, the material to sales ratio remained at roughly the level of the previous year (2016: 47.0%).

## PERSONNEL EXPENSES

In 2017, the group's personnel expenses increased by EUR 7.9 million from EUR 211.6 million to EUR 219.5 million. This rise was largely the result of restructuring costs amounting to EUR 4.9 million, which emanated from the planned closure of two plants in Germany. Owing to the parallel upturn in sales revenues, the group's personnel ratio (personnel expense/sales revenues) remained virtually unchanged at 32.4% (2016: 32.5%).

## EBITDA

In the 2017 financial year, POLYTEC GROUP EBITDA rose by EUR 2.2 million to EUR 82.3 million and was thus slightly higher than in the preceding year (EUR 80.1 million). As neither the material and personnel ratios, nor the other items in the income statement demonstrated major changes, the EBITDA margin corresponded with that of 2016 at 12.2%.

## AMORTISATION AND DEPRECIATION

In the 2017 financial year, with EUR 27.2 million amortisation and depreciation remained at approximately the level of the preceding year. This was due to the fact that material investments in plant enlargements were uncompleted on the balance sheet date and could therefore not be written down.

## EBIT

Group EBIT improved by 5.1%, or EUR 2.7 million, in 2017 and therewith rose from EUR 52.4 million to EUR 55.1 million. As a consequence, in the 2017 financial year the POLYTEC GROUP achieved the best operating result in its more than 30-year history. As compared to the preceding year, the EBIT margin remained unchanged at 8.1%.

## FINANCIAL AND GROUP RESULT

Owing to an improved financing structure, the financial result fell to minus EUR 3.0 million (2016: minus EUR 4.3 million). Taking into account deferrals, the POLYTEC GROUP tax ratio (tax expenses/result before tax) in the 2017 financial year amounted to 25.2%, which was 2.2 percentage points higher than in the previous year. Group net profit improved by 5.4%, or EUR 1.9 million, over 2016 to stand at EUR 38.2 million (2016: EUR 36.3 million). This corresponds with earnings per share of EUR 1.74 (2016: EUR 1.65).

## ASSETS AND FINANCIAL STATUS

### INVESTMENTS

	Unit	2017	2016	2015
Investments in tangible assets	EUR m	36.6	33.2	134.4

During the 2017 financial year, additions to tangible assets amounted to EUR 36.6 million (2016: EUR 33.2 million). In particular, investment focused on both the Telford location in the English Midlands, where a new paint shop is being built, and the plant enlargement at the Chodová Planá location in the Czech Republic. In addition, the POLYTEC GROUP implemented improvements to its production plants and infrastructure, as well as ongoing maintenance investments.

The comparatively high investments in 2015 resulted primarily from the purchase of the Huemer Holding GmbH real estate portfolio, which included numerous POLYTEC GROUP production locations.

### GROUP KEY BALANCE SHEET AND FINANCIAL FIGURES

	Unit	31.12.2017	31.12.2016	31.12.2015
Equity	EUR m	217.5	189.9	162.9
Equity ratio (equity/balance sheet total)	%	42.1	37.9	33.6
Balance sheet total	EUR m	516.5	501.4	485.1
Net working capital <sup>1)</sup>	EUR m	75.5	40.1	50.5
Net working capital/sales	%	11.2	6.2	8.1

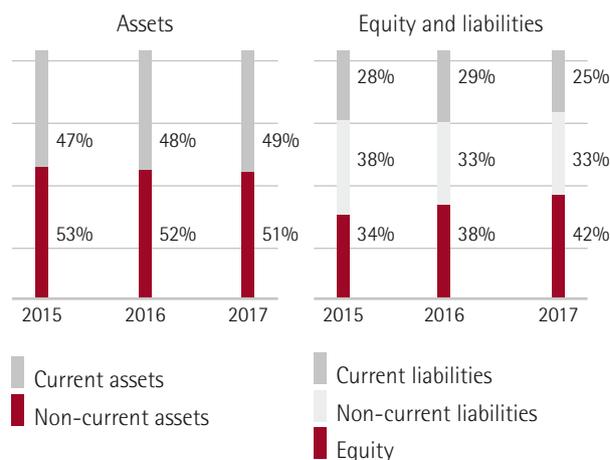
<sup>1)</sup> Net working capital = current assets less current liabilities

In 2017, the group's balance sheet total increased by EUR 15.1 million to EUR 516.5 million. On the assets side, apart from investments in tangible assets, this rise can be traced primarily to net working capital, which due largely to a significant intensification of project activities, rose sharply by EUR 35.4 million to stand at EUR 75.5 million. The main impetus in this regard derived from services not yet invoiced or paid. Conversely, the increase on the equity and liabilities side emanated mainly from the rise in equity, which in turn was also influenced positively by the group result.

The equity ratio as at 31 December 2017 was 4.2 percentage points up on that on the balance sheet closing date of the preceding year at 42.1%.

As at the balance sheet date of 31 December 2017, the POLYTEC GROUP held 334,041 treasury shares (corresponds with 1.5% of share capital) with a stock market value on the closing date of around EUR 6.2 million (2016: EUR 3.4 million) and an acquisition value of EUR 1.9 million. No treasury shares were purchased or sold by the company during the 2017 financial year.

### BALANCE SHEET STRUCTURE (IN %)



	Unit	2017	2016	2015
Net debt (+)/-assets (-)	EUR m	78.7	69.9	99.1
Net debt (+)/-assets (-)/EBITDA	-	0.96	0.87	1.66
Gearing (net debt (+)/-assets (-)/equity)	-	0.36	0.37	0.61

In spite of reduced financial liabilities, as opposed to the 31 December 2016 balance sheet date, net debt went up by EUR 8.8 million to EUR 78.7 million. This increase can be traced to a reduction in cash and cash equivalents. Correspondingly, the key figure for the notional debt repayment period rose slightly from 0.87 to 0.96. At 0.36, the gearing ratio remained at the level of the preceding year.

## CASH FLOW

	Unit	2017	2016	2015
Cash flow from operating activities	EUR m	38.3	70.7	51.3
Cash flow from investing activities	EUR m	-38.0	-28.8	-69.2
Cash flow from financing activities	EUR m	-22.7	-20.0	-36.4
Change in cash and cash equivalents	EUR m	-22.4	21.9	-54.3

In the 2017 financial year, owing to an increase in working capital, the cash flow from operating activities fell by EUR 32.4 million to EUR 38.3 million. The cash flow from investing activities rose by EUR 9.2 million to minus EUR 38.0 million, while the cash flow from financing activities increased slightly to minus EUR 22.7 million (2016: minus EUR 20.0 million). The cash flow from operating activities was employed primarily for investments, whereby cash reserves were used mainly for debt repayment. On the balance sheet date, cash and cash equivalents totalled a final amount of EUR 56.9 million.

## EMPLOYEES

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

	Unit	2017	2016	2015
Austria	FTE	539	553	579
Germany	FTE	2,211	2,220	2,321
Rest of EU	FTE	1,591	1,504	1,180
Other countries	FTE	186	172	167
<b>POLYTEC GROUP</b>	<b>FTE</b>	<b>4,527</b>	<b>4,449</b>	<b>4,247</b>
Sales per employee	EUR k	149	146	147

In terms of an annual comparison, average group workforce numbers (including leasing personnel) rose by 78 (FTE), or 1.8%, to 4,527 employees. The average leasing personnel quota totalled 11.3% (2016: 8.9%). Sales per employee (including leasing personnel) amounted to EUR 149 k and were therefore slightly higher than in the previous year. On the 2017 balance sheet date, the POLYTEC GROUP workforce (excluding leasing personnel) numbered 4,046 and was thus 37 persons larger than in the preceding year.

## 3. REPORT ON EXPECTED GROUP DEVELOPMENT AND RISKS

### AUTOMOTIVE INDUSTRY DEVELOPMENT OUTLOOK

The international automotive markets made a largely positive start to 2018. From a global perspective, analysts and the automobile associations foresee further growth for the year as a whole. The German Automotive Industry Association anticipates that the worldwide car market will gain 1% to stand at 86 million units. Other analysts expect higher figures, as exemplified by M.M.Warburg Research, which predicts growth of 2% and approximately 95 million new registrations, and Euler-Hermes, which estimates sales as high as 98 million units.

The experts also await differing trends in the various national markets. A continuation of healthy growth in the 3% to 4% range is assumed for China, the world's most significant car market. In the USA, the decline in the number of new registrations might continue, but by contrast the registration figure for second-hand vehicles is likely to rise markedly. The tendential outlook in the British car market, which is Europe's second largest, remains gloomy. The UK already saw a fall in new registrations in 2017 and the unpredictable course of the Brexit negotiations has led to political and economic uncertainties, as well as declining consumer confidence.

In spite of the generally solid economic situation, it is probable that both the car and commercial vehicles markets in Europe will only demonstrate slight growth in 2018. The positive developments in Russia and Brazil should be maintained and double-digit growth rates for new car registrations might be possible.

The sales figure trend with regard to vehicles with alternative powertrains is the object of intense interest. However, although double-digit growth rates may be expected in 2018, the share of the overall market will again be of only minor significance.

### GROUP RESULT DEVELOPMENT OUTLOOK

Based on economic stability, the POLYTEC GROUP executive management assumes that in 2018 group sales and operating results will again attain the excellent level of last year. Against the background of the latest decision of the Federal Administrative Court in Germany regarding possible driving bans on older diesel models, as well as the intervening, noticeable decline in call-ups for diesel vehicle products, this constitutes an ambitious target.

#### 4. RISK REPORTING AND FINANCIAL INSTRUMENTS

The exhaust gas affair in the automotive industry has resulted in uncertainties amongst manufacturers, suppliers and consumers alike. Therefore, the POLYTEC GROUP management has constantly monitored developments, especially in connection with the shift in the vehicle drive technology trend.

As was the case in the 2016 financial year, the exhaust gas issue did not have a material effect upon the group's operative business in 2017. Nonetheless, since the beginning of this year, the sales of products for vehicles with diesel engines have fallen noticeable and the management is keeping a close eye on this development. However, it is likely that the demand for products relating to vehicles with diesel engines will move to vehicles using petrol engines or alternative drives, thus creating a counterbalance.

Prior to 31 December 2017 and beyond to the closing date of this report in mid-March 2018, no significant impact upon the operative business of the POLYTEC GROUP was recognisable, which could be traced back to the intention of the United Kingdom to leave the European Union, or the possible consequences of international trade restrictions. Whether or not in future other risks and uncertainties may exert an influence on the development of the POLYTEC GROUP's sales and income cannot be fully estimated at present.

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

#### 5. RESEARCH AND DEVELOPMENT REPORT

During the 2017 financial year, the POLYTEC GROUP intensified its research activities, which raised the related costs by around EUR 4.4 million to EUR 14.5 million. This represented an almost 50% increase on the EUR 10.1 million of the previous year and resulted in a rise in the research cost ratio (R&D costs/sales) from 1.6% to 2.1%.

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

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

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

With the introduction of the new material "Sylothan", POLYTEC has created a valuable addition to its product portfolio in the vibration engineering field. Sylothan is a PUR elastomer with a fine cellular structure, which guarantees a high deformation capacity under static and dynamic loads. Above all, processing in combination with a hard polyurethane cover has met with major interest amongst POLYTEC's clientele.

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

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

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

In order to be able to deal with these complex assignments promptly and effectively, during the 2017 financial year POLYTEC continued to optimise its processes and organisational framework across the group and took important decisions for the further consolidation of resources.

Since the end of the year, POLYTEC's engineering capacity has been boosted further by arrival of specialists from POLYTEC ENGINEERING SERVICES (PES) in Neckarsulm, Germany. This team was acquired from an insolvent supplier of development services and ten employees from the product and concept development and jig design areas are already considering what the market of tomorrow might demand. The team operates outside the sphere of daily operations and concentrates on innovative products, applications and solutions, but naturally without losing sight of market needs. Not least, the PES engineers benefit from the wide-ranging know-how of the personnel at POLYTEC's three existing development competence centres, who already link up their expertise in a diversity of technological and production areas.

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

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

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

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

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

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

As at the balance sheet date of 31 December 2017, the share capital of POLYTEC Holding AG remained unchanged at EUR 22.3 million divided into 22,329,585 bearer shares. The group has no other types of shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange.

As at the 31 December 2017 balance sheet date, the Huemer Group was the only investor holding more than 10.0% of share capital. The Huemer Group holds 29.04% (16.00% Huemer Holding GmbH and 13.04% Huemer Invest GmbH) of POLYTEC Holding AG share capital. As compared to the 31 December 2016 balance sheet date, the holding in companies belonging to POLYTEC Holding AG that can be attributed to Friedrich Huemer, the POLYTEC GROUP CEO, remained unchanged. Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no shareholders with an interest in excess of 10.0% of share capital. No shareholder disposes over special control rights.

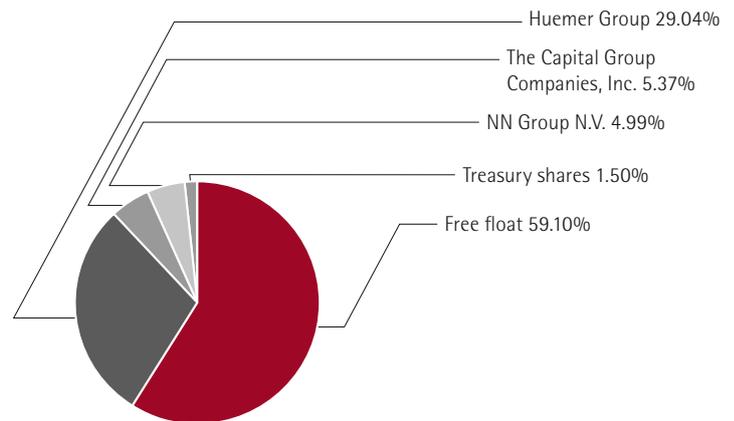
During the 2017 financial year, POLYTEC Holding AG received two voting right communications from stockholders in accordance with § 91 of the Austrian Stock Exchange Act (now § 130 Stock Exchange Act 2018).

On 10 April 2017, the NN Group N.V. Amsterdam (Netherlands) notified POLYTEC Holding AG that with effect from 7 April 2017, it had purchased all the shares of the Amsterdam-based Delta Lloyd N.V. (Netherlands) and its affiliated companies. Therefore, from 7 April 2017 onwards, the entire POLYTEC Holding AG shares held by Delta Lloyd N.V. and its affiliated companies are to be classified as being under NN Group N.V. ownership. According to own information, as at 7 April 2017 NN Group N.V. held 1,400,000 POLYTEC Holding AG shares, or 6.27% of share capital. On 11 April 2017, POLYTEC Holding AG issued a report to this effect in accordance with § 93 Para. 2 of the Austrian Stock Exchange Act.

On 18 October 2017, the shareholder NN Group N.V. Amsterdam (Netherlands) informed POLYTEC Holding AG that on 17 October 2017 it fell short of a reporting threshold. As at 17 October 2017, two administered funds received a joint interest of 4.99%,

or 1,115,250 shares in POLYTEC Holding AG. Accordingly, on 18 October 2017 POLYTEC Holding AG issued a report pursuant to § 93 of the Austrian Stock Exchange Act (now § 135 Para. 2 of Stock Exchange Act 2018).

As at 31 December 2017, on the basis of the 22,329,585 issued shares, the shareholder structure of POLYTEC Holding AG had the following form:



After the balance sheet date, a further change in a significant participation was announced, as at the end of February 2018, the shareholder The Capital Group Companies, Inc., which is based in Los Angeles (USA), notified POLYTEC Holding AG that on 23 February 2018 it fell short of a reporting threshold and that on this date the shareholder held 976,139 shares, or 4.37% of POLYTEC Holding AG stock.

### TREASURY SHARES

During the 2017 financial year, the group did not purchase or sell any treasury shares. On the balance sheet date of 31 December 2017, POLYTEC Holding AG held an unchanged total of 334,041 treasury shares, which represented a holding of roughly 1.5% of share capital.

### AUTHORISED CAPITAL

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

## OTHER INFORMATION

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

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

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

### BUSINESS MODEL

Founded in 1986, the POLYTEC GROUP is a leading developer and manufacturer of high-quality plastic components with 28 locations and some 4,500 employees worldwide. For more than 30 years, the Austria-based company has been offering its customers experience and know-how, not only as a complete supplier in the injection moulding field, but also a specialist for fibre-reinforced plastics, a producer of original accessories made from plastic and special steel, and a relevant developer of individualised industrial solutions in polyurethane, as well as the machinery and plants needed for this purpose.

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

## MATERIALITY

Stakeholders are persons or groups, who have a justifiable interest in the development of the POLYTEC GROUP. The prompt recognition of their interests and expectations leads to important findings in connection with opportunities and risks. This information plays a significant role in the actions of the POLYTEC GROUP management and the following external and internal stakeholders have been identified as being of relevance to group activities:

### CUSTOMERS

- OEMs
- Non-automotive customers

### EMPLOYEES

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

### SUPPLIERS

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

### PUBLIC SECTOR

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

### CAPITAL MARKET

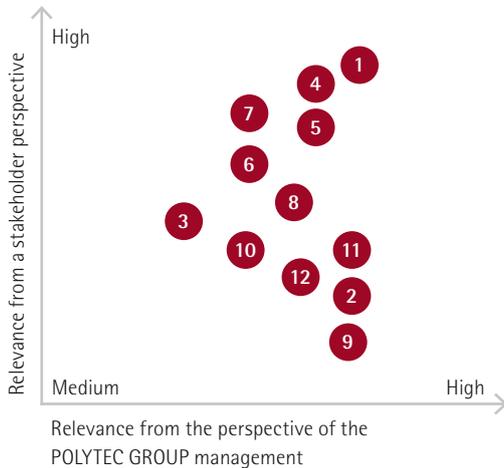
- Investors – the founding family Huemer
- Investors – institutional and private
- Debt capital markets
- Stock exchanges, banks and insurance companies, auditors, credit protection associations
- Analysts, proxy and rating agencies
- Financial market media

### OTHER STAKEHOLDERS

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

## IDENTIFIED MATERIAL ISSUES

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



- 1 Long-term business success and value increase
- 2 Enhanced cost efficiency and value-added generation
- 3 A consistent dividend policy
- 4 Customer advantages and satisfaction
- 5 Production of top quality, innovative plastic products
- 6 Compliance
- 7 Work health and safety protection
- 8 Employee advancement
- 9 Optimisation and digitisation of company processes
- 10 Efficient energy use
- 11 Efficient use of raw and other materials
- 12 Waste avoidance and reduction

## RISK REPORTING

Within the scope of its business activities, the POLYTEC GROUP is subject to a variety of risks, which relate directly to corporate transactions. Risk management is an integral part of group strategy and business processes. The comprehensive certifications required by an automotive industry supplier (e.g. TS ISO/16949:2002) already specify appropriate regulations, which are also monitored via external audits. In line with the organisational structure of the POLYTEC GROUP, risks are locally managed and monitored close to the market, especially in the course of ongoing business processes. However, group headquarters provides central financial risk management.

The following major risk areas can be identified:

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

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

**Financial risks.** These include credit, liquidity, currency and interest rate change risks.

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

## THE POLYTEC GROUP MISSION STATEMENT

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

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

## OUR VISION

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

## OUR MISSION

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

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

## OUR VALUES

### Passion ...

Our desire to achieve ideal solutions inculcates every working phase.

### ... creates ...

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

### ... innovation

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

## CODE OF CONDUCT

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

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

### Code of Conduct regulatives

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

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

Behaviour in society. Sustainable environmental and climate protection, and public image.

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

All POLYTEC GROUP employees are expected to examine their conduct in the light of the guidelines laid down in this Code of Conduct and ensure adherence. Infringements and pointers can be reported via an established channel and are then carefully examined and handled with complete confidentiality.

With regard to detailed information concerning the Code of Conduct, we would refer you to a document on the POLYTEC GROUP website, [www.polytec-group.com](http://www.polytec-group.com) in the Group, Mission Statement section, which is ready for downloading.

## ENVIRONMENTAL PROTECTION

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

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

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

The majority of the parts, top quality component modules and multifunctional plastics systems designed by POLYTEC are manufactured in accordance with certificated development and production processes. POLYTEC's production locations possess internationally recognised environmental and quality management norms such as ISO 16949, ISO 14001 and ISO 50001. Furthermore, they must continually meet numerous special customer standards. All in all, this represents confirmation of the long-term commitment and successes that POLYTEC can point to in the environmental protection field.

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

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

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

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

## EXAMPLES OF INCREASED ENERGY EFFICIENCY AT THE HÖRSCHING LOCATION

As examples of the implementation of energy efficiency measures for a sustained reduction in consumption, the following projects at the POLYTEC CAR STYLING plant in Hörsching are worthy of special note.

In the autumn of 2017, work commenced on the general renovation of the production hall, which will be completed in spring 2018. The heating requirement is to be cut by two-thirds through the thermal optimisation of the building's shell and in addition the heating system is to be switched from blowers to radiant panels on the ceiling, which warm all surfaces evenly and create a particularly pleasant sensation of warmth. In future, the waste heat from the compressed air compressors will also be fed into the heating system and in the summer months will alone suffice for the supply of the southern section of the plant premises. Enough daylight will enter the production hall through large windows and roof light domes and sensor-controlled LED lighting is also to be installed, which will automatically adjust the illumination level and create optimum lighting conditions.

Furthermore, numerous measures for the optimisation of the heating supply have been realised, which first showed their full potential during the company closure for the 2016/2017 Christ-

mas break. New pumps now regulate the water volume in the system infinitely and thus the amount of heat produced corresponds precisely with the actual requirement. A further improvement has been achieved through the modification of the heat exchangers on the boilers, which now demonstrate optimum throughflow. As a result, some 82,500 KWh of electricity are being saved annually and gas consumption has been cut by 10%. An investment in an efficient compressed air compressor and the removal of leaks in the compressed air network are also furnishing significant additional savings. The initial improvement phase has already facilitated a reduction in energy consumption of 85,000 KWh.

During 2017, painting capacity in Hörsching was enlarged through the addition of two further cabins. A current evaluation of electricity and gas consumption shows that the optimisation measures have more than compensated for the extra energy requirements caused by the new cabins.

One important objective of the sustainability measures is the separation of energy consumption from economic growth. In the long term, ways must be found to markedly reduce energy needs in spite of consistent or increasing production volumes. Therefore, POLYTEC intends to fulfil the growing demands with regard to environmental and resource conservation through even more effective energy concepts.

## ENERGY AND ENVIRONMENTAL TARGETS

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

Target definition	Dimension	Basis	Key indicator
Increased injection moulding machine efficiency	Yearly by 1%	Ratio of machine energy consumption to the raw materials employed, based on 2016	kWh/kg
Minimisation of electricity consumption during lengthy plant standstills through the shutdown of unnecessary peripherals	Reduction by 1%	Ratio of machine energy consumption to the raw materials employed, based on 2016	kWh/kg
Adherence to the energy efficiently standards for Level D buildings	110 kWh/m <sup>2</sup> per year	Ratio of climate-adjusted heating gas consumption to the heated areas	kWh/m <sup>2</sup> per year
Optimisation of the energy data logging system, which incorporates the main consumers	Number of consumers	Registered main consumers/main consumers	%
Minimisation of overall environmental impact (emissions, waste and used water)	Yearly by 1%	Ratio of total pollutants per year to the volume of materials employed, based on 2013	t/t
Reduction in energy intensity	Yearly by 1.3%	Ratio of total energy consumption to the operating result, based on 2012	kWh/EUR
Reduction in environmental impact through a search for health-friendlier materials	Reduction to zero	Number of materials representing a hazard to the environment and health	Number
Improvement in environmental controlling with regard to quantity and costs	80%	Ratio of allotted quantities and costs to total quantities and costs	%

## KEY INDICATORS

## Energy use

in MWh	2017	2016	2015
Electricity	140,139	137,268	125,033
Natural gas/oil	108,072	102,139	94,359
Heating	1,701	1,576	1,219
Other	3,068	2,543	2,583
<b>POLYTEC GROUP</b>	<b>252,980</b>	<b>243,527</b>	<b>223,194</b>

As opposed to the preceding year, energy consumption throughout the group rose by 3.9%, or 9,453 MWh, to 252,980 MWh. In relation to sale revenues, the ratio remained at exactly the 37.4% level of 2016.

## Materials use

in tonnes	2017	2016	2015
PP – polypropylene	28,893	29,428	17,893
PA – polyamide	10,678	10,745	10,067
ABS – acrylonitrile butadiene styrene	4,038	3,201	1,491
PUR – polyurethane	1,607	1,085	972
Glass fibres	8,457	7,648	6,719
Resins	4,913	4,432	3,995
Paints	1,003	903	737
Others	26,794	24,956	26,538
<b>POLYTEC GROUP</b>	<b>86,383</b>	<b>82,398</b>	<b>68,412</b>

As compared to 2016, materials consumption across the group in 2017 was up by 4.8%, or 3,985 t, at 86,383 t. In relation to sale revenues, the ratio increased slightly by 0.1 percentage points to 12.8%.

## Waste volumes

in tonnes	2017	2016	2015
Non-hazardous waste	7,523	7,441	6,682
Hazardous waste	2,308	1,757	1,588
<b>POLYTEC GROUP</b>	<b>9,831</b>	<b>9,198</b>	<b>8,270</b>

During the 2017 financial year, the volume of hazardous and non-hazardous waste in the POLYTEC GROUP increased by 6.9%, or 633 t, over the previous year to 9,831 t. In relation to sale revenues, the ratio increased by 0.1 percentage points to 1.5%.

## EMPLOYEES

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

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

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

In addition to pages on the XING (DACH region) and LinkedIn (international) networks, which have already been in place for some time, POLYTEC has been represented on Twitter (@POLYTEC\_career) and Facebook (@polytecgrouppkariere) since the autumn of 2017. Current information, photos and videos relating to the topic of "Careers at POLYTEC" are disseminated via these channels so that in particular young people are addressed. Furthermore, the POLYTEC job portal and the group's YouTube channel have also been linked to the Facebook site. Consequently, persons looking for a career can quickly gain comprehensive insights into the "POLYTEC World".

One special highlight is provided by our career videos, which were shot during the summer of 2017 with the aim of providing potential job applicants with an authentic look into POLYTEC's working environment. In front of the camera, personnel from the Czech Republic, the Netherlands, Germany and Austria furnish insights into their working lives, recount why they decided to join POLYTEC, and explain their personal contributions to a positive working climate.

Direct contact with job applicants outside the World Wide Web also constitutes an important element in POLYTEC's talent recruiting mosaic and for this purpose the group attends career

fairs in many countries and cities, and thereby demonstrates possible career paths and profession-related impressions. Such career fairs are held at universities, schools of applied sciences, secondary schools and public event venues. They enable interested persons to put their questions directly to POLYTEC specialists and managers, and thus receive genuine impressions. At the job fair in Cloppenburg, Germany, youngsters looking for an apprenticeship were even able to try their hand on an injection moulding machine.

The POLYTEC GROUP promotes the ongoing further training and development of its employees. For example, the POLYTEC Leadership Academy (PLA) has been created in order to evaluate and expand upon the important and sensitive topic of personnel management. Since 2015, over 150 managerial employees have successfully completed a modular qualification programme. The focus of the programme is repeatedly updated and adjusted to new requirements. For example, on one occasion the PLA placed a special emphasis on the training of managers from the production area. The trainees were divided into peer groups in line with the management tiers and the latter also determined the teaching content, which was targeted on

the respective, concrete demands and problems. Apart from the dissemination of managerial skills, the PLA creates a platform for networking within the POLYTEC GROUP and an extensive exchange of experience. Coaching also continues even after the official end of Academy training, in order to ensure that attendees are able to continually develop further and also receive support with regard to complex issues.

The POLYTEC Performance System (PPS) is used to disseminate and implement the group's holistic, lean management programme throughout the organisation. In addition, the PPS Academy trains POLYTEC personnel in all the lean management disciplines of relevance to their assignments, in order to simplify daily working and initiate long-term improvements.

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

## WORK SAFETY TARGETS

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

Target definition	Dimension	Basis	Key indicator
Reduction in the frequency of work accidents	To zero	Accident frequency (number of working accidents with at least one work day lost in ratio to 1 million hours)	Number of accidents / 1 million h
Reduction in the severity of work accidents	To zero	Accident burden (number of work days lost in ratio to 1 million hours)	Number of work days lost/ 1 million h
Reduction in the number of work-related health hazards, skeletal and muscular disorders	To 100%	Number of ergonomically optimised work stations in ratio to the total number of workplaces	%
Protection and improvement of health with regard to work-related psychological stress	To 100%	Adequate consideration of inappropriate psychological stress in hazard assessment	%

## KEY EMPLOYEE INDICATORS

Employees excluding leasing personnel	Unit	2017	2016	2015
<b>Key indicators by geography</b> (as at 31.12.)				
Austria	FTE	486	504	512
Germany	FTE	1,966	1,963	2,164
Other EU countries	FTE	1,392	1,374	1,087
Other countries	FTE	202	168	165
<b>POLYTEC GROUP</b>	<b>FTE</b>	<b>4,046</b>	<b>4,009</b>	<b>3,928</b>
<b>Key indicators by gender</b> (as at 31.12.)				
Men	%	79.6	79.7	79.4
Women	%	20.4	20.3	20.6
<b>Key indicators by age</b> (as at 31.12.)				
< 30 years	%	16.5	16.7	17.6
30–50 years	%	49.9	49.2	50.7
> 50 years	%	33.6	34.1	31.7
Fluctuation rate (annual average)	%	13.5	16.4	13.2
<b>Work safety key indicators</b> (yearly values)				
Work accidents	Number	161	138	169
Average accident-related sick leave	Days	10	14	16
Fatal work accidents	Number	0	0	0

The key indicators shown in the table relate to full time employees and exclude leasing personnel. If the latter are included, on the 2017 balance sheet date the POLYTEC GROUP had a total workforce of 4,522, which was 2.1%, or 95 persons (FTE – full time equivalent), larger than in the preceding year.

The workforce in the automotive supply industry is still predominately male, as this sector continues to be primarily oriented towards technology. On 31 December 2017, the quota of female employees in the POLYTEC GROUP (excluding leasing personnel) amounted to 20.4%, which was slightly higher than on the balance sheet date of the previous year (20.3%).

As far as the age group structure is concerned, roughly half of the group workforce is in the 30 to 50 years category. Female employees are in a minority in all three age groups.

The group fluctuation rate is calculated by dividing the number of leavers (terminations of employment by employees and employer, arrangements by mutual consent, as well as short-term employment contracts) by the average total POLYTEC GROUP workforce. The rise in the fluctuation rate in 2016 can be traced to the adjustments to personnel capacity in the commercial area, which took place largely at German plants.

Although by comparison the number of work accidents in 2017 was higher than in the previous year, a positive trend towards less serious incidents and thus shorter recovery periods can be ascertained. As a result of targeted accident prevention measures, the average length of accident-related sick leave fell to ten days per accident.

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

### **APPRAISAL INTERVIEWS INTENSIFIED**

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

Within a year, the employee appraisal completion rate was raised considerably, increasing from around 60% in 2016 to approximately 84% in 2017. While at white-collar level such interviews are obligatory, appraisals with blue-collar employees are still not held at all locations. Pioneers within the POLYTEC GROUP in this connection are the two plants in the Netherlands, which complete interviews with blue-collar employees on a systematic basis. This practice is now to be extended to other locations and Wolmirstedt (Germany) has already launched such a project in line with the POLYTEC Leadership Principles and the POLYTEC Performance System.

Hörsching, 22 March 2018

The POLYTEC Holding AG Board of Directors

Friedrich Huemer  
Chairman – CEO

Markus Huemer  
Deputy Chairman – COO

Alice Godderidge  
Member of the Board – CSO

Peter Haidenek  
Member of the Board – CFO

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR 2017

with comparative figures from the previous year

in EUR k	Notes	2017	2016
Net sales	E.1	676,440	650,403
Other operating income	E.2	4,266	5,555
Changes in inventory of finished and unfinished goods		4,872	-1,778
Own work capitalised		1,284	2,185
Expenses for materials and services received	E.3	-322,114	-305,713
Personnel expenses	E.4	-219,502	-211,567
Other operating expenses	E.5	-62,943	-61,505
Result from companies accounted for using the equity method	E.6	0	2,544
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>		<b>82,302</b>	<b>80,123</b>
Depreciation		-27,224	-27,703
<b>Earnings before interest and taxes = operating result (EBIT)</b>		<b>55,078</b>	<b>52,419</b>
Interest result		-3,152	-4,037
Other financial income		143	13
Other financial expenses		0	-294
<b>Financial result</b>	E.7	<b>-3,008</b>	<b>-4,318</b>
<b>Earnings before tax</b>		<b>52,070</b>	<b>48,102</b>
Taxes on income	E.8	-13,110	-11,084
<b>Earnings after tax</b>		<b>38,960</b>	<b>37,018</b>
thereof result of non-controlling interests		716	723
<b>thereof result of the parent company</b>		<b>38,244</b>	<b>36,295</b>
Earnings per share in EUR	E.20	1.74	1.65

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1.1.-31.12.2017

in EUR k	Notes	Group	Non-controlling interests	Total
Earnings after tax		38,244	716	38,960
<b>Items that will not be reclassified (recycled) in future periods in the income statement</b>				
Remeasurement of defined benefit obligation, net of tax		-406	0	-406
thereof related, deferred income taxes		122	0	122
	E.22	-284	0	-284
<b>Items that will be reclassified (recycled) in future periods in the income statement</b>				
Currency translations		-1,770	0	-1,770
		-1,770	0	-1,770
Other result after tax		-2,054	0	-2,054
<b>Total result</b>		<b>36,191</b>	<b>716</b>	<b>36,907</b>

1.1.-31.12.2016

in EUR k	Notes	Group	Non-controlling interests	Total
Earnings after tax		36,295	723	37,018
<b>Items that will not be reclassified (recycled) in future periods in the income statement</b>				
Remeasurement of defined benefit obligation, net of tax		-1,208	0	-1,208
thereof related, deferred income taxes		365	0	365
	E.22	-843	0	-843
<b>Items that will be reclassified (recycled) in future periods in the income statement</b>				
Currency translations		-2,128	0	-2,128
		-2,128	0	-2,128
Other result after tax		-2,971	0	-2,971
<b>Total result</b>		<b>33,324</b>	<b>723</b>	<b>34,047</b>

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017**

with comparative figures from the previous year

**ASSETS**

in EUR k	Notes	31.12.2017	31.12.2016
<b>A. Non-current assets</b>			
I. Intangible assets	E.9	3,110	2,368
II. Goodwill	E.9	19,180	19,180
III. Tangible assets	E.10	232,910	224,192
IV. Other non-current assets		126	683
V. Deferred tax assets	E.11	7,674	12,254
		<b>263,000</b>	<b>258,678</b>
<b>B. Current assets</b>			
I. Inventories	E.12	63,278	55,834
II. Trade accounts receivable	E.13	67,035	49,791
III. Receivables from construction contracts	E.14	43,050	35,862
IV. Other current receivables	E.15	17,691	17,196
V. Income tax receivables		1,215	397
VI. Current interest-bearing receivables	E.16	4,286	4,149
VII. Cash and cash equivalents	E.17	56,899	79,540
		<b>253,453</b>	<b>242,770</b>
		<b>516,453</b>	<b>501,448</b>

## EQUITY AND LIABILITIES

in EUR k	Notes	31.12.2017	31.12.2016
<b>A. Equity</b>			
I. Share capital		22,330	22,330
II. Capital reserves		37,563	37,563
III. Treasury stock		-1,855	-1,855
IV. Retained earnings		163,359	133,913
V. Other reserves		-10,370	-8,316
		<b>211,028</b>	<b>183,635</b>
VI. Non-controlling interests		6,465	6,289
	E.19	<b>217,493</b>	<b>189,924</b>
<b>B. Non-current liabilities</b>			
I. Non-current, interest-bearing liabilities	E.21	126,332	128,837
II. Provisions for deferred taxes	E.11	3,080	917
III. Provisions for personnel	E.22	27,278	27,789
IV. Other long-term provisions	E.23	11,863	10,198
		<b>168,552</b>	<b>167,741</b>
<b>C. Current liabilities</b>			
I. Current interest-bearing liabilities	E.24	13,600	24,795
II. Income tax liabilities	E.25	2,758	6,752
III. Trade accounts payable	E.26	54,054	50,603
IV. Liabilities from construction contracts	E.14	4,802	1,597
V. Other current liabilities	E.27	24,419	25,832
VI. Current provisions	E.28	30,775	34,204
		<b>130,408</b>	<b>143,783</b>
		<b>516,453</b>	<b>501,448</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2017**

with comparative figures from the previous year

in EUR k	Notes	2017	2016
<b>Earnings before tax</b>		<b>52,070</b>	<b>48,102</b>
+ Depreciation (appreciation) on fixed assets		27,224	27,703
- Non-cash earnings from deconsolidation	E.6/B.1	0	-2,402
+(-) Result for companies accounted for at equity	E.6	0	-142
-(+ ) Interest result	E.7	3,152	3,733
+(-) Other non-cash expenses and earnings	F.	685	-602
+(-) Increase (decrease) in non-current provisions for employees		-2,446	828
-(+ ) Profit (loss) from fixed asset disposals		-255	-374
-(+ ) Increase (decrease) in inventories		-7,558	3,424
-(+ ) Increase (decrease) in trade and other receivables		-25,399	-2,598
+(-) Increase (decrease) in trade and other payables		6,609	2,362
+(-) Increase (decrease) in current provisions		-1,691	-297
<b>= Consolidated cash flow from current activities</b>		<b>52,391</b>	<b>79,737</b>
+ Interest received		503	530
- Interest paid		-3,597	-4,263
- Taxes paid		-11,020	-5,329
<b>= Consolidated cash flow from operating activities</b>		<b>38,277</b>	<b>70,675</b>
- Investments in fixed assets	F.	-39,667	-35,966
- Acquisition of subsidiaries, less acquired cash and cash equivalents	B.1	0	-3,752
- Investments in financial instruments		0	-13
+ Payments from the disposal of intangible and tangible assets		1,695	1,734
-(+ ) Increase (decrease) in interest-bearing receivables	E.16	0	9,222
<b>= Consolidated cash flow from investing activities</b>		<b>-37,972</b>	<b>-28,775</b>

in EUR k	Notes	2017	2016
+ Inflows from loan financing		216	301
- Repayments of loan financing		-6,142	-6,299
- Repayments of real estate loans		-5,376	-5,423
- Outflows from financial leasing agreements		-1,499	-2,079
+(-) Change in current financial liabilities		-9,101	579
+ Inflows from promissory notes		8,500	0
- Third party dividends		-9,338	-7,049
<b>= Consolidated cash flow from financing activities</b>	F.	<b>-22,739</b>	<b>-19,970</b>
+(-) Consolidated cash flow from operating activities		38,277	70,675
+(-) Consolidated cash flow from investing activities		-37,972	-28,775
+(-) Consolidated cash flow from financing activities		-22,739	-19,970
<b>= Change in cash and cash equivalents</b>		<b>-22,434</b>	<b>21,930</b>
+(-) Effect from currency translations		-207	-74
+ Opening balance of cash and cash equivalents		79,540	57,683
<b>= Closing balance of cash and cash equivalents</b>		<b>56,899</b>	<b>79,540</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**


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in EUR k	Notes	Share capital	Capital reserves	Treasury stock
<b>As at 1.1.2017</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
<b>Comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
Dividend		0	0	0
<b>As at 31.12.2017</b>	<b>E.19</b>	<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>

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in EUR k	Notes	Share capital	Capital reserves	Treasury stock
<b>As at 1.1.2016</b>		<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>
Comprehensive income after tax		0	0	0
Other result after tax		0	0	0
<b>Comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
Dividend		0	0	0
<b>As at 31.12.2016</b>	<b>E.19</b>	<b>22,330</b>	<b>37,563</b>	<b>-1,855</b>

Other reserves						
Retained earnings	Actuarial profit/loss	Reserves from currency translation	Shares of POLYTEC Holding AG stockholders	Non-controlling interests		Total
133,913	-4,592	-3,725	183,635	6,288		189,924
38,244	0	0	38,244	716		38,960
0	-284	-1,770	-2,054	0		-2,054
<b>38,244</b>	<b>-284</b>	<b>-1,770</b>	<b>36,191</b>	<b>716</b>		<b>36,907</b>
-8,798	0	0	-8,798	-540		-9,338
<b>163,359</b>	<b>-4,876</b>	<b>-5,494</b>	<b>211,028</b>	<b>6,465</b>		<b>217,493</b>

Other reserves						
Retained earnings	Actuarial profit/loss	Reserves from currency translation	Shares of POLYTEC Holding AG stockholders	Non-controlling interests		Total
104,217	-3,749	-1,597	156,909	6,015		162,925
36,295	0	0	36,295	723		37,018
0	-843	-2,128	-2,971	0		-2,971
<b>36,295</b>	<b>-843</b>	<b>-2,128</b>	<b>33,324</b>	<b>723</b>		<b>34,047</b>
-6,599	0	0	-6,599	-450		-7,049
<b>133,913</b>	<b>-4,592</b>	<b>-3,725</b>	<b>183,635</b>	<b>6,289</b>		<b>189,924</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE 2017 FINANCIAL YEAR OF POLYTEC HOLDING AG, HÖRSCHING

### A. GENERAL INFORMATION

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

The consolidated financial statements of POLYTEC Holding AG (hereinafter referred to as the "group" or "POLYTEC GROUP") for the 2017 financial year were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations in line with the EU standard practice. They also comply with the additional requirements of § 245a Para. 1 UGB (Austrian Commercial Code).

The consolidated financial statements were audited by KPMG Austria GmbH and released by the Board of Directors for transfer to the Supervisory Board on 22 March 2018. The Supervisory Board had the task of examining and stating its approval of the consolidated financial statements as at 31 December 2017. The Supervisory Board has the opportunity to require the alteration of the consolidated financial statements.

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

All the standards that were mandatory for the financial years under review were applied during the preparation of these consolidated financial statements.

The following new or amended standards and interpretations were applicable for the first time in the 2017 financial year:

Standard	Interpretation	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2017	Date for application within the EU
IAS 7	Disclosure initiative	1 January 2017	Yes	1 January 2017
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017	Yes	1 January 2017
Various	Amendments to a series of IFRS, as a result of the 2014-2016 improvement process	1 January 2017	Yes	1 January 2017

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

The International Accounting Standards Board (IASB) is working on a large number of projects, which will only affect financial years commencing on 1 January 2018. The following new, amended or supplemented standards and IFRIC interpretations that have already been published by the IASB, but for which application is not yet mandatory in the EU, have not been applied prematurely by the POLYTEC GROUP and are consequently irrelevant for these consolidated financial statements:

Standard	Interpretation	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2017	Date for application within the EU
IAS 19	Plan amendment, curtailment or settlement	1 January 2019	No	
IAS 28	Long-term interests in associates and joint ventures	1 January 2019	No	
IAS 40	Transfer of investment property: application of IAS 40 to property under construction or development for future use	1 January 2018	No	
IFRS 2	Classification and measurement of share-based payment transactions	1 January 2018	No	
IFRS 4	Application of IFRS 9 in combination with IFRS 4	1 January 2018	Yes	1 January 2018
IFRS 9	Financial instruments	1 January 2018	Yes	1 January 2018
IFRS 9	Financial instruments – prepayment features with negative compensation	1 January 2019	No	
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	n/a	No	
IFRS 15	Revenue from contracts with customers	1 January 2018	Yes	1 January 2018
IFRS 15	Clarification of IFRS 15	1 January 2018	Yes	1 January 2018
IFRS 16	Leasing	1 January 2019	Yes	1 January 2019
IFRS 17	Insurance contracts	1 January 2021	No	
IFRIC 22	Payment of advance considerations in a foreign currency	1 January 2018	No	
IFRIC 23	Uncertainty over income tax treatment	1 January 2019	No	
IFRS 1, IAS 28	Amendments to a series of IFRS, as a result of the 2014–2016 improvement process	1 January 2018	Yes	1 January 2018
IFRS 3, IFRS 11, IAS 12, IAS 23	Amendments to a series of IFRS, as a result of the 2015–2017 improvement process	1 January 2019	No	

**IFRS 15 (Revenue from contracts with customers)** prescribes a five-level model for the determination of the realised sales revenues from customer contracts. Pursuant to IFRS 15, sales revenues are to be reported to the amount of the consideration that a company can expect in exchange for the transfer of goods and services to a customer. The contractual agreement may thus lead to revenue recognition over time, or at a point in time. The POLYTEC GROUP will implement IFRS 15 in the financial years commencing on 1 January 2018 using the modified retrospective method.

In summary, the effects upon the consolidated financial statements are as follows: For customer based development activities and the production of tooling the percentage-of-completion method pursuant to IAS 11 is used. IFRS 15 defines new criteria for recognizing revenue over a certain time period, whereby the main application is the performance obligation over a certain time period as the assets produced have no alternative use and a simultaneous right to consideration for the performance already provided. During contractual analysis it was determined that these criteria are fulfilled regularly and

therefore the recognition over a certain period of time takes place in accordance with IFRS 15.

At present, revenue from the sale of serially produced goods is recognized when the related risks and rewards of ownership are transferred in accordance with the terms and conditions of delivery. During a contractual analysis it was determined that the criteria for recognizing revenue over a certain time period are fulfilled, as basically series parts for OEMs are only produced to order and facilitate no alternative possibility for use. In addition POLYTEC GROUP has the right to consideration for the articles already manufactured. According to current opinion, the implementation of this standard will result in a adjustment of the consolidated equity as at 1 January 2018 of around EUR 1.5 million.

**IFRS 9 (Financial instruments)** issued in 2014, which will be applied with backdated effect from 1 January 2018, replaces the existing directives in IAS 39 (Financial instruments: recognition and measurement). IFRS 9 incorporates amended guidelines regarding the classification and measurement of financial instruments, including the new general regulations for hedging transactions. In addition, as a result of IFRS 9, in the case of impairments an expected credit loss model replaces the incurred loss model. As a result, in future a provision must be made for the anticipated losses. IFRS 9 also takes over the guidelines for the recognition and derecognition of financial instruments from IAS 39. There is no material impact upon the consolidated financial statements, as at present POLYTEC GROUP strategy does not envisage any use of original or derivative financial instruments for which IAS 39 would require different classification. The hedge accounting regulations are not employed currently and therefore no effects will result. The utilisation of the new credit loss model is expected to create an additional impairment loss of less than EUR 0.1 million.

The key concept of the new **IFRS 16 (Leasing)** is that all the leasing relationships of the lessee and the related contractual rights and obligations be reported in the balance sheet. This requires the lessee to recognise a liability for the obligation to make future leasing payments for all leasing arrangements. At the same time, the lessee capitalises a usufruct right to the underlying asset, which basically corresponds with the present value of the future leasing payments plus directly attributable costs. In future, the differentiation between financial and operating leasing agreements stipulated to date under IAS 17 will no longer be required from the lessee. By contrast, for lessors, the regulations in the new standard are very similar to those contained in IAS 17. Leasing agreements will continue to be classified as financial or operating leasing relationships. Agreements under which all risks and opportunities derived from the property are largely transferred will be classified as financial leasing, whereas all other leasing agreements will be seen as operating leases. The criteria contained in IAS 17 will be adopted for classification pursuant to IFRS 16. As at 31 December 2017, the group was subject to payment obligations derived from non-terminable operating leasing totalling EUR 12.5 million. A preliminary assessment indicates that these leasing contracts represent leasing agreements in accordance with IFRS 16 and therefore are to be reported on balance. Nonetheless, it is likely that the exceptions for short-term leasing and low-value assets will be claimed. The reporting of the writing off of usufruct rights and interest instead of a leasing expense will result in an improvement in EBITDA and EBIT. However, at present detailed quantification is not yet possible, as this would be based on numerous small contracts, which to date have not all been examined with regard to their applicability for the use of IFRS 16. The group will first implement IFRS 16 on 1 January 2019, employing the modified retrospective method.

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

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

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

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

## B. PRINCIPLES OF CONSOLIDATION

### 1. SCOPE OF CONSOLIDATION

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

Control exists if the company has the power of decision over important activities, generates variable returns from the subsidiary and can influence these returns through such power of decision. Accordingly, in addition to the parent company, 10 (previous year: 10) national and 35 (previous year: 37) international subsidiaries were included, which are under the control of POLYTEC Holding AG. The seven companies (previous year: seven), which were excluded, are also immaterial in total. The balance sheet date for all companies included in the consolidated financial statements was 31 December 2017.

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

As a rule, the annual financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date of disposal. A subsidiary is first included when control of its assets and business activities is actually assigned to the respective parent company.

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

Scope of consolidation	Full consolidation
<b>As at 31.12. 2016</b>	<b>48</b>
Retirement due to internal group restructuring	-2
Retirement due to liquidation	-1
<b>As at 31.12. 2017</b>	<b>45</b>
thereof international companies	34

### ACQUISITIONS IN 2017

No acquisitions were undertaken in 2017.

### RESTRUCTURING IN 2017

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

### ACQUISITIONS 2016

#### Fortreal k.s. or SPELAG s.r.o.

#### (now POLYTEC ESTATES Bohemia k.s. or SPELAG s.r.o. )

On 31 March 2016, the purchase of all the shares of both Fortreal k.s. Mariánskolázénská, Czech Republic, as a limited partnership, and SPELAG s.r.o., Mariánskolázénská, Czech Republic, as a general partnership, resulted in the takeover of the company premises in Chodová Planá, Czech Republic.

#### Ratipur Autofelszerelés Kft. or Ratipur Holding Kft.

#### (now POLYTEC Komló Kft. or POLYTEC Hungary Kft.)

On 12 October 2016, POLYTEC Holding AG purchased the entire stocks of Ratipur Autofelszerelés Kft., Komló, Hungary and therefore owing to complete control, Ratipur Autofelszerelés Kft. and Ratipur Holding Kft., which were previously reported at equity, were fully consolidated with effect from 12 October 2016. The company acquisition serves the development of new technologies and applications in line with the POLYTEC strategy of strengthening its market position in Europe.

No backdated adjustments were undertaken in the course of the acquisitions made during 2016 with the result that the carrying amounts of the purchased net assets remain unchanged.

### NEW COMPANY FOUNDATIONS AND RESTRUCTURING IN 2016

#### POLYTEC Estates UK Ltd.

On 17 November 2016, POLYTEC Estates UK Ltd. was founded owing to the planned construction of a paint shop in Great Britain.

#### Restructuring of German companies

Towards the end of the 2016 financial year, POLYTEC's companies in Germany were restructured with the aim of combining their results and subsequently facilitating cash pooling across the business segments.

## 2. METHODS OF CONSOLIDATION

### FULL CONSOLIDATION

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

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

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

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

All accounts receivables and payables, as well as expenses and earnings resulting from transactions between the companies within the scope of consolidation are eliminated while taking the principle of materiality into account. Interim results from internal group deliveries are also eliminated where they are material.

### EQUITY CONSOLIDATION

An associated company is a company upon which the POLYTEC GROUP can exert a decisive influence with regard to financial and business policy owing to a shareholding, whereby neither exclusive nor shared control exists. A participation amounting to between 20% and 50% of the voting rights is seen as a rebuttable presumption.

The results, assets and debts of associated companies are included in the consolidated financial statements using the equity method. Interests in associated companies are reported in the consolidated balance sheet at the cost of acquisition, which is adjusted by changes to the group's share of assets following the acquisition date and losses due to impairments. Losses that exceed the share of the group in the associated company are not reported unless the group bears the economic risk. Associated companies are only retained for operative reasons and thus affect the operating activities of the group.

## 3. CURRENCY TRANSLATION

### BUSINESS TRANSACTIONS IN FOREIGN CURRENCIES

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

### TRANSLATION OF INDIVIDUAL FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

The following currency exchange rates were used:

	Average exchange rate		Exchange rate on the balance sheet date	
	2017	2016	31.12.2017	31.12.2016
CAD	1.4715	1.4779	1.5039	1.4188
GBP	0.8753	0.7920	0.8872	0.8562
CNY	7.6511	7.2817	7.8044	7.3202
TRY	4.1271	3.2533	4.5464	3.7072
HUF	312.5000	312.5000	310.3300	309.8300
USD	1.1349	1.1077	1.1993	1.0541
CZK	26.2467	27.0270	25.5350	27.0210

## C. FAIR VALUE MEASUREMENT

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

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

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

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

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

### Level 1:

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

### Level 2:

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

### Level 3:

Information regarding assets and liabilities, which is not based on observable market data.

## D. ACCOUNTING AND EVALUATION PRINCIPLES

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

### 1. INTANGIBLE ASSETS

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

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

### 2. GOODWILL

Goodwill is measured at the cost of acquisition less accumulated impairment losses (see also D.9 Impairment).

### 3. FIXED ASSETS

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

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

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

Interest on borrowed capital is not capitalised, as no material borrowing costs result for a qualified asset.

#### 4. INVENTORIES

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

#### 5. TRADE ACCOUNTS RECEIVABLE

Receivables are capitalised at the cost of acquisition. Recognisable risks are taken into account through the formation of appropriate provisions.

#### 6. CONSTRUCTION CONTRACTS

If the result of a construction contract can be estimated reliably, the related income and expenses are to be reported in accordance with the progress on the closing date of the financial statements. Progress is determined on the basis of the ratio of the order costs incurred on the balance sheet date to the estimated overall contract expense. Changes to the contractual work, the requirements and performance bonuses are included to the extent that their amount can be determined reliably and their receipt regarded as probable.

Should it not be possible to reliably determine the result of a construction contract, the related income is only reported to the amount of the incurred contractual costs that are probably recoverable. Contractual costs are recognised as an expense in the period in which they occur.

If it is probable that the entire contractual costs will exceed total contractual income, the anticipated loss is reported immediately as an expense.

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

#### 7. OTHER RECEIVABLES

Where existent, the reported other receivables include any derivative financial assets that show a positive market value and are classified as "held for trading".

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

#### 8. CASH AND CASH EQUIVALENTS

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

#### 9. IMPAIRMENT

Goodwill is subject to at least an annual impairment test shortly before each balance sheet date, or if indicated by events. All other intangible and fixed assets are tested if indications of impairment exist.

For the purpose of impairment testing, POLYTEC GROUP assets that generate independent cash flow are combined on the lowest level (cash-generating units). Goodwill is assigned to those cash-generating units, which are expected to benefit from synergies and represent the lowest group level in managerial cash flow monitoring.

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

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

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

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

## 10. OBLIGATIONS TO EMPLOYEES

### PROVISIONS FOR SEVERANCE PAYMENTS

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

The provisions for severance payments are determined on the balance sheet date using the projected unit credit method, as well as by applying a discount rate of 1.50% (previous year: 1.50%) and allowing for future remuneration increases of 2.00% (previous year: 2.00%). A discount for employee turnover based on the years of service is included. The assumed uniform retirement age for men and women, taking into account certain temporary arrangements, is unchanged over the preceding year at 62. Service costs are divided over the entire period of service of employees from the date that they join the company until they reach the expected retirement age.

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

### PENSION OBLIGATIONS

Pension obligations exist for certain German group company employees. These obligations are reported in accordance with IAS 19. For this purpose, the current value of the defined benefit obligation (DBO) is determined. The pension provisions are calculated using the projected unit credit method, whereby depending on the distribution of the obligations to entitlements and liquid pensions, and owing to the specific regulations of the individual pension funds, a discount rate of 1.90% (previous year: 1.70%), as well as an increase of 2.00% (previous year: 2.00%) is applied. The 2005G – Dr. Klaus Heubeck tables are used for the actuarial calculations.

At the two operative Dutch companies, the entitlements of active pension scheme members are dealt with in the form of a defined contribution pension plan. The pension entitlements of former employees and beneficiaries are calculated as a percentage of the annual remuneration during each year of employment. These benefits are handled via an insurance company and are indexed on an ongoing basis in line with the specifications of the branch pension fund. Companies are obliged to make future contributions should the earnings of the insurer prove insufficient to finance the promised increases in benefits. The resultant provision for pensions is calculated in accordance with the projected unit credit method using a discount rate of 1.90% (previous year: 1.70%) and an increment of 2.00% (previous year: 2.00%). The AG2014 mortality tables are employed for the actuarial calculations.

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

Three POLYTEC GROUP companies in Germany have outsourced their performance-related pension commitments to a mutual insurance society (pension fund), which is monitored by the Federal Financial Supervisory Authority (BaFin). The insurance fund covers old-age, partial invalidity and survivors' benefits. Other insurances were not concluded. The pension fund insures both active and former employees from 28 company groups, which in order to fulfil their benefit obligations share joint liability. The pension fund invests the paid contributions and secures the fulfilment of benefit commitments. As at 30 June 2016, the POLYTEC GROUP terminated all future contribution payments and will assume future pension payments through internal financing (future services). Previously vested benefits (past services) remain in the pension fund. Owing to insufficient information from the pension fund regarding the status of the pension obligation, in accordance with IAS 19.34ff, the POLYTEC GROUP reports these as contribution-oriented plans. On the date of its annual financial statements on 31 December 2016, the pension fund disclosed assets of EUR 453 million and obligations of EUR 446 million, and therefore equity of EUR 7 million. The POLYTEC GROUP holds a roughly 7% share of the net assets of the pension fund.

## OTHER LONG-TERM OBLIGATIONS TO EMPLOYEES

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

## 11. TAXES

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

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

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

In particular, deferred taxes are recognised for temporary valuation differences between the IFRS and the tax balance of the individual companies, as well as for consolidation procedures. They are determined according to IAS 12 using the balance-sheet-liability method. Furthermore, the probable realisable tax advantage from existing loss carryforwards is included in the calculation. Deferred tax assets on loss carryforwards are formed to the extent that their utilisation can be expected within 5 years. The calculation of the deferred taxes is based on the standard national income tax rate.

## 12. LIABILITIES

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

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

### 13. PROVISIONS

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

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

During the measurement of the provisions for disadvantageous contracts pursuant to IFRS 3, the existing margins from current production projects are counterposed with a standard market margin. A negative deviation and hence the disadvantageous nature of the project are accounted for through the formation of a provision.

A provision for restructuring will be reported as soon as the group has approved a detailed and formal restructuring plan, and the restructuring measures have either commenced or been announced publically. Future operating losses are not accounted for.

### 14. FINANCIAL INSTRUMENTS

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

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

Financial assets are categorised as follows:

- a. Financial assets measured at fair value through profit or loss
- b. Loans and receivables

Financial liabilities are categorised as follows:

- a. Financial liabilities measured at the residual carrying amount
- b. Financial liabilities measured at fair value through profit or loss

Other possible categories pursuant to IAS 39 are not applied.

Financial derivatives are only concluded for the hedging of basic business. Financial derivatives that do not correspond with hedge accounting pursuant to IAS 39 are classified as held for trading financial assets or liabilities and recognised in the balance sheet at fair value. This corresponds with the current value, should one exist, or is determined using standard valuation methods employing the market data available on the valuation closing date. Fair value mirrors the estimated amount that the POLYTEC GROUP must pay or receive if this transaction were to be completed on the balance sheet date. Changes in value are recognised in the consolidated income statement through profit and loss.

### 15. REALISATION OF INCOME AND EXPENSES

Revenues from the sale of products and goods are realised upon the transfer of the risks and opportunities to the buyer. Operating expenses are recognised through profit and loss when the service is rendered or the expenses are incurred.

As far as the special aspects of the production of tooling are concerned, please see Item 6 Construction contracts.

### 16. FINANCIAL RESULT

Financing expenses include the interest and interest equivalent expenses arising from debt financing and financial leasing transactions, as well as the interest components of the change in obligations to employees.

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

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

## 17. GROUP CASH FLOW STATEMENT

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

## 18. UNCERTAINTIES WITH REGARD TO ASSESSMENTS AND ASSUMPTIONS

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

In assessing the intrinsic value of goodwill, management makes estimates and future-related assumptions regarding the surplus inflows expected over the planning periods and the costs of capital of both the POLYTEC GROUP and individual cash-generating units. Such estimates are made in all good faith subject to the assumption that the group is a going concern. They are also based upon experience and take any remaining uncertainty into due account. In order to demonstrate the impact of a change in the parameters used in the impairment test, a sensitivity analysis was carried out which is explained in greater detail under E.9 Intangible assets and goodwill.

The settlement of construction contracts, which are reported on the basis of the percentage-of-completion method, employs estimates of the contract costs, attainable earnings and contractual risks (including technical, political and financial risks). Although the estimates incorporate all the information available on the balance sheet date, subsequent changes are possible that can lead to asset value adjustments and exert a material influence upon the results from subsequent periods.

In assessing the recoverability of deferred tax assets, the management evaluates the likelihood that all deferred tax assets will be realised. The final realisation of deferred tax assets is dependent upon the generation of future taxable income in those periods during which temporary differences become deductible. If the company is unable to generate sufficient future taxable income, no deferred tax benefits from operating loss carryforwards can be recognised and their value has therefore to be adjusted correspondingly. A sensitivity analysis has shown that, as in the preceding year, in comparison to medium-term planning a 10% reduction in taxable income would not result in any additional value adjustment to the deferred tax assets from loss carryforwards.

Assumptions concerning future payment surpluses, as well as future taxable results are based on the medium-term planning of the group. Should these prove to be incorrect, this may have considerable effects on the assets reported in subsequent years.

The determination of the useful life of fixed assets also involves estimates, which are based on experiences resulting from the operation of comparable plants.

The actuarial assessment of provisions for severance payments and pension contributions carried out by independent actuaries is based on a method that employs parameters such as the expected discount rate, increases in remuneration payments and pension contributions. In addition to the interest rate risk and the risk of a potential increase in remuneration payments and pension contributions, there is also a longevity risk. If the development of these relevant parameters differs significantly from the original expectations, this may have considerable effects upon the provisions and consequently upon the group's net expenses for severance payments and pension contributions. In order to present the impact of a change in the interest rate used to determine severance payment and pension obligations, a sensitivity analysis was carried out, which is explained in greater detail under E.22 Obligations to employees.

In view of existing and threatened contingent funding commitments to a pension fund, a provision of EUR 1,818 k (previous year: EUR 2,980 k) was made in the "Other provisions" in the POLYTEC GROUP's consolidated financial statements. This amount was established on the basis of information provided by the management of the pension fund and relates to probable liquidity outflows prior to the restoration of the independent viability of the pension fund. The probable liquidity outflow derives from the restructuring plan drawn up by the pension fund management, which has been approved by the BaFin. During the 2017 financial year payments of EUR 1,214 k were made to the pension fund. Payments of EUR 575 k are anticipated for the 2018 financial year.

## 19. REPORTING

As compared to the previous year, the reporting of assets and liabilities, expenses and income, equity items and the cash flows in the cash flow statement remained basically unaltered in the 2017 financial year.

However, in order to enhance the informative value and clarity of the consolidated income statement, the item "Other non-current receivables" was included in the item "Other non-current assets".

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

### 1. SALES REVENUES AND SEGMENT REPORTING

Following a comprehensive analysis of the reporting and managerial structure, it was concluded that the POLYTEC GROUP is a one-segment group. Therefore, the obligatory operating segment reporting for a single segment in the 2017 financial year is limited to inter-segmental disclosures in accordance with IFRS 8.31 ff.

As an automotive industry supplier, the group naturally depends upon a small number of major customers. In 2017 and 2016, two respective customer groups provided more than 10% of the group's total sales. The VW Group accounted for EUR 229,337 k (previous year: EUR 229,541 k) of total sales, while sales to the Daimler Group amounted to EUR 103.201 k (previous year: EUR 94,418 k). All in all, three main customers provided roughly 56% of total sales in 2017 (previous year: 56%). Due to the extensive range of models and marques of these major customers, which as a rule operate in both the passenger car and commercial vehicle sectors, in all three cases the customer-supplier relationship relates to each of the separately reported business areas, although to differing degrees.

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

in EUR k	2017	2016
Passenger cars	434,105	425,401
Commercial vehicles	165,054	147,419
Non-automotive	77,281	77,583
<b>Total</b>	<b>676,440</b>	<b>650,403</b>

The disclosures concerning geographical areas to be made at group level (depending on the location of customers' business premises) on the balance sheet dates can be summarised as follows:

in EUR k	External sales		Intangible assets, goodwill and fixed assets	
	2017	2016	2017	2016
Austria	23,438	17,363	87,603	88,253
Germany	383,097	365,925	83,974	87,236
Rest of EU	228,251	226,324	64,275	48,877
Other countries	41,654	40,791	19,348	21,376
<b>Group</b>	<b>676,440</b>	<b>650,403</b>	<b>255,200</b>	<b>245,741</b>

Sales are divided according to categories as follows:

in EUR k	2017	2016
Part sales and other sales	605,844	594,480
Tooling and engineering sales	70,596	55,922
<b>Total</b>	<b>676,440</b>	<b>650,403</b>

### 2. OTHER OPERATING INCOME

in EUR k	2017	2016
Income from the sale of and additions to fixed assets excluding financial assets	101	313
Income from cost reimbursements	610	1,095
Grants and receivables	294	214
Commission	230	105
Income from rents	670	711
Income from the release of obsolete accruals no longer required	464	991
Other income	1,897	2,125
<b>Total</b>	<b>4,266</b>	<b>5,555</b>

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

in EUR k	2017	2016
Material expenses	255,579	246,942
Expenses for services received	66,535	58,771
<b>Total</b>	<b>322,114</b>	<b>305,713</b>

### 4. PERSONNEL EXPENSES

in EUR k	2017	2016
Wages and salaries	156,221	152,583
Expenses for leasing personnel	23,496	18,906
Statutory social expenses	29,436	29,059
Expenses for severance payments and pensions	3,953	9,197
Expenses for restructuring	4,886	0
Other personnel expenses	1,510	1,822
<b>Total</b>	<b>219,502</b>	<b>211,567</b>

The expenses for severance payments and pensions also include expenses for contribution-oriented plans. For the Austrian companies within the group, these expenses amounted to EUR 250 k in the year under review (previous year: EUR 246 k).

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

	2017	2016
Average number of employees	4,527	4,449
As at 31 December	4,522	4,427

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

	2017	2016
Average number of employees	4,017	4,053
As at 31 December	4,046	4,009

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

	2017	2016
Blue-collar workers	310	334
White-collar employees	181	175
<b>Total</b>	<b>491</b>	<b>509</b>

### 5. OTHER OPERATING EXPENSES

in EUR k	2017	2016
Maintenance costs	16,376	17,161
Other operating costs	11,473	10,121
Other administrative costs	5,710	5,921
Outgoing freight	7,263	6,016
Rent for buildings	4,617	4,639
Other sales costs	4,115	4,735
Other rent and leasing costs	4,638	4,201
IT and communication costs	4,042	3,574
Legal and consulting fees	3,513	3,501
Taxes and fees other than income tax	786	770
Risk provisions and damages	161	607
Losses on the disposal of fixed assets, excluding financial assets	154	60
Exchange rate losses	96	199
<b>Total</b>	<b>62,943</b>	<b>61,505</b>

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

in EUR k	2017	2016
Annual and group audit	138	127
Other services	8	48
<b>Total</b>	<b>146</b>	<b>175</b>

### 6. RESULT FROM COMPANIES ACCOUNTED FOR AT EQUITY

in EUR k	2017	2016
Current result	0	142
Result from changes to consolidation methods	0	2,402
<b>Total</b>	<b>0</b>	<b>2,544</b>

## 7. FINANCIAL RESULT

in EUR k	2017	2016
Interest income and income from securities	640	684
Interest component of pension commitments	-400	-449
Other interest expenses	-3,391	-4,273
Other financial income	143	13
Other financial expenses	0	-294
<b>Total</b>	<b>-3,008</b>	<b>-4,318</b>

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

The net result according to valuation categories is as follows:

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

in EUR k	Operative result		Financial result		Net result
	Value adjustment	Currency translation	Interest	Result from derivatives	
<b>31.12.2016</b>					
Loans and receivables	-877	0	684	0	<b>-193</b>
Financial liabilities	0	257	-4,273	0	<b>-4,016</b>
Fair value through profit and loss	0	0	0	-294	<b>-294</b>

## 8. TAX EXPENSES

in EUR k	2017	2016
Expenses for current income taxes	6,332	8,743
thereof aperiodic	-196	1,163
Changes in deferred income taxes	6,778	2,341
thereof aperiodic	-200	-1,900
<b>Total</b>	<b>13,110</b>	<b>11,084</b>
thereof aperiodic	-396	-737

The income tax expense for the 2017 financial year amounting to EUR 13,110 k was EUR 93 k higher than the calculated income tax expense totalling EUR 13,017 k, which would have resulted from the application of a tax rate of 25% on the result before income tax of EUR 52,070 k.

in EUR k	2017	2016
Earnings before income tax	52,070	48,102
thereof 25% calculated income tax expense	13,017	12,025
Change in the value adjustment for deferred tax assets	130	800
Permanent differences and other changes	453	-1,104
Differences from the discrepancy between the local and consolidated tax rates	-94	99
Income tax expense for the reporting period	13,506	11,821
Aperiodic income tax expense	-396	-737
<b>Disclosed income tax expense</b>	<b>13,110</b>	<b>11,084</b>

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

## 9. INTANGIBLE ASSETS AND GOODWILL

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

in EUR k	Rights	Goodwill	Advance payments made	Total
<b>Costs of acquisition</b>				
<b>As at 1.1.2016</b>	<b>7,962</b>	<b>45,508</b>	<b>0</b>	<b>54,271</b>
Change in the scope of consolidation	75	0	0	75
Currency translation differences	6	0	0	6
Additions	1,156	0	0	1,156
Disposals	0	0	0	0
Transfers	207	0	0	207
<b>As at 31.12. 2016</b>	<b>9,406</b>	<b>45,508</b>	<b>0</b>	<b>55,715</b>
<b>As at 1.1. 2017</b>				
<b>As at 1.1. 2017</b>	<b>9,406</b>	<b>45,508</b>	<b>0</b>	<b>55,715</b>
Change in the scope of consolidation	0	0	0	0
Currency translation differences	-9	0	0	-9
Additions	1,010	0	742	1,752
Disposals	-100	0	0	-100
Transfers	0	0	0	0
<b>As at 31.12. 2017</b>	<b>10,307</b>	<b>45,508</b>	<b>742</b>	<b>57,358</b>
<b>Accumulated depreciation</b>				
<b>As at 1.1.2016</b>	<b>6,166</b>	<b>26,328</b>	<b>0</b>	<b>33,295</b>
Change in the scope of consolidation	0	0	0	0
Currency translation differences	7	0	0	7
Scheduled amortisation	865	0	0	865
Impairments	0	0	0	0
Disposals	0	0	0	0
Transfers	0	0	0	0
Revaluations	0	0	0	0
<b>As at 31.12.2016</b>	<b>7,038</b>	<b>26,328</b>	<b>0</b>	<b>34,167</b>
<b>As at 1.1.2017</b>				
<b>As at 1.1.2017</b>	<b>7,038</b>	<b>26,328</b>	<b>0</b>	<b>34,167</b>
Change in the scope of consolidation	0	0	0	0
Currency translation differences	-8	0	0	-8
Scheduled amortisation	990	0	0	990
Impairments	0	0	0	0
Disposals	-81	0	0	-81
Transfers	0	0	0	0

in EUR k	Rights	Goodwill	Advance payments made	Total
Revaluations	0	0	0	0
<b>As at 31.12.2017</b>	<b>7,939</b>	<b>26,328</b>	<b>0</b>	<b>35,068</b>
<b>Carrying amount as at 31.12.2016</b>	<b>2,368</b>	<b>19,180</b>	<b>0</b>	<b>21,548</b>
<b>Carrying amount as at 31.12.2017</b>	<b>2,368</b>	<b>19,180</b>	<b>742</b>	<b>22,290</b>

The research and development expenses of the group during the financial year amounted to approximately EUR 14,468 k (previous year: EUR 10,061 k).

### IMPAIRMENTS

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

### GOODWILL

Goodwill is allocated to the following cash-generating units (CGU) as follows:

in EUR k	31.12.2017	31.12.2016
Hörsching plant	9,148	9,148
Bromyard plant	3,495	3,495
Other	6,537	6,537
<b>Total</b>	<b>19,180</b>	<b>19,180</b>

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

The impairment tests were based on the following assumptions:

in EUR k	31.12.2017	31.12.2016
Cash flow planning period	3 years	3 years
Long-term perpetuity growth rate	0%	0%
Discount rate (WACC) before taxes (EUR)	12.1%	12.1%
Discount rate (WACC) before taxes (GBP)	11.9%	12.6%

Changes to the assumptions made or with regard to circumstances could, however, necessitate corrections.

The management has determined that as in the preceding year, no change in material assumptions, which is seen as possible, could result in the carrying value exceeding the attainable amount.

## 10. TANGIBLE ASSETS

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

in EUR k	Land and buildings	Technical equipment and machinery	Fixtures, fittings and equipment	Advance payments made and assets under construction	Total
<b>Costs of acquisition</b>					
<b>As at 1.1.2016</b>	<b>126,537</b>	<b>213,904</b>	<b>61,681</b>	<b>27,440</b>	<b>429,563</b>
Change in the scope of consolidation	2,745	632	0	56	3,433
Currency translation differences	-513	-1,317	-96	-193	-2,119
Additions	6,570	14,497	4,606	7,562	33,235
Disposals	-21	-3,580	-1,469	-109	-5,179
Transfers	10,185	13,108	1,055	-24,553	-205
<b>As at 31.12.2016</b>	<b>145,503</b>	<b>237,244</b>	<b>65,777</b>	<b>10,203</b>	<b>458,728</b>
<b>As at 1.1.2017</b>	<b>145,503</b>	<b>237,244</b>	<b>65,777</b>	<b>10,203</b>	<b>458,728</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-172	46	-40	-141	-307
Additions	450	6,486	4,247	25,419	36,602
Disposals	-205	-8,919	-1,056	-799	-10,979
Transfers	1,498	9,983	528	-12,009	0
<b>As at 31.12.2017</b>	<b>147,074</b>	<b>244,840</b>	<b>69,456</b>	<b>22,673</b>	<b>484,044</b>
<b>Accumulated depreciation</b>					
<b>As at 1.1.2016</b>	<b>17,342</b>	<b>148,561</b>	<b>46,605</b>	<b>0</b>	<b>212,508</b>
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	-185	-829	-90	0	-1,104
Scheduled amortisation	4,209	18,394	4,223	0	26,826
Disposals	-1	-2,463	-1,231	0	-3,695
Transfers	0	-171	171	0	0
<b>As at 31.12.2016</b>	<b>21,365</b>	<b>163,492</b>	<b>49,678</b>	<b>0</b>	<b>234,535</b>
<b>As at 1.1.2017</b>	<b>21,365</b>	<b>163,492</b>	<b>49,678</b>	<b>0</b>	<b>234,535</b>
Currency translation differences	-47	-266	-25	0	-338
Scheduled amortisation	3,959	18,348	4,183	0	26,490
Disposals	-127	-8,537	-890	0	-9,554
Transfers	0	0	0	0	0
<b>As at 31.12.2017</b>	<b>25,150</b>	<b>173,037</b>	<b>52,946</b>	<b>0</b>	<b>251,133</b>
<b>Carrying amounts as at 31.12.2016</b>	<b>124,138</b>	<b>73,752</b>	<b>16,100</b>	<b>10,203</b>	<b>224,192</b>
<b>Carrying amounts as at 31.12.2017</b>	<b>121,924</b>	<b>71,803</b>	<b>16,511</b>	<b>22,673</b>	<b>232,910</b>

"Land and buildings" contains a real property value of EUR 33,223 k (previous year: EUR 32,749 k).

As at 31 December 2017, the obligations relating to unpaid orders for the delivery of fixed assets amounted to EUR 15,889 k (previous year: EUR 6,798 k).

As at 31 December 2017, the future expenses from non-terminable operating leasing agreements amounted to EUR 12,511 k (previous year: EUR 13,382 k) and are due as follows:

in EUR k	31.12.2017	31.12.2016
Within one year	4,629	5,095
Longer than one year and within five years	7,882	8,287
Longer than five years	0	0

In the 2017 financial year, the corresponding rental costs amounted to EUR 9,255 k (previous year: 8,840k).

Tangible assets include capitalised finance lease goods (financial leasing) with a carrying amount of EUR 1,667 k (previous year: EUR 3,227 k). The most important financial leasing agreements relate to production plants. Following the expiry of the minimum lease period, purchase options are available for the vast majority of the financial leasing agreements.

Capitalised financial leasing goods result in leasing obligations towards third parties totalling EUR 1,745 k (previous year: EUR 3,251 k). The reported leasing obligations (current values including redemption for residual value) are due as follows:

in EUR k	31.12.2017	31.12.2016
Within one year	1,432	1,539
Longer than one year and within five years	313	1,712
Longer than five years	0	0

Leasing payments (without redemption for residual value) corresponding to present values amount to EUR 1,041 k (previous year: EUR 2,533 k) and are due as follows:

in EUR k	31.12.2017	31.12.2016
Within one year	916	1,462
Longer than one year and within five years	125	1,071
Longer than five years	0	0

As in the previous year, in the 2017 financial year no tangible asset impairments or write-ups were undertaken.

Tangible assets with a carrying value of EUR 91,503 k (previous year: EUR 96,334 k) were mortgaged or pledged as a surety for bank liabilities totalling EUR 20,645 k (previous year: EUR 30,712 k).

## 11. DEFERRED TAX CLAIMS/OBLIGATIONS

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

in EUR k	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	3,868	2,471	2,812	1,189
Loss carryforwards	1,136	0	2,789	0
Trade accounts receivable	0	192	0	38
Receivables from construction contracts	0	4,070	0	1,595
Other assets	9	1,876	90	890
Provision for pensions	2,619	0	2,772	0
Provision for severance payments	1,034	0	1,114	0
Other personnel provisions	36	0	145	0
Leasing liabilities	432	0	849	0
Liabilities from construction contracts	813	0	94	0
Other provisions	2,873	0	4,239	129
Other liabilities	490	106	549	275
<b>Sub-total</b>	<b>13,309</b>	<b>8,715</b>	<b>15,453</b>	<b>4,115</b>
Netting due to identical tax authorities	-5,636	-5,636	-3,198	-3,198
<b>Deferred taxes in the balance sheet</b>	<b>7,674</b>	<b>3,080</b>	<b>12,254</b>	<b>917</b>

In 2017, group companies reported net deferred tax assets on temporary differences and loss carryforwards totalling EUR 7,674 k (previous year: EUR 12,254 k). These were regarded as realisable, as on the basis of current medium-term planning it is assumed that these companies will generate taxable profits in future.

As at 31 December 2017, group income tax loss carryforwards totalled EUR 17,923 k (previous year: EUR 22,038 k) and demonstrated the following structure:

in EUR k	31.12.2017	31.12.2016
<b>Total</b>	<b>17,923</b>	<b>22,038</b>
of which capitalised loss carryforwards	7,435	14,329
of which carryforwards applicable for an unlimited period	7,435	14,329
of which non-capitalised loss carryforwards	10,488	7,709

No deferred tax assets were recognised for deductible tax loss carryforwards amounting to EUR 10,488 k (previous year: EUR 7,709 k), since owing to their loss history, their effectiveness as definitive tax relief is not yet sufficiently guaranteed. This equates to deferred tax assets of EUR 2,225 k (previous year: EUR 1,642 k).

In accordance with IAS 12.39, no deferred taxes were created for temporary differences in connection with shares in subsidiaries amounting to EUR 25,519 k (previous year: EUR 23,643 k), as it could be assumed on 31 December 2017 that the differences between the valuation of investments for tax purposes and the pro rata equity of subsidiaries included in the consolidated financial statements would remain tax free for the foreseeable future.

The deferred taxes contain deferred tax assets recognised in equity amounting to EUR 2,056 k (previous year: EUR 1,934 k) and deferred tax liabilities recognised in equity amounting to EUR 0 k (previous year: EUR 0 k).

## 12. INVENTORIES

Inventories are structured as follows:

in EUR k	31.12.2017	31.12.2016
Raw materials and supplies	29,537	27,329
Unfinished goods	17,283	15,219
Advance payments received	-1,029	-1,323
Finished goods and merchandise	17,228	14,413
Advance payments made	259	197
<b>Total</b>	<b>63,278</b>	<b>55,834</b>

The change (balance from formation and reversal) in the impairment losses on inventories recognised through profit and loss amounted to minus EUR 2,441 k in the year under review (previous year: – EUR 408 k). Inventories that were recognised as material expenses in the reporting period amounted to EUR 307,619 k (previous year: EUR 221,618 k).

In the case of inventories with a carrying value of EUR 4,277 k (previous year: EUR 4,362 k), realisation is first anticipated after twelve months.

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

## 13. TRADE ACCOUNTS RECEIVABLE

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

in EUR k	2017	2016
<b>As at 1.1.</b>	<b>3,702</b>	<b>3,094</b>
Use	-892	-299
Release	-288	-259
Allocation	390	1,136
Foreign exchange rate differences	-21	30
<b>As at 31.12.</b>	<b>2,891</b>	<b>3,702</b>

For the determination of the recoverability of accounts receivable, not only the individual creditworthiness of the debtor, but above all the due dates must be taken into account. According to estimates made by the management, there are no substantial differences between the carrying amount and the current value of accounts receivable.

Within the scope of silent global assignments, no receivables were transferred to banks (previous year: EUR 8,923 k) as a surety for bank liabilities (receivables carrying value previous year: EUR 8,923 k).

## FACTORING

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

As at 31 December 2017, the factoring agreements had a maximum usable nominal volume totalling EUR 45,000 k (previous year: EUR 64,400 k). On the balance sheet date, receivables amounting to EUR 15,693 k (previous year: EUR 23,364 k) had been sold and derecognised from the consolidated financial statements in accordance with IAS 39.

As at 31 December 2017, the non-advance amount of EUR 7,418 k (previous year: EUR 5,752 k) was disclosed under "Other current assets" (financial). Fair value corresponds with the reported carrying value, due primarily to the fact that the residual periods to maturity of the affected receivables are short-term.

#### 14. CONSTRUCTION CONTRACTS

in EUR k	2017	2016
Sales revenues from construction contracts	70,596	55,922
Costs incurred up to the reporting date and allocated profits (less reported losses)	115,569	85,990
Advance payments received	-77,321	-51,724

The composition of the net amounts of construction contracts is as follows:

in EUR k	31.12.2017	31.12.2016
Costs incurred up to the reporting date and allocated profits (less reported losses)	115,569	85,990
Less: advance payments received	-77,321	-51,724
	38,248	34,266
<b>Recognised as receivables or liabilities in the financial statements</b>		
Receivables from recognised sales revenues from construction contracts where they exceed the advance payments received	43,050	35,862
Advance payments received for construction contracts where they exceed the recognised sales revenues	-4,802	-1,597
	38,248	34,266
Retentions included therein	0	0

#### 15. OTHER CURRENT RECEIVABLES

The other current receivables are comprised mainly of amortisation receivables, current savings and supplier bonuses.

#### 16. OTHER CURRENT INTEREST-BEARING RECEIVABLES

The current interest-bearing receivables derive mainly from Boshoku Automotive and are the result of the sale of the interior systems business area. In the course of the 2016 financial year, outstanding receivables totalling EUR 9,079 k were settled. According to the best possible estimate based on the contractual terms and conditions contained in the company purchase agreement of 9 June 2011 with Toyota Boshoku Europe N.V., Zaventem (Belgium), a payment is expected within the twelve months following the balance sheet date.

#### 17. CASH AND CASH EQUIVALENTS

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

#### 18. FINANCIAL ASSETS

In the valuation categories contained in IAS 39 as at 31 December 2017 and 31 December 2016 respectively, the carrying amount of financial assets disclosed at amortised cost represents a reasonable approximation of fair value. All the fair values of financial assets are allocated to Level 3 of the measurement hierarchy.

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

#### 19. GROUP EQUITY

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

The buyback of the 334,041 treasury shares held on the balance sheet date (equates to 1.5% of share capital) at an acquisition value of EUR 1,855 k and a market value on the reporting date of EUR 6,180 k (previous year: EUR 3,469 k) took place in its entirety in accordance with the buyback programme approved at the Annual General Meetings held on 16 May 2012 and 14 May 2014.

	Shares	Treasury shares	Shares in circulation
<b>31.12.2016</b>	<b>22,329,585</b>	<b>-334,041</b>	<b>21,995,544</b>
Purchase of treasury shares	0	0	0
<b>31.12.2017</b>	<b>22,329,585</b>	<b>-334,041</b>	<b>21,995,544</b>

Authorised capital was approved by a resolution passed during the Annual General Meeting on 19 May 2016. Subject to the approval of the Supervisory Board, this empowered the Board of Directors to increase share capital up to a nominal amount of EUR 6,698,875.00 through the issue of new shares with a minimum issue price of EUR 1.00 each for a maximum of three years. The issue of new shares may also take place with the exclusion of the subscription rights of the shareholders.

The capital reserves resulting from premiums in connection with capital increases are thus entirely committed.

### NON-CONTROLLING INTERESTS

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

in EUR k	31.12.2017	31.12.2016
Non-current assets	17,211	16,518
Current assets	8,165	7,709
Non-current liabilities	-627	-577
Current liabilities	-3,197	-2,688
<b>Net assets</b>	<b>21,551</b>	<b>20,962</b>
Share of equity/voting rights non-controlling interests	30%	30%
Carrying amount of interests without controlling influence	6,465	6,289
Pro rata profit of interests without a controlling interest	716	723
Pro rata other comprehensive income of interests without a controlling interest	0	0
Dividends on interests without a controlling interest	540	450

in EUR k	2017	2016
Cash flow from operating activities	4,173	3,687
Cash flow from investing activities	-1,357	-1,079
Cash flow from financing activities	-2,710	-2,444

### INFORMATION CONCERNING CAPITAL MANAGEMENT

The main objectives of the POLYTEC GROUP's capital management strategy are to safeguard business operations, increase shareholder value, provide a solid capital basis to finance a profitable growth path and guarantee capital service and attractive dividend payments.

POLYTEC Holding AG is subject to the statutory minimum capital requirements of Austrian corporation law. Statutory minimum capital requirements do not apply. Nonetheless, the group

considers a solid equity base as a key element in insolvency prevention. The ratio between equity capital and total capital can be summarised as follows:

in EUR k	31.12.2017	31.12.2016
Total equity	217,493	189,924
Balance sheet total	516,453	501,448
<b>Equity ratio</b>	<b>42.1%</b>	<b>37.9%</b>

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

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

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

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

Gearing developed as follows:

in EUR k	31.12.2017	31.12.2016
Financial liabilities <sup>1)</sup>	139,932	153,633
- Cash and cash equivalents	56,899	79,540
- Interest-bearing receivables	4,286	4,149
<b>Net debt (-)/assets (+)</b>	<b>-78,747</b>	<b>-69,944</b>
/ Equity carrying amount	217,493	189,924
<b>Gearing</b>	<b>0.36</b>	<b>0.37</b>

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

Net financial liabilities increased largely due to the lower level of cash and cash equivalents on the balance sheet date. In addition, the rise in equity emanating from the net result led overall to a reduction in the gearing ratio to a value of 0.36.

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

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

in EUR k	2017	2016
Average capital employed	297,495	274,841
EBIT	55,078	52,419
<b>Return on capital employed (in %)</b>	<b>18.5</b>	<b>19.1</b>

Therefore, owing to the improvement in EBIT, the ROCE target of at least 15% was again achieved in the 2017 financial year.

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

## 20. EARNINGS PER SHARE AND DIVIDENDS

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

	Unit	2017	2016
Net income after income taxes and after non-controlling interests	EUR k	38,244	36,295
Weighted average number of ordinary shares issued	Shares	22,329,585	22,329,585
Average number of treasury shares	Shares	334,041	334,041
Average number of shares in circulation	Shares	21,995,544	21,995,544
Earnings per share	EUR/share	1.74	1.65

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

In accordance with the provisions of the Austrian Stock Corporation Act, the separate financial statements of POLYTEC Holding AG prepared in accordance with the Austrian accounting regulations as at 31 December 2017 provide the basis for the payment of a dividend.

At the Annual General Meeting held on 22 May 2017, a resolution was passed approving the payment of a dividend of EUR 0.40 per share for the 2016 financial year (dividend payment date: 31 May 2017).

The Board of Directors of POLYTEC Holding AG will propose to the Annual General Meeting the payment of a dividend of EUR 0.45 per share for the 2017 financial year.

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

## 21. NON-CURRENT INTEREST-BEARING LIABILITIES

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

in EUR k	31.12.2017	31.12.2016
Borrower's note loans	108,261	99,791
thereof with a residual term > 5 years	9,000	0
Bank loans	17,242	26,708
thereof with a residual term > 5 years	998	4,146
thereof with collateral securities	11,695	19,379
Other interest-bearing liabilities	516	626
thereof with a residual term > 5 years	0	0
<b>Interest-bearing financial liabilities</b>	<b>126,019</b>	<b>127,126</b>
Leasing liabilities	313	1,712
thereof with a residual term > 5 years	0	0
<b>Total</b>	<b>126,332</b>	<b>128,837</b>

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

in EUR k	2017		2016	
	Share %	Average nominal interest	Share %	Average nominal interest
EUR	98.7	1.71	97.9	1.90
GBP	1.3	2.15	1.8	2.15
HUF	0.0	0.00	0.3	1.96

In the 2014 financial year, the POLYTEC GROUP issued a EUR k 100,000 promissory note loan with agreed terms of 5 and 7 years and respective fixed and floating interest rates.

In March 2017, the outstanding variable percentage of the 2014 promissory note amounting to EUR 36,500 k was repaid prematurely and refinanced with the issue of a new promissory note loan to the value of EUR 45,000 k. Payment of the volume in-

crease was made via a net settlement of EUR 8,500 k. The new loan was again issued in four instalments with terms of 5 and 7 years and respective fixed and floating interest rates. This was again issued in four instalments with terms of 5 and 7 years and respective fixed and floating interest rates.

## 22. OBLIGATIONS TO EMPLOYEES

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

in EUR k	31.12.2017	31.12.2016
Provisions for severance payments	3,822	3,887
Provisions for pensions	21,202	20,698
Provisions for long-service payments	1,977	2,396
Other non-current provisions	277	808
<b>Total</b>	<b>27,278</b>	<b>27,789</b>

## PROVISIONS FOR PENSIONS

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

in EUR k	2017			2016		
	Present value of pension obligations	Plan assets	Provision	Present value of pension obligations	Plan assets	Provision
<b>As at 1.1.</b>	<b>20,698</b>	<b>0</b>	<b>20,698</b>	<b>19,187</b>	<b>0</b>	<b>19,187</b>
Service costs	640	0	640	760	0	760
Interest expense	344	0	344	393	0	393
Pension payments	-858	0	-858	-875	0	-875
Actuarial gains and losses:						
due to demographic assumptions	0	0	0	0	0	0
due to financial assumptions	-393	0	-393	1,183	0	1,183
due to experience-based adjustments	770	0	770	50	0	50
<b>As at 31.12.</b>	<b>21,202</b>	<b>0</b>	<b>21,202</b>	<b>20,698</b>	<b>0</b>	<b>20,698</b>

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

The pension expenses for the 2017 financial year consist mainly of defined benefit pension plans, whereby service costs are disclosed in the personnel expenses under the item "Expenses for severance payments and pensions", while interest costs are reported in the financial result under the item "Interest component defined benefit plans". The actuarial result comprises the gains and losses resulting from the changes to financial and experienced-based assumptions.

The average duration of pension obligations amounts to between 5 and 36 years (previous year: 6 to 26 years).

in EUR k	31.12.2017	31.12.2016
Service costs	640	760
Interest expenses	344	393
<b>Total</b>	<b>985</b>	<b>1,153</b>

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

in EUR k	2017	2016
<b>Actuarial gains (+)/losses (-) as at 1.1.</b>	<b>-4,028</b>	<b>-3,148</b>
Actuarial gains (+)/losses (-) in the financial year	-262	-880
<b>Actuarial gains (+)/losses (-) as at 31.12.</b>	<b>-4,291</b>	<b>-4,028</b>

A change in interest rates of 25 basis points would have led to an increase in pension obligations of EUR 750 k (previous year: EUR 711 k), or to a decrease of EUR 795 k (previous year: EUR 733 k).

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

## PROVISIONS FOR SEVERANCE PAYMENTS

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

in EUR k	2017	2016
<b>Present value of severance payments (DBO) as at 1.1.</b>	<b>3,887</b>	<b>3,837</b>
Service costs	-30	122
Interest expenses	56	71
Severance payments	-121	-108
Actuarial gains and losses:		
due to demographic assumptions	10	-66
due to financial assumptions	0	91
due to experience-based adjustments	19	-61
<b>Present value of severance payments (DBO) as at 31.12.</b>	<b>3,822</b>	<b>3,887</b>

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

Total severance costs in the 2017 financial year are divided between defined contributions and defined benefit plans, whereby the service costs included in personnel expenses are reported under the item "Expenses for severance payments and pensions" and the interest expenses are reported in the financial result under the item "Interest component defined benefit plan". The actuarial result comprises the gains and losses resulting from changes to the financial and experienced-based assumptions.

The average duration of severance payment obligations amounts to between 5 and 12 years (previous year: 6 and 13 years).

in EUR k	2017	2016
<b>Defined contribution plans</b>		
<b>Expenses for defined contribution plans</b>	<b>250</b>	<b>246</b>
<b>Defined benefit plans</b>		
Service costs	-30	122
Interest expenses	56	71
<b>Expenses for defined benefit plans</b>	<b>27</b>	<b>193</b>
<b>Severance costs</b>	<b>277</b>	<b>439</b>

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

in EUR k	2017	2016
<b>Actuarial gains (+)/losses (-) as at 1.1.</b>	<b>-563</b>	<b>-600</b>
Actuarial gains (+)/losses (-) in the financial year	-22	37
<b>Actuarial gains (+)/losses (-) as at 31.12.</b>	<b>-584</b>	<b>-563</b>

A change in interest rates of 25 basis points would have led to an increase in severance payment obligations of EUR 86 k (previous year: EUR 92 k), or to a decrease of EUR 89 k (previous year: EUR 95 k).

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

#### PROVISIONS FOR LONG-SERVICE PAYMENTS

The provisions for long-service payments developed as follows

in EUR k	2017	2016
Present value of defined benefit obligations =		
<b>Provision for long-service payments</b>	<b>1,977</b>	<b>2,396</b>

Total expenses for long-service payments for the financial year amounted to EUR 0 k (previous year: EUR 20 k).

#### 23. OTHER NON-CURRENT PROVISIONS

The item includes provisions for impending losses and other risks amounting to EUR 6,957 k (previous year: EUR 10,198 k), as well provisions for personnel expenses in connection with restructuring and other non-current provisions totalling EUR 4,906 k (previous year: EUR 0 k). In 2017 provisions for impending losses and other risks of EUR 3,241 k (previous year: EUR 5,800 k) were reclassified. EUR 2,026 k (previous year: 0 k) of the provisions for personnel and other non-current provisions were reclassified and EUR 2,880 k (previous year: EUR 0) allocated.

#### 24. CURRENT INTEREST-BEARING LIABILITIES

in EUR k	31.12.2017	31.12.2016
Liabilities to banks	613	11,202
Bank loans	10,851	11,617
Other interest-bearing liabilities	161	10
Deferred interest promissory note loans	545	428
<b>Interest-bearing current financial liabilities</b>	<b>12,169</b>	<b>23,257</b>
Leasing liabilities	1,431	1,539
<b>Total</b>	<b>13,600</b>	<b>24,795</b>

#### 25. LIABILITIES FROM TAXES

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

in EUR k	31.12.2017	31.12.2016
As at 1.1. of the financial year	6,752	3,262
Currency translation differences	-26	-28
Use for tax payments	-3,761	-1,826
Release	-833	-5
Addition in the financial year	626	5,349
<b>As at 31.12. of the financial year</b>	<b>2,758</b>	<b>6,752</b>

#### 26. TRADE ACCOUNTS PAYABLE

in EUR k	31.12.2017	31.12.2016
Trade accounts payable	54,054	50,600
<b>Financial trade accounts payable</b>	<b>54,054</b>	<b>50,600</b>
Advance payments received	0	2
<b>Total</b>	<b>54,054</b>	<b>50,603</b>

**27. OTHER CURRENT LIABILITIES**

in EUR k	31.12.2017	31.12.2016
Liabilities to employees	3,094	4,013
Other liabilities	5,697	8,281
<b>Other current financial liabilities</b>	<b>8,792</b>	<b>12,293</b>
Accrual for unclaimed leave	5,511	4,977
Other tax liabilities	5,190	4,074
Social security liabilities	1,896	1,750
Deferred charges	3,029	2,740
<b>Total</b>	<b>24,419</b>	<b>25,832</b>

**28. CURRENT PROVISIONS**

in EUR k	Balance as at 1.1.2017	Change in the scope of consolidation	Currency translation	Reclassification	Use	Release	Allocation	Balance as at 31.12.2017
Personnel-related provisions	6,292	0	-13	0	-6,292	-81	8,601	8,507
Provisions for impending losses and risks	7,930	0	1	3,241	-5,222	-1,250	1,270	5,970
Guarantees and warranties	2,867	0	1	0	-742	-1,257	838	1,707
Other current provisions	17,115	0	-66	-2,026	-5,549	-1,939	7,056	14,591
<b>Total</b>	<b>34,204</b>	<b>0</b>	<b>-77</b>	<b>1,215</b>	<b>-17,805</b>	<b>-4,527</b>	<b>17,765</b>	<b>30,775</b>

in EUR k	Balance as at 1.1.2016	Change in the scope of consolidation	Currency translation	Reclassification	Use	Release	Allocation	Balance as at 31.12.2016
Personnel-related provisions	8,236	0	5	0	7,582	430	6,063	6,292
Provisions for impending losses and risks	7,103	0	-9	6,208	5,785	451	863	7,929
Guarantees and warranties	2,113	0	0	-60	355	82	1,251	2,867
Other current provisions	11,190	40	4	-454	4,400	581	11,316	17,115
<b>Total</b>	<b>28,642</b>	<b>40</b>	<b>0</b>	<b>5,694</b>	<b>18,122</b>	<b>1,544</b>	<b>19,493</b>	<b>34,204</b>

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

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

Among other sums, the other current provisions contain provisions for customer reclamations totalling EUR 8,171 k (previous year: EUR 6,323 k) and legal risks amounting to EUR 1,709 k (previous year: EUR 2,532 k).

**29. FINANCIAL LIABILITIES**

In accordance with IAS 39, the financial liabilities comprise the non-current and current liabilities disclosed in the consolidated balance sheet, as well as interest-bearing current liabilities, trade accounts payable (without advance payments received) and other current financial liabilities. The interest-bearing liabilities contain liabilities from financial leasing relationships amounting to EUR 1,745 k (previous year: EUR 3,250 k), which pursuant to IAS 39 are not allocated to the financial liabilities.

Except for derivative financial contracts, the financial liabilities are included in the valuation category "Financial liabilities measured at the residual carrying amount". The derivative financial

instruments are classified as "Financial liabilities measured at fair value through profit or loss".

Apart from the derivative financial contracts (Level 2) totalling EUR 450 k (previous year: EUR 623 k) disclosed under "Other current liabilities", all financial liabilities are allocated to the Level 3 measurement category.

The POLYTEC GROUP only determines the fair value for interest-bearing liabilities for disclosures in the notes to the consolidated financial statements. Fair value is established using recognised measurement methods based on the discounted cash flow method. The main input factor is the discount rate, which takes available market data (risk-free interest rates) into account. In the case of financial liabilities, the creditworthiness of the POLYTEC GROUP is considered. On the balance sheet date, the Level 3 non-current financial liabilities (excluding financial leasing) showed a fair value of EUR 127,976 k (previous year: EUR 130,523 k), as compared to a carrying amount in the balance sheet of EUR 126,018 k (previous year: EUR 127,125 k). On 31 December 2017, the interest-bearing current financial liabilities (excluding financial leasing) showed a fair value of EUR 13,799 k (previous year: EUR 24,702 k), as opposed to a carrying amount in the balance sheet of EUR 12,168 k (previous year: EUR 23,256 k). The fair value of the other Level 3 financial liabilities corresponds roughly with the carrying amount in the balance sheet.

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

## F. CASH FLOW STATEMENT

### NON-CASH BUSINESS TRANSACTIONS

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

In the course of the 2017 financial year, the POLYTEC GROUP purchased technical equipment, which was not disclosed in the cash flow, as on the balance sheet date it had not yet been (fully) paid for. Offsetting occurred through the payment of liabilities from equipment investments purchased in the previous year, which are therefore taken into account in the cash flow for this financial year. As a result, in the 2017 financial year, the cash flow from investing activities rose by EUR 861 k (previous year: EUR 1,663 k).

### OTHER NON-CASH EXPENSES AND INCOME

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

### CHANGES TO FINANCIAL LIABILITIES

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

## G. OTHER INFORMATION

### 1. EVENTS AFTER THE BALANCE SHEET DATE

All events occurring after the balance sheet date, which are of significance for the evaluation on the balance sheet date such as outstanding legal cases or claims for compensation and other obligations or impending losses, which would have to be reported or disclosed in accordance with IAS 10 (Contingencies and events occurring after the balance sheet date) have been allowed for in these consolidated financial statements.

### 2. RISK REPORTING

Within the scope of its business activities, the POLYTEC GROUP is subject to a variety of risks, which relate directly to corporate transactions. Risk management is an integral part of group strategy and business processes. The comprehensive certifications required by an automotive industry supplier (e.g. TS ISO/16949:2002) already specify appropriate regulations, which are also monitored via external audits. In line with the organisational structure of the POLYTEC GROUP, risks are locally managed and monitored close to the market, especially in the course of ongoing business processes. However, group headquarters provides central financial risk management. The following major risk areas can be identified:

#### SPECIFIC COMPANY RISKS

##### a. Sales market risk

**General sales market risk.** The automotive supplier industry constitutes a market that is seen as highly competitive and is also currently undergoing a consolidation process. Sales volumes are primarily dependent upon the acquisition of new orders, which are usually placed two to three years prior to series production. During this order acquisition phase, suppliers face strong competition regarding the best conditions. Once series production commences the supplier is also reliant upon the sales of the vehicle for which it is providing the compo-

nents, but is unable to influence its success. Furthermore, OEMs subject suppliers to permanent quality benchmarking even after the start of serial production, which may result in price demands, or in an extreme case, the loss of an order.

**Volume risk.** This emanates from demand volatility and part quantity development not according to plan. The unplanned call-up of part quantities can result in two types of problems. Unplanned high demand can lead to capacity bottlenecks, which may lead to delayed deliveries and hence reputation damage. Conversely, the lack of call-ups can cause use of capacity difficulties and a subsequent fixed cost deficit.

The POLYTEC GROUP attempts to keep the dependency upon individual delivery relationships to a minimum by means of a balanced customer and order mix.

#### b. Procurement market risks

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

#### c. Investment risk

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

Meeting the infrastructural needs of the OEMs, necessitates large-volume investments by the POLYTEC GROUP many years in advance, irrespective of whether the purchase of machinery and plant, or the building of complete production facilities is involved. Therefore, should planned orders not be received, this results in an undefined prolongation of the amortisation period. Moreover, as investments relate partly to specific products or customers, an alternative possibility for their use is only

available to a limited extent. Accordingly, as a rule an appropriate delivery volume is defined with the OEM, which thus bears a corresponding degree of the investment risk.

#### d. Production risk

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

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

### FINANCIAL RISKS, THEIR MANAGEMENT AND SENSITIVITY

**Credit risk.** Due to its customer structure with roughly 90% of total turnover being generated with OEMs or major systems suppliers, the POLYTEC GROUP is subject to the automotive industry credit risk. However, accounts receivable are monitored meticulously on a permanent basis and the payment of accounts receivable as agreed is secured. In the 2017 financial year, approximately 56%<sup>1)</sup> (previous year: 56%) of sales were obtained from the group's three major customers. This results in a certain accumulated credit risk, which, however, has been assessed by the management as being uncritical with regard to potential non-payments. Dependency upon only a few customers is a basic characteristic of the automotive supplier industry. Within this context, the customer is defined as a group of affiliated companies, which can also produce several automotive marques. In future, the management intends to seek greater diversification through the expansion of its customer base in the non-automotive business area.

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

<sup>1)</sup> Including MAN after its integration into the VW Group

Despite a credit risk generally classified as low, the maximum theoretical risk of non-payment corresponds to the carrying amounts of the individual financial assets. In individual cases, credit insurance is used on the basis of the constant monitoring of accounts receivable. As at the reporting date, a credit insurance agreement was in place, which resulted in trade accounts receivable of EUR 62,612 k (previous year: EUR 0 k). Therefore, the theoretical risk of non-payment amounts to the carrying value of loans and receivables totalling EUR 125,781 k (previous year: EUR 186,554 k).

The analysis of the overdue, but not impaired trade accounts receivable and of other accounts receivable as at 31 December can be presented as follows:

in EUR k	Total	Overdue but not impaired in days				
		Neither overdue nor impaired	Up to 60	60 to 120	120 to 360	Over 360
<b>31.12.2017</b>	<b>Total</b>					
Trade accounts receivable	67,035	51,833	10,332	2,172	1,376	1,322
Other accounts receivable (excluding accruals)	17,125	17,125	0	0	0	0
Interest-bearing receivables	4,286	0	0	0	0	4,286

in EUR k	Total	Overdue but not impaired in days				
		Neither overdue nor impaired	Up to 60	60 to 120	120 to 360	Over 360
<b>31.12.2016</b>	<b>Total</b>					
Trade accounts receivable	49,791	35,592	6,891	1,981	4,115	1,211
Other accounts receivable (excluding accruals)	17,212	16,897	116	23	129	47
Interest-bearing receivables	4,149	0	0	0	0	4,149

No doubts exist concerning the collectability of financial assets that are neither overdue nor impaired. There are no significant risk concentrations resulting from the investment of financial assets in only one business partner.

**Liquidity risk.** The group hedges its liquidity needs by means of the maintenance of a cash reserve and contractually agreed credit lines, which are managed uniformly by group headquarters.

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

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

in EUR k	Carrying value as at 31.12.2016	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	100,219	107,838	2,087	105,751	0
Bank loans and other interest-bearing liabilities	50,163	52,384	23,380	23,693	5,311
Financial leasing	3,250	3,346	1,598	1,748	0
Trade accounts payable	50,600	50,600	50,600	0	0
Other financial liabilities	11,691	11,691	11,691	0	0
<b>Total</b>	<b>215,923</b>	<b>225,859</b>	<b>89,356</b>	<b>131,192</b>	<b>5,311</b>

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

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

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

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

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

in EUR k	31.12.2016		
	In euros	In foreign currency	Total
Trade accounts receivable	39,095	10,697	49,791
Receivables from construction contracts	25,843	10,019	35,862
Other receivables (excluding accruals)	15,007	2,205	17,212
Interest-bearing receivables	4,149	0	4,149
Cash and cash equivalents	75,799	3,741	79,540
<b>Total</b>	<b>159,892</b>	<b>26,662</b>	<b>186,554</b>

in EUR k	31.12.2016		
	In euros	In foreign currency	Total
Non-current interest-bearing liabilities	128,492	345	128,837
Current interest-bearing liabilities	21,961	2,834	24,796
Trade accounts payable (without advance payments)	40,630	9,971	50,600
Other current liabilities	10,598	1,695	12,293
<b>Total</b>	<b>201,681</b>	<b>14,846</b>	<b>216,527</b>

The distribution shows that the risk to which the group is subject due to exchange rate fluctuations is very low, as both financial assets held in foreign currency totalling 16.9% (previous year: 14.3%) and the corresponding liabilities totalling 6.5% (previous year: 6.9%) account for only a minor part of the total volume. Furthermore, currency fluctuations would equally affect both assets and liabilities and therefore display compensatory effects.

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

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

During the 2017 financial year, derivatives were used for interest hedging and the following table shows the fair values, the nominal amounts and the residual periods of the outstanding derivatives at the end of the reporting period.

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

31.12.2016	Fair value		Nominal	Residual period		
	pos.	neg.		< 1 year	1–5 years	> 5 years
in EUR k						
Receive-floating pay-fixed swaps	0	623	37,571	1,071	36,500	0
Interest caps	0	0	2,500	2,500	0	0
<b>Total</b>	<b>0</b>	<b>623</b>	<b>40,071</b>	<b>3,571</b>	<b>36,500</b>	<b>0</b>

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

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

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

in EUR k	31.12.2017	31.12.2016
Promissory note loans	108,806	100,219
thereof with fixed interest	76,806	63,677
thereof with variable interest	32,000	36,543
Liabilities to banks	28,705	49,527
thereof with fixed interest	16,538	29,686
thereof with variable interest	12,167	19,841
Financial leasing	1,745	3,250
thereof with fixed interest	1,745	3,250
thereof with variable interest	0	0
Other interest-bearing liabilities	677	636
thereof with fixed interest	677	636
thereof with variable interest	0	0
<b>Total</b>	<b>139,932</b>	<b>153,632</b>
thereof with fixed interest	95,765	97,249
thereof with variable interest	44,167	56,384

The bulk of the liabilities bearing variable interest are dependent upon the 6-month Euribor. An increase (reduction) in this reference interest rate of 100 basis points would result in an increase (decrease) of the interest expense by some EUR 355 k (previous year: EUR 564 k).

Interest-bearing receivables and current cash and cash equivalents contain variable interest-bearing financial assets totalling EUR 57,450 k (previous year: EUR 79,821 k). An increase/decrease in the interest rate of 100 basis points would result in an increase/decrease in interest income of approximately EUR 575 k (previous year: EUR 798 k).

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

**Other risks.** Various legal actions and claims, among others in connection with the divestment of the interior systems business area, are pending against the POLYTEC GROUP. Although the outcome of these proceedings and claims cannot be predicted with certainty, the Board of Directors is of the opinion that either singly or in total, the results of these issues will not have a materially adverse effect on the company's liquidity situation, results or financial position. Notwithstanding this cautious estimation, other forms of residual risks remain.

No other material risks and obligations exist that have not been appropriately mentioned in these consolidated financial statements or the notes.

### 3. RELATED PARTIES

Apart from the members of the Board of Directors and the Supervisory Board, related parties pursuant to IAS 24 include IMC Verwaltungsgesellschaft mbH, Hörsching, and its affiliated companies. The family of the CEO of the POLYTEC GROUP, Friedrich Huemer, is the sole owner of the shares in the said companies and Friedrich Huemer is the managing director with sole power of representation of the said companies.

As at the 31 December 2017 balance sheet date, the company was informed about the following shares of voting rights, which are subject to notification pursuant to § 91 of the Stock Exchange Act:

Huemer Group: 29.0%  
The Capital Group Companies, Inc.: 5.4%  
NN Group N.V. (prev. Delta Lloyd Asset Management N.V.): 5.0%

The remaining shares are in free float.

On 8 July 2016, POLYTEC Immobilien GmbH purchased a property in Hörsching, which is directly adjacent to the group's headquarters and the Hörsching plant, from FH Immobilien GmbH, a company belonging to Friedrich Huemer (CEO), at the standard market price of EUR 2,740 k. The land will be available to the POLYTEC GROUP for future plant enlargements on an unrestricted basis.

### OTHER BUSINESS RELATIONSHIPS

A work contract exists between the POLYTEC GROUP and IMC Verwaltungsgesellschaft mbH, Hörsching, regarding a member of the Board of Directors of the POLYTEC Holding AG, Hörsching.

GLOBE AIR AG, Hörsching, provided transport services to employees of the POLYTEC GROUP in the business year under review (volume of less than EUR 0.1 million analogous to the preceding year).

One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan.

No provisions or expenses for doubtful or unrecoverable debts were reported in 2017 or in 2016 in connection with transactions with related parties.

### 4. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Total remuneration of the members of the Board of Directors in the 2017 financial year amounted to EUR 2,800 k (previous year: EUR 2,541 k). EUR 2,800 k (previous year: EUR 2,541 k) are attributable to short-term benefits, of which EUR 0 k (previous year: EUR 0 k) relate to the remuneration of a former Board member. As in the preceding year, in the 2017 financial year no payments were made after the termination of the working relationship.

As yet unpaid variable salary components affecting the 2017 business year are reported in the current personnel provisions.

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

Total expenses for the emoluments to Supervisory Board members in the financial year amounted to EUR 99 k (previous year: EUR 99 k).

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

## 5. POLYTEC HOLDING AG GOVERNING BODIES

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

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

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

Alice Godderidge, Piberbach

Peter Haidenek, Velden a. W.

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

Fred Duswald, Thalheim  
(Chairman of the Supervisory Board)

Manfred Helmut Trauth, Knittelsheim, Germany  
(Deputy Chairman of the Supervisory Board)

Robert Büchelhofer, Starnberg, Germany

Viktoria Kickingner, Vienna

Reinhard Schwendtbauer, Leonding

## 6. GROUP COMPANIES

Company	Company address	Country	Shareholder	2017		2016	
				Direct and indirect holding %	Type of consolidation <sup>1)</sup>	Direct and indirect holding %	Type of consolidation <sup>1)</sup>
POLYTEC Anlagenfinanzierung GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC CAR STYLING Hörsching GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC CAR STYLING UK Ltd. (formerly: POLYTEC CAR STYLING Bromyard Ltd.)	Bromyard	GBR	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC FOHA CORPORATION	Markham	CAN	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Foha Inc.	Warren	USA	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Car Styling Schoten N.V.	Schoten	BEL	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Netherlands Holding B.V.	Roosendaal	NED	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Composites NL B.V.	Roosendaal	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Plastics NL B.V.	Putte	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Hungary Kft.	Komló	HUN	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Komló Kft.	Komló	HUN	POLYTEC Hungary Kft.	100.0	KV	100.0	KV
POLYTEC Germany GmbH	Lohne	GER	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Composites GmbH	Gochsheim	GER	POLYTEC Germany GmbH	100.0	KV	100.0	KV
Polytec Holding Deutschland GmbH	Lohne	GER	PT Plastics GmbH	100.0	KV	100.0	KV
Polytec Automotive GmbH & Co KG <sup>2)</sup>	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Automotive Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Plastics Germany GmbH & Co KG <sup>2)</sup>	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Plastics Idstein GmbH & Co KG <sup>2)</sup>	Idstein	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
POLYTEC Plastics Ebensee GmbH	Ebensee	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Interior Zaragoza S.L. i.L.	Zaragoza	ESP	POLYTEC Holding AG	100.0	KO	100.0	KO
POLYTEC AUTO PARTS Tianjin Co., Ltd	Tianjin	CHN	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Composites Beteiligungs GmbH	Gochsheim	GER	PT Composites GmbH	100.0	KV	100.0	KV
POLYTEC Composites Verwaltungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Germany GmbH & Co KG <sup>2)</sup>	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds GmbH & Co. KG <sup>2)</sup>	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds Verwaltungs GmbH	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Industrielackierungen GmbH & Co. KG <sup>2)</sup>	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Industrielackierungen Verwaltungs GmbH	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Slovakia s.r.o.	Sladkovicovo	SVK	PT Beteiligungs GmbH	100.0	KV	100.0	KV
PT Plastik Ürünleri Sanayi ve Ticaret A.S.	Aksaray	TUR	PT Beteiligungs GmbH	100.0	KV	100.0	KV
Polytec Composites Bohemia s.r.o.	Chodová Planá	CZE	PT Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Composites Weiden GmbH	Weiden	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
Newplastics, S.A.	Lisbon	POR	POLYTEC Composites Germany GmbH & Co KG	2.0	KOE	2.0	KOE
Ljungby Komposit AB	Ljungby	SWE	PT Beteiligungs GmbH	25.0	KOE	25.0	KOE
POLYTEC Industrielackierung Weiden GmbH	Waldnaab	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Industrial Plastics GmbH	Bochum	GER	POLYTEC Holding AG	70.0	KV	70.0	KV

Company	Company address	Country	Shareholder	2017		2016	
				Direct and indirect holding %	Type of consolidation <sup>1)</sup>	Direct and indirect holding %	Type of consolidation <sup>1)</sup>
POLYTEC Elastoform GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC EMC Engineering GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC THELEN GmbH	Bochum	GER	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC Immobilien Holding GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Immobilien GmbH	Hörsching	AUT	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Immobilien GmbH	Hörsching	AUT	PT Immobilien GmbH	94.5	KV	94.5	KV
POLYTEC Composites Immobilien GmbH	Kraichtal	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
PPI Immobilien GmbH	Ebensee	AUT	POLYTEC Immobilien Holding GmbH	95.0	KV	95.0	KV
POLYTEC Immobilien Deutschland GmbH	Lohne	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
POLYTEC Real Estate Gayrimenkul Limited Sirteki	Aksaray	TUR	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Slovakia s.r.o.	Sladkovicovo	SVK	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Belgium N.V.	Schoten	BEL	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
SPELAG s.r.o.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KO	100.0	KO
POLYTEC ESTATES Bohemia k.s.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC ESTATES UK Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV	100.0	KV

<sup>1)</sup> KV = fully consolidated companies

KE = companies consolidated at equity

KO = companies excluded due to lack of materiality

KOE = no at equity valuation due to immateriality

<sup>2)</sup> Pursuant to §24 of the German Commercial Code, the companies are released from an obligation to prepare, audit and publish annual financial statements and a management report in accordance with the current regulations applicable to corporations.

Hörsching, 22 March 2018

The Board of Directors

Friedrich Huemer

Markus Huemer

Alice Godderidge

Peter Haidenek

# STATEMENT OF ALL LEGAL REPRESENTATIVES

## PURSUANT TO § 124 (1) AUSTRIAN STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Hörsching, 22 March 2018

The Board of Directors of POLYTEC Holding AG

Friedrich Huemer  
Chairman of the Board of Directors – CEO  
Responsibilities: M&A, Investment Management,  
Corporate Strategy, Corporate Communications,  
Legal Affairs

Markus Huemer  
Deputy Chairman of the Board of Directors – COO  
Responsibilities: Business Development, Plants,  
Production, Purchasing, HR, IT

Alice Godderidge  
Member of the Board of Directors – CSO  
Responsibilities: Sales and Engineering  
(Sales, Marketing and Development)

Peter Haidenek  
Member of the Board of Directors – CFO  
Responsibilities: Finance, Controlling, Accounting,  
Investor Relations, Internal Audit

# AUDITORS' REPORT

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

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### AUDIT OPINION

We have audited the consolidated financial statements of

POLYTEC Holding AG  
Hörsching

and its subsidiaries (the group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the mandatory regulations and give a true and fair view of the consolidated financial position of the group as at 31 December 2017, as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements pursuant to § 245a UGB (Austrian Commercial Code).

### BASIS FOR THE AUDIT OPINION

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

## KEY AUDIT MATTERS

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

We have identified the following as key audit matters:

- Evaluation of construction contracts
- Impairment of deferred tax assets

### EVALUATION OF SALES REVENUE AND RESULT REALISATION FROM CONSTRUCTION CONTRACTS

See notes Items D.18, E.14

#### Risk for the financial statements

In the consolidated financial statements of POLYTEC Holding AG as at 31 December 2017, sales revenues from construction contracts amounting to EUR 70,596 k, receivables totalling EUR 43,050 k and liabilities of EUR 4,802 k are reported.

Where the result of the construction contract can be reliably assessed, related sales revenue and result recognition takes place in accordance with the percentage of completion method. The stage of completion on the balance sheet date is determined by the ratio of the contract costs incurred on the balance sheet date to the estimated total costs of the contract. The data employed as the basis for the valuation of the construction contracts contains assumptions and estimates with regard to the anticipated project result and individual project risks.

The risk in the consolidated financial statements emanates from the incorrect recognition of the sales revenues and the related expenses and thus also the incorrect reporting of the receivables and liabilities from construction contracts.

### Our approach for auditing

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

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

### IMPAIRMENT OF DEFERRED TAX ASSETS

See notes Items D.18, E.11

#### Risk for the financial statement

As at 31 December 2017, deferred tax assets totalled EUR 7,674 k. An amount of EUR 1,136 k resulted from loss carryforwards. In addition, no tax asset deferrals were applied to tax loss carryforwards of EUR 10,488 k, as owing to the loss history their validity as definitive tax relief could not be sufficiently securely estimated. The reporting of the deferred tax assets is justified owing to the anticipated realisation of future results subject to tax.

The presentation of the deferred tax assets is based largely on the assumptions of the Board of Directors regarding future developments, which are linked to uncertainties.

### Our approach for auditing

Our approach for auditing incorporated an assessment of the relevant controls in connection with the presentation and evaluation of the deferred tax assets, as well as the sample-based examination of their calculation. In the course of this assessment, we verified the existence of the loss carryforwards, as well as the expected carry forward period on the basis of the available documentation, and also compared the bases for evaluation with the medium-term planning approved by the Supervisory Board. Furthermore, we completed an examination in order to determine if the required information in the notes provided all the necessary explanations in connection with deferred tax assets and if the material estimate uncertainties were described appropriately.

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

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

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

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions and misleading representation, or the overriding of internal controls.
- We obtain an understanding of the internal control system of relevance to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.
- We evaluate the appropriateness of the accounting policies employed and the reasonableness of both the accounting estimates and related disclosures made by management.
- We prepare conclusions on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Should we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are obliged to draw attention to the respective note in the consolidated financial statements in our audit report or, should such disclosures be inappropriate, to modify our audit opinion. We base our conclusions on the audit evidence obtained up to the date of our audit report. However, future events or conditions may result in the group departing from the going concern assumption.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We bear sole responsibility for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit, as well as important findings that include any significant deficiencies in the internal control system, which we identify in the course of our audit.
- We provide the audit committee with a declaration that we have complied with the relevant professional requirements in respect of our independence and report on any relationships and other events that may reasonably be thought to affect our independence and, where applicable, the related safeguards.
- From the matters discussed with the audit committee, we determine those that were of greatest significance in the audit of the consolidated financial statements of the financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless laws or regulations preclude public disclosure about such matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER LEGAL REQUIREMENTS

### REPORT ON THE GROUP MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and if it has been prepared in accordance with legal requirements. As far as the non-financial declaration is concerned, we are responsible for ensuring it has been prepared, its reading and an assessment as to whether it materially contradicts the consolidated financial statement, or appears to contain material misstatement.

Management is responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with the generally accepted standards for the auditing of group management reports.

**Opinion**

In our opinion, the group management report has been prepared in accordance with current legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to § 243a UGB (Austrian Commercial Code) are appropriate.

**Statement**

In view of the knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the group and its environment thus obtained, we did not determine any material misstatements in the group management report.

**OTHER INFORMATION**

The legal representatives of the company are responsible for other information. Other information consists of all the information contained in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditors' report thereon. It is probable that we will be provided with the annual report after the date of our report.

Our opinion on the consolidated financial statements does not cover such other information and we will not provide any kind of assurance in its regard.

In conjunction with our audit, it is our responsibility to read this other information as soon as it is available and to assess whether, in view of the knowledge gained during our audit, it contains any material inconsistencies with regard to the consolidated financial statements, or any apparent material misstatement of fact.

**ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION**

We were selected as the group auditors at the Annual General Meeting on 22 May 2017 and on 21 September 2017 were commissioned by the Supervisory Board with the audit of the consolidated financial statements of POLYTEC Holding AG. Following an interruption of several years in our auditing activities, we were recommissioned for the first time as the group auditors for the consolidated financial statements as at 31 December 2017.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the audit committee in accordance with Article 11 of the EU regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 of the EU regulation) and that we have ensured our independence of the members of the group throughout the course of the audit.

**RESPONSIBLE AUDITOR**

The auditor responsible for the audit contract is Cäcilia Gruber.

Linz, 22 March, 2018

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Cäcilia Gruber  
Auditor

The publication or dissemination of the consolidated financial statements with our auditors' report may only take place in our approved version. This auditors' report relates solely to the German language version of the complete consolidated financial statements including the management report. For other versions, the regulations contained in §281 Para 2 of the Austrian Commercial Code are to be observed.

# SERVICE

## CORPORATE CALENDAR 2018

12 April 2018	Thursday	Publication of the financial statements and annual report for 2017
6 May 2018	Sunday	Record date "AGM"
9 May 2018	Wednesday	Publication of the interim report for Q1 2018
16 May 2018	Wednesday	18 <sup>th</sup> Annual General Meeting for the 2017 financial year, Hörsching, 10:00 a.m.
22 May 2018	Tuesday	Ex-dividend day
23 May 2018	Wednesday	Record date "Dividends"
24 May 2018	Thursday	Dividend pay-out day
8 August 2018	Wednesday	Publication of the financial report for HY1 2018
7 November 2018	Wednesday	Publication of the interim report for Q3 2018



### INVESTOR RELATIONS

**Paul Rettenbacher**

Phone: +43 7221 701 292

Fax: +43 7221 701 392

paul.rettbacher@polytec-group.com

www.polytec-group.com

### IMPRINT

Editor: POLYTEC Holding AG

Polytec-Strasse 1, 4063 Hörsching, Austria

Commercial register: FN 197646g, Commercial Court Linz

LEI: 5299000VSOBJNXZACW81

VAT identification number: ATU49796207

Phone: +43 7221 701 0, Fax: +43 7221 701 35

www.polytec-group.com

Corporate Marketing: Gabriele Worf

gabriele.worf@polytec-group.com

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### NOTE

This annual report has been prepared with the greatest possible care and every effort has been made to ensure the accuracy of the data that it contains. Nevertheless, rounding, typographical and printing errors cannot be excluded. The use of automatic calculating devices can result in rounding-related differences during the addition of rounded amounts and percentages. This annual report contains assessments and assertions relating to the future made on the basis of all the information currently available. Such future-related statements are usually introduced with terms such as "expect", "estimate", "plan", "anticipate", etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report. This annual report is published in German and English. The English translation serves information purposes and the original German text is the sole legally binding version. The financial statements and annual report for 2017 were published on 12 April 2018 and are available for downloading on the POLYTEC Holding AG website at [www.polytec-group.com](http://www.polytec-group.com) sector Investor Relations, Publications.

Editorial closing date: 22 March 2018

# GLOSSARY

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## Company and technology

ABS	Acrylonitrile butadiene styrene is a plastic suited to the coating of metals
Blow moulding	A process for the production of hollow, thermoplastic parts (lightweight construction technology)
Business Intelligence	Procedures and processes for systematic analyses using the gathering, evaluation and presentation of data in electronic form
CAQ	Computer-aided quality
Carbon SMC	SMC with cut carbon fibres
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Class A painting	Painting of the visible surfaces of interior and exterior parts
COO	Chief Operations Officer
CSO	Chief Sales Officer
D-LFT	Direct process for the use of long fibre reinforced thermoplastics in exceptionally tough parts
Data warehouse	An optimised central database, which is used for analytical purposes and, as a rule, combines and compacts data from a variety of sources
ERP	Enterprise resource planning: the prompt, needs-based planning and control of resources
GMT	Glass mat reinforced thermoplastics: a material combination consisting of glass fibre mats and thermoplastics
Impact extrusion	Forming process on the basis of the subjection of the blank to pressure
In-mould decoration/IMD	A special type of plastic part decoration using a coloured, scratch-resistant coating.
Injection moulding	Process in which material is liquefied (plastified) and injected into a mould under pressure
Just-in-sequence/JIS	Punctual delivery of workpieces to the assembly line in the correct sequence
Just-in-time/JIT	Punctual delivery of workpieces to the assembly line
LFT	Long fibre reinforced thermoplastics, which are used to create exceptionally tough parts
LWRT	Lightweight reinforced thermoplastics: lightweight, glass fibre reinforced thermoplastic mixed fibre webs with high acoustic efficiency
MES	Manufacturing execution system: systems solution for efficient production control
PA	Polyamide: thermoplastic with high strength, rigidity and toughness
PE	Polyethylene: thermoplastic
PLM	Product lifecycle management: an integrated solution for the visualisation of the POLYTEC product development process (PEP) including project and task management, and design data administration
PP	Polypropylene: thermoplastic
PPS	POLYTEC Performance System: the POLYTEC GROUP's lean management programme
PUR RRIM	Polyurethane reinforced reaction injection moulding
PUR/PU	Polyurethane: plastic or synthetic resin
Reaction injection moulding	Process in which immediately after blending a reactive mixture of two components is injected into the mould where it quickly hardens
SAP S4/HANA	An extended SAP standard for SAP's own SAP HANA database
SCR	Selective catalytic reduction: a technology for the reduction of nitrogen oxides in exhaust gases
SMC	Sheet moulding compound: press mass consisting of duroplastic reactive resins and glass fibres for the production of fibre-plastic compounds
TPU	Thermoplastic polyurethane: plastic offering high resistance to dynamic forces and wear

<b>Financials</b>	
CAD	Canadian Dollar
Capital employed	Capital employed includes non-current assets required for operations (intangible assets, goodwill, tangible assets, participations in companies accounted for at equity and other non-current receivables) less other non-current provisions and net current assets (non-interest bearing current assets less non-interest bearing current liabilities).
CNY	Chinese Renminbi Yuan
CZK	Czech Krona
Deferred taxes	Balance sheet item to show fiscal valuation differences. In the case of temporary discrepancies between the group balance sheet and the fiscal balance sheet, both deferred tax assets and deferred tax liabilities are recognised in order to report the tax expenses in accordance with the group financial result.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT margin	EBIT/sales, in %
Equity ratio	Equity/balance sheet total, in %
EUR k	Euro thousands
EUR m	Euro millions
Free cash flow	Cash flow from operating activities less cash flow from investing activities
FTE	Full-time equivalents of employees
GBP	Great Britain Pound
Gearing	Net debt/equity
HUF	Hungarian Forint
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards (IAS)
ISIN AT0000A00XX9	International Securities Identification Number of POLYTEC share
LEI	Legal Entity Identifier: the unique international code number of POLYTEC Holding AG: 5299000VSOBJNXZACW81
Market capitalisation	Value of Enterprise: number of issued shares multiplied with certain share price
MSCI World Small Cap Index	Share index containing more than 4,300 titles from 23 developed countries
Net current assets	Non-interest bearing current assets less non-interest bearing current liabilities
Net financial liabilities/assets	Interest-bearing current and non-current liabilities less cash and cash equivalents and interest-bearing receivables
ROCE	Return on Capital Employed (EBIT/average capital employed)
TRY	Turkish Lira
USD	United States Dollar





