# SEMPERIT

Annual Report 2012

S is on the move

# KEY FIGURES

## Key performance figures

| | | 2012 | Change | 2011 [1] | 2010 [1] | 2009 [1] |
|---|---|---|---|---|---|---|
| Revenue | in EUR million | 828.6 | +1.0% | 820.0 | 689.4 | 588.1 |
| EBITDA | in EUR million | 108.7 | –1.3% | 110.0 | 112.3 | 102.8 |
| EBITDA margin | in % | 13.1% | –0.3 PP | 13.4% | 16.3% | 17.5% |
| EBIT | in EUR million | 72.5 | –9.8% | 80.4 | 82.3 | 69.6 |
| EBIT margin | in % | 8.8% | –1.0 PP | 9.8% | 11.9% | 11.8% |
| Earnings after tax | in EUR million | 46.2 | –10.7% | 51.8 | 45.4 | 38.8 |
| Earnings per share (EPS) | in EUR | 2.25 | –10.7% | 2.52 | 2.21 | 1.89 |
| Gross cash flow | in EUR million | 85.6 | –4.2% | 89.4 | 91.0 | 92.6 |
| Return on equity | in % | 11.4% | –2.3 PP | 13.6% | 12.9% | 12.5% |

## Balance sheet key figures

| | | 2012 | Change | 2011 [1] | 2010 [1] | 2009 [1] |
|---|---|---|---|---|---|---|
| Balance sheet total | in EUR million | 824.5 | +33.7% | 616.7 | 593.5 | 531.5 |
| Equity [2] | in EUR million | 406.2 | +7.1% | 379.4 | 351.1 | 310.6 |
| Equity ratio | in % | 49.3% | –12.2 PP | 61.5% | 59.2% | 58.4% |
| Investments in tangible and intangible assets | in EUR million | 41.2 | –8.6% | 45.1 | 52.5 | 22.7 |
| | | | | | | |
| Employees (annual average) | | 8,305 | +6.0% | 7,833 | 7,008 | 6,649 |

## Segment key figures

| | | 2012 | Change | 2011 [1] | 2010 [1] | 2009 [1] |
|---|---|---|---|---|---|---|
| **Medical Sector = Sempermed** | | | | | | |
| Revenue | in EUR million | 383.5 | +3.2% | 371.5 | 316.4 | 271.4 |
| EBIT | in EUR million | 27.6 | –19.8% | 34.4 | 47.1 | 49.6 |
| **Industrial Sector = Semperflex + Sempertrans + Semperform** | | | | | | |
| Revenue | in EUR million | 445.1 | –0.8% | 448.5 | 373.0 | 316.7 |
| EBIT | in EUR million | 58.2 | +8.7% | 53.5 | 40.1 | 22.5 |
| **Semperflex** | | | | | | |
| Revenue | in EUR million | 180.6 | –3.4% | 186.9 | 145.5 | 105.3 |
| EBIT | in EUR million | 27.6 | +12.5% | 24.5 | 24.2 | 0.4 |
| **Sempertrans** | | | | | | |
| Revenue | in EUR million | 143.8 | –2.2% | 147.0 | 118.1 | 114.9 |
| EBIT | in EUR million | 16.0 | +47.5% | 10.8 | 0.0 | 11.8 |
| **Semperform** | | | | | | |
| Revenue | in EUR million | 120.7 | +5.4% | 114.6 | 109.4 | 96.5 |
| EBIT | in EUR million | 14.6 | –19.6% | 18.2 | 15.9 | 10.3 |

Note: Rounding differences in the totalling of rounded amounts and percentages may arise from the use of automatic data processing.
[1] Figures for 2011 adjusted (see 2.18 in notes to the consolidated financial statements). The figures for 2009 and 2010 were not adjusted.
[2] excl. non-controlling interests

# CONTENTS

# The world doesn’t revolve around us. So we go around it.

We are making investments such as the acquisition of Latexx Partners in Malaysia. We are expanding our presence around the globe. We are ready for global competition.

# We do it just like the human race does: We grow.

Because the need for health and hygiene, as well as for raw materials, energy, and infrastructure, is growing with the world's population. For us this means the world needs more and more products from us.

# Our products speak for themselves. Even if you don’t always see them.

Semperit is involved in an incredible number of everyday things – for example, in all work procedures where hygiene plays an important role. Our variety of products and solutions makes us independent and allows us to grow safely.

# Flexibility trumps all. In our products as well as with our customer orientation.

We are a global company providing our customers with innovative high-performance products that are flexible in use and deliver added value.

# We know it: Who plays, wins.

This applies in both the mining industry and investment decisions. Therefore we aim for a balance between growth and shareholder compensation.

# We have something better than a powerful engine: We have four.

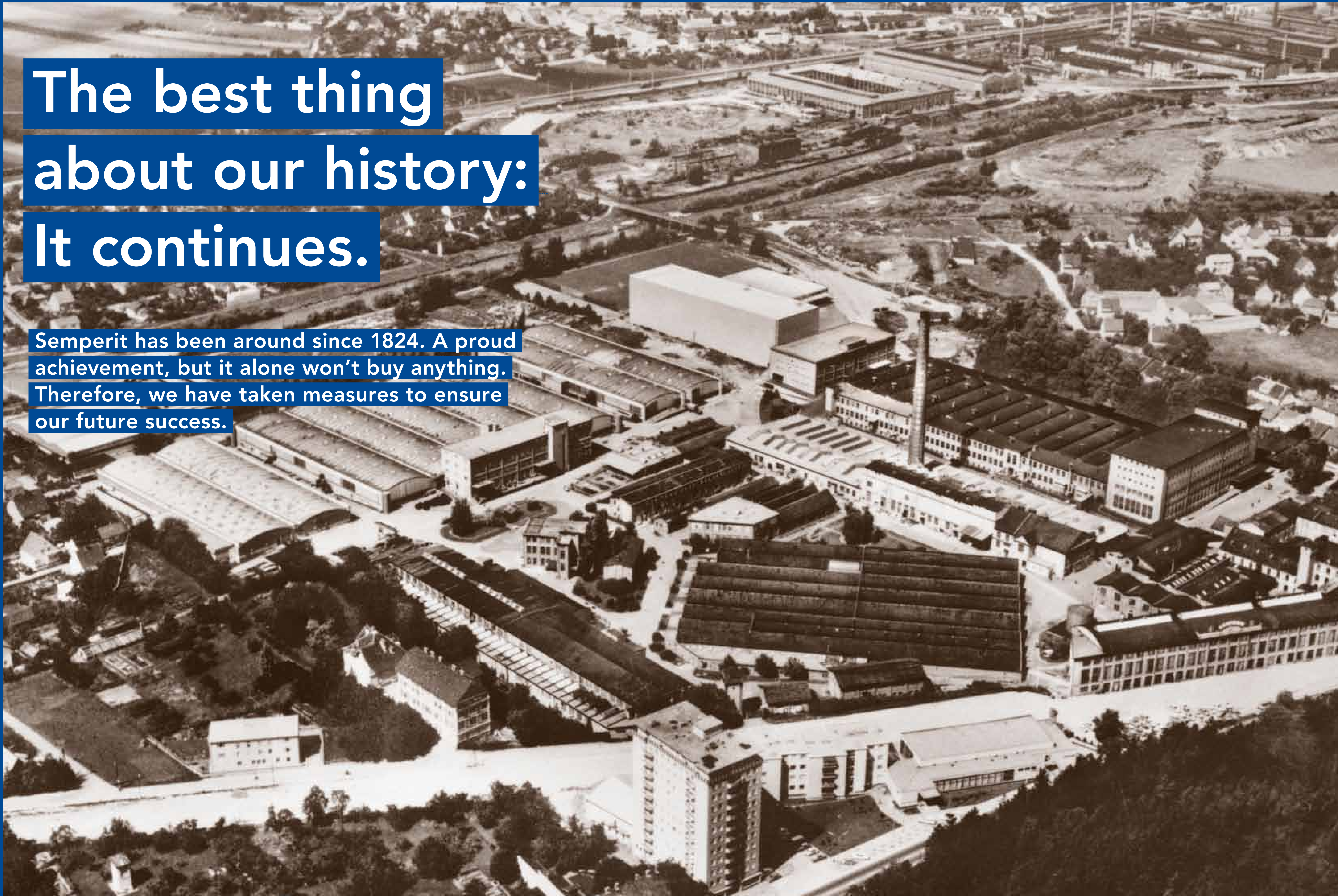
Whoever wants to move upwards needs a driving force. Good thing then, we have four divisions moving us forward: Sempermed, Semperflex, Sempertrans, and Semperform.

# Sustainability is not just a word. It’s a value.

Our most important resource, natural rubber, is renewable and unbeatable in its quality. In addition, we are working to further improve our environmental, social, and economic indicators.

# The best thing about our history: It continues.

Semperit has been around since 1824. A proud achievement, but it alone won’t buy anything. Therefore, we have taken measures to ensure our future success.



# "The Semperit Group is well positioned – both strategically and financially."

# The Management Board of Semperit AG Holding – Thomas Fahnemann, Johannes Schmidt-Schultes, and Richard Ehrenfeldner – talk about the group's performance in 2012 and the company's response to current challenges.

**Let's start by looking back at 2012. What were the most important developments?**

**Fahnemann:** The acquisition of Latexx Partners in Malaysia which is the world's $6^{th}$ largest producer of medical gloves was certainly the highlight of the year 2012. This transaction represented an important milestone of our growth strategy and enabled us to expand the group's global presence considerably. We finished 2012 with an all-time high of EUR 828.6 million. The performance of the business confirms our diversification strategy within the Medical and Industrial Sectors.

The performance of the Industrial Sector was very satisfactory. In addition, we were able to increase our sales volumes of examination and protective gloves in the Medical Sector by 10%. Challenges, however, were the prevailing overcapacities in the market, putting prices under pressure. Also, we were facing one-time costs in Thailand which diminished our margins further in the Sempermed segment.

What is really important to me is that I had the opportunity to meet many of our more than 9,000 employees in various town hall meetings where we discussed our company's values and principles. Now I'm convinced that our corporate culture is in line with Semperit's ambitious growth strategy, promoting international collaboration and cooperation between different departments and sites around the globe.

**Ehrenfeldner:** One further strategic remark concerning Latexx Partners: we are improving our regional diversification through this acquisition. Historically, our production focus has been in Thailand but now we also have significant production capacities in Malaysia – a country that is responsible for 50% of global examination and protective gloves production. Last but not least, our customer base has expanded considerably through the transaction, and we have gained valuable reserves for future expansion of production facilities.

**In your view, which developments during the previous financial year are particularly important for Semperit shareholders?**

**Schmidt-Schultes:** The Semperit Group is strategically well positioned, stands on very solid foundations and pursues an ambitious growth strategy. Notwithstanding the expenditures for the Latexx Partners acquisition, our group's financial stability remains excellent with an equity ratio of 49.3% at the end of 2012 and net liquidity of nearly EUR 15 million. In other words, we have no net debt, a fact that hardly any other company in our sector can claim.

Also, and certainly just as important to our shareholders: Despite difficult economic times, the dividend remains at 80 cents per share – this is our proposal to the Annual General

Meeting. This means our dividend will remain unchanged compared to the previous year, which you cannot automatically expect in today's difficult global economic environment. Our dividend policy should be reliable and predictable for the medium term: as long as no extraordinary effects occur, our goal is to distribute about 30% of earnings after tax.

**It's well known that research and development is a cornerstone for future growth. What innovations were made in 2012?**

**Ehrenfeldner:** We achieved major technical breakthroughs in three product lines in 2012. First, there is Sempermed's "Syntegra UV," a UV cross-linked glove. This surgical glove is made without any allergy-causing accelerator chemicals, and it is manufactured using a completely new method. We are currently working on the market launch and are seeing strong interest especially in Europe.

Another example of Semperit's innovative capacity is the energy-saving conveyor belt from Sempertrans: we accomplished to reduce the transport energy that keeps the conveyor belt in motion by up to 25% through our modifications of the belt's structure and the rubber compounds used. The first major order from the largest lignite mine in Poland was already won in the beginning of 2013, which underlines the attractiveness of the product.

"The performance of the business confirms our diversification strategy within the Medical and Industrial Sectors."

Thomas Fahnemann,
Chairman of the Management Board

The third innovation project in 2012 was the development of a commodity product line in Semperflex's industrial hose unit. Here, redesign of the product line was our core focus in order to achieve cost competitiveness with our Asian competitors. Of course, in terms of quality and performance we keep the usual Semperit standards and fully meet our customer's expectations.

**Back to operations: How well did Semperit perform in the individual regions?**

**Fahnemann:** We were pleasantly surprised by market trends in Europe and the US until September. Thereafter, we experienced a slowdown in these regions. We had higher expectations for the Asian markets, even though an investment backlog for our Industrial Sector products exists in China and Southeast Asia. The Chinese economy grew by about 7.5% in 2012 which provided a good starting position. However, capital spending, which is especially important to the Industrial Sector – as it includes in particular industrial and construction machinery as well as escalators – ultimately turned out to be much weaker than expected. To summarise, Europe and the US performed well, and we were able to gain market share in these regions. In Asia, we strategically repositioned our sales force in 2012 and will be able to generate growth in 2013, provided that the economy and sector-specific demand picks up.

**Following the turnaround, the Sempertrans segment is now even stronger. What did improve in 2012?**

**Fahnemann:** The focus on technologically high quality products, the development of additional sales markets, and improved raw material management led to this excellent result. We were particularly successful with our products in South America, while interesting projects also appeared in Africa, for example through cooperation with primary chemical commodity mines. Sempertrans clearly benefits from the increasing demand for raw materials and energy.

**Schmidt-Schultes:** Since postponements or reductions of investments were announced by some major mining companies, I would like to briefly touch upon this topic. We are not affected by these announcements or measures because we have a very diversified customer base, a specialised product portfolio, and adequate opportunities to expand into new markets. Sempertrans is also on track for 2013. Its capacity is adequately booked.

**How well did the Semperflex and Semperform segments perform in 2012?**

**Fahnemann:** The demand for Semperflex's hydraulic and industrial hoses is strongly dependent on the general state of the construction and transportation industry, and also on the agricultural sector. Demand slowed to some extend in these sectors during 2012. China and Southeast Asia developed much weaker than expected - primarily due to high inventories. Inspite of the shrinking markets, we were able to maintain and even expand our market share compared with the competition, particularly in Europe. This is a great compliment to our sales team. Our measures to create more flexibility in production and to improve raw material management had a positive effect on earnings.

And now on to Semperform: there was considerable pressure on retail prices in several business units in 2012, and easing isn't expected in 2013. In order to counteract this pressure and to reduce the segment's dependence on the European market, where about 80% of all Semperform products are currently sold, the Handrail Unit – for example – worked on a differentiated product design in order to better cover the Chinese market in particular.

**What are currently the largest challenges for the Medical Sector?**

**Fahnemann:** I would like to mention some market data in order to illustrate the challenges and our strategy for the Medical Sector. The global market for examination and protective gloves is growing annually in a range from 5% to 7%. There are, however, significant differences in regional demand. In the US, the annual per capita consumption of gloves is 150 to 160 units,

# "We achieved major technical break-throughs in three product lines in 2012."

Richard Ehrenfeldner,
Chief technical officer

while it is 60 to 70 units in Europe and 10 to 20 units in Asia. There is also enormous catch-up potential in South America and Africa. The reason for this is a growing awareness of the importance of hygiene, as well as stricter legal regulations. With a clear growth strategy, we intend to utilise the potential of these markets more than we have in the past.

The establishment of sales units, such as those that we have most recently established in South America and Asia, is just as necessary for this as bundling our resources and ensuring synergies to optimise cost structures. The relocation of Sempermed headquarters to Singapore at the start of 2013 is particularly important in this regard – not only because Asia is a major growth market for us, but also because most of Sempermed's production capacity is located in this region.

**Schmidt-Schultes:** The integration of Latexx Partners will cause further costs in 2013 in Asia, however, at the same time we will become more efficient and achieve important economies of scale which are very important to our business in the coming years. We accomplished important milestones to that end in 2012. More must follow, and indeed, more will.

**At the moment, do you see any room for further acquisitions or larger investments?**

**Schmidt-Schultes:** We established a framework loan agreement for EUR 180 million in 2012 of which we utilised about EUR 100 million as of the end of the year. So, combined with our cash and cash equivalents, there is an adequate margin for further investment into our production facilities. About EUR 50 million is planned for 2013. We are also well prepared for further value added acquisitions. In all of these growth initiatives, we will rigorously adhere to our principle of maintaining a solid equity ratio, thereby safeguarding stability and guaranteeing the future corporate success of the Semperit Group.

**You have stated that one corporate objective at the Group level is to achieve an average annual revenue increase of 10% and an EBIT margin of 10% for the period until 2015. Where are we at the moment?**

**Fahnemann:** We have grown on average by 9.6% per year since 2010. For me, our stated objective of 10% has therefore been fulfilled – particularly considering that Latexx Partners was included for only two months of 2012. The full surge in revenue will only come in 2013. We have likewise largely created the internal requirements for further growth as far as corporate structures and culture, as well as management skills, are concerned.

**Schmidt-Schultes:** In our current outlook, we have expanded the EBIT margin to a range of 8% to 11% – also due to ongoing macroeconomic uncertainties. The value in 2012 was 8.8%. This snapshot shows quite clearly that our growth strategy can sometimes be connected with temporary adverse effects on the margin. The targeted, and in our view also realistic, growth is more important for our long-term strategy than the last tenth of a percentage point in the EBIT margin.

**What is your outlook for the 2013 financial year?**

**Fahnemann:** At Latexx Partners, the focus will be on integration into the Semperit family and on increasing capacity utilisation. But price pressure in the examination and protective gloves markets will persist and have an impact on the Medical Sector. In the Industrial Sector, we expect relatively stable demand – with the exception of Semperflex, where demand could weaken, leading to a reduction in sales.

All in all, we will also have to work hard in 2013 in order to further expand our positions in individual markets. But thanks to the first-time full consolidation of Latexx Partners, from today's perspective we expect a considerable year-on-year increase in revenue.

**"Despite difficult economic times, the dividend remains at 80 cents per share."**

Johannes Schmidt-Schultes, Chief financial officer

# SEMPERIT GROUP AT A GLANCE

**The Semperit Group, with its headquarters in Vienna, is a globally active corporation and one of the world leading companies in the rubber and plastics industry. In 2012 it employed around 9,600 people and achieved revenue of EUR 828.6 million, with earnings after tax of EUR 46.2 million.**

The Semperit Group has production facilities in 17 countries on 3 continents, and maintains its own global distribution network with branches in Asia, Europe, the US, and Latin America. The products are sold in more than 90 countries. Its customers include leading providers in the medical and industrial sectors, who are supplied and supported with highly specialised rubber and plastic products. The group's most important product categories include examination and surgical gloves, hydraulic and industrial hoses, conveyor belts, escalator handrails, construction profiles, cable car rings, ski foils, and products for railway superstructures.

The consistent success of the Semperit Group is based on high and competitive quality standards, strong innovation, and a clearly defined corporate strategy. As Europe's oldest rubber manufacturer, Semperit looks back on a nearly 190-year corporate history. The associated longstanding reputation in the processing of rubber and polymers, in combination with ongoing product innovation and an unrelenting focus on customer and market needs, is the stable basis for the Semperit Group's growth strategy.

Chen Chen, Lead Buyer, Group Procurement & Logistics

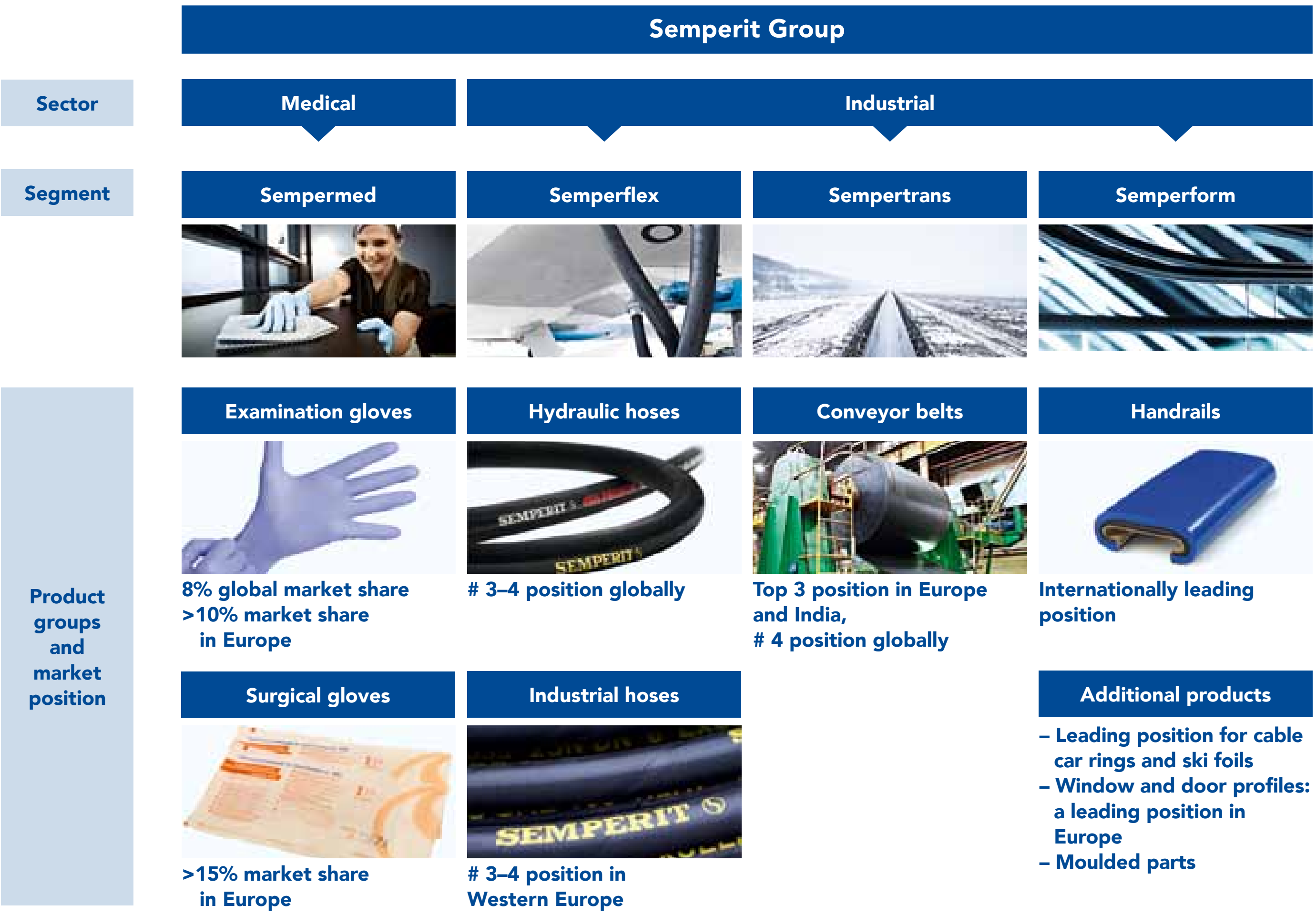
This strategy focuses on profitable, expanding core segments while safeguarding high cost efficiency. The company's solid balance sheet and stable cash flow accompany all strategic plans and further steps towards internationalisation. At the same time, Semperit is firmly committed to the principles of sustainable business. It fulfils its social responsibilities and seeks to achieve the most environmentally sound handling of all types of resources.

## STRUCTURE OF THE SEMPERIT GROUP

The Semperit Group's operating business comprises activities in the Medical Sector (the Sempermed segment) and the Industrial Sector (the Semperflex, Sempertrans and Semperform segments). Semperit has a leading global market position in all its segments.

The structural requirements for continued growth are reflected in the organisational focus of Semperit Group. Starting in 2013, the segment management for the Medical Sector will perform its function from Singapore, meaning it will be located in close proximity to its main growth market and the large production facilities in Asia.

While Sempermed's successful global position in the examination and surgical gloves markets acts largely as a stabilising factor for the business, demand in the industrial segments is exposed to varying degrees of cyclicity, offering corresponding growth opportunities. Moreover, due to their high level of specialisation and the company's successful development of attractive niche markets, the industrial segments are more profitable and dynamic than the Medical Sector.




## Sempermed

**2 Wimpassing, Austria**
Technology center, production of surgical gloves

**3 Budapest, Hungary**
Sales Office

**4 Sopron, Hungary**
Packaging of surgical and protective gloves, quality control

**11 Levallois, France**
Sales Office

**13 Daventry Northamptonshire, Great Britain**
Sales Office

**17 Shanghai, China**
Sourcing and quality management

**18 Surat Thani, Thailand**
New facility for powder-free nitrile and latex exam and protective gloves

**19 Hatyai, Thailand**
Three of the world's largest plants for latex and nitrile exam and protective gloves

**20 Kamunting, Malaysia**
Latexx Partners HQs and plant for latex and nitrile exam as well as protective gloves

**21 Nilai, Malaysia**
Production of porcelain dip moldings for glove production

**22 Singapore**
Sales Office

**25 Bridgeton, New Jersey, USA**
Distribution center

**26 Clearwater, Florida, USA**
Sales Office

**27 Coppell, Texas, USA**
Distribution center

**28 Ontario, California, USA**
Distribution center

**29 Piracicaba, São Paulo, Brazil**
Sales Office

**31 Santiago, Chile**
Sales Office

## Semperform

**2 Wimpassing, Austria**
Main production site for handrails and moulded parts and profiles

**4 Sopron, Hungary**
Production for the local market, support provided to the Wimpassing site

**8 Deggendorf, Germany**
Specialises in profiles for window and facade construction

**11 Levallois, France**
Sales Office

**13 Daventry Northamptonshire, Great Britain**
Sales Office

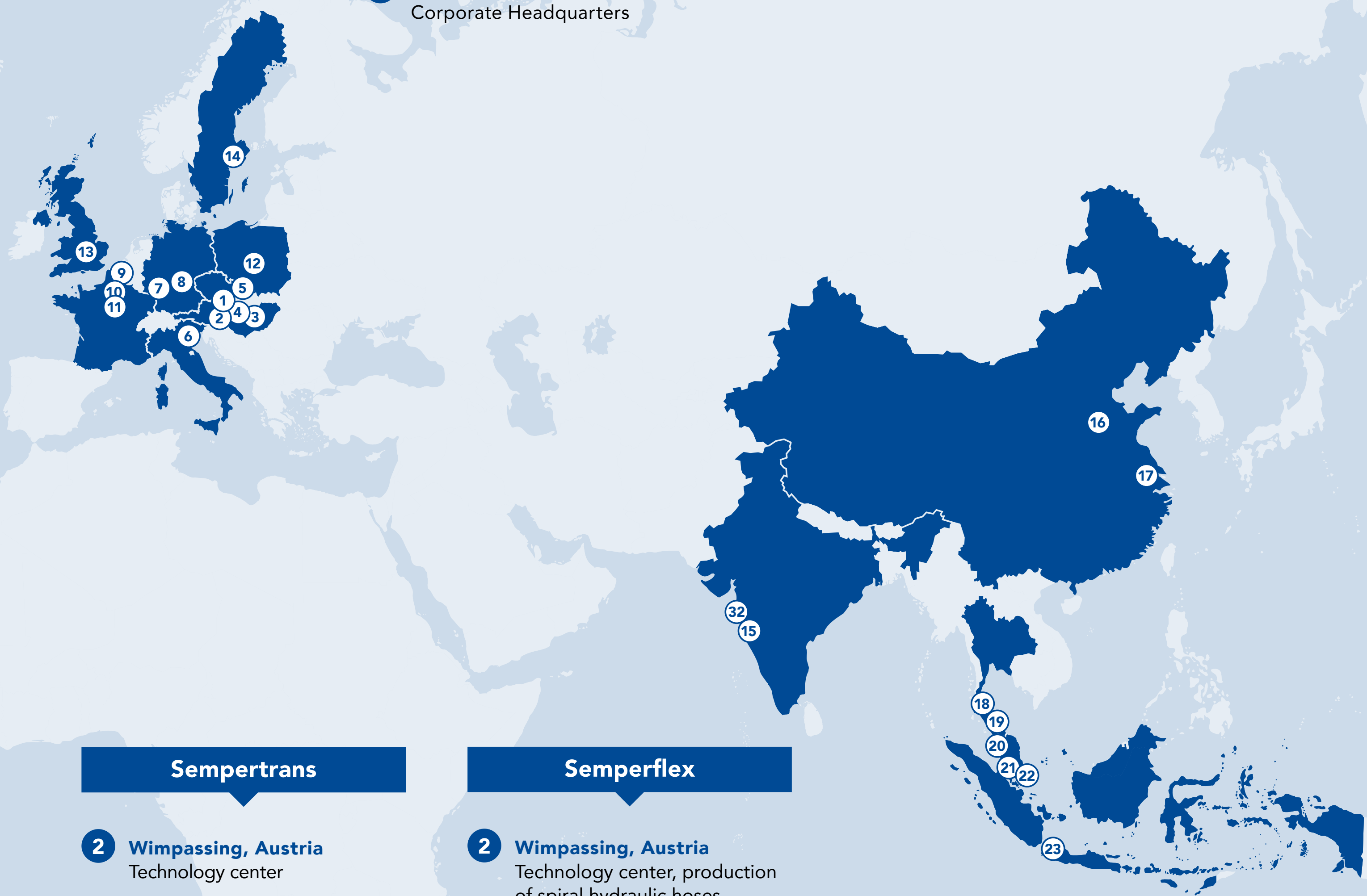
**17 Shanghai, China**
Manufacturing and sales of handrails

**22 Singapore**
Sales Office

**24 Fair Lawn, New Jersey, USA**
Handrail finishing, sales activities for the North American market

## Headquarters

**1 Vienna, Austria**
Corporate Headquarters




## Sempertrans

**2 Wimpassing, Austria**
Technology center

**9 Bełchatów, Poland**
Production of heavy-duty steel and textile cord belts for conveyor belts used in mining industry, general industry, power plants and transport

**10 Argenteuil, France**
Production of textile and steel cord belts, focus on special belts

**12 Bethune, France**
Sales, installation and maintenance of conveyor belts

**15 Roha, India**
Textile conveyor belts mainly sold on the Indian market

**16 Shandong, China**
Production of textile and steel core belts for the domestic and export markets

**22 Singapore**
Sales Office

**23 Jakarta, Indonesia**
Sales Office

## Semperflex

**2 Wimpassing, Austria**
Technology center, production of spiral hydraulic hoses, industrial hoses, elastomer and wear-resistant sheeting

**5 Odry, Czech Republic**
Competence centre for long length industrial hose portfolio, production of braided hydraulic hoses, Hydraulic Hose Testing Center

**6 Rovigo, Italy**
Production of industrial hoses, development of special applications

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

**11 Levallois, France**
Sales Office

**13 Daventry Northamptonshire, Great Britain**
Sales Office

**14 Nacka, Sweden**
Sales Office

**17 Shanghai, China**
Production of hydraulic hoses for the Chinese market

**19 Hatyai, Thailand**
Production of steel wire reinforced hydraulic hoses, one of the largest hose plants in Asia

**22 Singapore**
Sales Office

**23 Jakarta, Indonesia**
Sales Office

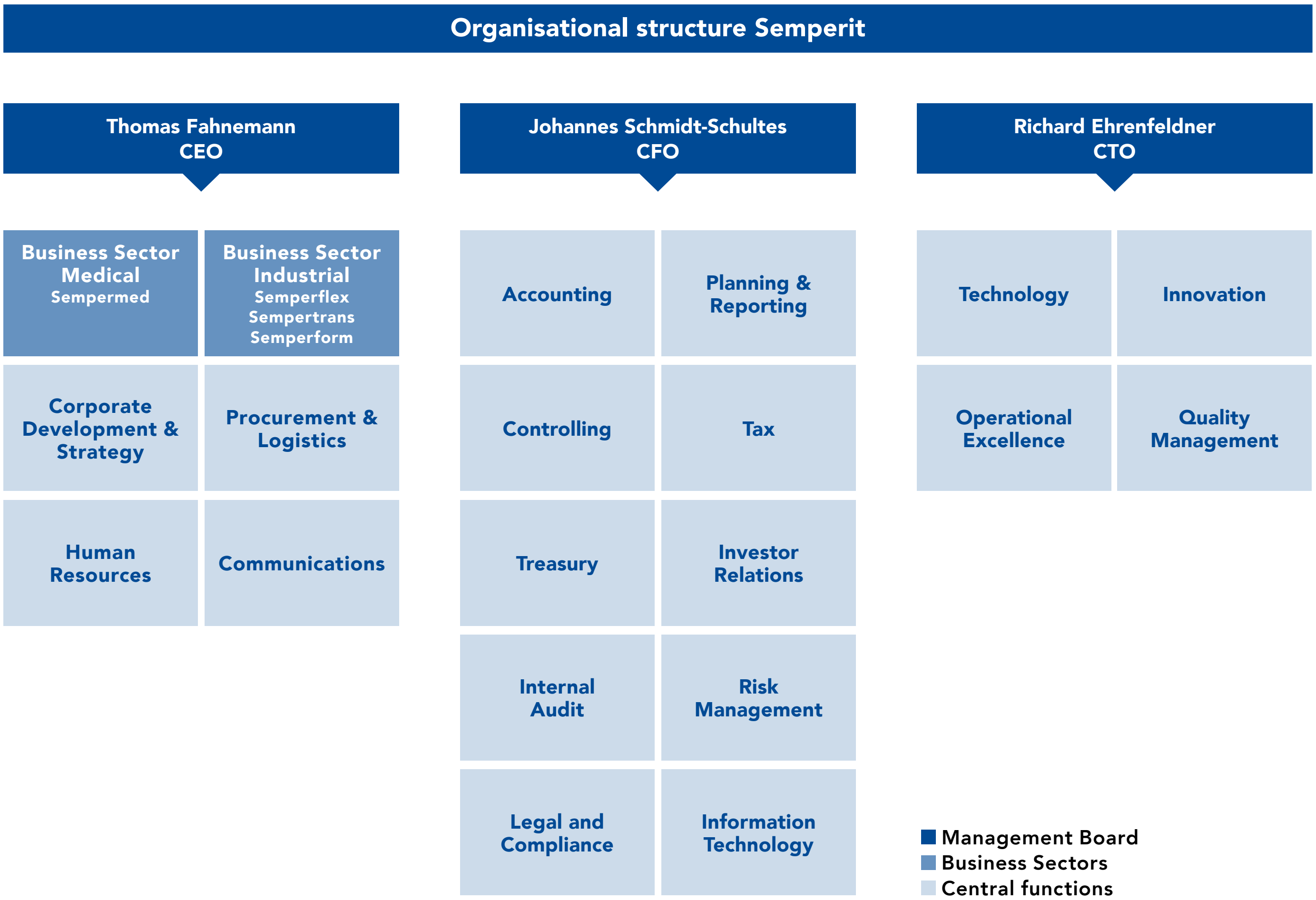
**24 Fair Lawn, New Jersey, USA**
Sales Office

**30 São Paulo, Brazil**
Sales Office

**32 Mumbai, India**
Sales Office, Warehouse

## MANAGEMENT BOARD OF THE SEMPERIT GROUP

The departmental responsibilities of the Semperit Group's Management Board are determined by the Supervisory Board. Following the departure of Richard Stralz at the end of November, 2012, these responsibilities at the end of 2012 are as follows:




The Semperit Group is managed by an Executive Committee which consists of the three members of the Management Board, the heads of segments, and the heads of the central corporate units Global Human Resources, Legal, Group Procurement and Logistics, R&D, Corporate Development, and Technology.

## SEMPERIT – THERE IS ALWAYS A SOLUTION

The name "Semperit" is derived from the two Latin words "semper" and "ire" and means essentially "there is always a solution". This is reflected in Semperit's corporate culture regarding aspiration and motivation, and follows in its goal of providing customers worldwide with an innovative and competitive range of products that create lasting value and new opportunities.

## VISION AND MISSION OF THE SEMPERIT GROUP

With its vision for the next several years, the Semperit Group strives to be a global player with a top 3 market position in all of its core segments, while safeguarding its success with an efficient and performance-oriented corporate culture. This vision is based, in addition, on a geographically balanced distribution of revenue – one third of all revenue is to be generated in North and South America, one third in Europe, and one third in Asia and the rest of the world. In doing so, Semperit combines their local roots with a global horizon. For employees, the Semperit Group is a reliable and loyal employer that promotes individual prospects.

Semperit operates in business-to-business markets. Business partners expect optimum quality and maximum efficiency, which is our mandate. In both production and sales, Semperit operates globally and holds leading market positions in its fields of competence. It convinces its customers with innovation, while being as pragmatic as it is experienced in finding solutions. In addition to its customer and market focus, Semperit is firmly committed to making a profit. This is the only way the company can finance its growth targets, expand its global market positions, and ensure its competitiveness in the long term.

In the interest of its customers, the Semperit Group makes valuable contributions to health care and the technical infrastructure with highly sophisticated products and services. Semperit values longstanding partnerships characterised by mutual respect and fair treatment. Austria is Semperit's home. At the same time, Semperit operates more than 30 production sites and sales branches in Europe, Asia, and America.

## OUR VALUES

Respect, interaction, and responsibility for each other are not economic success factors that can be directly measured. Yet the way we cooperate is crucial for the success of our company. That is why we orient our daily work through the following principles:


### Trust and responsibility

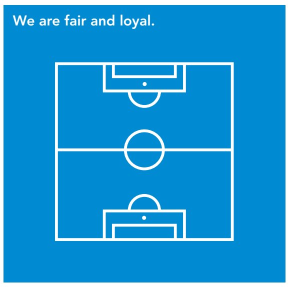
- We trust each other to make the right decisions and delegate responsibilities to the lowest practical level.
- We provide transparency and proactively provide information.
- We seek input and are open for constructive feedback.
- We openly talk about mistakes and learn from them.
- We provide orientation by clear target setting and foster high performance.


### Appreciation and reliability

- We actively appreciate good performance and focus on the strengths of our employees.
- We listen to each other and respect different opinions.
- We are reliable by keeping deadlines. Priorities are mutually agreed in an open way.


### Initiative and dedication

- We create an entrepreneurial environment, take initiative to maximize profit and act as a role model.
- We decide fast but also involve stakeholders in the decision making process.
- We encourage our employees to find innovative solutions and recognize their success.




### Fairness and loyalty

- We are loyal by sticking to decisions and committments.
- We give equal opportunities to employees and care about their personal development.
- We share knowledge, success and failure.


### Integrity and sincerity

- We fully commit to legal compliance and live the company rules.
- We walk the talk and motivate people to speak out.
- We fully commit to fair and equal treatment.

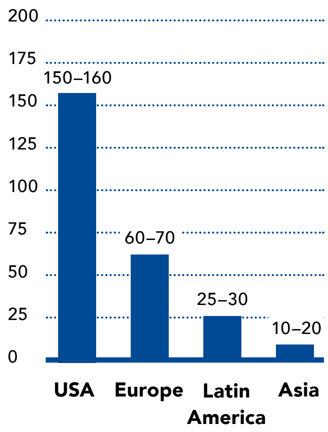
## KEY FACTORS AND MEGATRENDS IN THE MEDICAL SECTOR

Demand in the Medical Sector is generally less dependent on macroeconomic conditions and cycles, but rather follows its own trends, which are listed in the following overview:

- A heightened awareness of the importance of hygiene and increasing prosperity in the growth markets of Asia and Latin America will trigger a long-term catching-up process for demand
- Stricter hygiene regulations in food retailing, security services, and nursing care
- World population is expected to increase from the current nearly 7 billion people to 7.7 billion by 2020, according to the UN
- Demographic changes toward longer life expectancy increase demand for medical services

During the past several years, the demand for examination and surgical gloves has grown at an average rate of between 5% and 7% annually. Worldwide annual consumption is currently approximately 160 billion units for examination gloves and 1.7 billion units for surgical gloves. In addition to this trend in demand, our business depends to a significant extent on the evolution of commodity prices and the ability of the company to flexibly manage its production and pricing.

**Consumption of examination gloves per capita per year**




Source: Semperit

## KEY FACTORS AND MEGATRENDS IN THE INDUSTRIAL SECTOR

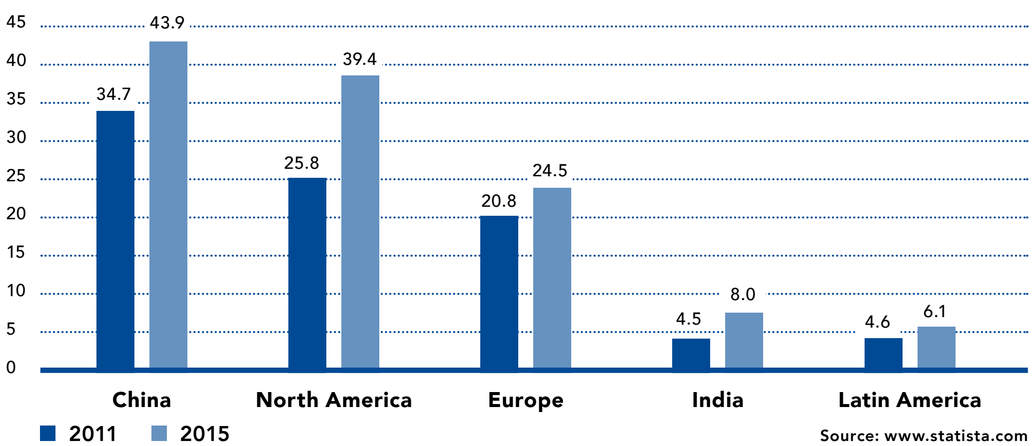
The success of the Semperit Group's industrial segments is closely connected with developments and prospects in their respective customer sectors.

### Segment Semperflex

The hydraulic and industrial hoses produced by the Semperflex segment are used in the construction and transport industries. As a result, the extent of investment in infrastructure determines demand.

In addition, Semperflex products are also used in agricultural machinery such as tractors, combines, and harvesters, so development and prosperity in the agricultural sector influences demand as well. The catching-up process in Asia and Latin America with regard to automation through the increased use of machinery is especially relevant in this regard.

**Regional demand of building machines (in USD billion)**

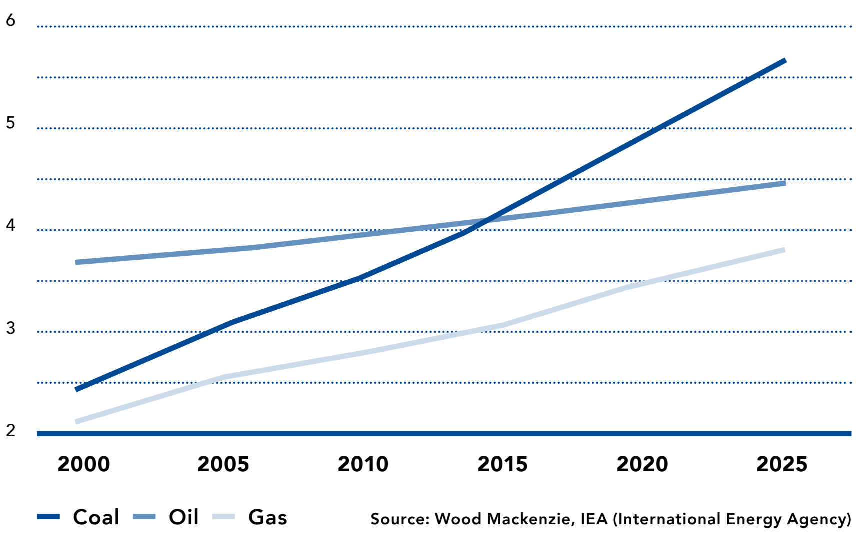



Source: www.statista.com

## Segment Sempertrans

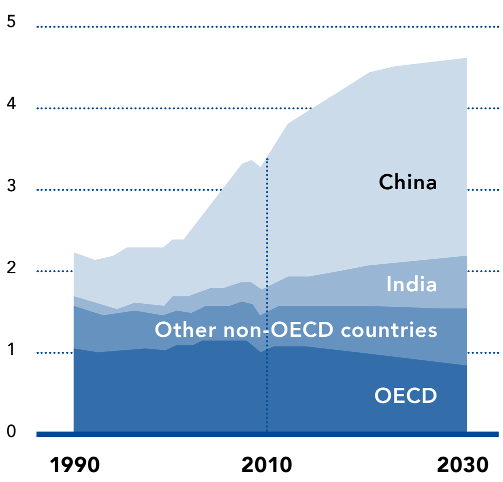
A key factor influencing business in the Sempertrans segment is the global demand for raw materials extracted by mining and transported via Semperit conveyor belts. The increasing importance of coal as a primary source of energy is just one example of the growth potential associated with this factor. In the opinion of renowned experts, coal will become more important than oil and gas in the next few years. This trend is driven in particular by strong demand from China and India. Just until 2016, global coal mining is expected to increase by 1 billion tons.

**Global demand by primary energy source (in billion tons)**




Source: Wood Mackenzie, IEA (International Energy Agency)

**Regional demand for coal (in billion tons)**




Source: IEA (International Energy Agency)

## Segment Semperform

The Semperform segment operates mainly in Europe and is successfully positioned in smaller market niches. The success of its most important product group, window profiles, depends on investments in infrastructure and the state of the construction industry. Demand for the products of the Industrial Moulds Unit is dependent on trends in the construction and industrial sectors, as well as railway superstructure activity. Business in the Handrails Unit, another main product of the segment, is influenced by infrastructure investment in the transport and construction sectors, mainly in Asia (department stores, subways, airports). Demand for sheaves and bullwheel liners is determined by the utilisation of existing installations as well as the construction of new installations, making it impacted ultimately by the amount of snowfall in winter sport destinations. Sales of ski foils and elastomer sheeting by the Semperform segment depend as well as on demand for skis and snowboards.

# CORPORATE STRATEGY

**Semperit Group is pursuing an ambitious growth strategy and is actively utilising opportunities to expand its internationalisation and become more diversified.**

These objectives are intended to generate a sustained and continuous increase in the company's corporate worth, making it the most successful company in the rubber and plastics industry. The strongest impetus for growth is expected to come from the Sempermed, Semperflex and Sempertrans segments. In addition, the Semperform segment with its broad market position and robust cash flow generation will have a stabilising effect.

## OVERVIEW OF STRATEGIC OBJECTIVES

Accelerating revenue and earnings growth have been defined as central elements of the Semperit corporate strategy. The objective is to (organically as well as through selected acquisitions) generate double-digit revenue growth on average in the years 2010 to 2015 (CAGR).

| Objectives / Metrics 2015 | Strategy 2015 | Implemented Measures 2010 – 2012 |
|---|---|---|
| Double-digit revenue growth on average from 2010 until 2015 (CAGR) | Ambitious organic growth strategy and selective, strategic acquisitions in the Medical and Industrial Sectors. | Average annual growth rate of 9.6% achieved in 2010 to 2012<br><br>Largest acquisition in the company's history carried out in 2012 in the Medical Sector with Latexx Partners |
| EBIT margin 8% – 11% | Increase in the flexibility and efficiency in production, global cost management, quality-oriented pricing and active raw material management. | EBIT margin within margin band, achieved successful turnaround at Sempertrans as of end 2012 |
| Net debt to EBITDA ratio of max. 1.5x | Improvement in the capital structure through utilisation of different financing possibilities, active working capital management and optimised cash management | No net debt, but net liquidity of 14.8m EUR as of end of 2012 |
| Positioning as an attractive employer | Global, performance-oriented management and leadership culture. | Significant organisational changes implemented: recruitment of top talent and introduction of global performance-oriented HR tools (see page 71) |

For the Medical and Industrial sectors, this means adapting to different circumstances. While capacity growth in Medical must be aligned with long-term market opportunities, the Industrial Sector – including the Semperflex, Sempertrans, and Semperform segments – experiences strong cyclical demand in many areas. This explains why their production capacities and resources must be adapted quickly and flexibly to the respective developments in demand.

The stability of the medical sector combined with the dynamics of the industrial sector, together with our international focus, give the Semperit Group a valuable sectoral and geographical diversification.

## STRATEGIC PROCESS

The Semperit Group launched a company-wide process to refocus and define its corporate strategy at the end of 2010. In early 2011, this initiative evolved into a comprehensive package of measures to achieve the company's growth objectives. By the end of 2012, key milestones on this ambitious path to international growth were achieved in all segments and at the corporate level.

The strategic goals have been established, regularly reviewed, and updated by the Executive Committee, which comprises not only the Management Board members but also the heads of segments and central administrative units. The Supervisory Board of Semperit AG Holding is regularly involved in this process via the Management Board. The entire strategic process is supported by the Corporate Development department. Segment heads are responsible for implementing the agreed measures and are supported in their efforts by the administrative units.

## GROWTH POTENTIAL

The Semperit Group's strategy is to achieve and secure leading market positions in all of its segments. This growth strategy is based on strong organic growth, but it also includes selective acquisitions in the core operational business. From a regional perspective, the expansion strategy of Semperit Group is primarily focused on the growth markets of Asia and Latin America. The most important demand trend in the Medical Sector is the continuously growing global need for both examination and surgical gloves. In the Industrial Sector, demand is driven in part by the global need for raw materials and energy, by the expansion of infrastructure, and by automation in the agricultural sector.

## KEY SUCCESS FACTORS OF THE SEMPERIT GROUP

Building on its continuous track record of success over the last 20 years, the Semperit Group is currently pursuing a strategy to significantly accelerate growth. The following success factors are the solid foundation of all related initiatives and objectives.

### Focus on the market and customer relationships

Ensuring and constantly improving the company's customer focus and market orientation are at the core of all of the Semperit Group's efforts. The customer survey performed in 2011/2012 for all segments was met with great interest, as confirmed by the response rate of over 40%. The insights gained from this initiative were systematically compiled and analysed, leading to concrete initiatives that are gradually being implemented. These include in particular improvement of the overall order processing and logistics chain, optimisation of customer complaint management, and intensification of ongoing communication with customers. A strong local presence ensures physical proximity to customers, and a competitive product portfolio tailored to the needs of the local market.

### Innovation and product development

The groupwide Semperit research and development centre in Wimpassing is responsible for the continual expansion of the product portfolio and ongoing optimisation of production processes and resource utilisation. That means, for example, that it conducts targeted R&D activities to minimise the use of raw materials and energy, as well as minimising waste and scrap in the manufacturing process. Decades of expertise, combined with modern technology and intensive research and development activities, ensure the creation of innovative product solutions to meet specific market and customer requirements. For example, Sempermed was the first manufacturer worldwide to develop a surgical glove made from the natural-latex-like material polyisoprene. The glove is crosslinked by UV light instead of allergy-causing accelerator chemicals. This innovation was presented for the first time in November, 2012 at the world's largest medical trade fair, Medica, in Düsseldorf. Its market launch is scheduled for 2013. Further innovations are presented on page 61 of this report.

### Focus on performance and a new organisational structure

The Semperit Group believes that the commitment of its employees and a strong set of common corporate values are critical success factors for achieving its growth strategy. In order to meet the demands associated with these factors, a series of initiatives took place in 2012 including the establishment of a comprehensive career and succession planning programme, the renewal and intensification of recruiting activities, and the launch of a high-profile leadership development programme for managers. Furthermore, a clearly defined organisational structure was implemented in 2012, and a new global management system based on management-by-objectives principles was introduced, together with a globally unified bonus system.

The development of a performance-oriented leadership culture is just as important a part of the Human Resources strategy as are professional feedback meetings and tools to promote the international exchange of experience within the Group, and to manage internal career and succession planning. Details on Human Resources at Semperit can be found beginning on page 71 of this report.

### Solid balance sheet structure, high earnings capacity

With an equity ratio of 49.3% at the end of 2012 and a return on equity of 11.4% for the 2012 financial year, the Semperit Group has achieved a disproportionately high result compared to the industrial sector average. The priority of the company's financial management is to maintain this solid basis and ensure strong internal financing capabilities through stable cash flow generation. In addition, the Group's dividend policy is to ensure an attractive and steady remuneration to shareholders at levels customary for the sector. A payout ratio of 30% of the annual net profit (earnings after tax) is targeted for 2012 and subsequent years.

Securing liquidity and maintaining a very attractive capital structure is a particularly high priority during times of economic uncertainty. With cash and cash equivalents of EUR 133.3 million and an unutilised portion of the framework loan agreement totalling EUR 80 million, Semperit Group has sufficient liquidity to finance its strategic plans.

Semperit AG Holding's shareholder structure also ensures stability with a long-term majority owner, B & C Industrieholding GmbH, that held 54.2% of the company's shares as of December 31, 2012.

# SEMPERMED

With revenue of EUR 383.5 million, the Sempermed segment contributed more than 45% of Semperit Group's revenue in 2012. Sempermed develops, produces and distributes a wide range of examination, protective and surgical gloves.

# PRODUCT PORTFOLIO

## Examination and protective gloves

The Sempermed segment generates most of its revenues from the sale of examination and protective gloves; the smaller part comprises sales of surgical gloves. The Sempercare® brand covers the broad range of medical examination gloves for daily use in hospitals and care facilities, as well as in dental and medical practices.

Semperguard® is the brand for disposable and re-usable gloves offering protection in various areas such as in laboratories, pharmaceuticals and the food industry, as well as in professional cleaning and hygiene. Due to the increasing awareness of the importance of hygiene, the consumer market, which is supplied by retailers, is growing in significance for this product group.

Sempermed produces its examination and protective gloves for global distribution in Thailand, where the segment operates two locations with Sri Trang Agro Industry. In Hatyai, a city in the south of Thailand not far from the border with Malaysia, Sempermed operates three of the world's largest production facilities in this sector. About 300 kilometres north of Hatyai is Surat Thani, where Sempermed produces gloves since 2011.

Semperit has significantly strengthened its global market position since the acquisition of Latexx Partners in the fourth quarter of 2012. The acquisition has also provided Semperit considerable production capacity in Kamunting, Malaysia. Because of this expansion in production capacity through acquisitions, the plans to build a factory in Trang, Thailand, will no longer be pursued.

The technology centre in Wimpassing is responsible for the technological enhancement of all Sempermed production facilities. In addition to safeguarding and continuously improving quality standards, it focuses on improving efficiency and ensuring that all resources are used as sparingly as possible. The further automation of processes, such as for packaging, is just as important for this as are ongoing improvements to formulas and the search for product characteristics that meet customer requirements and expectations.

Sempercare Nitrile Skin²

### Surgical gloves

High-quality surgical gloves made from natural latex (powdered and powder-free) and synthetic polyisoprene are sold in different versions to medical facilities under the internationally renowned Sempermed® brand. All surgical gloves are produced in Wimpassing, Lower Austria. Labour-intensive quality control and packaging activities are carried out in Sopron, Hungary, which is located around 60 kilometres away.

## MARKETS AND DISTRIBUTION

With a 45% share of Sempermed revenues in 2012, North and South America are the most important sales markets for Sempermed, followed by Europe with 40%. The asia-pacific region accounts for more than 10%, other countries for less than 5%. The acquisition of Latexx Partners means that, by the end of 2013, Europe's share of Sempermed revenues will decline to below 40%, while the share of Asia will increase and that of North and South America will remain roughly the same.

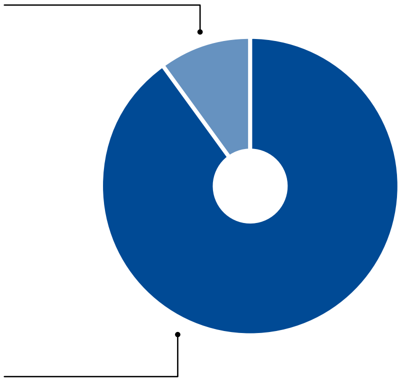
With sales of 13.5 billion units of examination and protective gloves (+10% compared with 2011), Sempermed (without Latexx Partners) has a global market share of about 8%. This figure includes around 2.0 billion units of vinyl gloves and niche products, which are sold by Sempermed as merchandise.

Regarding the raw materials used in production, the share of examination and protective gloves produced in 2012 from the synthetic material nitrile increased in 2012 to about 35%, from 30% in 2011. Natural latex was used in around 55% of all Sempermed products (2011: 60%). The share of gloves manufactured with nitrile will increase due to the acquisition of Latexx Partners. The remainder is attributable to synthetic latex from vinyl/PVC.

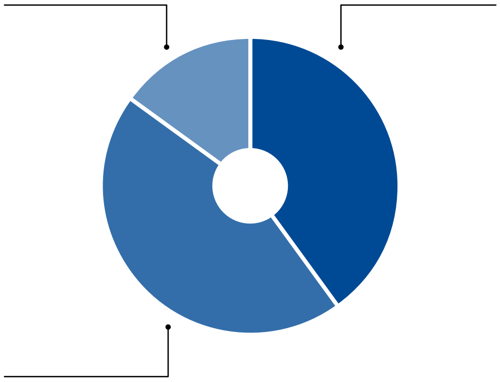
In the considerably smaller market for surgical gloves, Sempermed sold more than 130 million pairs in 2012 (+3% compared with 2011), achieving a global market share of around 7%. The objective in this business field is to sell about 160 million pairs of surgical gloves by 2015 and achieve a global market share of 8%.

All gloves are sold via an established global network of selected distribution partners and the company's own sales branches. To support distribution activities, Sempermed uses fairs such as Medica and A+A in Düsseldorf, Germany as a forum for showcasing the latest product developments and explaining their possible uses. The most important innovation in 2012 is the Sempermed Syntegra® UV, a surgical glove without allergy-causing accelerator chemicals, which was introduced to the specialist community in November 2012 at Medica and will be launched in the market in 2013.

**Revenue split by product group for Sempermed**




**Regional revenue split for Sempermed**




## BUSINESS PERFORMANCE AND HIGHLIGHTS IN 2012

In 2012, Sempermed achieved an 3.2%, or EUR 12 million, increase in revenue to EUR 383.5 million. EUR 15 million of this total is attributable to the initial consolidation of Latexx Partners in the fourth quarter. With an EBIT of EUR 27.6 million, the segment achieved an EBIT margin of 7.2%, following 9.3% in 2011. Overcapacity in the market, intensive price pressure due to the associated competitive pressure and higher energy costs in the first quarter were the main factors causing this development. In addition, start-up costs for the new plant in Surat Thani, Thailand had an adverse impact on the EBIT margin.

**Key figures Sempermed**

| | 2012 | Change | 2011 [1] | 2010 [1] |
|---|---|---|---|---|
| Revenue in EUR m | 383.5 | 3.2% | 371.5 | 316.4 |
| EBITDA in EUR m | 41.5 | –6.5% | 44.4 | 56.9 |
| EBITDA margin in % | 10.8% | –1.2 PP | 12.0% | 18.0% |
| EBIT in EUR m | 27.6 | –19.8% | 34.4 | 47.1 |
| EBIT margin in % | 7.2% | –2.1 PP | 9.3% | 14.9% |
| Investments in EUR m | 20.0 | –3.7% | 20.7 | 26.8 |
| Employees (annual average) | 5,265 | 8.9% | 4,834 | 4,244 |

[1] 2011 adjusted, 2010 not adjusted

## ACQUISITION OF LATEXX PARTNERS

As part of its ambitious growth strategy, the Semperit Group acquired a majority stake in the listed company Latexx Partners, headquartered in Malaysia in 2012. Latexx Partners was founded in 1988 and has been listed on the stock exchange in Kuala Lumpur, Malaysia since 1996. After the announcement in October 2012 that shares and warrants representing 47.3% of all shares in Latexx Partners were acquired, Semperit made a voluntary, conditional offer for the remaining shares and warrants. Furthermore shares have been bought on the open market. As of year-end 2012, Semperit held 82.9% of all shares and 98.8% of all warrants, paying around EUR 131 million in total.

Latexx Partners is the world's sixth largest manufacturer of medical gloves and one of the leading providers in Malaysia. Latexx Partners supplies more than 300 customers in 80 countries and employs nearly 2,000 people. The initial consolidation by Semperit AG Holding took place effective October 31, 2012. The associated effects are described in detail in the notes to the consolidated financial statements of this report. Latexx Partners has an attractive cost structure and a strong position in the OEM business. Highly flexible production and the development of innovative products, such as ultra-thin nitrile gloves by Latexx Partners, are further reasons why we are confident Semperit Group's global market position will strengthen.

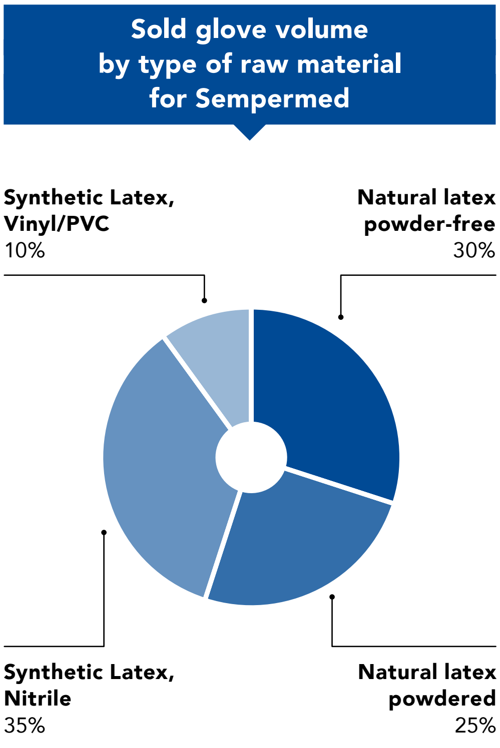
Semperit's objective in 2013 is to integrate Latexx Partners into the global Sempermed distribution network in order to improve the utilisation of existing capacities. In addition, further investments million are planned for the location in Malaysia. International Semperit standards will be introduced in the plant's production process, too. Thanks to the Semperit acquisition, Latexx Partners will become part of a leading global, highly growth-oriented company.

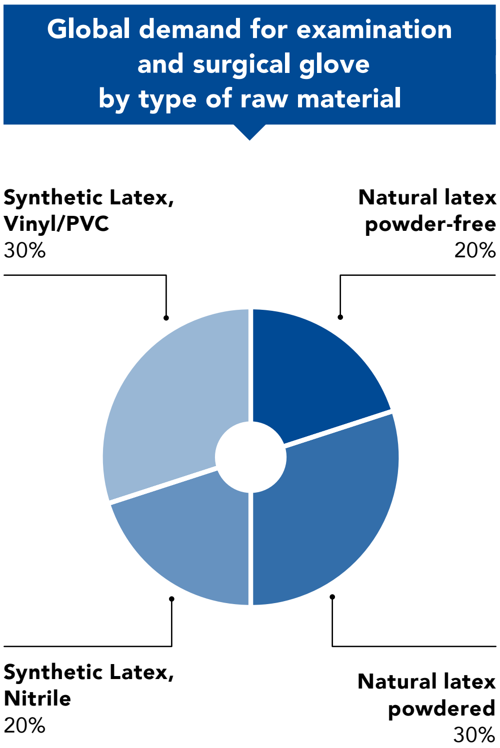
## MARKET TRENDS AND POTENTIAL

### Examination and protective gloves

Global demand for examination and protective gloves has strong regional differences and peculiarities. Total sales volumes for 2012 are estimated to be around 160 billion units, with North America, Europe and Asia each accounting for about 30% and the remaining 10% attributable to Latin America and other markets. The estimated breakdown by raw material indicates there is currently an even balance between the natural latex as a raw material and the synthetic alternatives nitrile and vinyl/PVC. Looking forward over the coming years, the market share of nitrile, as well as vinyl/PVC, gloves is likely to continue expanding.

Annual per capita consumption in the US is 150 to 160 units of gloves, about ten times more than in Asia. The comparable amount for Europe is between 60 to 70 gloves. Due to the higher starting point in the US and Europe, annual growth in these markets is just 4% to 6%. By contrast, growth is considerably more dynamic in Asia and the countries of Latin America, as well as in Eastern European markets such as Russia and the Ukraine, which are growing at annual rates of between 8% and 10%. This momentum is attributable to heightened awareness of the importance of hygiene, as well as stricter rules in public medicine and the lower starting point. In total, global volume growth of 5% to 7% is expected annually.




The acquisition of Latexx Partners in Malaysia is a very important step toward achieving the strategic goal of selling about 23 billion gloves by 2015 and reaching a global market share of 12%. In addition, Sempermed continues to expand its sales activities in fast growing markets. For instance, in 2013, a sales office for Latin America was opened in Santiago de Chile and in Singapore for the Asian market. An increase in market share in Europe and the US is likewise targeted.

### Surgical gloves

Global demand for surgical gloves currently stands at 1.7 billion pairs or 3.4 billion units and is growing by around 3% per year. Given their area of application and the resulting significant need for protection, the target customer groups are conservative and must be continually convinced of the sustained reliability of the products and future product innovations. Sempermed benefits from its strong brand and will intensify its efforts to differentiate itself from its competitors.

# SEMPERFLEX

With revenue of EUR 180.6 million in 2012, Semperflex contributes somewhat more than 20% to Semperit Group's revenue. Semperflex develops, produces and distributes hydraulic and industrial hoses as well as elastomer and wear-resistant sheeting.

## PRODUCT PORTFOLIO

Semperflex's largest business unit is the Hydraulic Hoses Unit. Its hoses are used for the transmission of pressure and energy in powerful, heavy-duty machinery such as excavators and cranes. The segment's portfolio includes standard hydraulic hoses in line with relevant global standards, hydraulic hoses used for modern, heavy-duty hydraulic applications and spiral hoses that satisfy high requirements with respect to pressure, temperature and impulse resistance.

The Industrial Hoses Unit covers a broad range of hose applications for industrial and technical requirements. For instance, Semperflex's industrial hoses can be found in milk collecting- or sewer cleaning wagons as well as in aircraft fuelling systems, in mining, in the beverages industries, at steel mills and in the construction industry.

Elastomer and wear-resistant sheeting is a further element of Semperflex's business. Elastomer sheeting is primarily sold to punching companies and technical traders for producing all kinds of seals. Wear-resistant sheeting is used for lining, among other things, and is characterised by high workability and abrasion resistance.

## PRODUCTION FACILITIES

Spiral hydraulic hoses, industrial hoses fabricated using steel spikes and elastomer and wear-resistant sheeting are produced at the Wimpassing facility in Austria. In Hatyai, Thailand, Semperflex operates, together with Sri Trang Agro-Industry, one of the largest hose plants in Asia, which has been producing hydraulic hoses for global distribution for over 15 years. A further plant for hydraulic hoses in Asia is operated in Shanghai, China.

The competence and production centre for long-length industrial hoses is based in Odry, Czech Republic. Hydraulic braid hoses are also manufactured there for the European market. In addition, the central hydraulic hose testing centre is responsible for quality assurance for this product group. Bespoke industrial hoses for individual applications are produced in Rovigo in Northern Italy. In order to prepare for increased demand in a clear upturn of the global economy, investments were made in 2012 to expand capacities in the Czech Republic, Thailand and China.


Hydraulic hose 4SH Premium

The technology centre in Wimpassing, Austria is responsible for the ongoing enhancement of the Semperflex product range and the production technologies that are in use. Centrally defined standards ensure uniform quality. Similar production processes and raw materials are used at all world-wide production facilities. In this way, customers around the world are able to rely on Semperflex's quality while simultaneously benefiting from the Group's local presence.

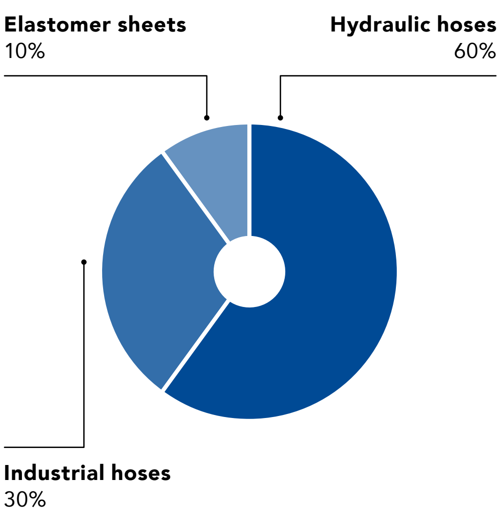
## MARKETS AND DISTRIBUTION

The customers of the Hydraulic Hose Unit primarily include large, renowned companies that connect hose fittings to hoses for resale, as well as dealers. 50% of the end users of hydraulic hoses are found in the construction industry (e.g., in construction machinery such as excavators), with around 30% in agriculture (e.g., in agricultural machinery such as combines) and 20% in the mining industry (e.g., special vehicles in mines). Geographically, Europe accounts for around 50% of sales, with the remainder divided between North and South America, as well as Asia.

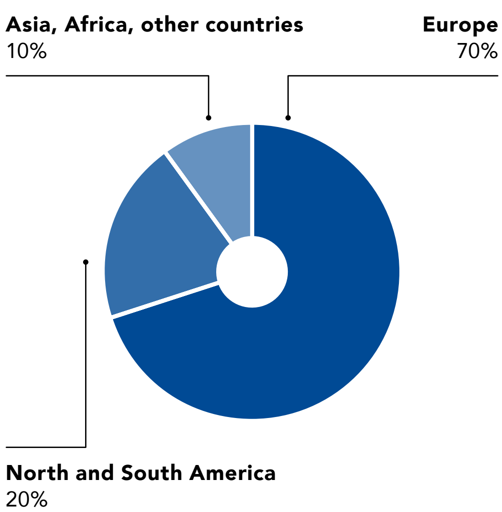
Industrial hoses are sold via technical distribution partners to customers in the chemicals, gas, process and oil industries. In addition, the segment supplies customers from the food, automotive and recycling sectors. Semperflex's industrial hoses are currently sold almost exclusively in Europe, primarily because standards are quite different around the world. In contrast, global standards for hydraulic hoses enable a broader scope of distribution.

Elastomer and wear-resistant sheeting are used, for example, as linings in car interiors or in the food industry for processing foods or liquids. Their sales market is limited to Europe.

**Revenue split by product group for Semperflex**




**Regional revenue split for Semperflex**



## BUSINESS PERFORMANCE AND HIGHLIGHTS IN 2012

Despite a slowdown in the economy, which was particularly noticeable in the fourth quarter, Semperflex posted only a slight decline in revenue of 3.4% to EUR 180.6 million. Although sales volumes were lower year-on-year, excellent sales performance, particularly in Europe and the US, enabled the segment to maintain or expand its market share versus the competition.

Compared with a strong result in 2011, EBIT improved by 12.5% to EUR 27.6 million, the EBIT margin was 15.3% following 13.1% in 2011. In addition to initiatives to increase efficiency in production, another factor that contributed to this performance was improved raw material management and timely, demand-based increase but also decrease in production capacity to respond to declining demand.

**Key figures Semperflex**

| | 2012 | Change | 2011 [1] | 2010 [1] |
|---|---|---|---|---|
| Revenue in EUR m | 180.6 | –3.4% | 186.9 | 145.5 |
| EBITDA in EUR m | 38.6 | 9.7% | 35.2 | 34.2 |
| EBITDA margin in % | 21.4% | 2.6 PP | 18.8% | 23.5% |
| EBIT in EUR m | 27.6 | 12.5% | 24.5 | 24.2 |
| EBIT margin in % | 15.3% | 2.2 PP | 13.1% | 16.7% |
| Investments in EUR m | 15.0 | –6.6% | 16.1 | 13.9 |
| Employees (annual average) | 1,368 | –1.0% | 1,383 | 1,161 |

[1] 2011 adjusted, 2010 not adjusted

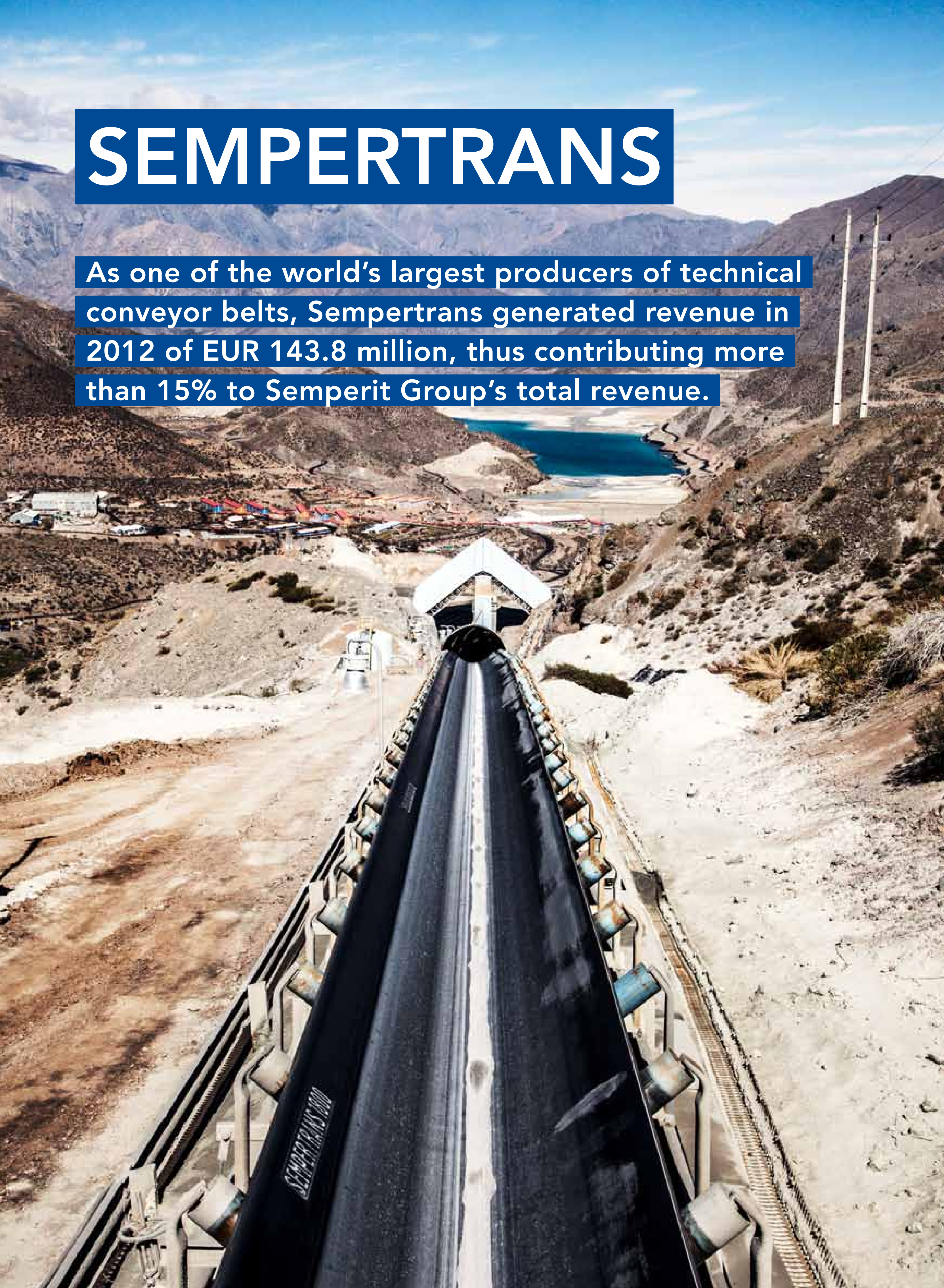
## MARKET TRENDS AND POTENTIAL

The hydraulic and industrial hoses produced in the Semperflex segment are used in the construction and transport industry; as a result, the extent of investment in infrastructure determines demand. But in addition, Semperflex products are also used in agricultural machinery such as tractors, combines and harvesters, so the development and prosperity of the agricultural sector influences demand, too. Increasing automation in Asia and Latin America through the expanded use of machines is relevant in this regard.

There were different trends in 2012: while demand in Europe and the US declined slightly, there was a considerable decline in Asia, particularly in China and Southeast Asia, where demand was sharply weaker due to higher inventories. The global market contracted in 2012, and 2013 will be characterised by declining tendencies too.

# SEMPERTRANS

As one of the world's largest producers of technical conveyor belts, Sempertrans generated revenue in 2012 of EUR 143.8 million, thus contributing more than 15% to Semperit Group's total revenue.



## PRODUCT PORTFOLIO

Sempertrans specialises in developing, producing and distributing conveyor belts, succeeding in this business with its comprehensive and high-quality product portfolio. Technical conveyor belts are used in mining, the steel industry, the cement industry, in power stations as well as in civil engineering and in the transport industry (particularly for ports). The product range of Sempertrans comprises textile and steel-cord conveyor belts that are able to meet the requirements of the specific application in an optimal manner. Their core characteristics include high resistance to abrasion, heat and oil, coupled with excellent high-strength performance.

Sempertrans uses its extensive technical expertise to support customers with the design and configuration of conveyor belts in order to optimise the effectiveness of the customer's entire production plant. Additionally, repair and consulting services for assembly, operation and maintenance provide valuable feedback for the ongoing enhancement of the product portfolio.

With more than 50 years of experience, Sempertrans is able to offer an optimum solution for just about any application. Sempertrans' steel-cord conveyor belts are highly reliable and durable. With belt widths ranging from 500 to 3,200 millimetres, they must satisfy a wide range of requirements that vary depending on the specific application. Sempertrans steel-cord conveyor belts are particularly suitable for harsh conditions and wide axle distances, impressing customers with their high tensile strength.

Sempertrans produces textile conveyor belts in widths of 400 to 2,750 millimetres for transporting bulk materials of all characteristics. For example, the Transoil conveyor belt has been specifically developed for transporting products containing oil or fat, while Transflam and Transtherm offer fire and heat-resistant conveyor belts.

Profile of a steel cord conveyor belt

## PRODUCTION FACILITIES

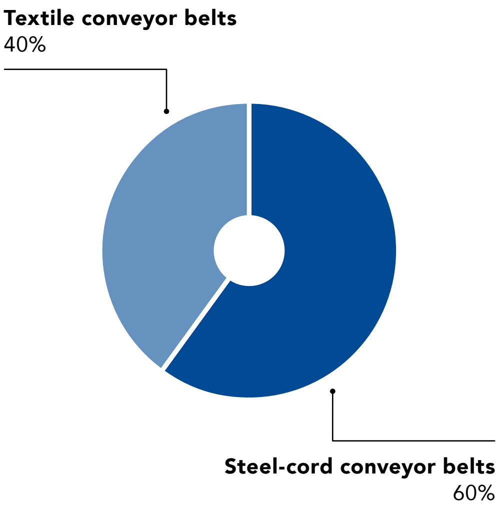
Sempertrans manufactures high-quality steel-cord and textile conveyor belts at its Belchatów facility in Poland. This facility specialises in heavy-duty, high-strength wide/extra-wide steel-cord belts. Stolin, which is located at the same site, also produces steel cords for internal use, thus ensuring individualised solutions and short delivery times. Located in a suburb of Paris, the Argenteuil site specialises in producing technically complex textile and steel-cord conveyor belts for special uses.

In Asia, Sempertrans has two production facilities in the fast growing markets of India and China. In India, Sempertrans Nirlon has belonged to the Semperit Group since 2000. Light and medium heavy textile conveyor belts meeting the highest possible standards of quality are produced in the city of Roha, approximately 120 kilometres southeast of Mumbai. Semperit acquired a majority stake in Sempertrans Best in China in 2009. Located in the province of Shandong, this production facility manufactures textile and steel-cord conveyor belts.

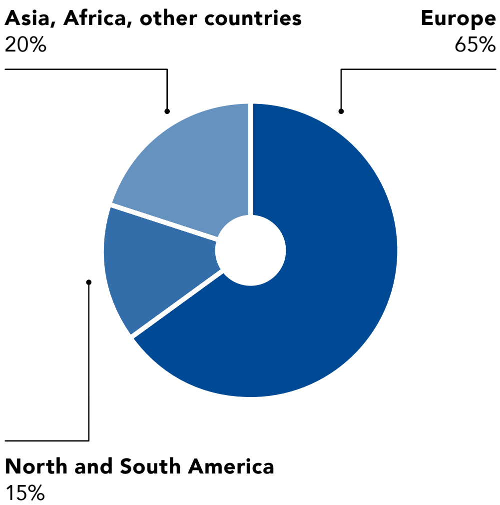
## MARKETS AND DISTRIBUTION

Sempertrans' total production output in 2012 was about 33,000 tons, following 36,000 tons of production in 2011. Globally, Sempertrans is the fourth largest producer, with a market share of about 5%. Directly supplied customers primarily include companies in mining (particularly open-pit mining) and heavy-duty industry. In addition, it supplies plant construction companies, distributors and service providers. All customer segments are addressed by a globally active sales team and professional key account management. With Sempertrans Maintenance France Nord, global customers have access to a special service unit with extensive skills and many years of experience in the on-site installation and maintenance of conveyor belts.

**Revenue split by product group for Sempertrans**




**Regional revenue split for Sempertrans**



## BUSINESS PERFORMANCE AND HIGHLIGHTS IN 2012

Revenue in the Sempertrans segment declined by 2.2% to EUR 143.8 million in 2012. This decline was solely due to volume effects resulting from the planned shift in volume from standard conveyor belts to higher-value special textile and steel conveyor belts. The importance of this strategy is reflected in the 47.5% increase in EBIT to EUR 16,0 million, the EBIT margin was 11.1% compared with 7.4%.

Sempertrans achieved a particularly special highlight during the reporting year with the development of an energy-efficient conveyor belt made with a new rubber mixture. It enables a significant reduction in roll resistance, thus achieving energy savings of up to 25% compared with conventional conveyor belt installations. A first major order in January 2013 underscores the successful market launch of energy-efficient conveyor belts: Sempertrans will supply around 30 km of conveyor belts to the Polish power company PGE.

In addition, the segment achieved sales successes during the reporting year too, particularly in the South American market. Sempertrans delivered a major order in one of the most important copper mines in Chile. Interesting projects were completed in Africa as well, where Sempertrans' products were used to mine phosphates and other chemical materials.

**Key figures Sempertrans**

| | 2012 | Change | 2011 [1] | 2010 [1] |
|---|---|---|---|---|
| Revenue in EUR m | 143.8 | –2.2% | 147.0 | 118.1 |
| EBITDA in EUR m | 21.2 | 47.0% | 14.4 | 3.6 |
| EBITDA margin in % | 14.7% | 4.9 PP | 9.8% | 3.0% |
| EBIT in EUR m | 16.0 | 47.5% | 10.8 | 0.0 |
| EBIT margin in % | 11.1% | 3.7 PP | 7.4% | 0.0% |
| Investments in EUR m | 1.9 | –6.3% | 2.0 | 5.9 |
| Employees (annual average) | 928 | –0.3% | 931 | 927 |

[1] 2011 adjusted, 2010 not adjusted

## MARKET TRENDS AND POTENTIAL

The rising demand for raw materials and energy are two current megatrends that will be driven in the coming years by Asia and Latin America in particular. Sempertrans will strengthen its position in these regions to benefit from this trend by achieving greater market share. Corresponding investments are planned for 2013 and subsequent years. The strategic focus is on high-value applications and in flourishing growth markets, particularly in Asia.

# SEMPERFORM

As one of the leading European manufacturers of moulded and extrusion products made of rubber and plastic, the Semperform segment generated revenues of EUR 120.7 million in the 2012 financial year, contributing about 15% of the total revenue of the Semperit Group.

## PRODUCT PORTFOLIO

Semperform has a comprehensive portfolio of products ranging from window and door profiles, elastomer and insulation profiles, and escalator handrails, to cableway rubber rings, sheaves and bullwheel liners and rubber foils.

With about a 40% share of segment revenue, the Construction Profile Unit is Semperform's largest business area, offering seals for windows, doors and facades. Thanks to custom-made section profiles, its rubber window seals not only ensure thermal insulation, but also provide protection between frames and window casements. Semperform is one of the market leaders in Europe in the business with seals for plastic windows. Semperform's seals for doors and gates are characterised by their special surface coating, which prevents abrasion against a sliding surface. Semperform's seals for aluminium windows and facades are used all around the world and have proven to be extremely weather resistant and durable. All of the seals are manufactured in Deggendorf, Germany, which has an annual capacity of more than 400 million metres. The main base material is EPDM (ethylene propylene diene monomer).

Injection moulding items for sealing or absorbing purposes are included in the Industrial Moulds Unit, which contributes about 30% of the segment's revenue. For example, elastic mountings for sleepers are manufactured for railway-track superstructures to absorb noise (sleeper shoes), or sleepers that are used for prefabricated track parts. The portfolio also includes pipe construction, sanitary and industrial seals. The moulds are produced in Wimpassing, Austria and in Sopron, Hungary.

Semperform manufactures escalator handrails with varying technical specifications and characteristics at the plants in Wimpassing, Austria and Shanghai, China. Not only is Semperform one of the market leaders in this product range in terms of volume, it is positioned as a quality and technology leader. The Chinese market accounts for roughly two-thirds of annual sales volumes of the Handrails Unit. Handrails are safety components for use both indoors and outdoors and represent very sophisticated technology. The advantages of Semperit handrails lie in the high dimensional stability of the profiles and the significant tensile strength, which exceed statutory safety standards.

Profile of an escalator handrail

Special applications complete the product portfolio of Semperform, contributing about 10% of the segment's sales. One of the applications are foils used as ski foils in the products of almost every popular brand, providing stability to the ski or snowboard. Semperit is the global market leader in this niche market. Semperform cableway rubber rings are used as sheaves and liners for wearing parts such as rolls or discs in ropeway installations. In addition to the construction of new installations, demand depends on the use of existing installations and, therefore, ultimately on the weather and snowfall in winter sports destinations.

## MARKETS AND DISTRIBUTION

About 85% of Semperform's products are sold in Europe, about 10% in Asia, Africa and other countries, the rest is sold in North and South America. Although the products vary considerably, there is potential for synergies, particularly in the production of raw material mixtures.

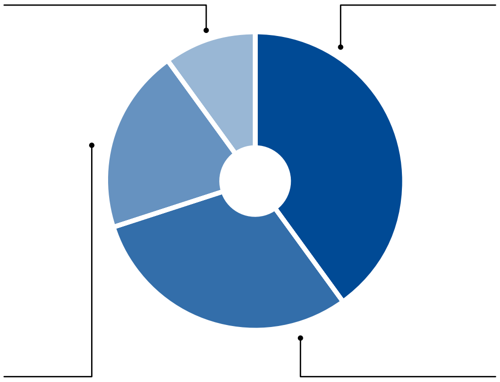
Seals for windows, doors and facades (Construction Profile Unit) are primarily sold to system providers in these sectors. The main sales markets are Austria, Germany, France, Poland, the Ukraine and Russia.

The elastic rubber bearings sold by the Industrial Moulds Unit are used primarily in the European railway superstructure area. The sales market for seals for pipe construction, sanitary and industrial applications is Europe.

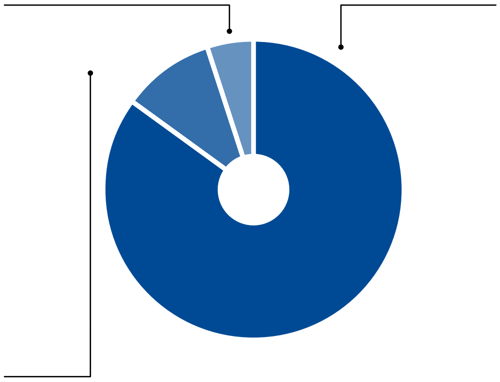
Escalator handrails, which have been produced since 1955, are sold to OEM customers (original equipment manufacturer); moreover, the after sales market is important for this unit, too. Besides the classic black, Semperit's handrails are available in other colours as well, and are used practically everywhere in the world - particularly in department stores, public transportation infrastructure such as subways, railways or airports, and in office buildings.

The Special Applications Unit has positioned itself as one of the global market leaders in the niche market for cableway rubber rings, supplying all major manufacturers of cableways, chairlifts, tow lifts and ropeway installations. Semperit is a leading global provider of ski and snowboard foils, too.

**Revenue split by product group for Semperform**




**Regional revenue split for Semperform**




## BUSINESS PERFORMANCE AND HIGHLIGHTS IN 2012

Revenues in the Semperform segment rose by 5.4% to EUR 120.7 million in 2012. As volumes remained nearly unchanged, this increase was the result of positive price effects. EBIT declined by nearly 20% to EUR 14.6 million. At 12,1%, the EBIT margin that resulted is considerably above Semperit Group's target range of 8% to 11%. Taking the reversal of a provision in 2011 into account, EBIT in 2012 is more or less at the same level as in the previous year. Despite successful projects to reduce costs – including a project to optimise the rubber mixtures in use – profitability in the Construction Profile Unit was not satisfactory and the market for handrails remains dominated by a very aggressive price situation.

**Key figures Semperform**

| | 2012 | Change | 2011 [1] | 2010 [1] |
|---|---|---|---|---|
| Revenue in EUR m | 120.7 | 5.4% | 114.6 | 109.4 |
| EBITDA in EUR m | 20.4 | –13.4% | 23.6 | 22.5 |
| EBITDA margin in % | 16.9% | –3.7 PP | 20.6% | 20.6% |
| EBIT in EUR m | 14.6 | –19.6% | 18.2 | 15.9 |
| EBIT margin in % | 12.1% | –3.8 PP | 15.9% | 14.5% |
| Investments in EUR m | 3.8 | –32.4% | 5.6 | 5.8 |
| Employees (annual average) | 690 | 5.5% | 654 | 650 |

[1] 2011 adjusted, 2010 not adjusted

## MARKET TRENDS AND POTENTIAL

Semperform benefits from its successful positioning in selected niche markets, which are subject to different conditions and seldom have stronger momentum than overall economic growth.

In the Construction Profile Unit, Semperform's aim is to defend its current market position in Europe while fully exploiting the potential in selected East European markets. The focus in the Industrial Moulds Unit includes new projects in the railway superstructure area.

Due to the great importance of the Chinese market for the Handrails Unit, Semperform uses a differentiated product design there in order to satisfy local requirements and price expectations as best as possible. Its commercial success depends on infrastructure investments and further urbanisation (department stores, subways, airports), particularly in Asia.

In special applications, such as cableway rings and ski foils, Semperform's objective is to defend its international positions and selectively expand them. But as its market position is already strong, further expansion is only possible to a limited extent.

Window and door profiles from the Semperit rubber plant in Deggendorf, Germany

# CORPORATE CENTER

**The Semperit Group pursues a clearly defined corporate strategy with ambitious growth targets. In order to be equipped as well as possible for these plans, a variety of measures and initiatives have been undertaken in recent years to improve the professionalism of the Group.**

Central functional departments have been established that serve as a Corporate Center, supporting the Group's operational units with fundamental issues in areas such as human resources, finance, logistics, legal, and quality management. These central functional departments, in close coordination with the Management Board, define the guidelines for their respective areas of responsibility while also ensuring, for example, cost benefits for the Group through consolidation of procurement activities and standardisation. The costs for services rendered directly by the Corporate Center are charged to the respective Group units.

In addition to effective human resource programmes, which are presented in further detail starting on page 71 of this report, the focus has been on ensuring and enhancing quality standards, and on measures to optimise tools used for strategic and operational planning and management. Individual projects are presented below, while the table on the next page provides an overview of the most important initiatives.

## OPTIMISATION OF THE GROUP STRUCTURE

In order to ensure that the company is managed in an effective and tax-optimised manner, the Semperit Group continuously implements measures that also reflect and strengthen the four operational segments. For example, due to its strong presence in Asia, the Sempermed segment has established a new headquarters in Singapore. The services rendered by the Corporate Center support such optimisation activities thanks to the Center's in-depth expertise in central issues.

## IMPLEMENTATION OF A COMPLIANCE MANAGEMENT SYSTEM

In order to strengthen and expand existing compliance tools, a compliance entity covering all Group units was established during the reporting year. The Group Compliance Officer is supported in his responsibilities by 15 compliance officers working in the largest subsidiaries of the Semperit Group. He reports any incidents to the Compliance Committee, which consists of the Group Compliance Officer, the Head of Internal Auditing & Risk Management, the General Counsel, the Head of Accounting, the Head of Planning & Reporting, and the Head of Human Resources. This committee reports directly to the Management Board.

In addition to these organisational improvements, a Code of Conduct was adopted during the reporting year that is binding for all employees and managers. Its most important objectives include the avoidance of corruption, money laundering, human rights violations, and insider trading, as well as addressing aspects of data protection, export restrictions, and the protection of all stakeholder interests. These standards of behaviour are specified in further detail in functional compliance guidelines that are available to all employees in fourteen languages. The contents of these guidelines are taught in regular training classes as well.
Please see www.semperitgroup.com/en/ir/corporate-governance/code-of-conduct

## FINANCE AND REPORTING

In order to ensure the financial flexibility necessary to implement the company's growth strategy, Group Treasury concluded a framework loan agreement totalling EUR 180 million in 2012. In parallel to the Groupwide harmonisation of all reporting standards, the guidelines for capital investment decisions were also fundamentally revised in 2012. Furthermore, the first Group finance conference was held in 2012 to optimise internal cooperation. The finance managers of all Group units participated in this conference. In addition, the company's internal control system (ICS) was reviewed to ensure that financial reporting is prepared in a proper manner, and Groupwide ICS minimum standards were harmonised.

## RISK MANAGEMENT

In 2012, risk managers were appointed throughout the Group to enhance the existing risk management system. These managers have worked closely with the Group Risk Manager to develop optimisation measures. Risk assessments and internal audits were performed at several locations in Europe, Asia and the US in order to review and evaluate the current risk situation.

## ROBUST AND EFFICIENT IT STRUCTURES

During 2012, Semperit addressed the growing requirements on its IT structures associated with the internationalisation and growth strategy by carrying out several projects. IT audits were performed in several areas, and the resulting proposals for improvement have been implemented. The priority in 2013 is to update IT disaster recovery plans and focus on further globalisation and harmonisation of the IT infrastructure, including security aspects.

| Field of action | Initiatives | Date | Implementation status |
|---|---|---|---|
| **Group Accounting / Group Planning & Reporting** | Implementation of SAP FC as a planning, reporting, analysis, and consolidation tool | 2013 / 2014 | New target |
| **Group Planning & Reporting** | Updated CAPEX and OPEX spending targets | 2012 | Implemented |
| | Groupwide harmonisation of reporting standards | 2012 | Implemented |
| **Group Accounting** | Harmonisation of auditors largely completed Groupwide | 2012 | Achieved / further harmonisation planned |
| **Finance team** | Lead a Group Finance conference | 2012 | First conference held, annual follow-up planned |
| **Group Credit Management** | Groupwide standardisation of credit management processes | 2012 / 2013 | In progress |

| Field of action | Initiatives | Date | Implementation status |
|---|---|---|---|
| **Investor Relations** | Establishment of an investor database | 2012 | Achieved / updated continuously |
| | More intensive communication with the capital market, increased coverage by analysts, more participation in conferences and roadshows | 2012 | Coverage increased from four to six analysts |
| **Group IT** | Improvement in the disaster recovery plans for Group sites | 2013 | New target |
| | High level IT strategy, structure, and focus derived from the Group's strategy | 2012 | Implemented |
| | IT audits in the areas of risk, compliance, and security. Good progress in 2012 towards implementing prioritised improvement measures. | 2012 / 2013 | Ongoing implementation, completion in 2013 |
| | Harmonisation and standardisation of global IT infrastructure and security architecture | 2013 | New target |
| **Legal department** | Establishment of a compliance entity in the subsidiaries | 2012 | Implemented |
| **Group Internal Audit & Risk Management** | Review of the internal control system (ICS) and Groupwide harmonisation through minimum standards | 2012 / 2013 | Completed in Austria, further rollout in 2013 |
| | Appointment and training of regional (Asia, America, Europe) and local risk managers, further optimisation of the risk management system | 2012 | Implemented |
| | Local risk assessments at major sites in Europe, Asia, and the US as well as internal audits, particularly in Asia | 2012 | Implemented |
| **Group Tax** | Harmonisation of global transfer prices | 2012 | Ongoing implementation |
| **Group Treasury** | Framework loan agreement for EUR 180 million | 2012 | Implemented |
| | Harmonisation of global cash management | 2013 | New target |
| **Group Procurement & Logistics** | Expansion of the purchasing organisation in Asia | 2012 | Implemented / further strengthening in 2013 |
| | Establishment and expansion of strategic supplier partnerships | 2012 / 2013 | Evaluation in 2012 / implementation in 2013 |
| **Group Human Resources** | Management style and performance management: 360-degree feedback, Leadership Academy, implementation of a new bonus system | 2012 / 2013 | Design and start of the rollout in 2012, continuation in 2013 |
| | Cultural and organisational development: new set of corporate values and management principles, visualisation and adjustment of the organisational structure (matrix) | 2012 | Implemented, ongoing expansion |
| **Corporate Development** | Establishment of an M&A function and a target M&A process | 2012 | Implemented |
| | Screening and addressing of potential acquisition candidates, and potentially due diligence and transaction negotiations | 2012 / 2013 | Implemented, acquisition of Latexx Partners Berhad / further acquisition targets in progress |
| | Establishment of a target strategy process and implementation for future strategic developments | 2013 | New target |
| | Establishment of a business process management function and a process optimisation project as a basis for updating the Semperit IT landscape | 2013 / 2014 | New target |
| **Group Communications** | Implementation of a set of corporate values (including a values campaign, Semperit Awards) | 2012 | Implemented |
| | Publication of the new Partners magazine in German and English for customers, suppliers and employees | 2012 | Implemented |
| **Group Quality Management** | Pilot audit of the Business Social Compliance Initiative (BSCI) in Thailand on the subject of compliance with labour standards | 2012 | Successfully concluded, audit planned in 2013 |

# RESEARCH AND DEVELOPMENT

**The nearly 190-year history of the Semperit Group would not have been possible without the successful research and development work of many generations of scientists, engineers, chemists, physicists, and plastics and application technicians. Their daily work is based on four cornerstones: handling of raw materials, developing ingredients (formulas and production), product development, and process development.**

The Semperit Group has research and development departments in Malaysia, China, India, Poland, Thailand, the Czech Republic, and Austria. Their work is coordinated by the research and development centre in Wimpassing, Lower Austria. There are about 340 employees employed in this area globally, and annual spending on R&D totals more than EUR 8 million, about 1% of revenue. With more than 60 employees in research and development, the Wimpassing site is used to facilitate cross-departmental knowledge transfer, enable the sharing of experience, and to coordinate work with external development partners.

The Semperit Group's research strategy is focused on the following objectives:
- Market-oriented product innovations: the foundation for continued growth
- Optimising the use of resources: the use of materials and energy in the design and production of products is constantly optimised. The resulting quality benefits lead to sustained competitive advantages.
- Making production processes flexible: guarantees the ability to react flexibly to changes in raw material prices and market demands
- Knowledge transfer: a prerequisite for achieving synergies

## MARKET-ORIENTED PRODUCT INNOVATIONS

Semperit is in fierce competition with other global manufacturers in all four of its segments. That means it is absolutely necessary for a Group like Semperit, whose products are marketed in over 90 countries worldwide, to achieve sustained growth with ongoing product and material innovations, and to identify and occupy attractive market niches.

## OPTIMISING THE USE OF RESOURCES

The Semperit Group's two central programmes to improve the use of resources are the ongoing Waste-of-Material Programme (WOM Programme) and the Waste-of-Properties Programme (WOP Programme). Stable and reproducible processes are the foundation for both of these programmes. To achieve such processes, it is necessary to repeatedly scrutinise and continuously

| Highlights in research and development in 2012 | |
|---|---|
| Sempermed | Sempermed Syntegra UV: surgical gloves without allergy-causing accelarator chemicals |
| Semperflex | More efficient use of materials in abrasion hose, a type of industrial hose used to convey highly abrasive media (quartz sand, corundum, glass, etc.).<br>Development of a new commodity product line of industrial hoses for water/air, oil, and EPDM/multi-purpose uses |
| Sempertrans | Market launch of a conveyor belt with lower frictional drag |
| Semperform | Development of an ECO handrail with improved material usage and a new profile |

improve not only the actual production of the products themselves, but also the key basic and auxiliary processes of the rubber processing industry such as mixing, shaping, and vulcanising.

The WOM Programme focuses on reducing the amount of waste, scrap, and customer complaints by improving stability and through the optimal control of processes. The contents of the programme also include the ongoing optimisation of product designs and the use of consumables in manufacturing. The WOP Programme refers to the characteristics of both raw materials and materials developed and manufactured internally. It involves critically scrutinising which characteristics of the end product are actually expected, and what potential efficiencies exist in this regard.

## MAKING PRODUCTION PROCESSES FLEXIBLE

In order to optimise the company's ability to respond to fluctuations in raw material prices and to shifts in demand, the corresponding flexibility of production processes is a high priority. This flexibility is made possible by developing procurement alternatives for strategically important raw materials which can only be acquired from a limited number of suppliers. As soon as an alternative material is found, globally identical formulas are created and the respective machines are optimally adjusted to their use in order to avoid a loss of production efficiency.

In addition to material savings and flexibility, it is also important to optimise the alignment of the materials in use to individual machine types. The more each material and machine are aligned with each other, the greater the flow speed and the higher the production quantity per hour. The interplay between materials, machines, and employees, as well as proper transport and storage, are constantly under review at Semperit to achieve continual improvements in efficiency.

## KNOWLEDGE TRANSFER

The Semperit Group is involved in numerous basic research collaborations with international research institutes and universities.

The research areas range from basic development through rheology (deformation and flow behaviour) of rubber compounds over the life expectancy of dynamically stressed objects, to the development of elastomer adhesives with reinforcing materials such as steel. In addition to collaborating with universities, the Group also conducts basic research in particular at so-called K-plus centres, which are research facilities operated jointly by business and scientific experts for a limited period of time.

One example of successful collaboration is the UV Crosslinking Project. Semperit and the Polymer Competence Center in Leoben were awarded the "Fast Forward Award" by the Austrian province of Styria for this innovation. The aim of the project was to reduce allergies and skin irritations caused by natural latex gloves by eliminating chemical irritants and latex proteins. Semperit was the first manufacturer worldwide to develop a surgical glove made from the natural-latex-like material polyisoprene; the glove is crosslinked by UV light instead of allergy-causing accelerating chemicals. The "Sempermed Syntegra UV" was presented to a professional audience in November 2012 at the world's largest medical trade fair, Medica, in Düsseldorf.

### Research Collaborations Selected

- Technical University of Vienna
- Technical University of Graz
- Leoben University for Mining, Metallurgy, and Materials
- Polymer Competence Center, Leoben
- AC²T-Competence Centre, Wiener Neustadt
- German Institute of Rubber Technology in Hannover, Germany
- Cracow University of Technology, Poland
- University of Wroclaw, Poland
- Zlin Techniscal Institute, Czech Republic

# ACTIVE COST AND RAW MATERIALS MANAGEMENT

**Given the high percentage of raw materials in the Semperit Group's total expenditures, pursuing a proactive purchasing policy along with integrated raw materials management is strategically important.**

The Semperit Group spends about 60% of its revenue on raw materials. Based on the product portfolio, a large part of these expenditures relate to latex and rubber, reinforcing materials, carbon blacks, and chemicals that are required for further processing. As part of the Group's active cost and raw materials management approach, those risks incurred due to volatile trends in raw material costs are minimised. Detailed market analyses enable countermeasures to be introduced in a timely manner, leading to delivery conditions that meet the needs of the market.

Thanks to the flexible design of production lines and formulas, the raw materials used can be changed quickly. Groupwide programs ensure that resource utilisation is continuously optimised (for details see page 60, Research and development).

## GROUP PROCUREMENT & LOGISTICS

Due to the significance of the most critical raw materials to all segments (see table on page 64), potential synergies resulting from procurement are ensured by the central Group Procurement & Logistics department. Since some 60 to 70% of the total raw material needs of the Semperit Group are covered via procurement from markets in Asia, the purchasing organisation in Asia was strengthened in 2012 to ensure the necessary proximity to the market. That initiative was intended to better utilise purchasing opportunities in Asia, including China. This relates not only to raw materials, but also to capital equipment.

In addition, this central service unit focused on establishing and expanding strategic supplier partnerships for the most important raw materials in 2012, in order to ensure corresponding benefits in the long term. These benefits apply not only to purchasing, but also to the processing of raw materials. Further expansion of strategic supplier partnerships is planned for 2013.

Due to the global positioning of the Semperit Group, it is a high priority for the company to optimise logistics processes to enable the best possible delivery to customers. Conveyor belts produced by Semperit in Poland and China are used around the world, just as the examination gloves produced by Semperit in Thailand are. To this end, logistics services for global production and distribution are continuously purchased on a bundled basis.

## Importance of key raw materials by segment

| | Medical Sector | Industrial Sector | | |
|---|---|---|---|---|
| **Raw Material** | **Sempermed** | **Semperflex** | **Sempertrans** | **Semperform** |
| Natural latex, synthetic latex | | | | |
| Natural rubber | | | | |
| Synthetic rubber | | | | |
| Wire / cord | | | | |
| Fabrics | | | | |
| Carbon blacks | | | | |
| Chemicals, other materials | | | | |

## Group Procurement & Logistics

| Initiatives | Date | Implementation status |
|---|---|---|
| Expansion of the purchasing organisation in Asia | 2012 | Implemented / further strengthening in 2013 |
| Establishment and expansion of strategic supplier partnerships | 2012 / 2013 | Evaluation in 2012 / implementation in 2013 |

## ACTIVE WORKING CAPITAL MANAGEMENT

To minimise working capital and the financial resources invested therein, the Semperit Group pursues the active management of inventory levels in its production facilities through targets, and optimisation measures in contractual agreements. Efforts are also constantly undertaken to improve supplier payment terms.

## NATURAL RUBBER AND NATURAL LATEX

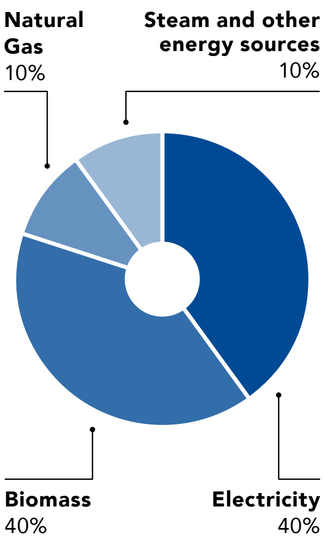
Around 11 million tons of natural rubber and latex are produced each year, 70% of which comes from Thailand, Malaysia, and Indonesia. As a renewable resource, natural latex comes from rubber trees, and 80% to 90% of it is processed into rubber. Rubber trees must be grown for about seven years after planting before they can be tapped for the first time with an incision in the bark. One tree can provide roughly 100 milliliters of latex daily, which corresponds to about 30-40 grams of solid rubber.

In the southeast Asian countries mentioned above, the mayority of the total area under cultivation is managed by so-called smallholders. The average area under cultivation is about two hectares, which can yield roughly two to three tons of solid rubber per year. These quantities are sold to intermediaries who supply the processing industry with latex or raw rubber. A large proportion of the processed quantities – about 80% to 90% – is demanded and purchased by the markets in the form of rubber. Prices for end users are determined on commodity exchanges. Given the small scale of the operations tapping latex, it is very difficult to manage supply, and the quality can fluctuate widely as well. This creates significant challenges for Semperit in both production and purchasing.

## ENERGY MIX

In 2012, the Semperit Group's expenditures on energy for production totalled about EUR 48 million. The illustration shows the distribution of energy sources utilised. In addition to conventional sources of energy such as electricity, natural gas, and steam, Semperit in Thailand uses biomass almost exclusively. This involves taking rubber trees at the end of their lives and using them as fuel to heat the rubber baths used in glove production.

**Semperit Group energy mix**




## DEVELOPMENTS IN THE COMMODITIES MARKETS

Following a period of volatility during the year, the prices for natural rubber towards the end of 2012 were about 10% lower than one year prior.

Butadiene is the main raw material for synthetic latex and rubber. As a petrochemical byproduct, its price is partially dependent on the price of crude oil, and in this case we have seen above average increases in recent years caused by factors specific to this market.

Following a significant price increase in the first half of the year, the price for butadiene declined in the second half, hovering in Europe at the end of year more than 10% below the level at the end of the previous year.

### Industrial carbon blacks

Industrial carbon blacks play a crucial role in rubber processing. They increase the firmness of the rubber, making it stiffer and harder through a strengthening process, while providing it with better impact resistance and tensile strength, as well as optimal abrasion resistance. Global annual demand amounts to approximately nine million tons. The production of carbon blacks requires a significant amount of energy. Persistently high energy prices in 2012 had a corresponding impact on the carbon black market, resulting in relatively high prices.

# CORPORATE RESPONSIBILITY

**The Semperit Group is committed to the principles of sustainable corporate management. A balance between commercial, social, and environmental aspects is a prerequisite for achieving the company's strategic objectives.**

This means that all related indicators have an accordingly high priority in the Group's operational and strategic planning. This integrated approach is supported by the Management Board of Semperit AG Holding, and is also reflected in the performance metrics and design of merit-based salary components.

In addition to the strategic objectives that are explained on page 35 of this report, the Semperit Group focuses on the following areas to further develop its sustainability agenda:

- Handling of all types of resources in the most environmentally sound manner
- Establishment of a performance-oriented corporate culture and a common set of corporate values (page 32)
- Implementation of a compliance management system
- Positioning as an attractive and fair employer
- Transparent communication involving all relevant stakeholders, such as
  - Capital market players
  - Customers
  - Employees
- Responsibility to society

## MINIMISING THE IMPACT ON THE ENVIRONMENT

All corporate units in the Semperit Group have implemented active and ongoing measures to reduce their impact on the environment. Statutory regulations and requirements are the basis for the Group's environmental management system. Local management at the respective production and business sites is responsible for complying with these regulations. Furthermore, the roles and responsibilities regarding different issues of environmental protection are clearly defined. There are, for example, specially designated waste management and wastewater representatives. Employees are regularly instructed and trained regarding compliance with all relevant regulations.

Semperit's business activities involve air and water emissions as well as waste, to an extent typical for the sector. Semperit attempts to design its production processes in such a way that these emissions and waste not only conform to legal regulations, but fall significantly below the permitted limits in many cases. Through the use of effective technology – such as wastewater treatment and filtering plants, extraction units, dust filters, and closed weighing systems for raw materials and chemicals that create large quantities of dust – Semperit plays an active role in minimising its impact on the environment.

All wastewater released by Semperit is disposed of in accordance with the respective local regulations. The company has in part installed its own wastewater treatment plants, which operate in line with all regulatory requirements in effect. Any waste residues are disposed of properly. Semperit's waste management concept, which was approved by the responsible authorities in Austria, places great value on environmentally friendly waste disposal and aims to prevent or reduce the amount of waste as much as possible. Each site has its own detailed objectives derived from Semperit's waste avoidance program. Waste is recycled back into the cycle of materials wherever physically and commercially possible. Recyclable rubber waste is processed at its own rubber recycling plant and is reclaimed as a raw material. If recycling is not possible or practical, materials are incinerated under thermally controlled conditions by a qualified waste disposal company. In order to reduce packaging materials, various reusable pallets, wire mesh crates, and PAL boxes are used.

Johannes Schmidt-Schultes planting a tree according to an Asian tradition at the site of the Indian plant for conveyer belts

## ECONOMICAL AND RESPONSIBLE USE OF RESOURCES

All raw materials, compounds, and processes to be used for the first time are investigated during the planning stage to determine their impact on the environment. Then they are optimised. Whenever technically possible, the central materials development department avoids the use of environmentally harmful raw materials. Detailed objectives for the reduction of material usage and energy consumption have been established. These are periodically examined by management, and additional measures are taken. We reduced the consumption of sources of energy at our European manufacturing plants by an average of roughly 3% between 2010 and 2012. No banned materials are used in any part of the production process. In addition, biodegradable or recyclable raw materials are used whenever possible, such as replacing foil with paper or replacing PVC with PP.

**Consumption of production plants in Europe**

| in Gigawatt hours (GWh) | 2010 | 2011 | 2012 | Average change 2010 – 2012 |
|---|---|---|---|---|
| Natural gas | 122 | 116 | 115 | –2.8% |
| Electricity | 102 | 102 | 98 | –2.1% |
| Steam | 36 | 33 | 30 | –8.9% |
| **Total** | **261** | **251** | **243** | **–3.4%** |

## EXTERNAL CERTIFICATIONS

Semperit Technische Produkte GmbH and all production sites of the Semperit Group have been certified under ISO 9001 for many years. The Medical Sector is also certified under ISO 13485. A further example is the Shanghai plant of Semperit Rubber & Plastic Products Co. Ltd., which underwent an external evaluation of its quality management system at the end of 2010, and has maintained an ISO 14001 certification ever since.

When implementing the EU Energy Directive at our plants in Austria and Germany, we will continue this environmental and energy orientation by integrating ISO 50001 requirements into our quality management system by the end of 2014.

Moreover, the Semperit Group supports the REACH guidelines (Registration, Evaluation and Authorisation of Chemicals), which took effect in 2007 to promote the responsible use of chemical substances.

## FAIR WORKING CONDITIONS

About three quarters of Semperit's employees work in corporate sites in Asia, mainly in Malaysia and Thailand. Semperit is focused not just on complying with local regulations ensuring safe working conditions and the avoidance of child labour, but also on setting standards that far exceed the typical conditions in the region. Siam Sempermed Corp. Ltd. therefore hires only employees and staff over 18 years of age, and continuously improves employees' living conditions through numerous voluntary social benefits. These range from providing low-cost housing opportunities and work clothes for employees, to granting special payments and additional insurance.

The Group's efforts to create optimal working conditions were recognised externally in 2012 as well. In the autumn of 2012, the Thai subsidiary Siam Sempermed successfully completed a pilot audit involving the examination of local working conditions. A notified body performed the evaluation in accordance with the guidelines of the Business Social Compliance Initiative (BSCI). BSCI is a platform to improve social standards in a global supply chain. The official confirmation audits will be performed in Thailand in 2013. Further Semperit sites outside of Europe will take part in similar audits in the next several years.

## OPEN DIALOGUE, COMMON CORPORATE VALUES

In 2012, the Semperit Group created a set of corporate values intended to guide all employees in their daily work. With the involvement of the entire management team, key corporate values were defined and then introduced at a Group meeting in May, 2012. This set of corporate values, together with the management principles derived from them, were thereafter presented at employee events and in a values brochure in the respective local languages. In order to promote active engagement with these principles, employees were invited to provide positive impressions and experiences for a competition. The best values ambassadors were awarded the Semperit Value Award in December, 2012.

In 2012, the tools for internal communication were intensified and expanded as well. In addition to the biannual "Partners" magazine, employees are updated on current developments in a newsletter. A Semperbox has also been established to serve as a mail box for improvement suggestions, requests, ideas, and criticism.

| Field of action | Initiatives | Date | Implementation status |
|---|---|---|---|
| **Corporate values** | Definition and implementation of a vision, mission, and corporate values (including a values campaign, Semperit Awards) | 2012 | Implemented |
| **Information about Semperit** | Publication of the Partners magazine in German and English | 2012 | New magazine for customers, suppliers, and employees |
| | Facebook | 2012 | Implemented |
| | "Welcome Package" to improve the integration of new employees | 2012 | Implemented |
| | Expansion of internal communication by introducing "Semperit News" | 2012 / 2013 | Introduced, to be expanded further in 2013 |
| | Townhall events in 2012: dialogue Management Board - employees | 2012 | Introduced, to be expanded further in 2013 |


The team of Semperit at Austria's largest business run

## REGIONAL RESPONSIBILITY

Semperit feels a particular responsibility towards the regions where it operates. Thailand is particularly important for the Semperit Group, since it is the world's largest producer of natural rubber. Semperit has been operating in Thailand for nearly 25 years through both Siam Sempermed Corp. Ltd. and Semperflex Asia Corp. Ltd. In the next several years, considerable financial resources will be invested in the further expansion and construction of manufacturing plants which will support economic development in this region. The integration of Latexx Partners in Malaysia, which was acquired in 2012, will also take place with special consideration for local conditions.

## SOCIAL COMMITMENT

Semperit regularly donates examination and surgical gloves to charitable causes. Since 2010, the money that had been spent on Christmas presents has instead been donated to the international charity "Médecins Sans Frontières" (Doctors Without Borders). As part of this partnership, Semperit supports, for example, a mobile clinic in India for people cut off from healthcare because of the conflict in the forests of central India.

Alongside these sponsorship activities undertaken by Semperit AG Holding, the respective corporate units are responsible for supporting local projects and initiatives in a commercially reasonable manner. For instance, Siam Sempermed Corp. Ltd. in Hatyai, Thailand has been carrying out conservation projects in the local SOS Children's Village for several years, providing educational materials and sports equipment.

# 9,600 EMPLOYEES WORLDWIDE

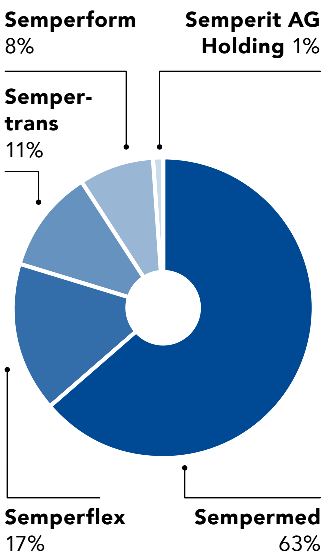
**The Semperit Group's strategic growth targets require professional human resources management to prepare employees for the challenges ahead, to foster their focus on performance, and to cater to the company's future needs for managers and specialists.**

## HIGHER HEADCOUNT THROUGH THE ACQUISITION OF LATEXX PARTNERS

At the end of 2012, the Semperit Group employed about 9,600 employees, thereof almost 1,800 employed by Latexx Partners in Malaysia. The average number of employees was 8,305 in 2012, an increase of 6%.

The largest segment is Sempermed, with 5,265 employees, most of whom work in manufacturing plants in Asia (primarily in Thailand and Malaysia). The Semperflex segment, with almost 1,400 employees, accounts for about 17% of the total workforce. Approximately 930 and 700 employees worked on average in the Sempertrans and Semperform segments, respectively, and more than 50 employees worked at Semperit AG Holding. The average for Austria in 2012 was about 700 employees. The average age of all employees in the Semperit Group is about 35 years old.

**Employee split**




**Employees (annual average)**

| | 2012 | Change | 2011 | 2010 |
|---|---|---|---|---|
| Sempermed | 5,265 | +8.9% | 4,834 | 4,244 |
| Semperflex | 1,368 | –1.0% | 1,382 | 1,161 |
| Sempertrans | 928 | –0.3% | 931 | 927 |
| Semperform | 690 | +5.5% | 654 | 650 |
| Semperit AG Holding | 54 | +68.7% | 32 | 27 |
| **Total** | **8,305** | **+6.0%** | **7,833** | **7,008** |
| thereof in Austria | 707 | +0.7% | 702 | 662 |

## HUMAN RESOURCES STRATEGY

The Semperit Group pursues an ambitious growth strategy supported by effective human resource policies. The overall goals of these policies are to position the company as an attractive employer, to implement modern management tools, to promote internationality, and to create the conditions for a performance-oriented and fair corporate culture with a clear set of values (see page 32).

The central Human Resources unit reports directly to the Chairman of the Management Board and is responsible for the establishment of guidelines and tools used throughout the Group. Decentralised Human Resources managers are responsible for the implementation and application of these requirements in their respective corporate units. In addition, they conduct their own human resource initiatives in order to take local needs into account.

In 2012, the company began the process of implementing the MERCER position evaluation system throughout the Group. This system serves as the basis for many Human Resource tools such as performance management, compensation & benefits, and management development programmes. The new Semperit Grades system makes positions comparable throughout the Group while enabling an external comparison of remuneration with the local labour market. This is very important for employee retention, particularly in the Asian growth markets. In 2012, the first step was taken with the evaluation of positions at sites in Austria, all international top positions, branches in China, and the entire Semperflex segment. Implementation for the remainder of the Semperit organisation is planned to take place in 2013.

The following table illustrates the key aspects of the Semperit Human Resources strategy:

| Field of action | Initiatives | Date | Implementation status |
|---|---|---|---|
| **Strengthening the corporate image and attractiveness as an employer** | Stronger presence at job fairs, redesign of the image folder and job website, more contact with schools and universities | 2012 | Implemented, ongoing expansion |
| **Cultural and organisational development** | New set of values and management principles, visualisation and adjustment of the organisational structure (matrix) | 2012 | Implemented, ongoing expansion |
| **Systems and tools for human resources management** | Introduction of job evaluations | 2012 / 2013 | Implemented in Austria, China, and the Semperflex segment, further rollout in 2013 |
| **Personal development, career and succession planning** | Definition of career paths, succession planning for key positions, concept for talent identification | 2012 / 2013 | Implemented for key Group positions, local rollout in 2013 |
| **Leadership style and performance management** | 360-degree feedback, Leadership Academy, implementation of a new bonus system | 2012 / 2013 | Design and start of the rollout in 2012, continuation in 2013 |

## 360-DEGREE FEEDBACK AND THE SEMPERIT LEADERSHIP ACADEMY

In order to evaluate management based on a set of common principles, the “360-degree feedback” tool was introduced in 2012. This tool enables a significant degree of objectivity in the evaluation process and is carried out anonymously. Besides a self-assessment by managers, direct feedback is obtained from the direct supervisor, employees, and colleagues, as well as from customers and external business partners.

Building on the insights obtained through this process, training priorities are created for the "Semperit Leadership Academy" in order to strengthen and optimise the leadership skills of the company's management at all levels.

## PERFORMANCE MANAGEMENT

In order to foster a focus on performance, a new merit-based bonus system was implemented in 2012 for managers and professionals of the Semperit Group. In addition to overall corporate objectives, individual targets are defined as part of target-setting meetings. These annual meetings are also used to determine development plans and to promote the quality of management and professional skills.

## TRAINING AND CONTINUING EDUCATION

The Semperit Group's management understands that the expertise and innovative strength of employees is an important success factor for improving the company's current market positions. In order to provide its employees with optimal preparation for their operational and strategic challenges, Semperit therefore offers an extensive training and continuing education program to teach employees the necessary professional skills. As part of a comprehensive training catalogue, personal development training is offered to provide employees with skills for conflict, time, and target management, as well as presentation techniques. In addition, employees have the opportunity to participate in specialised training courses. One example is the training initiative for quality management that was offered to technical specialists in 2012, in order to improve quality planning at new installations. IT training and language courses are also offered in the Group's advanced training programme.

In the 2012 financial year, 15 apprentices were trained in Austria. In this way, Semperit offers young people a sound entry into the professional world while gaining qualified specialists who are familiar with process operations.

## INTERNAL KNOW-HOW TRANSFER

The Semperit Group places great importance on the exchange of knowledge and experience within the company in order to promote cross-border and cross-departmental cooperation, despite the company's increasing internationalisation and diversification. International meetings of technicians and sales employees, as well as cross-departmental training programmes, ensure the desired synergistic effects.

As part of the "XPERIENCE XCHANGE" program, newly hired employees and talented young managers meet several times a year with top managers to exchange their experiences and discuss current issues relevant to the company.

## COLLABORATIONS AND EMPLOYER BRANDING

To meet the company's current and future needs for specialists and managers, the Semperit Group supports several collaborations with technical academies, universities, and technical colleges in order to attract qualified and ambitious employees. In addition, the Group provides internships and support for numerous theses and dissertations that are relevant to the company. By taking part in career fairs and recruitment days, Semperit presents itself as an attractive employer with fascinating occupational fields and career opportunities.

Both job advertisements and the Group's approach toward trade fairs and advertising materials were redesigned during the reporting year to strengthen Semperit's image as an attractive employer. The user friendliness of the www.semperitgroup.com/en/jobs-career website was


Paulina Kowalewska, Sempertrans Bełchatów

also improved. For example, the job opportunities section and the online application form were redesigned, and are now also available in English.

## ONBOARDING ACADEMY

Managers and specialists who work for Semperit in Europe, as well as newly hired employees in Austria, participate in an extensive introductory programme as part of the company's so-called Onboarding Academy. This multi-day programme provides a quick overview of the entire Group and facilities integration into the company as well as international networking across departmental borders.

## HEALTH AND SAFETY

Semperit is fully aware of its special responsibility to employees, and actively takes measures to constantly improve operational safety and promote health. Safety-related and workplace-specific training is offered regularly, and new employees are given extensive safety instructions as part of their initial training. The Safety department offers all employees access to general training documents and safety training programs. To identify appropriate preventive measures, all incidents that result in narrowly averted accidents must be reported at Semperit as well.

Semperit's employees are offered numerous means of improving their health. These include sports facilities, seminars, regular health check-ups, vaccinations, and first aid courses. Sporting events are organised and supported financially by corporate units.

## EQUAL OPPORTUNITIES

Characterised by its image as a fair and responsible employer, Semperit strives to continuously improve the idea of equal opportunity within the company. As a technically-focused, traditional industrial company, the percentage of female employees in Austria is currently only 20%, but it is more than 35% throughout the Group. Flexible work models in the form of flexitime and part-time work, as well as special arrangements for employees with young children, should contribute to a continuing increase in the proportion of female employees.

# INVESTOR RELATIONS

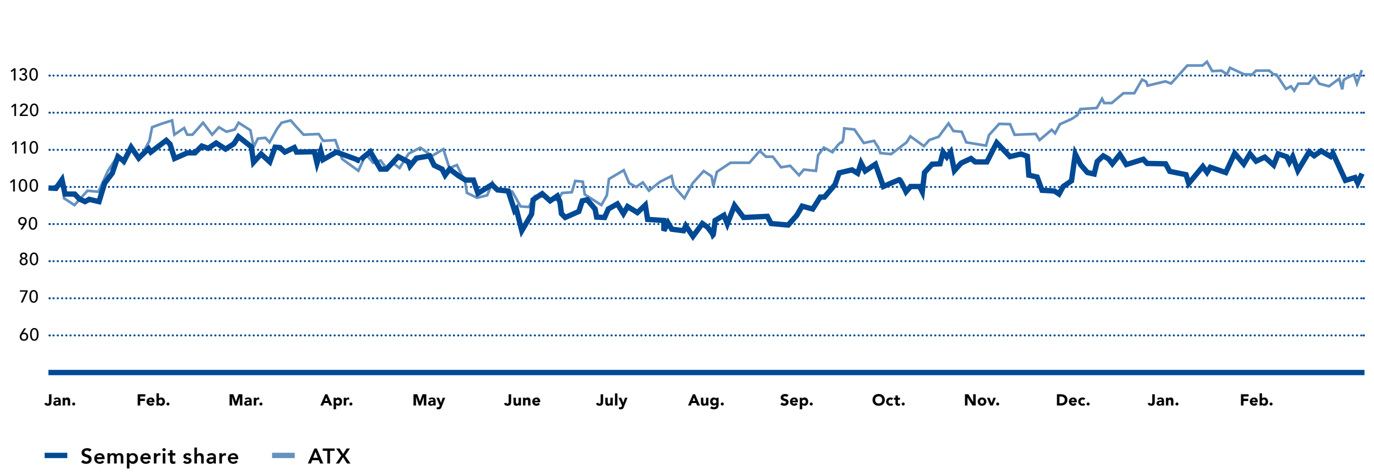
**With a stock market listing that dates back to 1890, Semperit is one of the oldest stocks trading on the Vienna stock exchange. Even during the last five highly turbulent years on the stock markets, Semperit shares have performed well, posting a share price gain of 25.4% while the ATX has lost 46.8% in value.**

## PERFORMANCE ON CAPITAL MARKETS

While investor sentiment brightened during the first quarter of 2012 thanks to the agreement on a bailout package for Greece and improved economic prospects, there was a strong price correction in the second quarter. Markets then stabilised as the year progressed, enabling the majority of the most important trading centres to close 2012 in positive territory. In the United Kingdom the FTSE 100, the reference index of the London Stock Exchange, gained about 3.5%, while the DAX in Germany increased 29.1% in value.

The ATX posted a gain of 26.9% in 2012, following a decline of 34.9% in the previous year. The average daily turnover of all companies listed on the prime market of the Vienna Stock Exchange decreased year-on-year by nearly 40% to around EUR 144.7 million.

**Share price performance of Semperit and ATX, indexed 1.1.2012**



## Key figures Semperit share

| | | 2012 | Change | 2011 [2] | 2010 [2] | 2009 [2] | 2008 [2] |
|---|---|---|---|---|---|---|---|
| Price at year-end | in EUR | 31.36 | +5.4% | 29.75 | 39.59 | 26.97 | 11.80 |
| Highest price | in EUR | 33.90 | –18.3% | 41.47 | 39.98 | 28.42 | 31.62 |
| Lowest price | in EUR | 26.65 | –1.8% | 27.15 | 25.90 | 12.00 | 11.80 |
| Number of shares issued | in thousand units | 20,573 | – | 20,573 | 20,573 | 20,573 | 20,573 |
| Market capitalisation at year-end | in EUR m | 645.1 | +5.4% | 612.1 | 814.5 | 554.9 | 242.8 |
| Earnings per share | in EUR | 2.25 | –10.7% | 2.52 | 2.21 | 1.89 | 1.83 |
| Gross cash flow per share | in EUR | 4.16 | –4.2% | 4.34 | 4.42 | 4.50 | 3.79 |
| Dividend per share | in EUR | 0.80 [1] | – | 0.80 | 1.25 | 1.15 | 1.09 |
| Dividend payout ratio | in % | 35.6% | +3.9 PP | 31.7% | 56.6% | 61.0% | 59.6% |
| Price / earnings ratio at year-end | | 13.9 | +17.8% | 11.8 | 17.9 | 14.3 | 6.5 |
| Average trading volume per day | in EUR m | 0.6 | –57.1% | 1.4 | 1.8 | 1.1 | 0.9 |

[1] Proposal to the annual general meeting
[2] 2011 adjusted, 2008 to 2010 not adjusted

## PERFORMANCE OF SEMPERIT SHARE

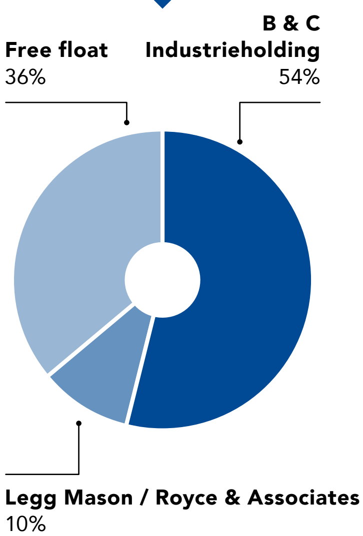
Following a sharp rise toward the end of January 2012, Semperit shares traded downwards during the rest of the first half of the year. They reached their lowest point for 2012 on July 27 with a price of EUR 26.65. Share performance was then considerably more volatile as the year continued. The announcement of the acquisition of Latexx Partners in the autumn was received positively by the capital market, so that overall, Semperit shares closed 2012 with a gain of 5.4%.

The market capitalisation of Semperit AG Holding at the end of 2012 totalled EUR 645.1 million, compared with EUR 612.1 million on the same day of the previous year. The average daily trading volume of Semperit shares decreased during the reporting period from EUR 1.4 million to EUR 0.6 million.

## SHAREHOLDER STRUCTURE

Semperit AG Holding is listed with 20,573,434 no-par value bearer shares in the Prime Market of the Vienna Stock Exchange. B & C Industrial Holding GmbH, with 54.18% (11,145,917 shares), is the majority owner and a long-term core shareholder. The owner of B & C Industrial Holding GmbH is the B & C Foundation, a private foundation established under Austrian law with the mission of fostering Austrian entrepreneurship. The remaining shares are diversified holdings.

### Shareholder structure




## COMMUNICATION WITH THE CAPITAL MARKET

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

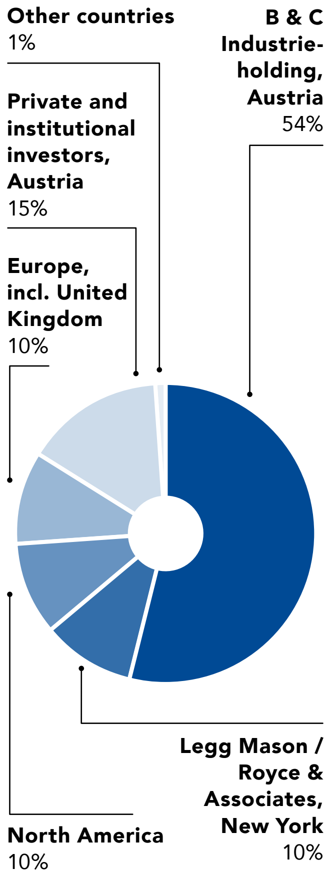
The Chairman of the Management Board, the Chief Financial Officer, and Investor Relations actively seek dialogue with key players in the financial markets. Besides participating in conferences and organising roadshows in European financial centres and New York, they have invited numerous fund managers to Vienna to investor meetings with the Management Board, and to visit the core production facility in Wimpassing. The intensification of Investor Relations activities is reflected, in part, in the increase in the number of analysts who regularly cover Semperit shares, which has risen from four to six: Baader Bank (new in 2012), Deutsche Bank, Erste Bank, Hauck & Aufhäuser (new in 2012), Kepler Capital Markets, Raiffeisen Centrobank (RCB).

Press releases, as well as financial reports, presentations, and conference calls, are available on the website at: www.semperitgroup.com/en/ir

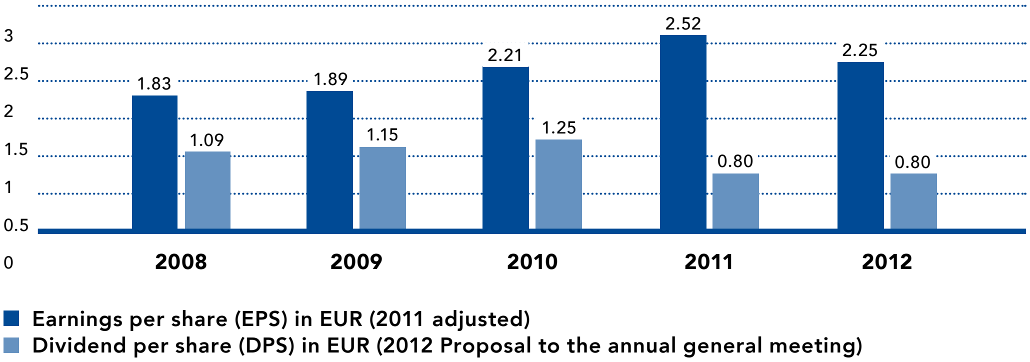
## DIVIDEND POLICY

The aim of the Semperit Group's fund allocation strategy is to achieve a balance between investments in growth and appropriate remuneration to shareholders in the form of dividends. Investments to increase capacity or develop new markets will be given preference if they lead to a sustainable increase in the company's corporate worth. The dividend policy of the Semperit Group calls for a payout ratio of approximately 30% of the company's annual net profit (earnings after tax). At the Annual General Meeting on 30 April, 2013, the Management Board will therefore propose a dividend of EUR 0.80 per share for the 2012 financial year. This corresponds to a dividend payout ratio of 35.6% of the annual net profit, compared to 31.7% in the previous year. With a year-end closing price of EUR 31.36 per share, the dividend yield will amount to 2.6% (2011: 2.7%).

### Shareholder structure by region




### EPS and DPS




### Financial calendar

| | |
|---|---|
| 21.03.2013 | Publication of 2012 annual financial statements and press conference |
| 30.04.2013 | Annual General Meeting, Vienna |
| 07.05.2013 | Ex-dividend day |
| 14.05.2013 | Dividend payment day |
| 14.05.2013 | Report on the first quarter of 2013 |
| 13.08.2013 | Half-year financial report 2013 |
| 12.11.2013 | Report on the first three quarters of 2013 |

## CONTACT

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# CORPORATE GOVERNANCE REPORT

## AUSTRIAN CORPORATE GOVERNANCE CODE

In 2002 the Austrian Corporate Governance Code established a regulatory framework for the management and monitoring of Austrian joint stock companies. This code contains internationally adopted standards, as well as significant related regulations stipulated in the Austrian Stock Corporation, Stock Exchange, and Capital Markets Acts and the basic principles encompassed in the OECD Guidelines for Corporate Governance.

These rules are aimed at ensuring the responsible management and supervision of companies and corporations, with the goal of achieving sustainable and long-term creation of value. The code seeks to create a high level of transparency for all company stakeholders. It creates guidelines for the equal treatment of all shareholders, for transparency, open communication between the Management and Supervisory Boards, the avoidance of conflicts of interest between bodies, and efficient checks by the Supervisory Board and the auditor.

Companies voluntarily undertake to comply with the guidelines contained in the in the current version of the Austrian Corporate Governance Code. The version of the code that was applicable in the 2012 financial year was published in July 2012 and takes into account the 2nd Stability Act of 2012. The Austrian Corporate Governance Code can be viewed on the “www.corporate-governance.at” website.

## STATEMENT ON CORPORATE GOVERNANCE

The Semperit Group hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and also intends to observe the code in the future, or justify any deviations from it. The Supervisory Board also reached a corresponding unanimous decision. Semperit AG Holding complies with all legally binding L-rules (Legal Requirements). Unless otherwise declared, the C-rules (Comply-or-Explain) will be observed by the relevant bodies and the company.

## CORPORATE BODIES OF SEMPERIT AG HOLDING: MANAGEMENT BOARD

### Thomas Fahnemann

Chairman of the Management Board since April 14, 2011; previously Deputy Chairman of the Management Board since joining the company on December 1, 2010; current period of office ends November 30, 2013.
Departmental responsibilities: Medical Sector, which includes the Sempermed segment, Industrial Sector with the Semperflex, Sempertrans, and Semperform segments, Corporate Development & Strategy, Human Resources, Communications, Procurement & Logistics.

Following his studies in business administration in Mainz, Germany, Thomas Fahnemann, born in 1961, completed an Executive MBA Program at Northwestern University in Chicago. Thomas Fahnemann began his professional career with Hoechst AG in Frankfurt in 1983. He subsequently assumed several executive positions in Germany and the USA. In 1995 he was appointed Group Department Manager for Trevira in North Carolina, USA and starting in 1998 served as Chief Operating Officer for KoSa in Houston, USA. In 2003 he became CEO and Chairman of the Management Board of Lenzing AG in Austria. From 2009 to 2010 he was Chairman of the Management Board of RHI AG, Vienna. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements, pursuant to C-rule 16 of the Austrian Corporate Governance Code.

### Johannes Schmidt-Schultes

Member of the Management Board since April 15, 2011; Chief Financial Officer (CFO); current period of office ends April 14, 2014.
Departmental responsibilities: Accounting, Planning & Reporting, Controlling, Tax, Treasury, Investor Relations, Internal Audit, Risk Management, Legal and Compliance and Information Technology.

Johannes Schmidt-Schultes, born in 1966, concluded his studies in economics at the University of Hanover in 1993. In 1996 he graduated with a PhD from the Ludwig Maximilian University, Munich. He studied abroad at Aston University in Birmingham, UK, as well as the University of California in Berkeley, USA. During his doctoral studies, Johannes Schmidt-Schultes worked for the strategic consultants Bain & Company in Munich. From 1996 to 1999 he served as Head of the Department of Investment Controlling and Group Development at VIAG AG in Munich, and from 1999 to 2001 he was Managing Director of Finance for Kloeckner & Co in Vienna. In 2001 he moved to Deutsche Telekom Group – first as CFO of T-Mobile Austria in Vienna and then, from 2004 to 2007, of T-Mobile UK in Hatfield, UK. From 2007 to 2011 he was Deputy Chief Financial Officer of the Australian Telekom Telstra Corporation, which is based in Melbourne. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements. pursuant to C-rule 16 of the Austrian Corporate Governance Code.

### Richard Ehrenfeldner

Member of the Management Board since October 1, 2001; Chief Technical Officer (CTO); current period of office ends May 31, 2015. Departmental responsibilities: Technology, Innovation, Operational Excellence and Quality Management.

After concluding his studies in process engineering (chemical plant engineering) at the Graz University of Technology, Richard Ehrenfeldner, born in 1954, commenced his professional career in 1984 with AT&S in Leoben, where he headed the Departments of Production and Expansion with a particular focus on large investments in expanding production capabilities. In 1989 he moved to Semperit AG Holding. As Technical Manager of the Sempermed segment, he was responsible for the expansion of manufacturing facilities, as well as the construction and development of new plants in Sopron, Hat Yai, and Shanghai. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements, pursuant to C-rule 16 of the Austrian Corporate Governance Code.

### Richard Stralz

Member of the Management Board from June 1, 2004 until November 30, 2012.

## MANAGEMENT BOARD

The Management Board has consisted of three members since December 1, 2012. It has full responsibility for managing the company for the benefit of the enterprise while taking account of the interests of shareholders and employees as well as the public interest (L-rule 13).

Internal rules of procedure govern the allocation of business responsibilities and cooperation between members of the Management Board. Decisions of primary importance are taken by the Management Board as a whole. The Management Board itself takes full responsibility for communication tasks that have a significant impact on how the company is perceived by its stakeholders. The legally binding regulations, the Articles of Association, and the internal rules of procedure laid down by the Supervisory Board form the basis for corporate management. In addition, behavioural guidelines are also contained in the Austrian Corporate Governance Code.

## SUPERVISORY BOARD

The Supervisory Board consists of six shareholder representatives and three employee representatives. The Supervisory Board resolved to establish the following committees consisting of its own members to carry out specific functions: Executive Committee, Remuneration Committee, Audit Committee, Nominating Committee, and Strategy Committee. The authority to make decisions and pass resolutions rests in the hands of the entire Supervisory Board. The Supervisory Board supervises the Management Board and supports it in managing the company, particularly when decisions of primary importance are to be made.

### Meetings of the Supervisory Board and its committees

The Supervisory Board convened for five meetings during the 2012 financial year. No member of the Supervisory Board attended less than 50% of the meetings in the course of 2012.

The Auditing Committee led by Veit Sorger carried out its activities in accordance with prevailing legal regulations (three meetings), and in particular dealt with the 2011 Annual and consolidated Financial Statements, risk management, corporate governance, and cooperation with the auditors.

The Nominating Committee, also under the chairmanship of Veit Sorger, met twice to deal with appointments for Supervisory Board positions becoming vacant and issues in connection the termination of a Management Board member.

The Strategy Committee met once to deal with fundamental questions about the strategic development of the Group, in particular with regard to Asian growth regions.

The Remuneration Committee, chaired by Veit Sorger, held four meetings at which it discussed the arrangements for the termination of a Management Board member's employment contract, the objectives of the members of the Management Board, and the remuneration system for Management Board members.

An explicit and formal self-evaluation of the Supervisory Board (in accordance with C-Rule 36) took place for the first time in the 2012 financial year. Following the self-evaluation, suitable measures to improve the effectiveness of the Supervisory Board's activities are to be implemented. An external provider performed the anonymous evaluation of the questionnaires completed by the Supervisory Board members. The Executive Committee of the Supervisory Board has already determined the first actions based on the results. The full Supervisory Board discussed the evaluation and agreed the measures to be implemented in the ongoing work of the Supervisory Board. This process is to be repeated once a year – involving external support at regular intervals.

# SUPERVISORY BOARD

| | | Year of birth | First appointed | End of current term of office [1] | Supervisory Board positions in other listed companies |
|---|---|---|---|---|---|
| **Shareholder representatives** | | | | | |
| Veit Sorger<br>Chairman | 2) 3) 4) 5) 6) 7) 8) | 1942 | 26.05.2004 | Until the Annual General Meeting resolving upon the 2014 financial year | Lenzing AG |
| Michael Junghans<br>Deputy Chairman | 2) 3) 4) 5) 6) 7) | 1967 | 28.04.2010 | Until the Annual General Meeting resolving upon the 2012 financial year | Lenzing AG (Chairman), AMAG Austria Metall AG, Allgemeine Baugesellschaft A. Porr AG [9] |
| Walter Koppensteiner<br>Member | 2) 8) | 1959 | 23.04.2012 | Until the Annual General Meeting resolving upon the 2014 financial year | – |
| Martin Payer | 2) 8) | 1978 | 24.05.2007 | Until 23.04.2012 | Lenzing AG |
| Patrick Prügger<br>Member | 2) 5) | 1975 | 14.04.2011 | Until the Annual General Meeting resolving upon the 2013 financial year | Lenzing AG, AMAG Austria Metall AG, Allgemeine Baugesellschaft A. Porr AG [9] |
| Andreas Schmidradner<br>Member | 2) 5) 7) | 1961 | 20.05.2008 | Until the Annual General Meeting resolving upon the 2012 financial year | Lenzing AG |
| Anton Schneider | 2) 8) | 1951 | 30.04.2009 | Until 23.04.2012 | Linz Textil Holding AG, SHW AG (Germany) (Chairman) |
| Ingrid Wesseln<br>Member | 2) 8) | 1966 | 23.04.2012 | Until the Annual General Meeting resolving upon the 2014 financial year | – |

| **Employee representatives** | | | | | **Worker's council functions** |
|---|---|---|---|---|---|
| Sigrid Haipl | | 1960 | 26.03.2012 | – | Chairman of the Works Council – Staff Employees, Vienna |
| Alexander Hollerer | 5) 6) 7) | 1954 | 01.07.1998 | – | Deputy Chairman of the European Works Council, Chairman of the Central Works Council of Semperit AG Holding, Chairman of the Works Council – Staff Employees, Wimpassing |
| Andreas Slama | 5) 7) | 1966 | 31.01.2009 | – | Chairman of the European Works Council, Chairman of the Works Council – Factory Employees, Wimpassing |
| Matthias Unkrig | | 1968 | 05.04.2005 | Until 26.03.2012 | – |

1) One fifth of the members of the Supervisory Board automatically leave their positions every year at the end of the Annual General Meeting, pursuant to the Articles of Association.
2) Have declared their independence vis-à-vis the Supervisory Board in accordance with Rule 53 of the Austrian Corporate Governance Code.
3) Executive Committee
4) Remuneration Committee
5) Audit Committee
6) Nominating Committee
7) Strategy Committee
8) No representation by a shareholder over 10% (C-Rule 54 of the Austrian Corporate Governance Code).
9) Until 25.10.2012

### Guidelines for the independence of Supervisory Board members

A member of the Supervisory Board shall be deemed independent if he/she has no business or personal relations with the company or its Management Board that would constitute a material conflict of interests, and thus could influence the member's behaviour.

In evaluating the independence of a Supervisory Board member, the Supervisory Board uses the following guidelines, which correspond to those contained in Appendix 1 of the July, 2012 version of the Austrian Corporate Governance Code:

- The Supervisory Board member shall not have served as a member of the Management Board or as a senior manager of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board according to Section 95 Para. 5 Austrian Stock Corporation Act does not automatically mean the person is qualified as not independent.
- The Supervisory Board member shall not have been auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the Management Board of another company in which a Management Board member of the company is a Supervisory Board member.
- The Supervisory Board member shall not serve on the Supervisory Board for more than 15 years. This limitation does not apply to Supervisory Board members who are shareholders in a corporate holding or who represent the interests of such shareholders.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the aforementioned positions.

## COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

The strategic direction of the company is determined in close cooperation between the Management Board and the Supervisory Board and discussed in Supervisory Board meetings held at regular intervals. The Supervisory Board determines the division of departments and responsibilities in the Management Board, as well as those transactions requiring its explicit authorisation in accordance with statutory provisions. Furthermore, the Supervisory Board supports the Management Board in managing the company, particularly when decisions of primary importance are to be made.

## REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the Management Board encompasses a fixed salary component, a short-term variable, performance-based component, and a long-term variable, performance-based component, as well as remuneration in kind. The assessment for the short-term variable, performance-based salary component of the Management Board is based on net profit (earnings after tax), the dividend amount distributed (the last time for a Management Board member in 2012), the return on total assets and personal, qualitative targets.

In line with the stipulations contained in the Austrian Corporate Governance Code, a variable, performance-based salary component has now been integrated into the remuneration of all Management Board members. This is linked to the achievement of sustainable, long-term and multi-annual performance criteria. Based on the achievement of the targeted objectives, this bonus is subsequently determined for the past financial year and paid in three equal instalments

## Remuneration paid to the Management Board

| in kEUR | 2011 Fixed remuneration (incl. payments in kind and daily allowances) | 2011 Variable short-term remuneration | 2011 Variable long-term remuneration ("bonus bank" | 2011 Total | 2012 Fixed remuneration (incl. payments in kind and daily allowances) | 2012 Variable short-term remuneration | 2012 Variable long-term remuneration ("bonus bank" | 2012 Total |
|---|---|---|---|---|---|---|---|---|
| Thomas Fahnemann, Chairman | 458 | – | – | 458 | 461 | 258 | – | 719 |
| Richard Ehrenfeldner | 362 | 344 | – | 706 | 376 | 226 | – | 602 |
| Johannes Schmidt-Schultes [1] | 172 | – | – | 172 | 271 | 85 | – | 356 |
| Richard Stralz [2] | 346 | 315 | – | 661 | 330 | 169 | – | 499 |
| Rainer Zellner [3] | 142 | 960 | – | 1,102 | – | – | – | – |
| **Summe** | **1,480** | **1,619** | **–** | **3,099** | **1,438** | **738** | **–** | **2,176** |

[1] Appointed to the Management Board on 15.04.2011
[2] Resigned from the Management Board on 30.11.2012 (amounts presented above are remuneration paid based on claims for the period until 30.11.2012)
[3] Resigned from the Management Board on 14.04.2011 (amounts presented above are remuneration paid based on claims for the period until 14.04.2011)

over a period of three years. If the pre-defined goals are not attained, no bonus is assigned to the variable remuneration category, or, in the case of a premature termination of the Management Board mandate, the still unpaid share of the bonus is completely cancelled.

The upper limit for variable, performance-based remuneration components (short-term and long-term components) is between 82% and 111% of the annual fixed remuneration. In the 2012 financial year, the remuneration paid to the active members of the Management Board totalled EUR 2,176 thousand (previous year: EUR 3,099 thousand), of which EUR 738 thousand (previous year: EUR 1,619 thousand) consisted of variable salary components. Due to changes in the composition of the Management Board during the year under review, the meaningfulness of a year-on-year comparison is limited.

In addition, payments were made to the former Management Board member Richard Stralz when his employment relationship was concluded. These payments totalled EUR 847 thousand (previous year:  EUR 0 thousand).

The remuneration paid to the former Chairman of the Management Board Rainer Zellner amounted to EUR 1,008 thousand in 2012 (2011: EUR 357 thousand - this remuneration relates to the period from April 14, 2011 until December 31, 2011).

Expenses for retirement benefits for the active members of the Management Board members based on the defined contribution principle totalled EUR 210 thousand (previous year: EUR 186 thousand).

For all members of the Management Board, retirement benefits are either specified in the Articles of Association, which prescribe pension plan reinsurance using the defined contribution principle, or specified in the respective contract using the defined contribution principle.

In the case of termination of the employment contract of a Management Board member, the respective member is entitled to a severance payment in accordance with the Salaried Employees Act or the Corporate Employee and Self-Employed Pension Act.

A Directors and Officers (D&O) insurance has been taken out for the members of the Management Board and senior executives – no deductible is due from Management Board members in the event of a claim; the company bears the related costs.

## REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was revised by the Annual General Meeting on April 23, 2012 through a modification to Section 15 of the Articles of Association of Semperit AG Holding. Supervisory Board members were remunerated based on the previous scheme for the last time in 2012. According to this scheme, each member of the Supervisory Board received an attendance fee for each session totaling EUR 120 as compensation for expenses, as well as an annual fee amounting to EUR 4,360. Both fees were linked to the consumer price index (basis: CPI 2000, annual average 2004 = 108.1), therefore the fees for 2012 are slightly higher than the aforementioned amounts. The fixed annual fee was increased by 100% for the Chairman of the Supervisory Board and 50% for the Deputy Chairman. In addition, the members of the Supervisory Board as a whole (excluding employee representatives) received 0.15% of the earnings after tax of the Semperit Group as a performance-based profit-sharing bonus, after the consolidated financial statements have been granted an unqualified opinion by the auditors. This profit-sharing bonus was divided among the Supervisory Board members so that each member received an equal share, the Chairman an additional 100% of this share and the Deputy Chairman an additional 50%. Moreover, the performance-based component was not allowed to exceed 2.5 times the annual fixed fee (excluding attendance fees) for each Supervisory Board member.

**Remuneration paid in the 2012 financial year to the Supervisory Board [1)]**

| in EUR | Year of birth | Annual fixed remuneration | Attendance fee | Performance-based profit-sharing bonus | Total |
|---|---|---|---|---|---|
| Veit Sorger | 1942 | 10,083 | 694 | 21,639 | 32,416 |
| Michael Junghans | 1967 | 7,562 | 694 | 16,229 | 24,486 |
| Walter Koppensteiner | 1959 | – | – | – | – |
| Walter Lederer [2)] | 1961 | 1,437 | 0 | 3,083 | 4,519 |
| Martin Payer [3)] | 1978 | 5,042 | 694 | 10,820 | 16,555 |
| Patrick Prügger | 1975 | 3,591 | 555 | 7,707 | 11,853 |
| Andreas Schmidradner | 1961 | 5,042 | 694 | 10,820 | 16,555 |
| Anton Schneider [3)] | 1951 | 5,042 | 555 | 10,820 | 16,416 |
| Ingrid Wesseln | 1966 | – | – | – | – |
| | | **37,798** | **3,885** | **81,117** | **122,801** |

1) Employee representatives receive no remuneration.
2) Resigned from the Supervisory Board on 14.04.2011
3) Resigned from the Supervisory Board on 23.04.2012

Unlike the existing scheme, the proposal to the Annual General Meeting on April 30, 2013 for remuneration of the Supervisory Board members for their activities in 2012 no longer includes variable compensation; instead, it contains the following components:

- base remuneration of EUR 20,000 (additional premium of 50% for the Chairman and 25% for the Deputy Chairman)
- remuneration of EUR 2,500 per each membership in a committee
- attendance fee of EUR 1,000 per each meeting of the Supervisory Board and EUR 500 per each meeting of a committee

A Directors and Officers (D&O) insurance has been taken out for the members of the Supervisory Board; the company bears the related costs.

## COMPLIANCE POLICY

In order to implement and ensure compliance with all relevant securities regulations, Semperit has issued its own Compliance Policy designed to prevent the misuse or dissemination of insider information. Compliance is monitored and administered by a specially designated compliance officer reporting directly to the Management Board. The Compliance Directive can be viewed at the following link:
www.semperitgroup.com/en/ir/corporate-governance/compliance-code.

## CODE OF CONDUCT

In order to strengthen and expand existing compliance tools beyond securities compliance, a compliance organisation was implemented during the reporting period that covers all corporate units. A Group Compliance Officer receives support in fulfilling his responsibilities from 15 compliance officers working in the largest subsidiaries of Semperit Group. He reports any incidents to the Compliance Committee, which is directly subordinate to the Management Board.

In addition to these organisational improvements, a Code of Conduct was adopted in the 2012 reporting period that is binding for all employees and managers. Its most important objectives are to avoid corruption, money laundering, human rights violations, insider trading, and deal with aspects of data protection, export restrictions, and the protection of the interests of all stakeholders. These requirements for behaviour are further specified in thematic compliance guidelines that are available to all employees in more than ten languages. The contents of these guidelines are also taught in regular training sessions. The Code of Conduct can be viewed at the following website:
www.semperitgroup.com/en/ir/corporate-governance/code-of-conduct.

## ADVANCEMENT OF WOMEN

The Semperit Group attaches great importance to ensuring the equal treatment of men and women in all respects. In recent years, the number of women employed in management-track positions within the Semperit Group has steadily increased. Women comprise 5% of the top management of the company and more than 20% of the Supervisory Board. In Austria, women already comprise about one-third of the employees participating in junior management development programmes. Moreover, if the respective job position allows, Semperit promotes the compatibility of family and career by providing flexible working models and teleworking opportunities.

## DIRECTORS' DEALINGS

In accordance with Section 48d of the Austrian Stock Exchange Act, share purchases or sales by members of the Management and Supervisory Boards must be reported to the Austrian Financial Market Authority within five working days following conclusion of the transaction, and published on its website.

## INTERNAL AUDIT & RISK MANAGEMENT

The Internal Audit & Risk Management department reports directly to the Management Board and prepares an audit plan and an annual activity report for the previous financial year. The Management Board discusses these reports with the members of the Supervisory Board. In addition, the department performs risk management tasks. These include in particular the central coordination and monitoring of risk management processes for the entire Group, as well as risk measurement and comprehensive reporting to the Management Board and the Supervisory Board. The effectiveness of the company's risk management system is evaluated by the auditor on the basis of the reports and other documents provided. The auditor's report is presented to the Management Board as well as to the Supervisory Board.

The purpose of the Internal Control System (ICS) of the Semperit Group is to ensure the effectiveness and profitability of business operations, the reliability of financial reporting, and adherence to applicable laws and regulations. It is continually updated and expanded by the Internal Audit department together with the appropriate functional departments in the company as a means of supporting the early identification and ongoing monitoring of risk resulting from inadequate monitoring systems and fraudulent acts. For instance, Internal Audit & Risk Management managed a project during 2012 to once again review all accounting-relevant processes in a systematic and comprehensive manner with respect to an effective ICS. The new minimum standards derived from this initiative must be adhered to by Group subsidiaries throughout the world.

## EXTERNAL EVALUATION

In accordance with Rule 62 of the Austrian Corporate Governance Code, the Semperit Group has its compliance with the stipulations contained in the code and the accuracy of its related public reporting evaluated by an external institution. This was last performed at the beginning of 2011. The most recent evaluation carried out by KPMG did not discover any facts inconsistent with the declaration of the Management Board and Supervisory Board found in the Corporate Governance Report of the company with respect to its compliance with the C-Rules and R-Rules of the Austrian Corporate Governance Code.

Vienna, March 19, 2013

| | | |
|---|---|---|
| **Thomas Fahnemann**<br>**Chief Executive Officer**<br>**Chairman** | **Johannes Schmidt-Schultes**<br>**Chief Financial Officer** | **Richard Ehrenfeldner**<br>**Chief Technical Officer** |

# REPORT OF THE SUPERVISORY BOARD

## Dear Sir or Madam,

Veit Sorger,
Chairman of the
Supervisory Board

During the 2012 financial year, the Semperit Group laid a further foundation for the continued growth of the Sempermed segment with the acquisition of Latexx Partners, the world's sixth largest producer of examination gloves, based in Malaysia. Despite this strategic milestone and important operational accomplishments, the 2012 financial year was overshadowed by economic uncertainty and characterised by strong competitive pressure as well. As a result, although revenue was up slightly, EBIT and the EBIT margin declined.

The Supervisory Board held five meetings during the 2012 financial year, fulfilling the duties required of it by law and the company's statutes. In addition to the aforementioned acquisition, these meetings focused primarily on business performance, the strategic development of the Group, and key business events and measures.

The Auditing Committee met three times during the reporting year to deal with, among other things, the enhancement of the risk management system, corporate governance tools, and compliance measures. For example, a Compliance Officer was newly appointed and a Code of Conduct was adopted that defines binding standards of behaviour throughout the Group. A special priority of the Auditing Committee in 2012 was selection of the auditor for the Annual Financial Statements of Semperit AG Holding and its subsidiaries. Based on its recommendation, a tender was conducted for the 2013 audit, audit services were harmonised and standardised throughout the Group, and the number of auditors utilised Groupwide were reduced from 15 to 7. This approach will be continued with the goal of improving the reliability of audit services even further.

Based on the efficient auditing process for the 2012 Financial Statements, the Supervisory Board will recommend to the Annual General Meeting that the Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, be appointed as auditor for the 2013 financial year.

The Nominating Committee met twice during the reporting year, dealing with appointments for Supervisory Board positions becoming vacant and issues in connection with the termination of a Management Board member. During 2012, the Remuneration Committee held four meetings and the Strategy Committee met once.

The Management Board keeps the Supervisory Board informed of business developments with a regular monthly report. In-depth documents about the Group are made available in a timely manner in advance of these Supervisory Board meetings. Between these meetings, the Management Board also reports to the Executive Committee regularly on the progress of the business and the situation of the company.

Richard Stralz, a member of the Management Board of Semperit AG Holding since June 1, 2004, resigned from the Management Board effective November 30, 2012. During his nearly 25 years of service at Semperit, he made important contributions to the implementation of the company's growth and internationalisation strategy, for which I would like to thank him on behalf of the entire Supervisory Board.

The Annual Financial Statements of Semperit AG Holding, including the management report, were audited on the basis of the company's accounting records by the auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of Vienna. The auditor confirmed that the Annual Financial Statements comply with statutory regulations; that they give a true and fair view of the company's assets and financial position on December 31, 2012 and of the company's earnings for the financial year from January 1, 2012 to December 31, 2012 in compliance with generally accepted Austrian accounting principles; and that the management report is consistent with the Annual Financial Statements. Furthermore, the auditor confirmed that a Corporate Governance Report has been prepared. The auditor issued an unqualified audit opinion on the Annual Financial Statements for 2012.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of Vienna audited the consolidated Financial Statements, which were prepared in compliance with International Financial Reporting Standards (IFRS) as they are applied in the EU, and the Group management report which was prepared in accordance with the Austrian Commercial Code (UGB). The auditor confirmed that the consolidated Financial Statements give a true and fair view of the Group's assets and financial position on December 31, 2012 and of the Group's earnings and cash flows for the financial year from January 1, 2012 to December 31, 2012, and that the Group management report is consistent with the consolidated Financial Statements. The auditor issued an unqualified audit opinion on the consolidated Financial Statements for 2012.

In a meeting held on March 19, 2013, the Audit Committee of the Supervisory Board gave detailed consideration to the Annual Financial Statements, the Corporate Governance Report, the consolidated Financial Statements, and the auditor's reports. Moreover, the Committee discussed the results of the audit in detail with the auditor.

The Supervisory Board has examined the Annual Financial Statements, the consolidated Financial Statements, the management report, and the Group management report, and concurs with the conclusions of the auditor. The Supervisory Board formally approves the Annual Financial Statements for the 2012 financial year, which are consequently adopted in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act. The management report, consolidated Financial Statements, and the Group management report for 2012 have been approved by the Supervisory Board.

The Supervisory Board accepts the Management Board's proposal on the distribution of profits, according to which a dividend of EUR 0.80 per eligible share is to be paid from Semperit AG Holding's reported net profit for the year of kEUR 16,941, with the remaining profit carried forward.

On behalf of the entire Supervisory Board, I would like to thank the Management Board and all members of staff for their commitment and for the accomplishments they achieved during the financial year. I would also like to thank the shareholders and customers of the Semperit Group for the faith they have placed in the company. At the same time, they may rest assured that every effort will be made to continue the success of the company.

Vienna, March 19, 2013

**Veit Sorger m.p.**
**Chairman of the Supervisory Board**

# GROUP MANAGEMENT REPORT

## Economic environment

Following the deepening of the global financial and economic crisis in 2011, the global economy continued to cool down in 2012. The required consolidation of public and private finances, weakness of job markets and high levels of uncertainty reduced demand for capital goods and consumer durables, in particular. In addition, the recession in the Eurozone and subdued demand in the USA weighed down significantly on international trade, which grew by only 3.5% in 2012 following growth of 6.2% in the previous year.

According to the World Bank's most recent calculations, economic output in the Eurozone declined by 0.4% in 2012, having grown by 1.5% in the prior year. GDP in the US rose by an expected 2.2% following growth of 1.8% in the previous year, and Japan emerged from its recession in 2011 to record growth of 1.9%.

Following growth of 9.3% in the previous year, China's GDP growth weakened to 7.9%. India's rate of growth fell from 6.9% to 5.1%. Brazil experienced a significant economic slowdown in 2012 with GDP growth falling from 2.7% to 0.9%. The Mexican economy, on the other hand, remained in robust good health, recording a 4.0% increase in economic output.

Unlike other members of the Eurozone, Austria has not yet suffered a decline in real GDP. According to the calculations of the Österreichische Nationalbank (Austrian National Bank), GDP did fall slightly in the fourth quarter of 2012 but grew by 0.8% overall for the full year 2012 (2011: 2.7%). The most recent estimates of the economic researchers indicate that a marked upswing can be expected in Austria in 2013.

The impact of macroeconomic conditions on the Semperit Group varies from one business area to another. While the market for medical products tends to evolve largely independently of economic cycles, the energy, construction, machine-building and industrial equipment industries, which are of relevance for the Semperit Group's Industrial Sector, are more sensitive to the overall economic situation.

## Developments in the commodities markets

The commodities markets of relevance to the rubber industry were characterised by different trends in various sub-markets and coupled with persistently high levels of volatility. Economic conditions resulted in widespread weakness in demand and ultimately in a downward trend. The supply shortages that had such a major effect on procurement and prices in 2011 were no longer a factor at all in 2012.

Natural rubber prices climbed sharply at the start of 2012, a trend largely attributable to the Thai government's announcement that it would intervene in the market. However, due to lower demand, prices fell again in the subsequent quarters. Following this period of volatility during the year, prices for natural rubber towards the end of 2012 were around 10% lower than at the end of 2011.

Butadiene is the main raw material for synthetic latex and rubber. A petrochemical by-product, its price is partially dependent on the price of crude oil, and we have seen above-average price increases in recent years due to market-specific factors. Following a significant price increase in the first half of 2012, the price of butadiene declined in the second half of the year, hovering at the end of 2012 in Europe at just over 10% below its level at the end of 2011.

Industrial carbon blacks play a crucial role in the processing of rubber. With demand being weaker, this raw material was available in sufficient quantities. Persistently high energy prices in 2012 had a corresponding impact on the carbon black market too, resulting in relatively high prices.

The prices of wire and steel cord, which are processed in the segments of the Industrial Sector, were lower at the end of 2012 than at the end of 2011.

# Financial development

**Abstract from the consolidated income statement for the financial year from January 1, 2012 until December 31, 2012**

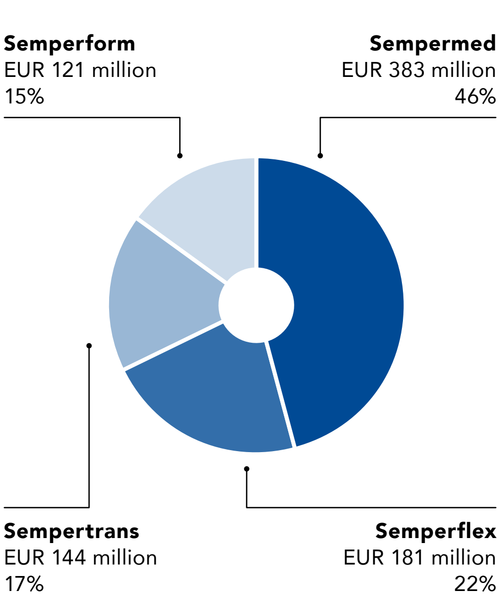
| in EUR million | 2012 | 2011 adjusted | Change |
|---|---|---|---|
| **Revenue** | **828.6** | **820.0** | **+1.0%** |
| Changes in inventories | –1.9 | 2.8 | – |
| Own work capitalised | 1.6 | 0.8 | +98.4% |
| **Operating revenue** | **828.2** | **823.6** | **+0.6%** |
| Other operating income | 32.8 | 33.8 | –3.0% |
| Material costs | –501.0 | –513.1 | –2.3% |
| Personnel expenses [1] | –127.4 | –117.9 | +8.1% |
| Other operating expenses | –124.2 | –116.6 | +6.5% |
| Share of profit from associated companies [2] | 0.3 | 0.2 | +25.1% |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]** | **108.7** | **110.0** | **–1.3%** |
| Depreciation and amortisation of tangible and intangible assets | –36.2 | –29.7 | +21.8% |
| **Earnings before interest and tax (EBIT) [1]** | **72.5** | **80.4** | **–9.8%** |
| **Financial result [1]** | **–14.0** | **–13.5** | **+4.4%** |
| **Earnings before tax (EBT) [1]** | **58.5** | **66.9** | **–12.6%** |
| Income taxes [1] | –12.2 | –15.2 | –19.3% |
| **Earnings after tax [1]** | **46.2** | **51.8** | **–10.7%** |

[1] Figure for 2011 adjusted (see 2.18. in notes to the consolidated financial statements)
[2] Reported in financial year 2011 under the financial result

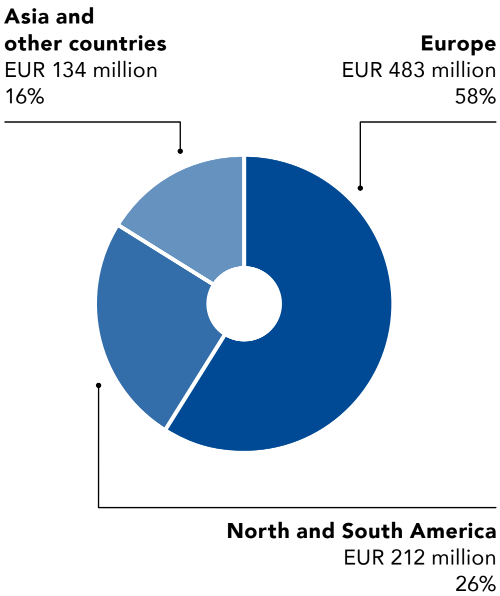
## REVENUE

Despite a lower average price level, which was attributable to a slight decline in the prices of raw materials, the Semperit Group's revenue grew by 1.0% in the financial year 2012, resulting in record revenue of EUR 828.6 million. This increase is due to the consolidation of Latexx Partners, which was taken over on 31 October 2012. The Semperform segment, with growth of 5.4%, and the Sempermed segment (including Latexx Partners since 31 October 2012), with growth of 3.2%, contributed to this rise in revenue. Revenue in the Semperflex and Sempertrans segments fell by 3.4% and 2.2%, respectively. There is a detailed analysis of the segments starting on page 96.

**Revenue split by segment in EUR million**




**Revenue split by region in EUR million**




## EARNINGS POSITION

Earnings performance in 2012 was influenced by two main factors. First, there was a very positive trend in the Industrial Sector. As a result, despite some difficult market conditions, EBIT increased by EUR 4.7 million or 8.7% to EUR 58.2 million. Second, in the Medical Sector, EBIT in the Sempermed segment fell from EUR 34.4 million in the previous year to EUR 27.6 million. The EBIT decline for the segment was largely attributable to intense competition and some adverse one-off effects, although some positive one-off effects helped to partially offset these factors.

Other operating income fell slightly year on year by EUR 1.0 million to EUR 32.8 million. The slight decline in raw material prices overall reduced the cost of materials and third-party services by EUR 12.1 million or 2.3% to EUR 501.0 million. Around 90% of these costs were for raw materials, and most of the rest were energy costs for production. The cost of materials as a proportion of revenue fell from over 62% to 60.5% in the year under review.

Compared with the 1.0% increase in revenue, personnel expenses and other operating expenses rose disproportionately by 8.1% to EUR 127.4 million and by 6.5% to EUR 124.2 million, respectively. Adjustments to wages and salaries based on statutory requirements and collective bargaining agreements (including increases to the minimum wages in Thailand and

China) and the increase in the average number of employees by 472 to 8,305 due primarily to the acquisition of Latexx Partners, contributed to this. As a result of these developments, personnel expenses rose to a level corresponding to 15.4% of revenue (up from 14.4%). The costs of acquiring Latexx Partners were a significant factor in the other operating expenses.

EBITDA (earnings before interest, tax, depreciation and amortisation) fell slightly in the financial year 2012 by 1.3% or EUR 1.4 million to EUR 108.7 million, reducing the EBITDA margin from 13.4% to 13.1%. Depreciation and amortisation increased by 21.8% or EUR 6.5 million to EUR 36.2 million. This was mainly due to the commissioning of new capacities in Thailand in the Sempermed segment and the first-time consolidation of Latexx Partners.

As a result of these developments, EBIT (earnings before interest and tax) fell by 9.8% or EUR 7.9 million to EUR 72.5 million. The EBIT margin for 2012 was 8.8% compared with 9.8% in the previous year.

The financial result fell year on year by EUR 0.6 million to EUR –14.0 million. This development is attributable, above all, to higher financial expenses in relation to the newly concluded framework loan agreement. The result attributable to redeemable non-controlling shares remained around the same as in 2011 at EUR 15.0 million.

Earnings before tax for the Semperit Group fell year on year by 12.6% from EUR 66.9 million to EUR 58.5 million. The tax burden fell in the financial year 2012 by EUR 2.9 million to EUR 12.2 million. The tax rate (as a percentage of earnings before tax and redeemable non-controlling shares) fell from 18.6% to 16.7%. The tax rate as a percentage of earnings before tax was 20.9% for 2012 and 22.7% for 2011. The fall in the tax rate is attributable to changes in the regional composition of the earnings and one-off deferred tax income.

Earnings after tax for the Semperit Group fell by 10.7% from EUR 51.8 million in the previous year to EUR 46.2 million. Earnings per share fell by a similar percentage from EUR 2.52 in 2011 to EUR 2.25. Earnings per share were based on an unchanged number of bearer shares (20,573,434), each of which represents an equal interest in the share capital. The share capital of Semperit AG Holding amounted to EUR 21.4 million. The return on equity, based on equity of EUR 406.2 million, was 11.4% after 13.6% in 2011.

# Dividend

The management board will propose an unchanged dividend of EUR 0.80 per share at the annual general meeting on 30 April 2013. This results in a dividend payout of EUR 16.5 million, as in the previous year. The dividend payout ratio for the financial year 2012 is 35.6% compared with 31.7% in the previous year. Given the share price of EUR 31.36 as at the end of 2012, that results in a dividend yield of 2.6%. The dividend policy of the Semperit Group aims for a dividend payout ratio of around 30% of the earnings due to shareholders after tax – assuming continued successful performance and that no unusual circumstances occur.

# Assets and financial position

The balance sheet total of the Semperit Group increased by around a third in 2012 from EUR 616.7 million to EUR 824.5 million. The main reason for this was the acquisition of Latexx

Partners. The effects of this acquisition are reflected in an increase in intangible assets by EUR 5.6 million to EUR 112.8 million. This item comprises goodwill, customer relationships and a gas procurement agreement. Property, plant and equipment increased by over 20% to EUR 267.9 million as a result of the investments made and the acquisition. This includes prepayments and assets under construction amounting to EUR 11.2 million (2011: EUR 38.0 million). Total fixed assets grew by two-thirds to EUR 391.1 million.

Current assets including deferred taxes increased by 13.1% to EUR 431.5 million. Inventories and trade receivables rose due to the acquisition, and cash and cash equivalents increased as a result of ongoing cash generation. Trade working capital, consisting of inventories plus trade receivables minus trade payables, amounted to EUR 212.1 million, which is just under the level for the previous year despite the increase as a result of the acquisition. Trade working capital as a percentage of revenue improved slightly from 25.9% to 25.6%.

**Abstract from the consolidated balance sheet dated December 31, 2012**

| in EUR million | 31.12.2012 | 31.12.2011 adjusted | Change |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets | 391.1 | 233.4 | +67.5% |
| Inventories | 142.5 | 137.6 | +3.5% |
| Trade accounts receivable | 120.2 | 114.3 | +5.1% |
| Current assets including deferred taxes | 170.8 | 131.3 | +30.1% |
| **Balance sheet total** | **824.5** | **616.7** | **+33.7%** |
| | | | |
| **Equity and liabilities** | | | |
| Equity [1] | 428.0 | 379.4 | +12.8% |
| Liabilities from redeemable non-controlling shares | 110.1 | 97.3 | +13.1% |
| Provisions including social capital [1] | 64.8 | 61.8 | +4.9% |
| Other liabilities including deferred taxes [1] | 221.6 | 78.2 | >100.0% |
| **Balance sheet total** | **824.5** | **616.7** | **+33.7%** |

[1] **Figure for 2011 adjusted (for an explanation see Note 2.18.)**

Net liquidity fell from EUR 91.7 million to EUR 14.8 million but remains clearly positive. The decline can be explained by the payments made to acquire Latexx Partners and the associated assumption of net debt. With an equity ratio that remains high at 49.3%, the Semperit Group continues to have a very good financial position for taking the steps required for further growth.

Given earnings after tax of EUR 46.2 million, dividend payments to shareholders for 2011 of EUR 16.5 million, the slight improvement in the foreign currency reserve (EUR 1.0 million) and the positive effects of revaluations (EUR 0.2 million), total equity (without redeemable non-controlling shares) increased by 7.1% to EUR 406.2 million.

The equity ratio, which is a measure of the company's financial independence, stands at 49.3% (previous year: 61.5%).

External capital increased by EUR 159.2 million, above all, through the partial use of the framework loan agreement to finance the acquisition of Latexx Partners. The liabilities from redeemable non-controlling shares increased by EUR 12.8 million to EUR 110.1 million. Provisions including social capital increased by EUR 3.0 million. Other liabilities including latent taxes increased by EUR 143.4 million to EUR 221.6 million as a result of financing activities.

# Cash Flow

Gross cash flow for 2012 fell by 4.2% or EUR 3.8 million to EUR 85.6 million. Cash flow from operating activities increased as a result of the positive development of working capital by EUR 77.3 million to EUR 106.7 million. The figures for Latexx Partners are only included in the reported items with effect from its first-time consolidation on 31 October 2012.

**Abstract from the cash flow statement for the financial year from January 1, 2012 until December 31, 2012**

| in EUR million | 2012 | 2011 adjusted | Change |
|---|---|---|---|
| Gross cash flow [1] | 85.6 | 89.4 | –4.2% |
| Cash flow from operating activities | 106.7 | 29.4 | >100.0% |
| Cash flow from investing activities | –151.6 | –43.0 | >100.0% |
| Cash flow from financing activities | 80.7 | –24.4 | – |
| Changes in cash and cash equivalents | 35.7 | –38.1 | – |
| Cash and cash equivalents at the end of the period | 133.3 | 97.9 | +36.2% |

[1] Figure for 2011 adjusted (for an explanation see Note 2.18.)

The cash flow from investing activities amounted to EUR –151.6 million in the financial year 2012 (EUR –43.0 million in the previous year). The increase is due to the acquisition of Latexx Partners. Without the acquisition, cash flow from investing activities would amount to EUR 30.7 million. EUR 41.2 million was invested in tangible and intangible assets, down from EUR 45.1 million in 2011.

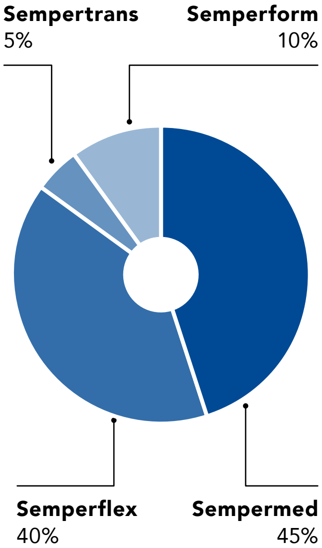
Cash flow from financing activities improved by EUR 105.1 million to EUR 80.7 million (2011: EUR –24.4 million), primarily as a result of the partial use of the framework loan agreement in the amount of EUR 100.0 million as at year end 2012 as well as the lower dividend payout (EUR 16.5 million in 2012, down from EUR 25.7 million in 2011). Cash and cash equivalents on the balance sheet date amounted to EUR 133.3 million, a year-on-year increase of EUR 35.4 million.

# Investments and acquisitions

Total investments (CAPEX) amounted to EUR 41.2 million in 2012, down from EUR 45.1 million in the previous year. The ratio of CAPEX to depreciation and amortisation thus decreased from a factor of 1.5 in the previous year to 1.1. Investment activities in the Sempermed segment were focused on the expansion of the new plant for examination and protective gloves in Surat Thani, Thailand. In the Semperflex segment, investments were made to replace and expand plant and equipment at sites in the Czech Republic, Thailand and China.

EUR 121.0 million (after deduction of the cash taken over) was invested in the acquisition of the Latexx Partners group in Kamunting, Malaysia. Latexx Partners is one of the world's largest manufacturers of examination and protective gloves. The company is listed on the Main Market of Bursa Malaysia. As at the end of 2012, almost 83% of all shares and almost 99% of all options were held, amounting to a holding, on a diluted basis, of nearly 86%. Latexx Partners has an attractive cost structure and a strong position in the OEM business as well as long-standing customer relationships. Latexx Partners' high level of production flexibility and development of innovative products will further strengthen the position of the Semperit Group in the global market.

**Investments by segment (Total EUR 41.2 million)**

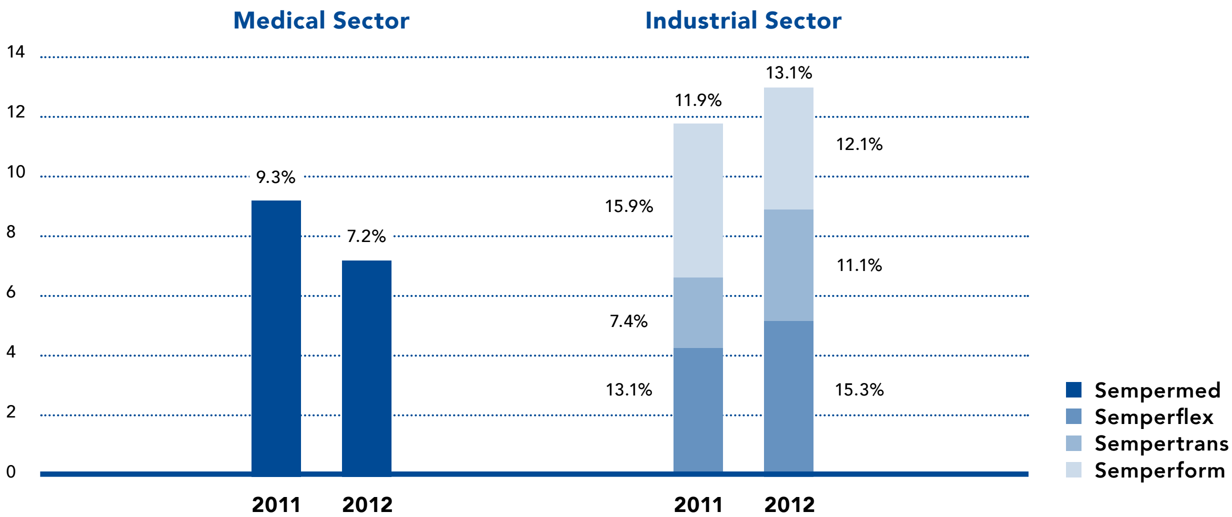



# Performance of the sectors

The Medical Sector performed significantly better in terms of earnings than the Industrial Sector in the financial year 2012. Despite the fact its revenue fell by 0.8%, the Industrial Sector was able to increase its EBIT by 8.7%, and its EBIT margin increased from 11.9% to 13.1%. All of the segments in the Industrial Sector had an EBIT margin of over 10%. The EBIT margin of the Medical Sector, on the other hand, fell from 9.3% to 7.2%.

The Industrial Sector benefited in 2012 from a very good sales performance, from the measures taken to optimise production and the use of materials and from the investments made.

**EBIT margin by sector**



# Performance of the segments

## SEMPERMED

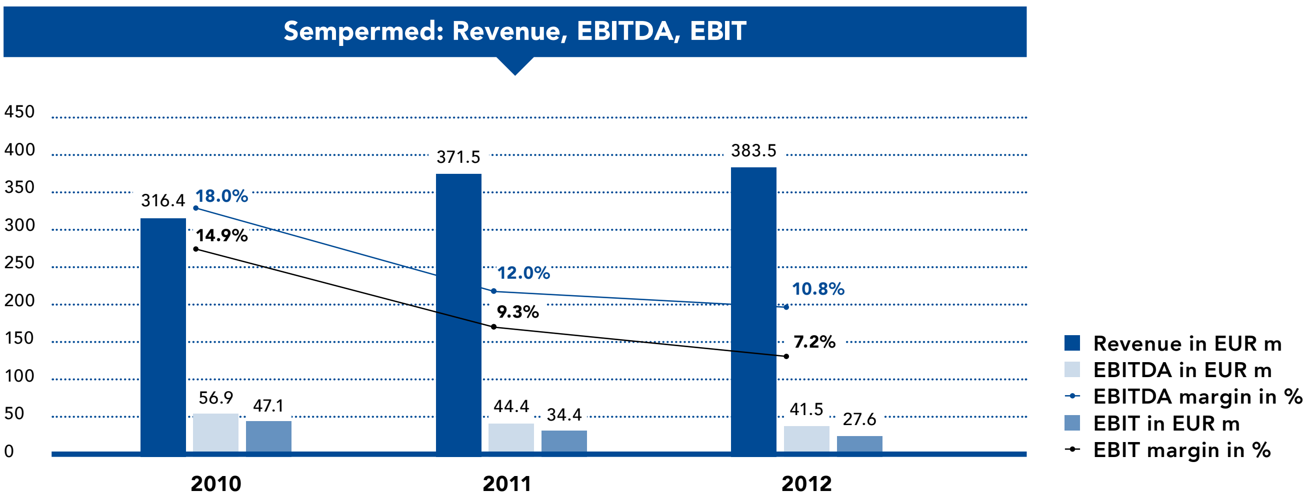
Sempermed increased revenue by 3.2% or EUR 12 million to EUR 383.5 million in the financial year 2012. EUR 15 million of this revenue is attributable to the takeover of Latexx Partners with effect from 31 October 2012. Without Latexx Partners, revenue would have fallen slightly in 2012 by around 1%. The reason for this is a negative price effect resulting from falling raw material prices for both natural and synthetic latex. Although there was an increase in the volumes of gloves sold (sales of examination gloves were over 4% (plus 10% including Latexx Partners) higher and sales of surgical gloves 3% higher), this could not compensate for the negative price effect.

2012 was notable, above all, for strong demand from the US throughout the year. There was growth in Asia, too. With a share of around 45%, North and South America are the most important sales markets for Sempermed, followed by Europe with 40%. Asia and other countries account for 10% and around 5%, respectively. The acquisition of Latexx Partners means that, by the end of 2013, Europe's share will decline to below 40%, while Asia's share will increase, and that of North and South America will remain roughly the same.

Average capacity utilisation for the year was more than 85% (without Latexx Partners). Capacity utilisation was below average at 80% at the start of 2012, rising to over 90% during the year.

EBITDA for the Sempermed segment was 6.5% lower than for the previous year at EUR 41.5 million, and EBIT fell by 19.8% to EUR 27.6 million. EBIT fell by more than EBITDA due to the increase of EUR 4 million in depreciation and amortisation to EUR 14 million, resulting from the commissioning of new capacities in Surat Thani, Thailand and the consolidation of Latexx Partners. The EBITDA margin fell from 12.0% to 10.8% in 2012, and the EBIT margin fell from 9.3% to 7.2%.

The continuing overcapacities in the market led to intense price pressure in 2012. Earnings were also affected by a lower capacity utilisation, higher energy costs in the first quarter, start-up costs for the new plant in Surat Thani and the impact of storm damage in Thailand. Most of the storm damage was covered by insurance. A sale of real estate had a positive effect.



## SEMPERFLEX

Despite difficult economic conditions, which made their impact felt on the business of the Semperflex segment from the third quarter and increasingly from the fourth quarter of 2012, revenue was almost as high as in the record year of 2011. At EUR 180.6 million, revenue in 2012 was only 3.4% or EUR 6.3 million lower than for the previous year. Most of this fall can be attributed to negative volume effects; price effects were consistently positive.

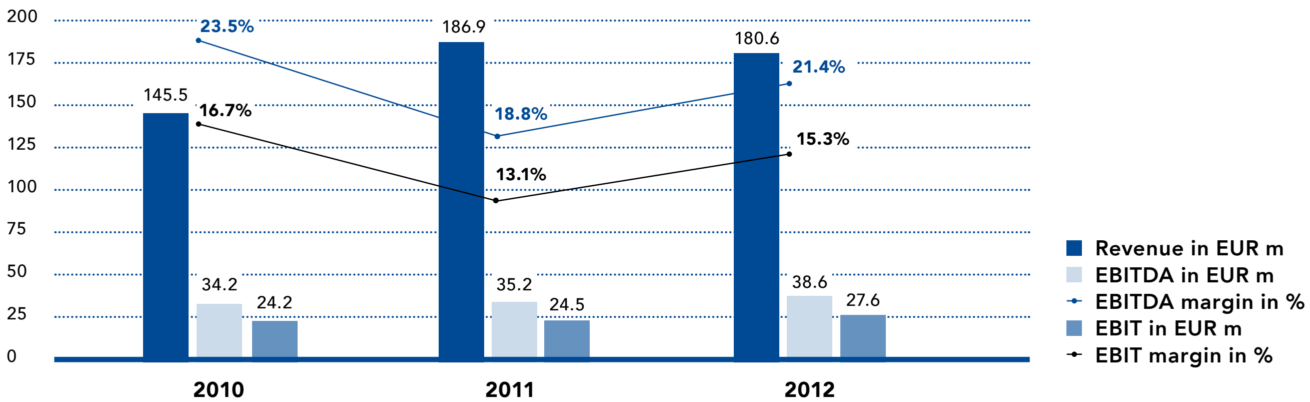
The Hydraulic Hoses unit generated around 60% of the segment's revenue. It benefited from a strong sales performance in Europe and the US, increasing its market share in most markets. On the other hand, the high level of inventories in China and Southeast Asia had a negative impact on the unit's business. The sales volume overall was similar to the previous year, allowing revenue to remain stable.

In the Industrial Hoses unit, which accounted for 30% of the segment's revenue, almost exclusively in Europe, volumes fell after an excellent year in 2011. While expectations were met in most European markets, demand was significantly more modest in southern Europe.

The smallest unit, Elastomer and Wear-Resistant Sheeting, accounted for around 10% of the segment's revenue. The unit's revenue fell as a result of reduced demand in its main western European markets.

Compared with 2011, which was also a strong year, the segment's EBITDA increased by 9.7% to EUR 38.6 million, while EBIT increased by 12.5% to EUR 27.6 million. In addition to initiatives to increase production efficiency, this can also be attributed to improved raw material management and timely, demand-based adjustments to production capacities. The EBITDA margin increased from 18.8% to 21.4%, and the EBIT margin fell from 13.1% to 15.3%. Despite this positive performance, incoming orders fell in the third quarter and, in particular, the fourth quarter of 2012.

**Semperflex: Revenue, EBITDA, EBIT**



## SEMPERTRANS

Revenue for the Sempertrans segment fell by 2.2% to EUR 143.8 million in 2012. The fall is primarily attributable to volume effects resulting from the shift in volume from standard textile conveyor belts to higher-quality special textile conveyor belts and steel conveyor belts and, to a lesser extent, to the effects of the strike in India. The positive price effect was unable to completely compensate for the negative volume effect.

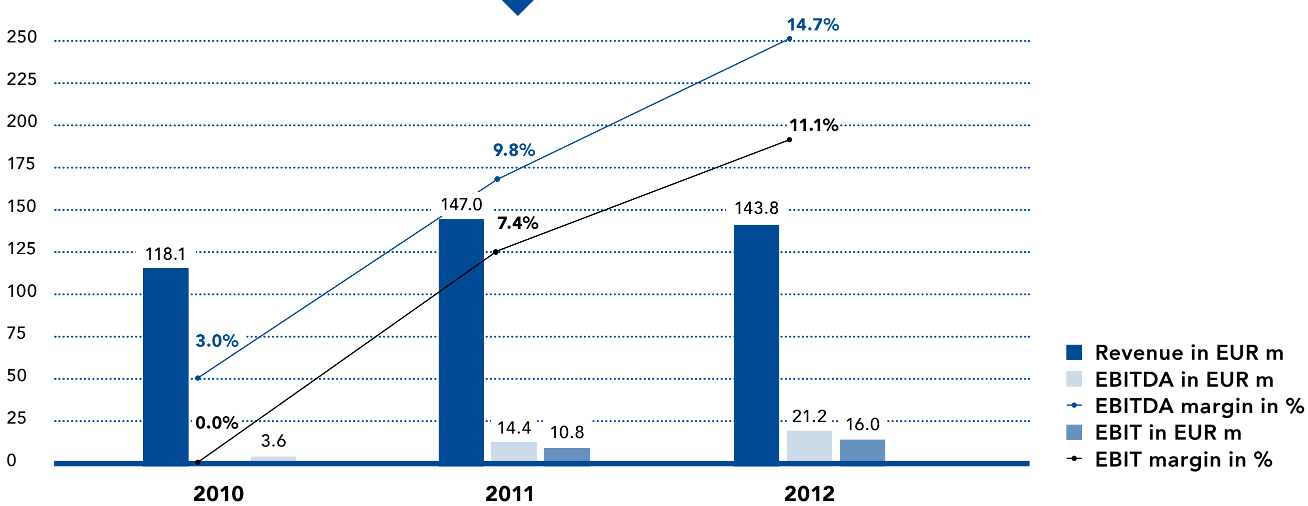
Demand was satisfactory overall in 2012. Positive impetus mostly came from the project business, while demand from industry and resellers weakened latterly. Looking at the situation geographically, South America's performance was good and Europe's was satisfactory. Although orders from Africa were still low in absolute terms compared with other markets, they are growing in significance. The postponement or reduction of investment announced by several large mining companies is not expected to have a significant impact on the Sempertrans segment for the foreseeable future as a result of diversification of the customer structure and the general project cycle.

Sales volumes for steel conveyor belts increased slightly in the reporting period. As a result of the increased focus on high-quality special textile and steel conveyor belts, sales of textile conveyor belts fell by around a quarter. There were, however, positive price effects in both product areas, although the effects of these trends varied due to the different price levels. In terms of products, Sempertrans continues to focus on achieving further growth with higher-value conveyor belt types. One example is an energy-saving conveyor belt that is notable for the use of a new rubber mixture and for which a large order was obtained from Poland in January 2013.

The capacities of the Sempertrans segment were well utilised overall in 2012. A slowdown experienced by resellers and service providers was more than offset by the project business. Utilisation is expected to be satisfactory across all sites in 2013.

Despite the fall in revenue, EBITDA and EBIT were very positive. EBITDA increased by 47.0% to EUR 21.2 million, and EBIT increased by 47.5% to EUR 16.0 million. There were associated increases in the EBITDA margin from 9.8% in the previous year to 14.7% and in the EBIT margin from 7.4% to 11.1%. The earnings include a write-up of tangible assets of just over EUR 2 million. Even without this write-up, the Sempertrans segment was again able to confirm its regained earnings power on a sustained basis.

**Sempertrans: Revenue, EBITDA, EBIT**



## SEMPERFORM

The Semperform segment concluded the financial year 2012 with revenue growth of 5.4% to EUR 120.7 million. All units contributed to this increase with the exception of Special Applications, which experienced a slight drop in revenue. There were positive price effects in all four units in 2012.

With its seal profiles for windows and doors, the Building Profiles unit is the largest in the Semperform segment. The sales volume in the reporting period was higher than for the previous year. In addition, revenue also benefited from fairly positive price effects.

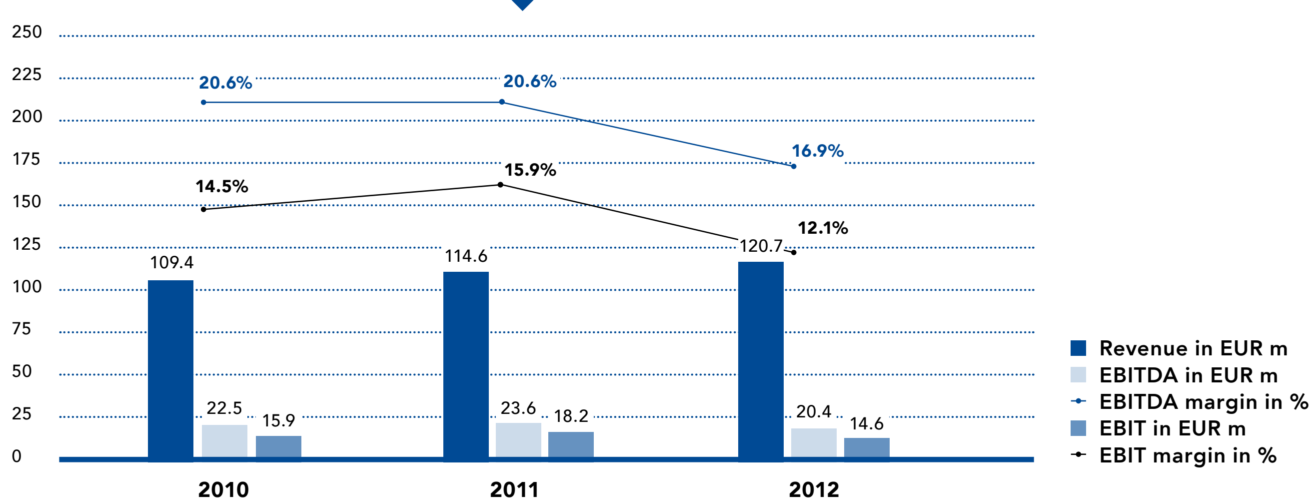
Demand was modest in the Industrial Moulded Parts unit, with the exception of a brief boost in orders in the spring of 2012, as a result of the continued downswing in industrial activity in Europe. Unit demand was subdued in the general construction and industrial areas as well as in pipe construction, and demand for railway superstructure was also below average. This development is in line with the general trend of declining investment in infrastructure.

There was a slight increase in sales during the reporting period in the Handrails unit, partly thanks to the newly introduced economy handrail, which was well received in Asia. The Chinese market continued to be characterised by strong competition. Price pressure showed no signs of easing, in particular for orders from original equipment manufacturers (OEMs).

Special Applications, the smallest unit, experienced a fall in sales volume in 2012 in line with the conditions in the economy as a whole, and this could not be entirely offset by positive price effects.

EBITDA for the Semperform segment as a whole fell in the financial year 2012 to EUR 20.4 million from EUR 23.6 million in the previous year, while EBIT fell to EUR 14.6 million from EUR 18.2 million. There were associated falls in the EBITDA margin from 20.6% to 16.9% and the EBIT margin from 15.9% to 12.1%. The figures for the previous year were helped by exceptional income from the release of provisions.

**Semperform: Revenue, EBITDA, EBIT**



# Employees

The Semperit Group had an average of 8,305 employees in 2012, 6.0% more than in the previous year. The Sempermed segment, in which over 60% of all staff are employed, above all in Asia, recorded the largest increase. A total of 707 people were employed in Austria, 0.7% more than in the previous year. Personnel expenses increased by almost EUR 10 million to EUR 127.4 million. This was due to adjustments to collective bargaining agreements, increases to the minimum wages in Thailand and China and the increased number of employees – above all, as a result of the acquisition of Latexx Partners. Personnel expenses as a proportion of revenue increased from 14.4% in 2011 to 15.4%.

The Semperit Group has an ambitious growth strategy that is supported by effective human resources policies. The overall goals of these policies are to position the company as an attractive employer, to implement modern management tools, to promote internationality and to create the conditions for a performance-oriented and fair corporate culture with a clear set of values. To achieve these goals, a number of initiatives were implemented in 2012, including the introduction of job evaluation, succession planning for key positions and the establishment of the Leadership Academy.

# Research and development

The Semperit Group's research strategy is focused on the following objectives:
- Market-oriented product innovations: the foundation for continued growth
- Optimising the use of resources: the use of materials and energy in the design and production of products is optimised on a continuous basis. The resulting benefits in terms of quality bring sustained competitive advantages.
- Making production processes flexible: guarantees the ability to react flexibly to changes in raw material prices and market demand
- Knowledge transfer: a precondition for achieving synergies

Around 340 people are employed in research and development worldwide. The group-wide research activities are agreed and controlled at the Wimpassing research centre in Austria.

# Environmental management

The Semperit Group prevents pollution caused by all segments during production as far as possible by means of an effective environmental management system. This management system is based on statutory provisions and requirements aimed at environmental protection and the reduction of emissions. The management staff of the various production and business premises are responsible for complying with these provisions. Furthermore, there are clear regulations governing the responsibilities for the environmental protection issues, such as those of waste management officers and effluent treatment managers. Employees receive regular information and training on compliance with the relevant regulations and instructions, and officers are familiarised with the latest versions of laws and ordinances. During the planning stage, all raw materials, mixtures and processes used for the first time are examined to ascertain their impact on the environment and optimised. Appropriate objectives in relation to reduced use of materials and energy consumption are established and periodically reviewed by management, and further measures are added.

# Disclosures pursuant to Section 243a Para. 1 Austrian Commercial Code (UGB)

The share capital of Semperit AG Holding amounted to EUR 21,358,996.53 as at 31 December 2012 and consisted of 20,573,434 non-par-value ordinary shares, each carrying equal rights in every respect.

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

B & C Industrieholding GmbH indirectly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2012. B & C Semperit Holding GmbH directly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2012. More than 10% of the ordinary shares have been held by Legg Mason Inc., USA since 10 March 2011. The remaining shares are in free float.

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

Employees who own shares are entitled to exercise their right to vote at the annual general meeting.

The age limit for members of the management board is 65. The duration of their last possible term of office on the management board ends with the annual general meeting following their 65th birthday. Otherwise there are no other regulations extending beyond legal requirements that relate to the appointment and dismissal of members of the management board.

The following applies with respect to the appointment and revocation of supervisory board members pursuant to the articles of association: unless a shorter term of office is specified, supervisory board members are elected until the end of the Annual General Meeting resolving upon the ratification of the actions of the management and supervisory boards for the fourth financial year after the election, not including the financial year in which the election took place. However, at least one-fifth of all supervisory board members are required to resign each year, effective at the end of the annual general meeting. In cases in which the number of supervisory board members is greater than but not divisible by five, this number will be alternately raised and lowered to numbers divisible by five. In cases in which the number of supervisory board members is less than five, the number five will be used as a base only in every second year.

The selection of the members departing will be undertaken using the following procedures: Those members whose terms of office expire are to be the first to depart. Should the above divisibility not be attained by this, those members are to depart whose terms of function are the longest. In cases in which this procedure yields a number of members eligible for departure that is greater than required, the selection among them will be undertaken through the drawing of lots. This procedure is also used to decide in cases in which the above rules do not suffice to determine which members will depart. Those departing are immediately eligible for re-election.

Should members – not including those cases described in the previous paragraph – depart from the board prior to the expiry of their term of office, the election held to replace them need not be held before the next annual general meeting. An election to replace them is, however, to be held without delay via the convening of an extraordinary general meeting in cases in which the number of supervisory board members declines to less than five. These replacement elections are for the remaining term of office of the members who have departed. In cases in which a member is elected to the supervisory board by convening an extraordinary general meeting, the member's first year of office is deemed to conclude at the end of the next annual general meeting.

Any member of the supervisory board can resign from it even without good cause by submitting written notification of such. Should this cause the number of members of the supervisory board to decline to below the minimum specified number, the observation of a four-week time period is required.

With regard to amendments to the articles of association, these are enacted with a simple majority of the share capital represented at the annual general meeting, inasmuch as the Austrian Stock Corporation Act does not stipulate any other procedure.

The management board is authorised by the annual general meeting on 23 April 2012, subject to the agreement of the supervisory board, to increase the share capital in the coming five years – in several tranches – against cash and/or contributions in kind by 50% or up to around 10.3 million bearer shares. The management board is also authorised, subject to the agreement of the supervisory board, to issue convertible bonds. These can be associated with conversion or subscription rights or obligations for up to around 10.3 million bearer shares of the company (50% of the existing shares).

There are no agreements regarding a change of control in the event of takeovers pursuant to Section 243a Para. 1 (8) of the Austrian Commercial Code (UGB).

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

# Risk report

## RISK ENVIRONMENT

As a group with international activities, Semperit constantly has to face up to new challenges as a result of the current fragility of the global economy with its stark regional differences. The strategic orientation of Semperit's four operating segments means that their success depends to differing degrees on the general economic situation. The group's global presence helps to ensure that risks are diversified.

In the current economic environment, high volatility between the euro and the US dollar constitutes a potential threat. Moreover, rising commodity prices and energy costs may lead to a deterioration in the Semperit Group's earnings if they cannot be passed on fast enough to selling prices.

Semperit is active in countries that are at different stages of their economic and social development. Adverse changes in the political and economic environment may therefore give rise to further risks. Risks such as fire and natural or environmental disasters are also associated with significant potential losses for the Semperit Group.

## RISK MANAGEMENT

Semperit's objective is to have an effective risk management system that minimises potential threats from future events and actively exploits opportunities for growth in pursuit of continual increases in the value of the company.

The management board of Semperit AG Holding and the bodies subordinate to it undertake extensive monitoring and controlling tasks with respect to operating units in the context of an integrated control system covering all group sites. Identifying and evaluating strategic risks and opportunities and responding to them at an early stage is accordingly an important component of these units' management activity, based on a uniform group-wide system of monthly reporting. The foundation for this is a standardised, group-wide monthly reporting system. General market risks that may arise from developments in the global economy and from demand trends in the relevant regions and sectors are systematically analysed, and the results are explicitly incorporated into operational and strategic planning.

Whenever necessary, measures to reduce risks are implemented with the responsible departments and by arranging external insurance cover. Risk assessment involves evaluating the damage that an event might cause and estimating the likelihood of its occurrence, in accordance with the international COSO standards (Committee of Sponsoring Organisations of the Treadway Commission).

## RISK ORGANISATION

The Internal Audit & Risk Management department is responsible for risk management. This includes, in particular, the central coordination and monitoring of risk management processes for the Group as a whole, as well as risk assessment and comprehensive reporting to the management and supervisory boards. To strengthen the effectiveness of risk management with lasting effect, an effective risk organisation was established. Since 2012, the Internal Audit & Risk Management department has been assisted by regional risk managers for Asia, America and Europe as well as other risk managers in the group's various units. In addition, the risk management system is optimised on a continuous basis, and 2012 was no exception to this. Risks in defined operational and functional areas are identified in accordance with lists of criteria. The ultimate objective of these measures is to achieve further increases in the efficiency and effectiveness of the risk management process, and to promote awareness of these central issues throughout the Group.

## SPECIFIC SIGNIFICANT RISKS

An assessment of the general market risks resulting from developments in the world economy and in the regions and industries of relevance to Semperit is made in the section of the group management report entitled "Outlook". Selected specific risks are explained below.

## OPERATIONAL RISKS

### Procurement risk

Semperit takes account of this risk category by actively managing its supplier portfolio, and through a globally oriented purchasing management system that is coordinated throughout the Group. There are long-term supply contracts in place for the procurement of natural rubber. Semperit's presence in Asia, the world's most important region for rubber production, ensures proximity to producers at all points along the value chain. Long-term relationships also exist with suppliers of other important raw materials such as chemicals, bulking agents and both textile and steel reinforcing materials.

At the Semperit research and development centre in Wimpassing, interdisciplinary teams are constantly at work on developing alternative formulas so that we can respond quickly and with flexibility to fluctuations in commodity prices and supply bottlenecks. An additional element to our adaptability is the flexible, formula-dependent orientation of our production facilities.

### Sales and customer default risk

The customer structure of the Semperit Group is broad and well-balanced, thus avoiding an excessive concentration of risk on individual customers. No customer accounts for more than 10% of revenue. Bad debt losses and sales losses play a minor role. Credit risks and the risk of payment default are reduced with the use of standardised credit checks, set credit limits and loan insurance.

The Sales risk is also reduced through active management of the product portfolio as well as the ongoing development of product innovations and by tapping into new markets. Semperit handles the risk of overcapacities by evaluating market and order data on an ongoing basis in order to be able to respond quickly to changes with the appropriate measures such as temporary shutdowns and shift adjustments.

### Production risk

Semperit Group has established high technical and safety standards for its production sites. The default risk of the production plants is also reduced through regular maintenance as well as through flexible production control. Despite all the efforts that are made, the risk of operational disruptions, accidents and damage to the environment cannot be completely eliminated. Disruptions can be caused, in particular, by natural phenomena that are beyond the control of the Semperit Group. As far as possible, the company secures itself against these types of risk with insurance to an extent that makes economic sense.

### Personnel risk

The business performance of the Semperit Group in the future will be largely determined by the commitment, expertise and productivity of its employees. Semperit competes for highly qualified specialists and executive staff by working closely with universities, colleges and advanced technical colleges and positioning itself as an attractive employer at trade fairs and similar events. In addition to forward-looking succession planning, the basis of human resources management is formed by attractive opportunities for development and performance-based remuneration systems.

## FINANCIAL RISK

As required by IFRS 7.31, the financial risks are described in detail in the appendix in note 8. A summary and interpretation is provided below.

### Default risk of financial instruments

Default risks of the Semperit Group with regard to securities as well as receivables and credits from banks are assessed as low given the fact that most of the contractual partners are banks with outstanding creditworthiness. Each contractual partner also has defined maximum amounts in order to minimise risk.

### Interest-rate risk

Operating resources, investments and acquisitions are financed using debt capital in the course of business operations. As at the balance sheet date of 31 December 2012, liabilities to banks amounted to EUR 118.5 million (31 December 2011: EUR 6.2 million), including liabilities of EUR 100.0 million from a framework loan agreement. Over 95% of these liabilities are subject to variable interest rates and the prevailing market interest-rate risk.

### Liquidity risk

The cash and cash equivalents item amounted to EUR 133.3 million as at the balance sheet date of 31 December 2012 (31 December 2011: EUR 97.9 million). A framework loan agreement for EUR 180 million was concluded with five banks in May 2012 with a term of three years. As at 31 December 2012, EUR 80 million of this was unused.

Continuous improvements to the group's treasury guidelines and information systems facilitates the early identification of financial risks and enables suitable measures to be taken in good time. The solid balance sheet structure of the Semperit Group, with an equity ratio of 49.3% as at the end of 2012 (2011: 61.5%), ensures access to debt financing on favourable terms when needed.

### Currency risk

The Semperit Group is exposed to currency risk as a result of its subsidiaries' international trading relationships. There are associated transaction risks, above all, at subsidiaries that are not based in the Eurozone but have business relationships there, and in exchange rate fluctuations between the euro and US dollar. The company protects itself against these risks with forward transactions where appropriate. No derivative financial instruments are concluded for the purpose of speculation.

## INTERNAL CONTROL SYSTEM (ICS)

The Semperit Group's internal control system is designed to secure the effectiveness and efficiency of its business activities, the reliability of its financial reporting and compliance with relevant statutory provisions. It also supports the early recognition and monitoring of risks from inadequate monitoring systems and fraudulent actions and is currently being revised and expanded by the Internal Audit & Risk Management department together with the relevant departments. Accordingly, in 2012 the accounting-related processes were subject to a comprehensive, systematic review, with Internal Audit & Risk Management taking the lead role, in order to establish an effective ICS. All companies in the Group throughout the world are required to comply with the minimum standards derived from this review in future. The management of the respective business unit is responsible for implementing and monitoring the ICS and the risk management system. The management board of Semperit AG Holding stipulates cross-divisional framework conditions and regulations that are applicable throughout the Group.

The following principles form the basis of the ICS:
- A risk-oriented approach
- Clear organisation and responsibilities
- Standardised rules of procedure for financial reporting (documentation, controls, approval)
- Separation of functions (four-eyes principle)
- Analyses and plausibility checks
- IT process control
- Inclusion of divisions and departments
- IT general controls

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

# Outlook

The global economic situation also affected the organic growth of the Semperit Group in 2012, particularly in the second half of the year. The economic environment is such that no immediate revival of demand is to be expected. The level of incoming orders in the first quarter of 2013 will be similar to that in the fourth quarter of 2012. There is the possibility of positive momentum developing in the course of the second quarter of 2013 that would brighten up the macroeconomic picture and thus also the economic environment for the Semperit Group.

In the Medical Sector, the focus is on the integration and improvement of capacity utilisation of Latexx Partners Berhad, which was acquired in November 2012. The aim is to acquire all shares not yet held by the Semperit Group – although there is no time pressure to achieve this. As far as the global glove market is concerned, it can be assumed that the price pressure will continue in 2013 due to overcapacities.

The demand situation is expected to remain relatively stable in the Industrial Sector over the coming quarters, with the exception of the Semperflex segment. Capacity utilisation is already good in the Sempertrans segment, in particular. Medium-term stimulus for growth in the Industrial Sector's segments is expected from the energy industry, the commodities sector and the infrastructure sector.

Capital expenditure (CAPEX) of around EUR 50 million is planned for 2013. This comprises both investment in the replacement of existing assets and investment in the group's continued growth.

The objective in terms of growth remains unchanged: to achieve double-digit revenue growth on average in the years from 2010 to 2015 inclusive. Despite limited operational visibility, the Semperit Group believes that a significant increase in group revenue is possible in 2013. The acquisition of Latexx Partners will be the main factor in this increase in revenue. The Group aims to achieve an EBITDA margin of between 12% and 15% in the coming years and an EBIT margin of between 8% and 11%.

Based on a solid balance sheet structure, around 30% of earnings after tax will continue to be distributed to shareholders. Unless there are some unusual developments, the dividend is expected to continue to develop in line with the Group's earnings.

# Note

This outlook for the financial year 2013 is based on the assessments of the management board as at March 19, 2013 and does not take into account the effects of possible acquisitions, divestments or other structural changes in the course of 2013. These assessments are subject to both known and unknown risks and uncertainties, which may result in the actual outcome differing from the statements made here.

# Events after the balance sheet date

There have been no events of particular significance since 1 January 2013 that are expected to have a substantial influence on the asset, financial and earnings position of the Semperit Group.

Vienna, March 19, 2013

**Thomas Fahnemann**
**Chief Executive Officer**
**Chairman**

**Johannes Schmidt-Schultes**
**Chief Financial Officer**

**Richard Ehrenfeldner**
**Chief Technical Officer**

# CONSOLIDATED FINANCIAL STATEMENTS

## Contents

# Consolidated income statement

## for the financial year 2012 starting January 1 and ending December 31, 2012

| in kEUR | Note | 2012 | 2011 adjusted |
|---|---|---|---|
| Revenue | 5.1. | 828,573 | 820,006 |
| Changes in inventories | | –1,938 | 2,786 |
| Own work capitalised | | 1,591 | 802 |
| **Operating revenue** | | **828,225** | **823,595** |
| Other operating income | 5.2. | 32,770 | 33,782 |
| Material costs and purchased services | 5.3. | –501,003 | –513,059 |
| Personnel expenses [1] | 5.4. | –127,444 | –117,895 |
| Other operating expenses | 5.5. | –124,150 | –116,594 |
| Share of profit from associated companies [2] | 3.2. | 259 | 207 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]** | | **108,658** | **110,035** |
| Depreciation and amortisation of tangible and intangible assets | 5.6. | –36,151 | –29,673 |
| **Earnings before interest and tax (EBIT) [1]** | | **72,507** | **80,362** |
| Financial income | 5.7. | 2,158 | 1,703 |
| Financial expenses | 5.7. | –1,196 | –471 |
| Profit/loss attributable to redeemable non-controlling shares | 6.10. | –15,006 | –14,680 |
| **Financial result [1]** | **5.7.** | **–14,044** | **–13,447** |
| **Earnings before tax (EBT) [1]** | | **58,463** | **66,914** |
| Income taxes [1] | 5.8. | –12,235 | –15,160 |
| **Earnings after tax** | | **46,228** | **51,754** |
| of which attributable to the shareholders of Semperit AG Holding | 6.9. | 46,258 | 51,754 |
| of which attributable to non-controlling interests | 6.9. | –30 | 0 |
| **Earnings per share in EUR (diluted and undiluted) [1]** | **5.9.** | **2.25** | **2.52** |

1) Figure for 2011 adjusted (for an explanation see Note 2.18.)
2) Reported in financial year 2011 under the financial result

# Consolidated statement of comprehensive income

## for the financial year 2012 starting January 1 and ending December 31, 2012

| in kEUR | Note | 2012 | 2011 adjusted |
|---|---|---|---|
| **Earnings after tax according to the consolidated income statement** [1] | | **46,228** | **51,754** |
| **Other comprehensive income** | | | |
| **Amounts that will not be recognised through profit and loss in future periods** [1] | | | |
| Remeasurements of defined benefit plans (IAS 19) [1] | 6.11. | –5,839 | 2,948 |
| Related deferred taxes [1] | 6.8. | 1,459 | –624 |
| | | **–4,380** | **2,324** |
| **Amounts that will potentially be recognised through profit and loss in future periods** | | | |
| Available-for-sale financial assets | | | |
| Revaluation gains/losses for the period | 5.7. | 146 | –132 |
| Reclassification to profit and loss for the period | 5.7. | 84 | 0 |
| | | 230 | –132 |
| Currency translation differences | | | |
| Currency translation differences for the period | | 450 | –6,879 |
| Reclassification to profit and loss for the period | | 0 | 5 |
| | | 450 | –6,874 |
| Related deferred taxes [2] | 6.8. | –58 | 33 |
| | | **622** | **–6,973** |
| **Other comprehensive income** [1] | | **–3,757** | **–4,649** |
| **Total recognised comprehensive income** [1] | | **42,470** | **47,105** |
| of which on earnings attributable to the shareholders of Semperit AG Holding [1] | | 43,049 | 47,105 |
| of which on earnings attributable to non-controlling interests | | –579 | 0 |

[1] Figure for 2011 adjusted (for an explanation see Note 2.18.)
[2] Due solely on available-for-sale financial assets

# Consolidated cash flow statement

## for the financial year 2012 starting January 1 and ending December 31, 2012

| in kEUR | Note | 2012 | 2011 adjusted |
|---|---|---|---|
| Earnings before tax [1] | | 58,463 | 66,914 |
| Depreciation/write-ups of tangible and intangible assets | 6.1. / 6.2. | 33,573 | 28,862 |
| Profit and loss from disposal of assets (including current and non-current financial assets) | | –3,860 | –126 |
| Changes in non-current provisions [1] | | –3,344 | –3,168 |
| Share of profit from associated companies | 3.2. | –259 | –207 |
| Profit/loss attributable to redeemable non-controlling shares | 6.10. | 15,006 | 14,680 |
| Net interest income (including income from securities) | | –1,132 | –1,283 |
| Interest paid [1] | | –989 | –368 |
| Interest received [1] | | 1,676 | 1,562 |
| Taxes paid on income [1] | | –13,491 | –17,436 |
| Other non-cash expense/income | | 0 | –51 |
| **Gross cash flow [1]** | | **85,644** | **89,380** |
| Increase/decrease in inventories | | 11,716 | –23,906 |
| Increase/decrease in trade receivables | | 5,360 | –28,783 |
| Increase/decrease in other receivables and assets [1] | | –362 | 3,359 |
| Increase/decrease in trade payables | | 1,474 | –6,526 |
| Increase/decrease in other liabilities and current provisions [1] | | 1,590 | –715 |
| Changes in working capital resulting from currency translation adjustments [1] | | 1,251 | –3,404 |
| **Cash flow from operating activities** | | **106,672** | **29,405** |
| Proceeds from sale of tangible and intangible assets | | 5,512 | 1,312 |
| Proceeds from sale of current and non-current financial assets | | 6,317 | 3,000 |
| Investments in tangible and intangible assets | 6.1. / 6.2. / 7. | –41,235 | –45,098 |
| Investments in current and non-current financial assets | | –1,272 | –2,235 |
| Net cash outflow on acquisition of businesses (less cash acquired) | 3.3. / 7. | –120,964 | 0 |
| **Cash flow from investing activities** | | **–151,642** | **–43,020** |
| Assumptions of current and non-current financing liabilities | 7. | 100,168 | 1,485 |
| Repayments of current and non-current financing liabilities | | –1,109 | 0 |
| Dividend to shareholders of Semperit AG Holding | 6.9. | –16,459 | –25,717 |
| Dividend to non-controlling shareholders of subsidiaries | 6.10. | –1,891 | –1,187 |
| Equity payments received from non-controlling shareholders of subsidiaries | 6.10. | 0 | 973 |
| **Cash flow from financing activities** | | **80,709** | **–24,446** |
| **Net increase/decrease in cash and cash equivalents** | | **35,739** | **–38,062** |
| Effects resulting from currency translation | | –309 | –3,233 |
| Cash and cash equivalents at the beginning of the period | 6.7. | 97,892 | 139,186 |
| **Cash and cash equivalents at the end of the period** | 6.7. | **133,322** | **97,892** |

[1] Figure for 2011 adjusted (for an explanation see Note 2.18.)

# Consolidated balance sheet

## as at December 31, 2012

| in kEUR | Note | 31.12.2012 | 31.12.2011 adjusted | 1.1.2011 adjusted |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 6.1. | 112,773 | 5,615 | 6,031 |
| Tangible assets | 6.2. | 267,894 | 216,720 | 199,843 |
| Investments in associated companies | 3.2. | 1,026 | 767 | 560 |
| Other financial assets | 6.5. | 10,655 | 11,884 | 13,720 |
| Other assets | 6.6. | 648 | 310 | 445 |
| Deferred taxes | 6.8. | 13,616 | 8,772 | 10,761 |
| | | **406,612** | **244,068** | **231,359** |
| **Current assets** | | | | |
| Inventories | 6.3. | 142,472 | 137,595 | 113,689 |
| Trade receivables | 6.4. | 120,152 | 114,329 | 85,546 |
| Other financial assets | 6.5. | 1,846 | 3,695 | 4,869 |
| Other assets | 6.6. | 13,522 | 11,390 | 11,953 |
| Current tax receivables | | 6,531 | 7,681 | 6,874 |
| Cash and cash equivalents | 6.7. | 133,322 | 97,892 | 139,186 |
| | | **417,846** | **372,582** | **362,116** |
| **TOTAL ASSETS** | | **824,458** | **616,650** | **593,476** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** [1] | 6.9. | | | |
| Share capital | | 21,359 | 21,359 | 21,359 |
| Capital reserves | | 21,503 | 21,503 | 21,503 |
| Revenue reserves [1] | | 349,661 | 323,820 | 295,557 |
| Currency translation reserve | | 13,715 | 12,716 | 19,590 |
| **Equity attributable to the shareholders of Semperit AG Holding** [1] | | **406,238** | **379,398** | **358,009** |
| Non-controlling interests | | 21,755 | 0 | 0 |
| | | **427,993** | **379,398** | **358,009** |
| **Non-current provisions and liabilities** | | | | |
| Provisions for pension and severance payments | 6.11. | 40,325 | 36,924 | 41,998 |
| Other provisions [1] | 6.12. | 8,849 | 9,702 | 11,586 |
| Liabilities from redeemable non-controlling shares | 6.10. | 110,083 | 97,292 | 83,405 |
| Liabilities to banks | 6.13. | 101,131 | 0 | 5,974 |
| Other financial liabilities | 6.15. | 8,163 | 3,074 | 762 |
| Other liabilities [1] | 6.16. | 612 | 637 | 604 |
| Deferred taxes | 6.8. | 5,968 | 2,178 | 4,206 |
| | | **275,132** | **149,807** | **148,536** |
| **Current provisions and liabilities** | | | | |
| Provisions for pension and severance payments | 6.11. | 1,052 | 0 | 0 |
| Other provisions [1] | 6.12. | 14,605 | 15,160 | 18,599 |
| Liabilities to banks | 6.13. | 17,393 | 6,178 | 0 |
| Trade payables [1] | 6.14. | 50,534 | 39,261 | 41,264 |
| Other financial liabilities [1] | 6.15. | 17,881 | 11,268 | 12,430 |
| Other liabilities [1] | 6.16. | 11,703 | 9,587 | 8,134 |
| Current tax liabilities | | 8,165 | 5,991 | 6,504 |
| | | **121,332** | **87,445** | **86,931** |
| **TOTAL EQUITY AND LIABILITIES** | | **824,458** | **616,650** | **593,476** |

[1] Figure for 2011 adjusted (for an explanation see Note 2.18.)

# Consolidated statement of the changes in equity
## for the financial year 2012 starting 1 January and ending 31 December 2012

| in kEUR | Note | Share capital | Capital reserves | Revenue reserves: Re-valuation reserves | Revenue reserves: Other revenue reserves | Revenue reserves: Total revenue reserves | Currency trans-lation reserve | Total equity attributable to the share-holders of Semperit AG Holding | Non-con-trolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1.1.2011** | | **21,359** | **21,503** | **–198** | **288,811** | **288,613** | **19,590** | **351,065** | **0** | **351,065** |
| Adjustment | 2.18 | 0 | 0 | 0 | 6,944 | 6,944 | 0 | 6,944 | 0 | 6,944 |
| **As at 1.1.2011 (adjusted)** | | **21,359** | **21,503** | **–198** | **295,755** | **295,557** | **19,590** | **358,009** | **0** | **358,009** |
| Earnings after tax | | 0 | 0 | 0 | 51,754 | 51,754 | 0 | 51,754 | 0 | 51,754 |
| Other comprehensive income | | 0 | 0 | –99 | 2,324 | 2,225 | –6,874 | –4,649 | 0 | –4,649 |
| Total recognised comprehensive income | | 0 | 0 | –99 | 54,078 | 53,979 | –6,874 | 47,105 | 0 | 47,105 |
| Dividend | 6.9. | 0 | 0 | 0 | –25,717 | –25,717 | 0 | –25,717 | 0 | –25,717 |
| **As at 31.12.2011 (adjusted)** | | **21,359** | **21,503** | **–297** | **324,117** | **323,820** | **12,716** | **379,398** | **0** | **379,398** |
| Earnings after tax | | 0 | 0 | 0 | 46,258 | 46,258 | 0 | 46,258 | –30 | 46,228 |
| Other comprehensive income | | 0 | 0 | 173 | –4,380 | –4,207 | 999 | –3,209 | –549 | –3,757 |
| Total recognised comprehensive income | | 0 | 0 | 173 | 41,878 | 42,050 | 999 | 43,049 | –579 | 42,470 |
| Dividend | 6.9. | 0 | 0 | 0 | –16,459 | –16,459 | 0 | –16,459 | 0 | –16,459 |
| Business combinations | 3.3. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,334 | 22,334 |
| Other | | 0 | 0 | 0 | 250 | 250 | 0 | 250 | 0 | 250 |
| **As at 31.12.2012** | | **21,359** | **21,503** | **–125** | **349,786** | **349,661** | **13,715** | **406,238** | **21,755** | **427,993** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Semperit Aktiengesellschaft Holding (hereinafter Semperit AG Holding), a joint stock company according to Austrian law, is an internationally operating industrial group headquartered at the address Modecenterstrasse 22, 1031 Vienna, Austria. B & C Semperit Holding GmbH is the direct majority shareholder of Semperit AG Holding, and B & C Privatstiftung is the dominant legal entity. The activities of the Group are divided into four strategic business segments: Sempermed, Semperflex, Sempertrans and Semperform.

### 1.1. PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31 December 2012 were prepared in accordance with Section 245a of the Austrian Company Code (UGB) in conjunction with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial year covers the period starting 1 January and ending 31 December.

The reporting currency is the euro, in which case figures are rounded off to thousands of euros (kEUR) unless specified otherwise. Rounding differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

### 1.2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

**Standards adopted for the first time**

The following new or revised standards and interpretations were applied for the first time in the financial year 2012.

| First-time adoption of standards | | Effective date | [1] |
|---|---|---|---|
| IAS 1 | Presentation of Financial Statements – Amendment: Presentation of Items of Other Comprehensive Income | 1.7.2012 | [2] [5] |
| IAS 12 | Taxes on Income – Amendment: Recovery of Underlying Assets | 1.1.2012 | [3] |
| IAS 19 | Employee Benefits – Amendment | 1.1.2013 | [2] [5] |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Amendment: Hyperinflation and Removal of Fixed Dates for First-time Adopters | 1.7.2011 | [3] |
| IFRS 7 | Financial Instruments: Disclosures – Amendments: Transfer of Financial Assets | 1.1.2012 | [4] |

[1] According to the Official Journal of the EU, the standards are obligatory for financial years commencing on or after the effective date.
[2] Adopted in the EU in June 2012
[3] Adopted in the EU in December 2012
[4] Adopted in the EU in November 2011
[5] Early application as at 31 December 2012

### IAS 1 Presentation of Financial Statements

In June 2011, the IASB published amendments to IAS 1 (Presentation of other comprehensive income items). According to this amendment, the items presented under other comprehensive income are to be divided into two categories, depending on whether or not they are subsequently reclassified ("recycled") profit or loss. The amendments in IAS 1 led to an adjustment to the presentation of the Semperit Group's consolidated statement of comprehensive income.

### IAS 19 Employee Benefits – Amendment

The amendments to IAS 19 (2011) approved by the IASB in June 2011 mean that all remeasurements arising from performance-related defined benefit pension plans (in particular actuarial gains and losses) have to be reported under other comprehensive income. In addition, the expected income from plan assets has to be calculated with the discount rate of the obligation. Furthermore, there were clarifications and redrafting in a number of cases, for example with regard to the prerequisites for the recognition of termination benefits. The effects arising from the amendments to IAS 19 relate to personnel expenses, other comprehensive income and non-current provisions and are presented in Note 2.18.

No other amended standards had any effect on the consolidated financial statements of the Semperit Group.

### Standards that have already been published but not yet applied

Application of the following new or modified standards and interpretations that had already been published when the consolidated financial statements were prepared was not mandatory for financial years starting on or before 1 January 2012, nor were they applied voluntarily. The Semperit Group plans to apply these amendments for the first time once it becomes mandatory to apply them.

| Standards and interpretations that are not yet applicable | | Effective date | |
|---|---|---|---|
| **New Standards and Interpretations** | | | |
| IFRS 9 | Financial Instruments | 1.1.2015 | |
| IFRS 10 | Consolidated Financial Statements | 1.1.2013 | [1) 2)] |
| IFRS 11 | Joint Arrangements | 1.1.2013 | [1) 2)] |
| IFRS 12 | Disclosure of Interests in Other Entities | 1.1.2013 | [1) 2)] |
| IFRS 13 | Fair Value Measurement | 1.1.2013 | [1)] |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 1.1.2013 | [1)] |
| **Amended Standards and Interpretations** | | | |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Amendment: Government Loans | 1.1.2013 | [3)] |
| IFRS 7 | Financial Instruments: Disclosures – Amendments: Offsetting Financial Assets and Financial Liabilities | 1.1.2013 | [1)] |
| IAS 27 | Separate Financial Statements (revised 2011) | 1.1.2013 | [1) 2)] |
| IAS 28 | Investments in Associates and Joint Ventures (revised 2011) | 1.1.2013 | [1) 2)] |
| IAS 32 | Financial Instruments: Presentation – Amendment: Offsetting Financial Assets and Financial Liabilities | 1.1.2014 | [1)] |
| Diverse | Transitional Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 | 1.1.2013 | |
| Diverse | Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 | 1.1.2014 | |
| Diverse | Improvements to IFRS 2009–2011 | 1.1.2013 | |

[1)] Adopted in the EU in December 2012
[2)] The new/amended standards are obligatory for financial years commencing on or after 1 January 2014.
[3)] Adopted in the EU in March 2013

### IFRS 9 Financial Instruments

IFRS regulates the classification and measurement of financial assets and creates a new form of categorisation for financial instruments. Amendments – subject to their adoption by the EU – are to be applied retrospectively to financial years commencing on or after 1 January 2015. The effects this may have on the consolidated financial statements of the Semperit Group are currently under investigation. The proposed amendments mainly relate to the measurement and presentation of changes in value of financial assets in the income statement or under other comprehensive income.

### IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. By providing a modified definition of the term "control", the new standard creates a uniform basis for defining the scope of consolidation and contains comprehensive examples covering issues not previously regulated, such as protective rights and the principal/agent relationship. The standard is not expected to have any significant effect on the consolidated financial statements of the Semperit Group.

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the notes required resulting from the application of IFRS 10 and IFRS 11. The standard replaces the disclosure requirements contained in IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates. The new standard will result in an increase in the notes required in the consolidated financial statements of the Semperit Group.

### IFRS 13 Fair Value Measurement

IFRS 13 contains regulations on determining the fair value and extends the details required in the notes. The effects this may have on the consolidated financial statements of the Semperit Group are currently under investigation. The new standard is expected to lead to additional notes.

### IAS 28 Investments in Associates and Joint Ventures (revised 2011)

IAS 28 was revised in conjunction with the publication of IFRS 10, 11 and 12 and has been adapted in line with the new standards. The amended standard will not have any significant effect on the consolidated financial statements of the Semperit Group.

No other amended standards are relevant to the Semperit Group or are expected to have any effects on the consolidated financial statements.

## 1.3. PRINCIPLES AND METHODS OF CONSOLIDATION, BUSINESS COMBINATIONS

The consolidated financial statements include the financial statements of the parent company and the financial statements of the companies under its control, the subsidiaries. Exercising control entails the possibility to determine the financial and business policy of a company in order to benefit from its activities.

For the companies in which the Semperit Group has a de facto shareholding of either 50% or 41.43%, control is assumed because the chairman nominated by the Semperit Group has the right to cast a deciding vote (this is generally the chairman of the company's Board of Directors), thus allowing the financial and business policy of the company to be controlled. Based on legal advice, it is believed the Semperit Group has control in accordance with IAS 27. The fact that certain decisions are taken at the shareholders' meeting does not affect this assessment. Such decisions are not day-to-day business decisions involved in running the company; instead, they are important decisions subject to corporate law for which a higher majority or unanimity is often required. The underlying legal interpretation is that, on account of the underlying contractual agreements between the shareholders, the shareholders' meeting cannot take day-to-day business decisions against the will of the Semperit Group.

The annual financial statements of the fully-consolidated individual domestic and international companies were prepared as at 31 December 2012, the end of the reporting period for the consolidated financial statements. If required, the annual financial statements of the subsidiaries are adjusted in accordance with the accounting and valuation methods applied by the Semperit Group.

Items 3.1 and 3.2 of the notes to the financial statements provide an overview of the fully consolidated companies and companies included at equity.

Capital is consolidated by offsetting the acquisition costs of the holding in the subsidiary and the equity of the respective subsidiary attributable to the holding.

Business combinations are accounted for in accordance with the acquisition method. This stipulates that identifiable assets and liabilities, including contingent liabilities, are to be recognised at their fair values as at the acquisition date. The exceptions are deferred tax assets or deferred tax liabilities, the recognition of which is defined in IAS 12 Income Taxes, as well as the accounting treatment for liabilities or provisions for commitments to employees, for which IAS 19 Employee Benefits is applicable.

If the value of the consideration recognised at fair value plus the value of non-controlling shares exceeds the value of the identifiable assets and liabilities acquired by the Semperit Group (net assets recognised at fair value), the difference is recognised as goodwill. If this consideration is below the fair value of the net assets, the difference is recognised in profit or loss under "other operating income". Incidental acquisition costs are included in profit or loss in the period in which they arise.

If the accounting treatment for a business combination is not yet finalised for the subsequent balance sheet date following the date of acquisition, preliminary values are recognised in the consolidated financial statements. These preliminary values are adjusted within one year following the date of acquisition on the basis of information which was already available on the acquisition date but which was not yet known on the balance sheet date.

In the course of debt consolidation, receivables and liabilities between companies included in full in the consolidated accounts are fully netted off.

In the course of expenses and income elimination, all income and expenses resulting from intra-group transactions, such as the sale of goods or services, group financing or distribution of dividends, are eliminated.

In addition, interim profits or losses from the sale of goods and services between companies in the group are eliminated.

The shares held by shareholders who do not exercise a controlling influence on subsidiaries (non-controlling interests) are reported separately in equity from the shares in these subsidiaries owned by shareholders of Semperit AG Holding (the parent company).

The non-controlling interests are initially capitalised either
a) at a proportionate share of the net value of the identifiable assets and the recognised total for the acquired liabilities and contingent liabilities on the date of acquisition or
b) recognised at fair value (limited to business combinations as of 1 January 2010).

This choice of recognition relating to business combinations as of 1 January 2010 can be exercised differently for each transaction. As at the end of subsequent reporting periods, the carrying amounts of the non-controlling interests are carried forward and adjusted to reflect the changes in equity assignable to the non-controlling interests, even if the carrying amount of the non-controlling interests comprises a negative value.

Transactions resulting in the alteration of interest held by the group in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the value by which the carrying amounts of the non-controlling interests in subsidiaries are adjusted and the fair value of the assignable consideration paid or received is recognised directly in equity less tax effects.

If the non-controlling shareholder of a subsidiary is entitled to an unconditional right of termination or if the company in which the non-controlling shareholder is involved has a fixed term, there is a liability of the group towards this non-controlling shareholder.

For such interests the "anticipated acquisition approach" is assumed, in which the group is considered to have already acquired these shares and is only obliged to compensate the non-controlling shareholder for its shares. If a liability to a non-controlling shareholder exists, the proportionate share of net assets held by the non-controlling shareholder of the respective subsidiary is not reported in equity as "equity attributable to non-controlling shareholders of subsidiaries". The financial liability relating to such a shareholding is reported as "Liabilities from redeemable shares of non-controlling shareholders" and recognised at fair value on the acquisition date of the respective subsidiary (reference is made in particular to the subsequent measurement as explained in the Notes 2.12).

## 1.4. CURRENCY TRANSLATION

The individual financial statements of the subsidiaries included in the consolidated financial statements are prepared in the currency of the economic region in which the company primarily operates, thus in its functional currency. For all companies included in consolidation, the functional currency is the currency of the country in which the respective company operates, with the exception of Sempermed Singapore Pte Ltd., Sempermed Kft. and Semperit Investments Asia Pte Ltd. The currency of the primary business environment in which Sempermed Singapore Pte Ltd., Sempermed Kft. and Semperit Investments Asia Pte Ltd. operate is the US dollar or the euro.

The separate financial statements included in consolidation which are not reported in euros, the currency used as the basis for the consolidated financial statements, must be translated into euros. Assets and liabilities of these companies, including goodwill, are translated at the reference exchange rate at the end of the reporting period. Items in the income statement and other results are translated as the average reference rates of the financial year, which correspond to the arithmetic mean of the average reference rates on the Fridays of the financial year in question. These average reference rates led to accumulated amounts in euros, which do not materially differ from the accumulated amounts which would have arisen when translating the transactions at the reference exchange rate at the date of transaction.

The foreign currency differences resulting from the conversion of the individual financial statements of subsidiaries for the purpose of consolidation are recognised in other comprehensive income, and reclassified upon disposal or other event leading to deconsolidation of the respective subsidiary in profit or loss.

Gains or losses resulting from exchange rate changes derived from transactions of consolidated companies in a currency other than the functional currency are recognised in profit or loss in the period in which they arise. Monetary items of the consolidated companies denominated in foreign currency and not in the functional currency are converted into the respective functional currency at the reference exchange rate on the balance sheet date, and any gains or losses resulting from the conversion are also recognised in profit or loss.

The following key rates of exchange vis-à-vis the euro were applied:

| | Average rate | | Rate on balance sheet date | |
|---|---|---|---|---|
| **FX-rate for 1 EUR** | **2012** | **2011** | **2012** | **2011** |
| US dollar | 1.28 | 1.39 | 1.32 | 1.30 |
| Thai baht | 39.65 | 42.11 | 40.25 | 40.72 |
| Polish zloty | 4.19 | 4.11 | 4.10 | 4.43 |
| Czech koruna | 25.13 | 24.55 | 25.12 | 25.82 |
| Hungarian forint | 289.24 | 278.23 | 293.20 | 312.00 |
| British pound sterling | 0.81 | 0.87 | 0.81 | 0.84 |
| Brazilian real | 2.49 | 2.31 | 2.72 | 2.41 |
| Chinese renminbi | 8.10 | 8.99 | 8.28 | 8.15 |
| Indian rupee | 68.36 | 64.61 | 72.10 | 68.56 |
| Malaysian ringgit | 3.97 | 4.25 | 4.03 | 4.11 |

# 2. Accounting and valuation methods

## 2.1. VALUATION PRINCIPLES

With the exception of the valuation of specified financial instruments and provisions, the consolidated financial statements are prepared on the basis of the amortised cost of acquisition or production. The historical cost of acquisition or production is generally based on the fair value of the service rendered in exchange for the asset. Financial assets and liabilities available-for-sale and held for trading are valued at their fair value. The value for provisions corresponds to the best possible estimate of the outgoings required to meet obligations at the balance sheet date.

## 2.2. RECOGNITION AND VALUATION OF REVENUE AND OTHER INCOME

Revenue and other income are recognised at the fair value of the underlying service rendered, in which case deductions are carried out for probable return deliveries, discounts, rebates, cash discounts and similar applicable reductions in the income received.

Revenue and income from deliveries is generally considered realised upon transfer of risk (at transfer date of risks and utilisation or provision of service). Interest income is realised pro rata temporis taking into account the effective rate.

Income from services is recognised to the degree of their completion. After expiry, licence and rental revenues are realised pro rata temporis on a straight line basis over the contract term. Licence income measured according to other parameters is measured and recognised in accordance with these underlying parameters.

## 2.3. EARNINGS PER SHARE

Earnings per share are determined in accordance with IAS 33 Earnings Per Share. The undiluted earnings per share are calculated by dividing the share of earnings after taxes attributable to shareholders of Semperit AG Holding by the weighted average number of shares issued during the financial year. The diluted earnings per share are calculated by adjusting the share of earnings after taxes attributable to shareholders of Semperit AG Holding and the number of shares issued for all dilution effects of potential ordinary shares. No dilution effects were taken into account as at 31 December 2011 and 31 December 2012.

## 2.4. TANGIBLE AND INTANGIBLE ASSETS

### Acquired intangible assets

Acquired intangible assets are recognised at acquisition cost, which is subsequently subject to scheduled amortisation according to their expected useful lives. The expected useful life is usually considered to be in the range of four to ten years.

### Internally generated intangible assets

An internally generated intangible asset arising from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;
– its intention and ability to complete the intangible asset and use or sell it, and that the group also has the required technical, financial and other resources to complete the development and to use or sell the intangible asset;
– that the respective intangible asset will generate future economic benefits, for example the existence of a market for the output of the intangible asset or the intangible asset itself, or, if it is to be used internally, the usefulness of the intangible asset; and
– its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Only expenses arising in connection with the development of the respective intangible asset incurred from the date when all the recognition criteria have been fulfilled are capitalised as production costs. This means that expenditures cannot be reinstated and retroactively recognised as production costs if the recognition criteria are first met at a later date.

With regard to the scheduled amortisation, the same applies analogously as for the aforementioned acquired intangible assets.

No development costs are currently capitalised in the Semperit Group.

### Intangible assets acquired in the course of business combinations

Intangible assets acquired in the course of a business combination and recognised separately from any acquired goodwill are reported at the fair value of the acquisition costs at the time of acquisition.

### Goodwill

Goodwill is not subject to amortisation but is subject to an impairment test at least once annually or more frequently if there are indications of a potential impairment.

For the purpose of the impairment test, goodwill is assigned to cash generating units or groups of cash generating units which are expected to benefit from the synergies arising from business combinations. In the Semperit Group the segments represent the lowest level at which goodwill is monitored for internal management purposes.

Indications of a potential impairment exist when the recoverable amount of the cash generating unit to which the goodwill was assigned is lower than the carrying amount of this cash generating unit, including the goodwill.

As a rule, the recoverable amount of the cash generating unit is considered to be equal to the present value of the projected discounted cash flows generated by the cash generating unit in the future (value in use). Taking the results for the current year, the expected discounted cash flows of the cash generating unit are determined on the basis of multi-period calculations using projections of the expected future development of the business. The expected business development for each of the cash generating units is ascertained on the basis of the market-specific conditions as well as on the basis of the individual cost structure and the development of the relevant raw material prices.

The relevant cost of capital underlying the discount rate is determined on the basis of a risk premium or risk discount to the weighted average cost of capital (WACC) of the group's peer group, taking the deviation of the risk situation of the respective cash generating unit from the risk situation of the group into account – provided that this deviating risk situation is not taken into consideration by adjusting payment flows.

If an impairment of the cash generating unit including goodwill is determined in this manner, the goodwill assigned to this cash generating unit is subsequently written down. An impairment exceeding the carrying amount of the goodwill is then assigned to the other assets of the cash generating unit in proportion to their carrying amounts.

### Tangible assets

Tangible assets with the exception of commercial properties are valued at their cost of acquisition or production starting at the date in which the assets are put into initial operation and depreciated according to the straight-line method, taking into account their probable useful lives. Costs of production in the case of assets generated by the company itself also include pro-rated overhead costs in addition to the direct costs, and also borrowing costs in the case of qualified assets (see Note 2.15).

The following table shows the assumed probable useful lives of the asset by investment category or the range per investment category within the assumed probable useful lives:

| | Useful life in years |
|---|---|
| Buildings | |
| Technical plant | 20–50 |
| Other company buildings | 5–10 |
| Technical equipment, plant and machinery | 5–10 |
| Office furniture and equipment | 3–10 |
| Vehicles | 4–5 |

### Finance leases

Assets used under the terms of rental agreements or leases are accounted for as assets if the rental agreement or lease stipulates that all material risks and opportunities arising from the use of the leased asset are transferred to the Semperit Group (finance lease). Assets are valued upon completion of the agreement at the lower of its fair value and the present value of the future minimum leasing payments A finance lease liability is recognised in the same amount. Depreciation is carried out over the asset's useful life or, if shorter, over the term of the lease.

### Impairment

The same method applies for goodwill as described above. Other intangible and tangible fixed assets are subject to an impairment test where there are indications that they may be impaired. The impairment test is carried out on the basis of a comparison of the recoverable amount for the specific asset or for the respective cash generating unit with its carrying amount, whereby the recoverable amount is the higher of its fair value less disposal costs and its value in use. If the recoverable amount is lower than the carrying amount,a corresponding impairment is recognised. In respect of determining the value in use, the same method applies analogously as used to determine impairment on goodwill.

### Reversal of impairment

In the case of tangible and intangible assets with the exception of goodwill, if the reasons for impairment no longer apply, the write-down is reversed, but this reversal may not exceed the amount which would have arisen had the cash generating unit not been subject to an extraordinary write-down.

### Derecognition of tangible and intangible assets

The carrying amount of a tangible or intangible asset is derecognised if the respective asset is disposed of or if no further economic benefit is to be expected from its use or its disposal. The resulting gains or losses resulting from its derecognition, calculated as the difference between the proceeds from the sale and the residual carrying amount, are recognised in profit or loss in the period in which the respective asset is derecognised.

## 2.5. INVESTMENTS IN ASSOCIATED COMPANIES

An associated company is a company over which the group has a significant influence, but which comprises neither a subsidiary nor a jointly controlled company. Significant influence means the ability to take part in the decision-making process determining the company's financial and business policies.

Investments in associated companies are reported using the equity method. According to this method, the interest in an associated company is first reported at the cost of acquisition, which is then increased or reduced by the proportionate share of the net profit or loss of the associated company. Shares in the profit or loss of an associated company are recognised in profit or loss, whereas the proportionate share of the other comprehensive income of the associated company is recognised in other comprehensive income. Dividends received from an associated company by the group reduce the carrying amount of the investment in the respective associated company.

## 2.6. FINANCIAL ASSETS

The recognition and derecognition of financial assets whose purchase or sale occurs at standard market conditions is performed as at the date of fulfilment. Initial recognition occurs at fair value plus costs of transaction. The exceptions are those financial assets categorised as being at "fair value through profit or loss". In such cases, the costs of transaction are not initially recognised and are directly reported as a profit or loss in the income statement.

### Categories of financial assets

When acquired, financial assets are allocated to the following categories based on their type and purpose:

- financial assets at fair value through profit or loss
  (financial assets at fair value through profit and loss, FAFVTPL)
- held to maturity financial investments (HTM)
- available for sale financial assets (AFS)
- loans and receivables (LAR)

### Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss primarily comprise financial assets held for trading. Derivatives are always defined as belonging to this class of trading assets, with the exception of those representing a financial guarantee or those designated as a hedge.

Financial assets at fair value through profit or loss are recognised at their fair value as at the end of the reporting period. As is the case for interest income or dividends stemming from these financial instruments, any expense or income resulting from the subsequent measurement of the asset is reported through profit or loss for the respective period.

Income and expense from the measurement of foreign exchange transactions, is reported within other operating income or other operating expenses, as the case may be, as these financial instruments are employed to limit and manage currency risks arising from operations.

Income arising from the measurement of other financial assets held for trading are also recognised like interest income and dividend from such financial assets in the consolidated income statement as "financial income" or "financial expenses".

### Held to maturity financial investments

The Semperit Group does not hold any financial assets classified as "held to maturity financial investments".

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are determined to be available-for-sale and cannot be allocated to any other category. Federal bonds and shares in funds held by the Semperit Group and equity instruments in other companies held as financial investments are categorised as being available-for-sale financial assets and recognised at fair value. Profits and losses resulting from fluctuations in fair value are recognised in the revaluation reserves under other comprehensive income. Interest income, dividends and losses arising from impairments are, on the other hand, recognised through profit or loss for the period under "financial income" or "financial expenses". The sale of such a financial asset or the determination of its value being impaired causes the cumulative earnings or expenses reported in the revaluation reserves being reclassified as profit or loss.

### Loans and receivables

Trade accounts receivable, loans and other receivables featuring preset or determinable payments and which are not listed on an active market are categorised as being loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

### Impairment

Financial assets with the exception of those assets recognised at fair value through profit or loss are evaluated at the end of every reporting period for indications of impairment. Accounts receivable whose impairments cannot clearly be determined on an individual basis are also to be examined for such impairments at portfolio level.

An impairment with respect to a financial asset or group of financial assets is assumed and recognised if there is objective evidence of impairment as the result of one or more events which occurred since initial operation of the respective asset or group of assets, and this event or these events impacted or will impact the probable future cash flow of the respective asset or group of assets.

With respect to available-for-sale equity capital instruments, an ongoing reduction in their fair value which is of material importance or covers a longer period of time to a value below the cost of acquisition is considered to constitute objective evidence of impairment.

With respect to financial assets stated at amortised cost, the figure to be recognised as impairment corresponds to the difference between the carrying amount of the respective asset using the effective interest method and the present value of the estimated future cash flows of the asset. In principle, in case of impairment the carrying amount of the respective financial asset is directly reduced with the exception of impairments relating to accounts receivable which are recognised in a valuation adjustment account. Account receivables are considered irrecoverable, if the loss of a receivable is finally established, and are deconsolidated based on the previously recognised value adjustments.

### Reversal of impairment
In cases in which a financial asset is first recognised as having undergone impairment and then experiences an appreciation in value in one of the following reporting periods which is objectively attributable to an event which occurred subsequently to the recognition of impairment, the impairment is to be reversed through profit or loss for the period in which the appreciation took place with the exception of impairment losses relating to the disposal of available-for-sale equity instruments.

With respect to available for sale equity instruments in which impairments were carried out in the past and reported in the income statement, appreciations in value are not reported in the period's income statement but rather in the revaluation reserves under other comprehensive income.

### Derecognition
A financial asset is derecognised upon expiry of the contractually stipulated entitlement to the cash flow or if the financial asset and more or less all the rights to its related risks and opportunities related to this asset are transferred to a third party.

## 2.7. INVENTORIES
Inventories are valued at the lower of cost and net realisable value. Adequate write-downs are taken into consideration for stock risks resulting from duration of storage or impaired usability The valuation is generally based on the moving average method. Manufacturing costs encompass direct expenses as well as all variable and fixed overheads incurred by production. Interim profits or losses from intra-group deliveries of inventories are eliminated unless they are of immaterial significance.

## 2.8. EMISSION CERTIFICATES
Emission certificates issued free of charge are not reported in the balance sheet (net method). In accordance with the Emission Certificate Act, a total of 26,592 emission certificates were allocated to Semperit Technische Produkte GmbH and Semperflex Optimit S.R.O. free of charge in the financial years 2010, 2011 and 2012. The companies used 18,764 certificates in the financial year 2012 (previous year: 18,739). No other certificates were bought or sold. A total of 34,641 emission certificates were unused as at 31 December 2012 (previous year: 26,813).

## 2.9. EQUITY AND DEBT CAPITAL INSTRUMENTS ISSUED BY THE GROUP

The contents of their respective contracts dictate whether financial instruments issued by the group are classified as being financial liabilities or equity.

An equity instrument is a contract giving rise to a residual claim on the assets of a company once all debts have been subtracted. Equity instruments are recognised in the amount of the issue proceeds minus directly attributable costs of issuance. These, in turn, are those which would not have been incurred had the equity instrument not been issued.

Profit or loss derived from the issuance, sale, buy-back or termination of equity capital instruments are neither recognised through profit or loss nor in other comprehensive income but directly in equity, less any tax effects.

## 2.10. RETIREMENT BENEFIT EXPENSES, PROVISIONS FOR PENSION AND SEVERANCE PAYMENTS

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

In the case of defined benefit pension plans, the cost of providing the benefit is calculated using the projected unit credit method; for this purpose, an actuarial assessment is carried out at the end of each reporting period. All remeasurements, especially actuarial gains and losses are not recognised through profit or loss but, in accordance with IAS 19 (2011) under other comprehensive income.

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

Further particulars concerning provisions for retirement benefits and termination compensation can be found in Note 6.11.

## 2.11. OTHER PROVISIONS

Provisions are recognised for the group's present obligations of an uncertain amount and/or timing resulting from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. These obligations may be of a legal or constructive nature. The recognised amount of the provision is determined on the basis of the best possible estimate to settle the obligation. If the obligation is not likely to be settled in the near future, the present value of the probable amount required to settle the obligation is recognised.

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

Provisions for long-service bonuses are calculated using the projected unit credit method in accordance with IAS 19 based on an actuarial assessment. Revaluations (actuarial gains and losses) are reported in the income statement for the period as personnel expenses. This is explained further in Note 6.12.

## 2.12. LIABILITIES FROM REDEEMABLE NON-CONTROLLING SHARES

Redeemable or temporary interests held by non-controlling shareholders of subsidiaries are considered to constitute financial liabilities and are recognised as "Liabilities under redeemable non-controlling interests".

They are recognised as current liabilities if they are due for settlement within one year after the end of the reporting period or if the group has no unconditional right to delay payment by at least twelve months after the end of the reporting period, and otherwise as non-current liabilities.

If the right to redeem is triggered by an event which cannot be influenced by the group, the liability is classified as current if the occurrence of the triggering event has occurred as of the end of the reporting period notwithstanding the fact that the group considers the exercise of the right to redeem by the non-controlling shareholder within a twelve month period following the balance sheet date to be improbable.

If the non-controlling shareholder exercises its right to redeem or the right to redeem expires within the agreed period, the non-controlling shareholder must as a rule be compensated in an amount equalling the pro-rata share of the enterprise value attributable to its interest if the group decides to acquire the interest from the non-controlling shareholder or on the basis of the proportionate share of the liquidation proceeds if the group does not acquire the interest and the company is therefore liquidated.

The liability is initially recognised at its fair value, which as a rule equals the fair value of the non-controlling shareholder's interest at the time of the investment.

As the IFRSs do not provide any guidance on the subsequent measurement of such an obligation, a method has been determined pursuant to IAS 8 which takes account of the information requirements of the users of the financial statements and which presents a true and fair view of the assets, liabilities, financial position, cash flows and profit and loss of the group and is neutral, i.e. free of any distorting influences, cautious and free of any material omissions. Thus, for the purposes of subsequent measurement, the amount of the liability initially recognised is increased by the share in profit or reduced by the share in loss accruing as of measurement date in accordance with the possibility described in the statement issued by the Institute of Public Auditors in Germany on individual issues relating to the recognition of financial instruments pursuant to IAS 32 (IDW RS HFA 45). In this connection, this share of profit or loss also includes the share in other comprehensive income. In addition, any amounts reported directly in equity are included in the measurement of the liability. Dividends distributed to non-controlling shareholders are deducted from the liability.

The interests of the non-controlling shareholders in the subsidiary's comprehensive income to be subsequently measured and any amounts recognised directly within the subsidiary's equity are recognised in the income statement and constitute financial expense for the group, which is disclosed separately as "Results attributable to redeemable non-controlling interests".

## 2.13. OTHER FINANCIAL LIABILITIES

Other financial liabilities are categorised as financial liabilities at fair value through profit and loss or as other financial liabilities.

### Financial liabilities at fair value through profit and loss

Financial liabilities are recognised at fair value through profit and loss (FLFVTPL) if

– they are held for trading; for this purpose, derivative financial instruments with the exception of those which constitute a financial guarantee or are designated as hedges and are effective as such are always deemed to be held for trading, or
– they have been designated as "financial liabilities at fair value through profit and loss", which may be of significance particularly if the financial liability in question forms part of a contract in which a derivative is embedded.

Financial liabilities at fair value through profit and loss are recognised at their fair value. As is the case for interest expense arising from these financial instruments, any expense or income resulting from the subsequent measurement of the asset is reported through profit or loss for the respective period.

Income and expense from the measurement of foreign exchange transactions, is reported under "other operating income" or other "operating expenses", as the case may be, as these instruments are employed to effectively hedge currency risks arising from operations. Income and expenses arising from the measurement of financial liabilities, as is the case with interest expense arising from such liabilities, are recognised as "financial income" or "financial expenses".

There are currently no financial liabilities in the Semperit Group designated as measured at fair value through profit or loss.

### Other financial liabilities

Other financial liabilities, including loans raised, are initially recognised at their fair value net of transaction costs. They are then subsequently measured at amortised cost in accordance with the effective interest method.

The effective interest rate is the interest rate which, when used to discount the payments expected to be made until settlement of the respective financial liability, results in a present value which exactly matches the carrying amount of the financial liability at the time of initial recognition.

### Derecognition

A financial liability is derecognised if and to the extent that the underlying obligation has been settled or terminated or has expired.

## 2.14. DERIVATIVE FINANCIAL INSTRUMENTS

In addition to operating measures, individual derivative financial instruments, particularly forward foreign exchange transactions, are used to hedge currency risks. Derivatives are reported in the balance sheet as independent transactions and not as hedges. Hedge accounting as defined in IAS 39 is not applied as the conditions for this are not satisfied. They are therefore recognised as financial instruments held for trading and are measured at their current market value. This corresponds to the value that the respective company would achieve or would have to pay should the business be disposed of at the end of the reporting period. Positive market values as of the balance sheet date are recognised under other financial assets and negative market values under other financial liabilities.

## 2.15. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets, the acquisition, construction or production of which entail a substantial period of time for their intended use or sale, are included in the cost of such assets up until the date on which they become chiefly available for their intended use or sale. Otherwise, borrowing costs are recognised through profit or loss, specifically under interest and other financial expenses for the period in which they arise.

## 2.16. INCOME TAXES

The income taxes recognised in the consolidated income statement represent the sum arising from current and deferred tax expense/tax income. As a matter of principle, current and deferred income taxes are reported as expense or income through profit or loss for the period. The tax effects of items recognised under other comprehensive income or directly under equity are also recognised under other comprehensive income or directly under equity. Similarly, in connection with a business combination, the tax effect arising from the measurement of the assets and liabilities is not recorded in profit and loss but included in the business combination accounts.

Current income tax expense is calculated on the basis of the taxable profit for the period in question. The taxable profit differs from the earnings before tax listed in the consolidated income statement. This difference is caused by expenses and income which are either subject to tax in a period after the balance sheet date or are not subject to tax liability or are tax-deductible.

Deferred taxes are accounted for in respect of temporary differences between the carrying amount of an asset or liability in the consolidated financial statements and the tax base of such asset or liability equalling the expected future tax charge or refund. Deferred tax assets are recognised if and to the extent that taxable profit will be available and can be offset against the deductible temporary differences. Similarly, deferred tax assets are recognised for advantages arising from carry forwards of tax losses if and to the extent that it is sufficiently certain that future taxable profit will be available against which the tax losses carried forward can be utilised. However, the recognition of deferred taxes does not apply to temporary differences arising from the initial recognition of goodwill or an asset or liability arising from a transaction with the exception of a business combination which at the time of the transaction does not affect either earnings before tax or taxable earnings.

Deferred tax effects of taxable temporary differences in connection with shares in subsidiaries and associated companies are furthermore accrued unless the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. The future tax effects of deductible temporary differences involving shares held in subsidiaries and associated companies are only accrued if and to the extent that it is probable that sufficient future taxable profit will be available against which these tax-deductible temporary differences can be utilised and it can be assumed that these deductible temporary differences will be reversed in the foreseeable future.

The carrying amount of deferred tax assets as at the end of the reporting period is examined and adjusted if and to the extent that it is no longer probable that sufficient taxable profit against which it can be utilised will be available.

Deferred tax assets and liabilities are determined using the tax laws and rates prevailing or substantively enacted as at the end of the reporting period and which will be applicable as of the probable date of reversal of the differences. The measurement of deferred income tax assets and liabilities also reflects the tax consequences that arise from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities from which the underlying temporary difference is derived.

Deferred tax assets and liabilities of one and the same taxable entity are offset if they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off the recognised amounts. The tax group formed in Austria in accordance with Section 9 of the Corporation Tax Act is deemed to constitute a taxable entity for this purpose.

## 2.17. MATERIAL ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statements calls for estimates and assumptions to be made by management concerning the future and affecting the assets and liabilities recognised in the balance sheet, the disclosure of other obligations as at the end of the reporting period and the recognition of income and expenses during the year. The actual amounts recorded may differ from amounts based on the assumptions and estimates made.

The recoverability of the carrying amount of goodwill and intangible assets with indefinite useful lives is determined once a year and in the event of any circumstances allowing impairment to be inferred. The recoverability of the carrying amount of tangible and intangible assets with a finite useful life must be investigated upon any evidence of permanent impairment arising. Recoverability of the carrying amount is determined on the basis of forward-looking assumptions such as about company planning, future inflation and exchange rates, and about specific market, sector and company discount rates. Any changes in these assumptions may result in impairments in future periods (carrying amounts see Note 6.1.).

The actuarial assumptions underlying the measurement of the provisions for retirement benefits and severance payments are based on estimates concerning interest rates, expected returns on plan assets, salary increases, fluctuation, retirement ages and life expectancy. Any changes in these assumptions may result in a substantially different valuation (carrying amounts and sensitivity analysis see Note 6.11.).

Assumptions and estimates also have to be made when determining the useful life of intangible assets with a finite useful life and tangible assets (carrying amounts see Notes 6.1. and 6.2.).

Assumptions regarding the probability of default are made in the subsequent measurement of receivables as at the end of the reporting period (carrying amounts see Note 6.4).

The recognition of deferred tax assets is based on the assumption that there will be sufficient taxable profit against which deductible temporary differences and/or tax loss carry forwards can be offset in the future. If actual future taxable profit differs from assumptions, this may render the utilisation of deferred income tax assets unlikely and result in an impairment of the value of these assets (carrying amounts see Note 6.8.).

When calculating net realisable values in the course of inventory valuation at the end of the reporting period, the management is required to make estimates about pricing and developments in the market (see Note 2.7 and 6.3).

For the calculation of other provisions, estimates must be made as to the probability of utilisation and the expected cash outflow. These estimates may be subject to changes that result in substantially different amounts being recognised at the end of future reporting periods (carrying amounts see Note 6.12.).

The estimates and underlying assumptions are reviewed regularly and, where necessary, adjusted.

## 2.18. RETROSPECTIVE CHANGES

The Semperit Group applied IAS 19 (2011) early as at 31 December 2012. This means that any remeasurements (actuarial gains or losses and the difference between actual income from plan assets and the expected interest on plan assets with the discount rate of the obligation) and taxes thereon will no longer be recognised as before through profit or loss for the period but under other comprehensive income. In addition, the prerequisites for the recognition of a previously reported restructuring provision of kEUR 6,944 are not met.

As of the financial year 2012, the share of profit/loss of associated companies will be recognised in the consolidated income statement in earnings before interest and tax (EBIT) instead of, as previously, in the financial result, since the associated company is maintained exclusively to support operating activities.

In addition, certain balance sheet items previously reported in the consolidated balance sheet as other provisions have been reclassified in view of their accrual nature as trade payables, other financial liabilities and other liabilities.

In the consolidated cash flow statement, interest and tax payments from the financial year onwards are reported separately in gross cash flow.

The figures for the previous year have been adjusted accordingly.

The retrospective adjustments to the financial information for 2011 and the effects of these adjustments on the financial information for 2012 are shown below.

### Effects on the consolidated income statement

| in kEUR | Effect 2012 | Adjustment 2011 |
|---|---|---|
| Personnel expenses | 5,950 | –2,948 |
| Share of profit from associated companies | 259 | 207 |
| **EBITDA and EBIT** | **6,209** | **–2,791** |
| **Financial result** | **–259** | **–207** |
| **Earnings before taxes** | **5,950** | **–2,948** |
| Income taxes | –1,474 | 624 |
| **Earnings after taxes** | **4,477** | **–2,324** |
| **Earnings per share (diluted and undiluted) in EUR** | **0.22** | **–0.11** |

### Effects on the statement of comprehensive income

The retrospective application of IAS 19 (2011) improved other comprehensive income for 2011 by kEUR 2,324. For the financial year 2012, the application of IAS 19 (2011) resulted in a reduction of other comprehensive income of kEUR 4,477.

### Effects on the consolidated balance sheet

| in kEUR | Effect 31.12.2012 | Adjustment 31.12.2011 | Adjustment 1.1.2011 |
|---|---|---|---|
| **Equity** | | | |
| Revenue reserves | 6,944 | 6,944 | 6,944 |
| **Non-current provisions and liabilities** | | | |
| Other provisions | –7,313 | –7,382 | –7,338 |
| Other liabilities | 369 | 437 | 394 |
| | **–6,944** | **–6,944** | **–6,944** |
| **Current provisions and liabilities** | | | |
| Other provisions | –7,487 | –5,401 | –6,250 |
| Trade payables | 571 | 446 | 295 |
| Other financial liabilities | 3,834 | 2,452 | 2,784 |
| Other liabilities | 3,082 | 2,503 | 3,170 |
| | **0** | **0** | **0** |

The application of IAS 19 (2011) has no effect on the balance sheet figures of the provisions for pensions and severance payments, since the liabilities from defined benefit plans were already included in full.

# 3. Consolidated companies

## 3.1. SUBSIDIARIES (FULLY CONSOLIDATED)

| | Currency | Authorised share capital in '000s | Direct holding in % | Group holding in % | |
|---|---|---|---|---|---|
| **Europe** | | | | | |
| Semperit Aktiengesellschaft Holding, Vienna, Austria | EUR | 21,359 | | | |
| Semperit Technische Produkte Gesellschaft m.b.H., Vienna, Austria | EUR | 10,901 | 100.00 | 100.00 | |
| Arcit Handelsgesellschaft m.b.H., Vienna, Austria | EUR | 36 | 100.00 | 100.00 | |
| PA 82 WT Holding GmbH, Vienna, Austria | EUR | 35 | 100.00 | 100.00 | |
| Semperflex Rivalit GmbH, Waldböckelheim, Germany | EUR | 1,281 | 100.00 | 100.00 | |
| Semperit Gummiwerk Deggendorf GmbH, Deggendorf, Germany | EUR | 2,050 | 100.00 | 100.00 | |
| Semperit Technische Produkte GmbH, Gevelsberg, Germany | EUR | 50 | 100.00 | 100.00 | |
| Semperit (France) S.A.R.L., Levallois Perret, France | EUR | 495 | 100.00 | 100.00 | |
| Sempertrans France Belting Technology S.A.S., Argenteuil, France | EUR | 3,165 | 100.00 | 100.00 | |
| Sempertrans Maintenance France Méditeranée E.U.R.L., Argenteuil, France | EUR | 165 | 100.00 | 100.00 | |
| Sempertrans Maintenance France Nord E.U.R.L., Argenteuil, France | EUR | 176 | 100.00 | 100.00 | |
| Semperit Industrial Products Ltd., Daventry, Great Britain | GBP | 750 | 100.00 | 100.00 | |
| Semperflex Roiter S.r.l., Rovigo, Italy | EUR | 750 | 100.00 | 100.00 | |
| Semperit Ibèrica S.A., Barcelona, Spain | EUR | 156 | 100.00 | 100.00 | |
| Sempertrans Belchatow Sp. z o.o., Belchatów, Poland | PLN | 7,301 | 100.00 | 100.00 | |
| Fabryka Lin „Stolin" Sp. z o.o., Belchatów, Poland | PLN | 800 | 100.00 | 100.00 | |
| Semperit Tekniska Produkter Aktiebolag, Skärholmen, Sweden | SEK | 800 | 100.00 | 100.00 | |
| Semperflex Optimit s.r.o., Odry, Czech Republic | CZK | 470,318 | 100.00 | 100.00 | |
| Semperflex A.H. s.r.o., Odry, Czech Republic | CZK | 100 | 100.00 | 100.00 | |
| Sempermed Kft., Sopron, Hungary | EUR | 3,680 | 100.00 | 100.00 | |
| Semperform Kft., Sopron, Hungary | HUF | 243,000 | 100.00 | 100.00 | |
| Sempermed Magyarország Kft., Budapest, Hungary | HUF | 3,000 | 100.00 | 100.00 | |
| **The Americas** | | | | | |
| Sempermed Brazil Comèrcio Exterior Ltda. Piracicaba, Brazil | BRL | 12,547 | 100.00 | 50.00 | 1) |
| Semperit Brasil Produtos Tècnicos Ltda., Sao Paulo, Brazil | BRL | 150 | 100.00 | 100.00 | |
| Sempermed USA Inc., Clearwater, Florida, USA | USD | 4,000 | 75.00 | 50.00 | 1) |
| Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA | USD | 1 | 100.00 | 100.00 | |
| **Asia** | | | | | |
| Semperflex Shanghai Ltd., Shanghai, China | USD | 15,000 | 50.00 | 50.00 | 1) |
| Semperit (Shanghai) Management Co. Ltd., Shanghai, China | USD | 2,000 | 100.00 | 100.00 | |
| Sempertrans Best (Shandong) Belting Co. Ltd., Shandong, China | EUR | 20,000 | 80.00 | 80.00 | |
| Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China | EUR | 2,471 | 90.00 | 90.00 | |
| Shanghai Sempermed Gloves Co Ltd., Shanghai, China | USD | 6,000 | 100.00 | 50.00 | 1) |
| Sempertrans Nirlon (Pte.) Ltd., Maharashtra, Roha, India | INR | 230,769 | 100.00 | 100.00 | |
| FormTech Engineering (M) Sdn Bhd, Malaysia | MYR | 7,000 | 82.86 | 41.43 | 1) |
| Latexx Partners Berhad, Kamunting, Malaysia | MYR | 111,708 | 85.94 | 85.94 | |
| Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia | MYR | 0,002 | 100.00 | 85.94 | |
| Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia | MYR | 3,000 | 100.00 | 85.94 | |
| Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia | MYR | 5,000 | 100.00 | 85.94 | |
| Total Glove Company Sdn Bhd, Kamunting, Malaysia | MYR | 10 | 50.01 | 42.98 | |
| Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia | MYR | 500 | 100.00 | 85.94 | |
| Semperit Industrial Products Singapore Pte Ltd., Singapore | SGD | 191 | 100.00 | 100.00 | |
| Semperit Investments Asia Pte Ltd, Singapore | EUR | 50 | 100.00 | 100.00 | |
| Sempermed Singapore Pte Ltd., Singapore | USD | 8,000 | 50.00 | 50.00 | 1) |
| Semperflex Asia Corp. Ltd., Hatyai, Thailand | THB | 380,000 | 50.00 | 50.00 | 1) |
| Semperform Pacific Corp. Ltd., Hatyai, Thailand | THB | 15,000 | 50.00 | 50.00 | 1) |
| Siam Sempermed Corp. Ltd., Hatyai, Thailand | THB | 200,000 | 50.00 | 50.00 | 1) |

1) As the Chairman of the Board of Directors by the Semperit Group has the right to cast a deciding vote, the Group has a controlling influence over the company.

## 3.2. ASSOCIATED COMPANIES (EQUITY METHOD)

| Foreign | Currency | Nominal currency in '000s | Group holding in % |
|---|---|---|---|
| Synergy Health Allershausen GmbH (formerly Isotron Deutschland GmbH), Allershausen, Germany | EUR | 512 | 37.5 |

The company is included in the consolidated financial statements using the equity method.

The carrying amount of the holding in this associated company as at 31 December 2012 is kEUR 1,026 (previous year: kEUR 767). A share in the profit of kEUR 259 (previous year: kEUR 207) was recognised in the consolidated income statement. This has been recognised since financial year 2012 under EBIT and no longer as before under the financial result. No other comprehensive income attributable to the associated company had to be taken into account.

The company reported the following figures (100%) as at the end of the respective reporting periods:

| in kEUR | 31.3.2012 | 31.3.2011 |
|---|---|---|
| **Assets** | | |
| Non-current assets | 5,302 | 4,671 |
| Current assets | 436 | 511 |
| | **5,738** | **5,182** |
| **Equity and liabilities** | | |
| Equity | 2,734 | 2,043 |
| Non-current provisions | 276 | 276 |
| Non-current liabilities | 1,500 | 1,500 |
| Current provisions | 445 | 368 |
| Current liabilities | 784 | 995 |
| | **5,738** | **5,182** |

| in kEUR | 2011/12 | 2010/11 |
|---|---|---|
| Revenue | 3,438 | 3,087 |
| Earnings after tax | 691 | 551 |

## 3.3. CHANGES IN SCOPE OF CONSOLIDATION

### New company formations

Semperit (Shanghai) Management Co. Ltd., China, a wholly owned subsidiary of the Semperit Group, began operating in the first half of 2012. The company provides management, finance, human resource and purchasing functions on the Chinese market.

Semperit Investments Asia Pte Ltd., Singapore, was formed as a new operating holding company in the Sempermed segment in the third quarter of 2012.

## Business combinations

In November 2012, the Semperit Group acquired 85.94% of the shares of Latexx Partners Berhard, Kamunting, Malaysia and its five subsidiaries (hereinafter "Latexx Partners"). The company is listed on the Main Market of the Bursa Malaysia and is one of Malaysia's largest manufacturers of medical gloves. By taking over Latexx Partners, the Semperit Group will be able to significantly strengthen its position in the global glove market, upgrade its product portfolio, supply new groups of customers and gain access to new, innovative products.

The non-controlling shares in the acquired company were recognised at their fair value.

The fair values of the assets and liabilities of Latexx Partners as at the date of acquisition are shown below:

| in kEUR | Fair value at acquisition date |
|---|---|
| **Non-current assets** | |
| Intangible assets | 12,554 |
| Tangible assets | 45,237 |
| | **57,843** |
| **Current assets** | |
| Inventories | 16,593 |
| Trade receivables | 11,183 |
| Other financial assets | 3,166 |
| Cash and cash equivalents | 9,971 |
| | **40,913** |
| **Non-current provisions and liabilities** | |
| Liabilities to banks | 1,465 |
| Other financial liabilities | 5,576 |
| Deferred taxes | 2,962 |
| | **10,003** |
| **Current provisions and liabilities** | |
| Other provisions | 451 |
| Liabilities to banks | 11,490 |
| Trade payables | 11,907 |
| Other financial liabilities | 6,353 |
| Other liabilities | 56 |
| Current tax liabilities | 2,784 |
| | **33,042** |
| **Total net assets at their fair value** | **55,712** |
| Minority interests at their fair value | –22,334 |
| Goodwill | 97,558 |
| **Compensation paid (purchase price paid in cash)** | **130,935** |

The fair value of trade receivables, i.e., the expected total payments to be received, amounts to kEUR 11,183, while the gross amount is kEUR 11,916.

The goodwill arising in connection with the acquisition of the company mainly reflects the advantage given by the significant strengthening of the group's market position in medical gloves and expected synergies. The goodwill cannot be utilised for tax purposes.

The total purchase price was paid in cash. Transaction costs of kEUR 4,137 were incurred in connection with the acquisition of the company. These are included under other operating expenses.

The non-controlling shares as at the time of the acquisition of the company were recognised at the value of the public takeover offer.

Since the date of its acquisition, Latexx Partners has contributed kEUR 14,494 to revenue. Earnings after taxes were kEUR –179. If the acquisition had taken place at the beginning of the year, Latexx Partners would have contributed kEUR 99,865 to sales revenues and kEUR 4,796 to EBIT.

# 4. Segment reporting

The segment report is prepared in accordance with IFRS 8 using the "management approach" and is based on the internal reports submitted to the management board of Semperit AG Holding in its capacity as the chief operating decision maker on the allocation of resources to the segments.

The segments have been defined by product group. They are managed separately and correspond to the Semperit Group's divisions.

The Semperit Group thus comprises four reportable segments:
– Sempermed
– Semperflex
– Sempertrans
– Semperform

The **Sempermed** segment produces gloves by means of an immersion technology and sells these gloves throughout the world. The product portfolio encompasses examination, protective and surgical gloves.

The **Semperflex** segment sells low-pressure and high-pressure hoses. These hoses are reinforced with textiles (industrial hoses) or metal wires (hydraulic hoses).

The **Sempertrans** segment focuses on the manufacturing and marketing of transport and conveyor belts which are reinforced with either textile or steel carcasses.

**Semperform** produces and markets moulded goods; the focus of its business activities is in Europe. Rubber and plastics serve as the main raw materials. The individual product groups are manufactured on the basis of different technologies.

The accounting and measurement methods used in determining segment earnings, assets and liabilities are identical to those described in Section 2. Segment earnings comprise EBIT and are derived in the same manner as EBIT in the consolidated income statement. This is the figure reported to the management board for purposes of resource allocation and performance measurement.

## Segment reporting by division

This segment reporting by division is based on internal management and reporting.

| 2012 in kEUR | Sempermed | Semperflex | Sempertrans | Semperform | Corporate Center and intercompany transactions | Group |
|---|---|---|---|---|---|---|
| Revenue | 383,494 | 180,609 | 143,755 | 120,715 | 0 | **828,573** |
| EBITDA | 41,543 | 38,575 | 21,193 | 20,427 | –13,080 | **108,658** |
| Depreciation and amortisation to tangible and intangible assets | –13,920 | –10,919 | –4,607 | –5,743 | –279 | **–35,467** |
| Impairments to tangible and intangible assets | 0 | –39 | –605 | –40 | 0 | **–683** |
| EBIT = segment results | 27,624 | 27,616 | 15,982 | 14,644 | –13,359 | **72,507** |
| Segment assets | 441,710 | 152,662 | 121,928 | 70,258 | 37,901 | **824,458** |
| Segment liabilities | 270,706 | 46,459 | 30,555 | 23,714 | 25,030 | **396,464** |
| Investments in intangible assets and property, plant and equipment | 19,950 | 15,025 | 1,860 | 3,770 | 630 | **41,235** |
| Shares in associates | 1,026 | 0 | 0 | 0 | 0 | **1,026** |
| Employees | 5,265 | 1,368 | 928 | 690 | 54 | **8,305** |

| 2011 adjusted in kEUR | Sempermed | Semperflex | Sempertrans | Semperform | Corporate Center and intercompany transactions | Group |
|---|---|---|---|---|---|---|
| Revenue | 371,539 | 186,904 | 147,001 | 114,562 | 0 | **820,006** |
| EBITDA | 44,427 | 35,164 | 14,415 | 23,583 | –7,555 | **110,035** |
| Depreciation and amortisation to tangible and intangible assets | –9,999 | –10,599 | –3,581 | –5,317 | –93 | **–29,589** |
| Impairments to tangible and intangible assets | –4 | –17 | 0 | –63 | 0 | **–84** |
| EBIT = segment results | 34,425 | 24,548 | 10,835 | 18,203 | –7,648 | **80,362** |
| Segment assets | 229,346 | 161,301 | 125,543 | 81,547 | 18,913 | **616,650** |
| Segment liabilities | 115,824 | 48,594 | 27,504 | 19,557 | 25,773 | **237,253** |
| Investments in tangible and intangible assets | 20,726 | 16,080 | 1,986 | 5,581 | 726 | **45,098** |
| Shares in associates | 767 | 0 | 0 | 0 | 0 | **767** |
| Employees | 4,834 | 1,382 | 931 | 654 | 32 | **7,833** |

The income and expenses of companies involved in production and distribution in more than one segment are subdivided and allocated to the appropriate segments so that no further eliminations are necessary. The corporate centre consists of the Semperit AG Holding, which is not involved in operating activities, and a management company in China. Internal charging and allocations of corporate center costs are already allocated to the segments as far as possible.

All assets in the group are assigned to the segments with the exception of the assets of Semperit AG Holding, the non-operating parent company, and a management company in China. A large percentage of the assets can be clearly assigned to the respective segments as the companies operate in only one segment. The cash and cash equivalents of Semperit Technische Produkte GmbH are assigned in equal portions to the segments in which the company is active. The assets of the sales companies are classified according to the revenue which is generated.

All of the group's liabilities are allocated to the segments with the exception of the liabilities attributable to Semperit AG Holding and a management company in China. A large percentage of the liabilities can be clearly assigned to the respective segments as the companies operate in only one segment. Liabilities of Semperit Technische Produkte GmbH, are assigned in equal portions to the segments in which the company is active. Liabilities held by sales companies are classified according to the revenue which is generated.

## Segment reporting by geographical area

Group activities are primarily performed in Europe, Asia and the Americas.

In accordance with IFRS 8, information on revenue is presented in accordance with the location of the customers, and details on non-current assets and investments on the basis of the respective locations of the different companies belonging to the Semperit Group.

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

| in kEUR | 2012 Non-current assets [2) 3)] | Investments | Revenue [1)] | 2011 Non-current assets [2) 3)] | Investments | Revenue [1)] |
|---|---|---|---|---|---|---|
| Austria | 31,673 | 8,707 | 31,372 | 30,498 | 7,799 | 34,673 |
| EU excluding Austria | 67,873 | 9,063 | 378,569 | 63,502 | 10,232 | 399,133 |
| Total for EU | 99,546 | 17,770 | 409,941 | 94,001 | 18,031 | 433,806 |
| Rest of Europe | 0 | 0 | 73,135 | 0 | 0 | 64,813 |
| Total for Europe | 99,546 | 17,770 | 483,076 | 94,001 | 18,031 | 498,619 |
| Asia | 279,528 | 23,336 | 102,349 | 126,375 | 26,860 | 108,104 |
| The Americas | 3,535 | 129 | 211,693 | 3,821 | 207 | 191,777 |
| Rest of the world | 0 | 0 | 31,455 | 0 | 0 | 21,508 |
| **Group** | **382,609** | **41,235** | **828,573** | **224,197** | **45,098** | **820,006** |

1) After eliminating internal revenue.
2) Consolidation entries are assigned to the regions whenever possible.
3) Non-current assets do not include deferred income tax assets, financial investments, shares in associates and claims under insurance policies.

# 5. Notes to the consolidated income statement

## 5.1. REVENUE

Detailed information on the revenues of the various divisions and regions is provided in the segment reporting.

## 5.2. OTHER OPERATING INCOME

| in kEUR | 2012 | 2011 |
|---|---|---|
| Exchange rate gains | 11,931 | 12,716 |
| Income from the sale of property, plant and equipment | 4,337 | 281 |
| Insurance claims | 4,405 | 3,223 |
| Income from forward exchange transactions | 3,674 | 1,190 |
| Reversals of impairments on property, plant and equipment | 2,577 | 813 |
| Sale of by-products and waste materials | 1,080 | 1,359 |
| Rental income | 304 | 386 |
| Other | 4,462 | 13,815 |
| | **32,770** | **33,782** |

## 5.3. MATERIAL COSTS AND PURCHASED SERVICES

| in kEUR | 2012 | 2011 |
|---|---|---|
| Costs of materials | 445,202 | 462,301 |
| Purchased services | 55,801 | 50,759 |
| | **501,003** | **513,059** |

## 5.4. PERSONNEL EXPENSES

Personnel expenses include the following items:

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Wages | 47,461 | 45,341 |
| Salaries | 54,597 | 48,024 |
| Termination compensation | 1,519 | 2,108 |
| Retirement benefit expenses | 1,469 | 1,488 |
| Statutory social security expenses and other compulsory wage-related payments | 20,133 | 18,978 |
| Other social security expenses | 2,264 | 1,956 |
| | **127,444** | **117,895** |

The average number of people employed by the Semperit Group is as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Blue-collar workers | 6,344 | 6,230 |
| White-collar workers | 1,961 | 1,603 |
| | **8,305** | **7,833** |

The average number of employees in Austria totalled 707 (previous year: 702).

In the financial year 2012 the remuneration paid to the active members of the management board amounted to kEUR 2,176 (previous year: kEUR 3,099), of which kEUR 738 was accounted for by variable components (previous year: kEUR 1,619). As a result of changes to the composition of the management board during the year, comparing total compensation with the previous year is of limited value.

In addition, payments amounting to kEUR 847 were made to former management board member Richard Stralz on termination of his employment relationship (previous year: kEUR 0).

The remuneration paid to the former chairman of the management board, Rainer Zellner, amounted to kEUR 1,008 in 2012 (previous year: kEUR 357 – for the period from 14 April 2011 to 31 December 2011).

The expenses for pensions and severance payments for the active management board members amounted to kEUR 210 (previous year: kEUR 186). Of this amount, kEUR 64 (previous year: kEUR 54) is attributable to contribution-based severance and pension commitments.

## 5.5. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Maintenance and third-party services | 33,720 | 30,515 |
| Outgoing freight | 20,986 | 20,662 |
| Exchange rate losses | 13,840 | 10,042 |
| Commission and advertising costs | 8,409 | 8,908 |
| Legal, consulting and auditing fees | 8,350 | 6,757 |
| Travel expenses | 7,925 | 5,917 |
| Insurance premiums | 3,980 | 3,685 |
| Other taxes | 3,771 | 2,824 |
| Rental and leasing expenses | 3,592 | 3,317 |
| Communications | 2,102 | 1,826 |
| Bank expenses | 1,900 | 613 |
| Fees, subscriptions and donations | 1,147 | 992 |
| Expenses from currency forwards | 1,123 | 4,384 |
| Other | 13,305 | 16,151 |
| | **124,150** | **116,594** |

The expenses for the auditors of the consolidated financial statements, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. of Vienna (previous year: Deloitte Audit Wirtschaftsprüfungs GmbH) are as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Auditing of consolidated and separate financial statements | 180 | 30 |
| Other valuation and certification services | 60 | 50 |
| Other services | 0 | 17 |
| | **240** | **97** |

## 5.6. DEPRECIATION AND AMORTISATION

| in kEUR | 2012 | 2011 |
|---|---|---|
| Depreciation and amortisation | 35,467 | 29,589 |
| Impairments | 683 | 84 |
| | **36,151** | **29,673** |

Impairments are primarily related to technical equipment and machinery and result from changes to the production technology used.

## 5.7. FINANCIAL RESULT

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| **Financial income** | | |
| Income from securities | 410 | 451 |
| Interest and related income | 1,748 | 1,252 |
| | **2,158** | **1,703** |
| **Financial expenses** | | |
| Losses on the disposal of financial assets | –170 | –8 |
| Write-downs of available-for-sale financial assets | 0 | –37 |
| Other expenses on financial assets | 0 | –7 |
| Interest and other financial expenses | –1,026 | –418 |
| | **–1,196** | **–471** |
| **Profit/loss attributable to redeemable non-controlling shares** | **–15,006** | **–14,680** |
| **Financial result** | **–14,044** | **–13,447** |

Net income from available-for-sale financial assets breaks down as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| **Net income recognised directly in profit and loss** | | |
| Income from available-for-sale financial assets | 410 | 451 |
| Expenses from available-for-sale financial assets | 0 | –37 |
| Losses on the disposal of securities | –170 | –8 |
| Other expenses arising from securities | 0 | –7 |
| | **240** | **405** |
| **Net income/expenses recognised in other comprehensive income** | | |
| Revaluation gains/losses for the period | 146 | –132 |
| Reclassification to profit and loss for the period | 84 | 0 |
| | **230** | **–132** |
| **Net income from available-for-sale financial assets** | **640** | **273** |

Net income from loans and receivables (excluding currency gains and losses) breaks down as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Interest income from loans and receivables | 1,748 | 1,252 |
| Impairments of loans and receivables | –87 | –1,352 |
| **Net income from loans and receivables** | **1,661** | **–100** |

Impairment losses arising from loans and receivables are summarised under other operating expenses.

Net income resulting from held for trading financial instruments purposes (derivatives) is as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Income from foreign exchange transactions | 3,674 | 1,190 |
| Expenses from foreign exchange transactions | –2,182 | –4,384 |
| **Net income from finance instruments held for trading** | **1,492** | **–3,194** |

Income and expenses from foreign exchange transactions are included under other operating income and expenses. Expenses from foreign exchange options transactions totalling kEUR 1,059 are included under bank expenses and hedging costs.

kEUR 926 of the interest expenses included in the financial result (previous year: kEUR 418) arises from liabilities valued at amortised cost. These represent the net income without foreign currency gains and losses in this category of financial instruments.

## 5.8. INCOME TAXES

Income tax expense recognised for the financial year includes current and deferred income tax for the individual companies calculated on the basis of taxable income and the applicable tax rate in the relevant countries.

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Current tax expense | 14,841 | 15,659 |
| Deferred tax income | –2,606 | –499 |
| | **12,235** | **15,160** |

The effective tax rate in the reporting year, that means in relation to the earnings before tax and before reduction of profit or loss attributable to redeemable non-controlling shares, was 16.7% (previous year: 18.6%). The group tax rate is a weighted average of the local income tax rates of all consolidated subsidiaries.

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

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| **Earnings before tax** | **58,463** | **66,914** |
| **Tax expense (–) at 25 %** | **–14,616** | **–16,729** |
| Tax rates in other countries | 2,094 | –509 |
| Share of profit/loss of associates companys | 65 | 52 |
| Profit/loss attributable to redeemable non-controlling interest | –3,751 | –3,670 |
| Non-deductible expenses | –841 | –690 |
| Non-taxable income, tax exemptions and tax deductibles | 4,084 | 5,913 |
| Changes in value adjustments for deferred taxes on tax loss carry forwards and deductible temporary differences | 92 | –37 |
| Change to outside basis differences | –461 | 0 |
| Tax effects on write-downs on holdings of fully consolidated companies | 1,633 | 0 |
| Withholding taxes | –129 | –49 |
| Tax arrears from previous periods | –947 | –80 |
| Tax rate changes | –31 | 433 |
| Other | 573 | 206 |
| **Income taxes according to the income statement** | **–12,235** | **–15,160** |

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Earnings before tax | 58,463 | 66,914 |
| Profit / loss attributable to redeemable non-controlling shares | 15,006 | 14,680 |
| | **73,469** | **81,594** |
| Income taxes according to the income statement | –12,235 | –15,160 |
| **Effective tax rate in %** | **16.7%** | **18.6%** |

## 5.9. EARNINGS PER SHARE

| in kEUR | | 2012 | 2011 adjusted |
|---|---|---|---|
| Earnings after taxes attributable to the shareholders of Semperit AG Holding | in kEUR | 46,258 | 51,754 |
| Average number of shares outstanding | in units | 20,573,434 | 20,573,434 |
| Earnings per share (diluted and undiluted) | in EUR | 2.25 | 2.52 |

No dilution effects had to be taken into account as at both December 31, 2011 and December 31, 2012.

# 6. Notes to the consolidated balance sheet

## 6.1. INTANGIBLE ASSETS

| in kEUR | Software licences, industrial property rights and similar rights | Goodwill | Prepayments | Total |
|---|---|---|---|---|
| **Acquisition costs** | | | | |
| **As at 1.1.2011** | **14,104** | **2,907** | **100** | **17,111** |
| Currency translation differences | –299 | 10 | 3 | –285 |
| Additions | 467 | 0 | 1 | 467 |
| Disposals | –90 | 0 | 0 | –90 |
| Transfers | 43 | 0 | 0 | 43 |
| **As at 31.12.2011** | **14,225** | **2,917** | **104** | **17,246** |
| Additions due to business combinations | 12,554 | 97,558 | 0 | 110,112 |
| Currency translation differences | –376 | –2,398 | –2 | –2,776 |
| Additions | 760 | 0 | 19 | 779 |
| Disposals | –96 | 0 | 0 | –96 |
| Transfers | 265 | 0 | –1 | 265 |
| **As at 31.12.2012** | **27,333** | **98,076** | **120** | **125,529** |
| | | | | |
| **Depreciation / write-ups / impairment** | | | | |
| **As at 1.1.2011** | **10,980** | **0** | **100** | **11,080** |
| Currency translation differences | –154 | 0 | 3 | –151 |
| Depreciation for the year 2011 | 792 | 0 | 0 | 792 |
| Disposals | –90 | 0 | 0 | –90 |
| **As at 31.12.2011** | **11,528** | **0** | **103** | **11,631** |
| Currency translation differences | 1 | 0 | –2 | –1 |
| Depreciation for the year 2012 | 1,204 | 0 | 0 | 1,204 |
| Disposals | –96 | 0 | 0 | –96 |
| Reclassifications | 18 | 0 | 0 | 18 |
| **As at 31.12.2012** | **12,655** | **0** | **101** | **12,756** |
| | | | | |
| **Carrying amount** | | | | |
| Carrying amount 1.1.2011 | 3,124 | 2,907 | 0 | 6,031 |
| Carrying amount 31.12.2011 | 2,697 | 2,917 | 1 | 5,615 |
| **Carrying amount 31.12.2012** | **14,677** | **98,076** | **19** | **112,773** |

**Note: Rounding differences may occur through the use of automated calculations.**

The scheduled depreciation/amortisation and impairments are recognised in the consolidated income statement under the item "Depreciation on tangible and amortisation of intangible assets". As in the previous year, no impairments of intangible assets were necessary in the financial year 2012. There were no appreciations in value.

Of the reported goodwill, kEUR 96,312 is accounted for by the cash generating unit Sempermed (previous year: kEUR 1,153), kEUR 1,693 by the cash generating unit Semperflex (previous year: kEUR 1,693) and kEUR 71 by the cash generating unit Sempertrans (previous year: kEUR 71).

There were no intangible assets of an indefinite useful life aside from goodwill.

## 6.2. TANGIBLE ASSETS

| in kEUR | Land and buildings, including on land owned by third parties | Technical equipment and machinery | Fixtures, fittings, tools and equipment | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|
| **Acquisition/production costs** | | | | | |
| **As at 1.1.2011** | **144,465** | **344,191** | **78,652** | **29,551** | **596,860** |
| Currency translation differences | –1,972 | –6,524 | –1,658 | –668 | –10,822 |
| Additions | 3,380 | 9,830 | 5,560 | 30,082 | 48,851 |
| Disposals | –2,169 | –7,390 | –2,705 | –4 | –12,268 |
| Transfers | 3,561 | 13,936 | 2,690 | –20,231 | –43 |
| **As at 31.12.2011** | **147,265** | **354,043** | **82,539** | **38,731** | **622,578** |
| Additions due to business combinations | 12,549 | 29,657 | 2,090 | 941 | 45,237 |
| Currency translation differences | 1,695 | 3,727 | 832 | 959 | 7,213 |
| Additions | 1,411 | 11,584 | 5,422 | 19,932 | 38,349 |
| Disposals | –4,999 | –3,896 | –2,084 | –153 | –11,132 |
| Transfers | 10,493 | 30,322 | 7,345 | –48,424 | –265 |
| **As at 31.12.2012** | **168,414** | **425,437** | **96,144** | **11,985** | **701,980** |
| | | | | | |
| **Depreciation / write-ups / impairment** | | | | | |
| **As at 1.1.2011** | **76,397** | **254,803** | **65,072** | **744** | **397,016** |
| Currency translation differences | –1,358 | –5,425 | –1,353 | 6 | –8,130 |
| Depreciation for the 2011 financial year | 4,105 | 19,200 | 5,553 | 24 | 28,881 |
| Disposals | –1,418 | –7,047 | –2,630 | 0 | –11,095 |
| Transfers | 0 | –13 | 13 | 0 | 0 |
| Write-ups for the 2011 financial year | –734 | –51 | –29 | 0 | –813 |
| **As at 31.12.2011** | **76,992** | **261,466** | **66,626** | **774** | **405,858** |
| Currency translation differences | 1,165 | 3,623 | 739 | 0 | 5,527 |
| Depreciation for the 2012 financial year | 4,927 | 23,221 | 6,788 | 11 | 34,947 |
| Disposals | –3,864 | –3,766 | –2,007 | –12 | –9,650 |
| Transfers | 17 | –18 | 0 | –17 | –18 |
| Write-ups for the 2012 financial year | –844 | –1,668 | –55 | –10 | –2,577 |
| **As at 31.12.2012** | **78,393** | **282,857** | **72,091** | **746** | **434,086** |
| | | | | | |
| **Carrying amount** | | | | | |
| Carrying amount 1.1.2011 | 68,068 | 89,388 | 13,579 | 28,807 | 199,843 |
| Carrying amount 31.12.2011 | 20,274 | 92,577 | 15,913 | 37,957 | 216,720 |
| **Carrying amount 31.12.2012** | **90,021** | **142,580** | **24,053** | **11,239** | **267,894** |

**Note: Rounding differences may occur through the use of automated calculations.**

Of the carrying amount recognised for land and buildings, including buildings on land owned by third parties, kEUR 14,694 (previous year: kEUR 12,892) is attributable to land (land value).

Of the carrying amount recognised for prepayments and assets under construction, kEUR 9,763 (previous year: kEUR 36,416) is attributable to assets under construction.

In the financial years 2011 and 2012, no borrowing costs were capitalised as part of the production costs of qualified assets.

The depreciation/amortisation as well as impairments are recognised in the income statement under the item "Depreciation on tangible and amortisation of intangible assets". Write-ups in value are included in the income statement in the item "Other operating income".

In the financial year 2012, impairments arose on technical equipment, plants and machinery due to changes in the production technology in use in the amount of kEUR 683 (previous year: kEUR 84).

In the financial year 2012, write-ups in value amounted to kEUR 2,577 (previous year: kEUR 813), because the reasons for the impairments were no longer present. These appreciations total kEUR 2,442 (previous year: kEUR 0) in the Sempertrans segment and kEUR 135 (previous year: kEUR 813) in the Sempermed segment.

As at December 31, 2012, tangible assets with a carrying amount of kEUR 17,411 (previous year: kEUR 0) are pledged as collateral for liabilities to banks and liabilities from finance leases.

As at 31 December 2012, there are contractual obligations to acquire tangible assets totalling kEUR 5,344 (previous year: kEUR 1,980).

In addition to operating leases, the Semperit Group also makes use of finance leases. The finance lease agreements apply, above all, to technical equipment and machinery, other equipment and operating and business equipment (vehicles, office equipment).

The tangible assets include the following assets from finance lease agreements:

| in kEUR | Acquisition costs | Accumulated depreciation | 31.12.2012 Carrying amount | Acquisition costs | Accumulated depreciation | 31.12.2011 Carrying amount |
|---|---|---|---|---|---|---|
| Technical equipment and machinery | 14,612 | 603 | 14,009 | 471 | 319 | 152 |
| Other equipment, office furniture and equipment | 992 | 644 | 348 | 373 | 283 | 90 |
| | **15,604** | **1,247** | **14,357** | **844** | **602** | **242** |

The following obligations apply as a result of non-terminable tenancies, operating or other leases resulting from the use of tangible assets not reported in the balance sheet:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Within the following year | 795 | 383 |
| Within the following 2 to 5 years | 1,051 | 596 |
| Over 5 years | 384 | 363 |

The cost of rent and leases from operating lease agreements came to a total of kEUR 3,592 in the financial year 2012 (previous year: kEUR 3,317).

## 6.3. INVENTORIES

The balance sheet item "Inventories" comprises the following:

| in kEUR | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Raw materials and supplies | 42,679 | 48,170 |
| Work in progress | 24,437 | 14,818 |
| Finished goods and merchandise | 74,353 | 73,903 |
| Prepayments | 726 | 704 |
| Services not yet billable | 277 | 0 |
| | **142,472** | **137,595** |

| in kEUR | 2012 | 2011 |
|---|---|---|
| Inventories | | |
| of which at acquisition/production costs | 121,740 | 121,055 |
| of which at their net realisable value | 20,732 | 16,540 |
| | **142,472** | **137,595** |

The valuation adjustments for inventories recognised as an expense totalled kEUR 3,519 in the year under review (previous year: kEUR 5,598).

## 6.4. TRADE RECEIVABLES

Trade receivables are assigned to the category "Loans and receivables" and are therefore recognised at amortised cost. Valuation adjustments to trade receivables are indirectly recognised in revaluation accounts.

Trade receivables which are already due but have not been subject to valuation adjustments comprise the following:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Up to 1 month overdue [1)] | 10,770 | 13,349 |
| 1 to 3 months overdue | 4,320 | 5,204 |
| 3 to 6 months overdue | 2,139 | 564 |
| More than 6 months overdue | 1,011 | 182 |
| **Carrying amount of due trade receivables not subject to valuation adjustment** | **18,248** | **19,298** |

[1)] Also includes trade receivables that are due immediately

The typically stipulated terms of payment range between 14 and 90 days. In addition to receivables which are classified as non-performing due to an individual assessment of the respective customers, and are thus most likely irrecoverable, valuation adjustments are also carried out on overdue receivables based on country-specific empirical values. Experience-based valuation adjustments also apply to receivables not covered by credit insurance or with regard to deductibles on credit-insured receivables.

The overdue receivables are largely covered by credit insurance. With regard to Semperit's portfolio of overdue trade receivables, there is no indication that the debtors will not be able to fulfil their contractual payment obligations.

The receivables not covered by credit insurance primarily consist of claims against customers in India, Brazil, the USA and China. With respect to non-insured receivables and the deductibles on insured receivables, there is no concentration of credit risk worth mentioning due to the company's diversified customer base.

Valuation adjustments to trade receivables are usually indirectly recognised in valuation accounts. Valuation adjustments developed as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Net amount on 1 January | 4,545 | 8,068 |
| Release | –1,115 | –3,774 |
| Currency translation difference | –34 | –98 |
| Written down due to irrecoverability | –1,088 | –939 |
| Additions | 1,388 | 1,288 |
| **Net amount on 31 December** | **3,695** | **4,545** |

The valuation adjustments at the end of the financial year include specific valuation allowances, i.e. valuation adjustments for receivables based on an individual assessment of the respective customers totalled kEUR 1,647 (previous year: kEUR 3,039). They are primarily allocated on the basis of insolvency proceedings to be opened over the assets of the affected customers. The remaining book values after deduction of the valuation adjustments are the amounts likely to be considered recoverable in the insolvency proceedings. The other value adjustments were made on a portfolio basis.

## 6.5. OTHER FINANCIAL ASSETS

The book values of the other financial assets break down as follows:

| in kEUR | Carrying amount at 31.12.2012 | Of which non-current | Of which current | Carrying amount at 31.12.2011 | Of which non-current | Of which current |
|---|---|---|---|---|---|---|
| **Securities available for sale** | | | | | | |
| Federal bonds | 4,130 | 4,130 | 0 | 7,332 | 6,306 | 1,026 |
| Shares in funds, shares, other securities | 4,669 | 4,669 | 0 | 3,455 | 3,455 | 0 |
| | **8,798** | **8,798** | **0** | **10,787** | **9,761** | **1,026** |
| **Financial assets recognised at fair value through profit or loss – held for trading** | | | | | | |
| Derivatives | **334** | **0** | **334** | **34** | **0** | **34** |
| **Loans and receivables recognised at amortised cost** | | | | | | |
| Loans to associated companies | 563 | 563 | 0 | 563 | 563 | 0 |
| Other loans | 8 | 0 | 8 | 9 | 9 | 0 |
| Other receivables | 2,799 | 1,294 | 1,504 | 4,188 | 1,552 | 2,635 |
| | **3,370** | **1,857** | **1,512** | **4,759** | **2,123** | **2,635** |
| | **12,502** | **10,655** | **1,846** | **15,579** | **11,884** | **3,695** |

The government bonds refer to Austrian and German government bonds at a nominal value of kEUR 4,000, featuring an interest rate on the nominal value of between 3.8% and 4.3%.

The shares in funds are 73,000 units in PIA-Toprent, a bond fund invested in bond funds suitable for funding pension provisions and consisting primarily of fixed-income and floating-rate eurozone government bonds, and fund units in the RHB Cash Management Fund, Malaysia.

The carrying amount of the available-for-sale financial assets, amounting to kEUR 8,798 (previous year: kEUR 10,787), corresponds to the market value. The average effective interest rate in the financial year 2012 was 2.5% (previous year: 3.0%).

The loans to associated companies, amounting to kEUR 563 (previous year: kEUR 563) are to Synergy Health Allershausen GmbH (formerly Isotron Deutschland GmbH), which is included in the consolidated financial statements in accordance with the equity method.

No valuation adjustments were necessary for the loans and receivables recognised at amortised cost.

## 6.6. OTHER ASSETS

| in kEUR | Carrying amount at 31.12.2012 | Of which non-current | Of which current | Carrying amount at 31.12.2011 | Of which non-current | Of which current |
|---|---|---|---|---|---|---|
| Accrued expenses | 3,076 | 101 | 2,975 | 1,950 | 108 | 1,842 |
| Prepayments | 294 | 0 | 294 | 807 | 0 | 807 |
| Tax receivables | 10,035 | 0 | 10,035 | 8,348 | 0 | 8,348 |
| Other non-financial receivables | 765 | 547 | 218 | 596 | 203 | 393 |
| | **14,170** | **648** | **13,522** | **11,700** | **310** | **11,390** |

## 6.7. CASH AND CASH EQUIVALENTS

| in kEUR | 2012 | 2011 |
|---|---|---|
| Cash on hand | 41 | 36 |
| Cheques | 0 | 1 |
| Cash deposits in banks | 124,734 | 97,502 |
| Short-term deposits | 8,546 | 353 |
| | **133,322** | **97,892** |

The term to maturity of all short-term deposits at the time of the investment was less than three months. The cash and cash equivalents correspond to the liquid funds in the consolidated cash flow statement.

## 6.8. DEFERRED TAXES

Tax deferments recognised in the balance sheet after temporary differences comprise the following:

| in kEUR | Deferred tax assets | 31.12.2012 Deferred tax liabilities | Deferred tax assets | 31.12.2011 Deferred tax liabilities |
|---|---|---|---|---|
| Intangible assets | 4 | –3,306 | 4 | –418 |
| Tangible assets | 361 | –3,990 | 270 | –1,997 |
| Financial assets | 1,223 | 0 | 118 | –7 |
| Inventories | 5,252 | –131 | 3,733 | –166 |
| Receivables | 1,368 | –1,973 | 1,058 | –1,964 |
| Other assets | 20 | –126 | 1 | – 4 |
| Provisions for personnel | 4,834 | 0 | 4,982 | 0 |
| Other provisions | 2,692 | 0 | 2,075 | 0 |
| Trade payables | 193 | –2 | 142 | –7 |
| Other liabilities | 699 | –276 | 536 | –294 |
| Temporary differences in connection with holdings in subsidiaries (outside basis differences) | 0 | –1,968 | 0 | –1,507 |
| Tax loss carry forwards and as yet unused tax credits | 5,959 | 0 | 3,315 | 0 |
| **Total deferred tax assets and liabilities** | **22,603** | **–11,772** | **16,233** | **– 6,364** |
| Valuation allowance for deferred tax assets | –3,184 | 0 | –3,276 | 0 |
| Offset of deferred tax assets and liabilities | –5,803 | 5,803 | –4,186 | 4,186 |
| **Net deferred tax assets** | **13,616** | | **8,772** | |
| **Net deferred tax liabilities** | | **–5,968** | | **–2,178** |

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Net deferred taxes as at 1.1. | 6,594 | 6,554 |
| Business combinations | –2,962 | 0 |
| Deferred taxes in profit or loss for the financial year | 2,606 | 499 |
| Deferred taxes in other results for the financial year | 1,416 | –591 |
| Currency translation differences | –6 | 132 |
| **Net deferred taxes as at 31.12.** | **7,648** | **6,594** |

At the end of the reporting period there are unused tax losses of kEUR 6,241 (previous year: kEUR 6,035), for which no deferred tax assets were recognised. Of this amount, kEUR 3,283 (previous year: kEUR 4,563) is due within five years. Otherwise the amounts can be carried forward indefinitely.

For one foreign subsidiary there are deductible investments of kEUR 6,105 (previous year: kEUR 6,443) until 2013 inclusive. In addition, there are deductible investments amounting to kEUR 4,777 (previous year: kEUR 4,686) that can be utilised in the period from 2014 to 2018. Due to the current tax result planning, it is not expected that it will actually be possible to utilise these deductible investments in future, which is why, as in the previous year, no deferred tax assets have been recognised for them.

For temporary differences in connection with shares in subsidiaries, deferred tax liabilities amounting to kEUR 1,968 (previous year: kEUR 1,507) were recognised. In addition, there were temporary differences in connection with shares in subsidiaries amounting to kEUR 7,450 for which no deferred tax liabilities were recognised, since the parent company is able to control the timing of the reversal of the temporary difference and it was likely at the balance sheet date that the temporary differences would not be reversed in the foreseeable future. The temporary differences in connection with shares in subsidiaries can arise either from the witholding tax burden on the distribution of dividends or from the tax obligation of the holding. In calculating the above amounts, temporary differences from shares in foreign subsidiaries held by another foreign subsidiary were not included, since calculating these would have involved a disproportionate amount of outlay.

## 6.9. EQUITY

Changes in shareholders' equity are presented in detail in the consolidated statement of the changes in equity.

As at 31 December 2012, Semperit AG Holding's share capital was unchanged at EUR 21,358,997. It is divided into 20,573,434 fully paid in no-par-value ordinary shares. Each share represents an equal interest in the share capital. It entitles the holder to one vote and dividends.

Capital reserves are primarily formed by issuing shares above and beyond the proportional amount of share capital (premium). As in the previous year, a total of kEUR 21,503 of the capital reserves are appropriated reserves. These may only be released to compensate for a net loss for the year as reported in the annual financial statements of the parent company Semperit AG Holding if no free reserves are available to cover the loss.

The revaluation reserve accrues gains and losses from fluctuations in the fair value measurement of available-for-sale financial assets until the respective assets are disposed of or until an impairment of the respective assets has been determined.

The currency translation reserve is the result of currency translation differences involved in the conversion of the annual financial statements of group subsidiaries from the functional currency to euros until the disposal or deconsolidation for other reasons of the respective subsidiary.

The other revenue reserves encompass the statutory reserves of Semperit AG Holding totalling kEUR 999 (previous year: kEUR 999), the free reserves of Semperit AG Holding amounting to kEUR 26,500 (previous year: kEUR 15,000), the net profit for the period of Semperit AG Holding amounting to kEUR 16,941 (previous year: kEUR 16,835), the untaxed reserves less the deduction of deferred taxes of the subsidiaries included in the consolidated financial statements, the retained earnings of subsidiaries since the date of acquisition and the effects of adjusting for the first time the annual accounts of the companies included in the consolidated financial statements to the valuation and accounting policies of the group. In addition, the item includes revaluations from performance-related plans (IAS 19).

The shareholders are entitled to a distribution of Semperit AG Holding's net profit for the year. The statutory reserves of Semperit AG Holding may only be released to compensate for a net loss for the year as reported in its annual financial statements if no free reserves are available to cover the loss.

For financial year 2012, the management board will propose to distribute a total dividend of kEUR 16,459, or EUR 0.80 per share, which will have to be voted on at the annual general meeting. The payment of the dividend has no tax consequences for the Semperit Group.

The non-controlling shares and the earnings after tax due to them or comprehensive income relate exclusively to Latexx Partners Berhard, the company acquired in the financial year 2012, and its subsidiaries.

## 6.10. LIABILITIES FROM REDEEMABLE NON-CONTROLLING SHARES

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

Liabilities from redeemable interests of non-controlling shareholders developed as follows:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Balance as at January 1 | 97,292 | 83,405 |
| Payments received for establishment of a company and through capital increase | 0 | 973 |
| Dividends | –1,891 | –1,187 |
| Share of annual income | 15,006 | 14,680 |
| Other changes | –323 | –579 |
| **Balance as at December 31** | **110,083** | **97,292** |

The profit / loss attributable to the redeemable, non-controlling shares are reported separately in the financial result in the consolidated income statement.

## 6.11. PROVISIONS FOR PENSIONS AND SEVERANCE PAYMENTS

### Pension plans – defined benefit plans

### Pension commitments

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

Under the terms of a specific agreement with a former member of the management board, he was granted a pension This obligation is also not funded by plan assets.

One management board member, one former management board member and senior managers have also been granted pensions. These are funded by a reinsurance policy, with the pension entitlement corresponding to the reinsured amount. To secure the pension entitlements, the reinsurance policies are pledged to the pension recipients.

### Severance payment commitments

As far as provisions for severance payments are concerned, employees in Austria, France, Italy and Thailand are legally entitled to a one-off payment on retirement (the amount of which depends on length of service), regardless of whether the employment relationship is terminated by the employer (in whatever form) or the employee. One management board member is contractually entitled to a severance payment in accordance with the Austrian Employee Act on termination of their service on the management board. The benefits due on retirement are considered to be payments due following termination of the employment relationship in accordance with IAS 19. These obligations are not funded by plan assets.

### Actuarial assumptions

According to the main actuarial assumptions made, these obligations were valued on the basis of an assumed discount rate of 3.25% (previous year: 4.75%) for Europe and 4.1% (previous year: 4.1%) for Asia and an assumed average annual salary increase of 3.4% (previous year: 3.4%) for Europe and 3 to -7% (previous year: 3 to -7%) for Asia. The probability of dying was calculated based on the most recent country-specific mortality tables (e.g. for Austria AVÖ 2008 P ANG, for France TH00-02 TF00-02 and for Thailand TMO08). Fluctuation deductions were taken into account with 0-13%, depending on the companies to which the employees belonged. The retirement age was set either in accordance with the individual regulations of the specific plan or, in the absence of such, at the earliest possible statutory retirement age in the country concerned.

### Provisions for pensions

The provisions for the group's obligations arising from defined benefit pension plans are as follows:

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Present value of funded defined benefit obligations | 7,999 | 7,015 |
| Fair value of the plan assets | –5,825 | –5,501 |
| Deficit | 2,174 | 1,514 |
| Present value of unfunded defined benefit obligations | 17,089 | 15,647 |
| **Plan deficit = provision** | **19,263** | **17,161** |

The present value of the obligations arising from pension plans developed as follows:

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Present value of the obligations (DBO) as at January 1 | 22,662 | 23,843 |
| Additional entitlements acquired during the financial year and actuarial gains/losses | 402 | 1,053 |
| Past service costs | 54 | 0 |
| Interest expense | 1,009 | 963 |
| **Total expenses for pensions** | **1,465** | **2,017** |
| Remeasurements | 2,694 | –1,262 |
| Payments | –1,734 | –1,935 |
| **Present value of the obligations (DBO) as at December 31** | **25,087** | **22,662** |

The expenses shown in the table are recognised as "Pension expenses" under personnel expenses in the consolidated income statement (see Note 5.4).

The plan assets recognised at fair value, essentially comprising a reinsurance policy and cash, developed as follows:

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Fair value of the plan assets as at January 1 | 5,501 | 3,204 |
| Interest income from plan assets | 169 | 232 |
| Remeasurements of plan assets | 56 | 286 |
| Contributions of the employer | 366 | 344 |
| Payments | –267 | –244 |
| Other change | 0 | 1,679 |
| **Fair value of the plan assets as at December 31** | **5,825** | **5,501** |

Interest income from plan assets is recognised as "Pension expenses" under personnel expenses in the consolidated income statement. Revaluations of the plan assets are recognised in accordance with IAS 19 (2011) under other comprehensive income.

For the following year, a similar amount of contributions  is expected to be paid as in the current financial year.

### Provisions for severance payments

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| Present value of the obligations (DBO) as at January 1 | 19,763 | 21,359 |
| Additional entitlements acquired during the financial year | 709 | 1,057 |
| Pasts service costs | –564 | 0 |
| Interest expense | 863 | 729 |
| **Total expenses for severance payments** | **1,009** | **1,786** |
| Remeasurements | 3,313 | –1,400 |
| Payments | –1,982 | –1,982 |
| Currency translation differences | 12 | 0 |
| **Present value of the obligations (DBO) as at December 31** | **22,114** | **19,763** |

The expenses shown in the table are recognised as "severance expenses" under personnel expenses in the consolidated income statement (see Note 5.4).

### Revaluations

The revaluations recognised under other comprehensive income in accordance with IAS 19 (2011) comprise the following:

| in kEUR | 2012 | 2011 adjusted |
|---|---|---|
| **Pensions** | | |
| Remeasurements of the obligation | | |
| from changes to demographic assumptions | –87 | 10 |
| from changes to financial assumptions | –2,607 | 1,251 |
| | –2,694 | 1,261 |
| Remeasurements of the obligation | –56 | 286 |
| | **–2,637** | **1,548** |
| **Severance payments** | | |
| Remeasurements of the obligation | | |
| from changes to demographic assumptions | –209 | –83 |
| from changes to financial assumptions | –3,104 | 1,484 |
| | **–3,313** | **1,400** |
| **Total remeasurements** | **–5,950** | **2,948** |

### Sensitivity analysis

| in kEUR | Change in parameter | Present value of obligation (DBO) 31.12.2012<br>Increase in parameter | Decrease in parameter |
|---|---|---|---|
| **Pensions** | | | |
| Interest rate | +/– 1 percentage point | 18,780 | 22,660 |
| Increases in salaries | +/– 1 percentage point | 21,641 | 19,638 |
| **Severance payments** | | | |
| Interest rate | +/– 1 percentage point | 19,767 | 24,896 |
| Increases in salaries | +/– 1 percentage point | 24,731 | 19,856 |

### Pension plans – defined contribution plans

Semperit AG Holding is required to contribute to a pension fund for two members of the management board.

Employees whose employment relationships are subject to Austrian law and who entered into this employment relationship after 31 December 2002 are not entitled to severance payments from their employer. For these employees and two members of the management board, contributions amounting to 1.53% of their wages or salaries are paid into a staff pension fund. In the year under review, Semperit's contributions amounted to kEUR 272 (previous year: kEUR 210). It is expected that a similar amount of contributions will be paid in the following year.

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

## 6.12. OTHER PROVISIONS

The other provisions break down as follows:

| in kEUR | Total | Of which long term | 31.12.2012<br>Of which short term | Total | Of which long term | 31.12.2011 adjusted<br>Of which short term |
|---|---|---|---|---|---|---|
| Long-service bonuses | 3,619 | 3,619 | 0 | 3,094 | 3,094 | 0 |
| Guarantees | 8,462 | 2,369 | 6,093 | 8,522 | 3,943 | 4,580 |
| Bonuses and other personnel provisions | 8,482 | 573 | 7,909 | 9,831 | 1,722 | 8,109 |
| Other | 2,891 | 2,289 | 603 | 3,415 | 943 | 2,471 |
| | **23,454** | **8,849** | **14,605** | **24,862** | **9,702** | **15,160** |

The other provisions developed as follows:

| in kEUR | 1.1.2012 adjusted | Company merge | Currency differences | Reversal | Use | Additions | 31.12.2012 |
|---|---|---|---|---|---|---|---|
| Long-service bonuses | 3,094 | 0 | 0 | 0 | –312 | 837 | 3,619 |
| Guarantees | 8,522 | 0 | 313 | –759 | –2,877 | 3,263 | 8,462 |
| Bonuses and other personnel provisions | 9,831 | 197 | 13 | –1,614 | –6,763 | 6,818 | 8,482 |
| Other | 3,415 | 254 | –28 | –634 | –836 | 721 | 2,891 |
| | **24,862** | **451** | **297** | **–3,007** | **–10,788** | **11,638** | **23,454** |

Provisions for long-service bonuses are formed for employees in Austria and Germany, who are entitled to long-service bonuses based on collective bargaining agreements. The valuation was carried out based on the same actuarial assumptions used to value the provisions for pensions and severance payments (see Note 6.11). Remeasurements (actuarial gains and losses) are recognised under personnel expenses.

The provisions for guarantees are based largely on a case-by-case assessment of the risks. In addition, provisions are allocated on a portfolio basis and according to experience, based on the revenue for the previous financial year. Claims against the group resulting from these risks are considered to be likely, and the amount recognised corresponds to a best possible estimate of the value of the claims that can be expected. Since these claims may involve long negotiations as well as legal disputes, it is not possible to accurately predict when payments will actually have to be made.

## 6.13. LIABILITIES TO BANKS

The liabilities to banks are recognised at amortised cost. They break down as follows:

| | Effective interest rate in % | | Nominal value in local currency | Carrying amount in kEUR | Of which long term | 31.12.2012 Of which short term |
|---|---|---|---|---|---|---|
| Fixed-income liabilities to banks | 3.2–8.3 | TMYR | 11,639 | 2,885 | 1,131 | 1,754 |
| Variable-interest liabilities to banks | 1.1 | TEUR | 100,048 | 100,048 | 100,000 | 48 |
| | 1.1–2.0 | TUSD | 13,747 | 10,427 | 0 | 10,427 |
| | 3.0–5.0 | TMYR | 20,827 | 5,163 | 0 | 5,163 |
| | | | | 115,638 | 100,000 | 15,638 |
| **Total** | | | | **118,524** | **101,131** | **17,393** |

| | Effective interest rate in % | | Nominal value in local currency | Carrying amount in kEUR | Of which long term | 31.12.2011 Of which short term |
|---|---|---|---|---|---|---|
| Variable-interest liabilities to banks | 2.4 | TUSD | 8,000 | 6,175 | 0 | 6,175 |
| | – | TEUR | 3 | 3 | 0 | 3 |
| **Total** | | | | **6,178** | **0** | **6,178** |

In May 2012, a framework loan agreement for EUR 180,000 with a term of three years was concluded with five banks. As at the balance sheet date, kEUR 80,000 of this had not yet been drawn.

The liabilities to banks are mostly subject to variable interest rates. Due to interest in line with typical market conditions, it is assumed that the carrying amounts of the liabilities to banks correspond to their fair values.

## 6.14. TRADE PAYABLES

The trade payables are recognised at amortised cost. As in the previous year, they have a remaining term to maturity of under a year.

## 6.15. OTHER FINANCIAL LIABILITIES

| in kEUR | Total | of which non-current | 31.12.2012 of which current | Total | of which non-current | 31.12.2011 adjusted of which current |
|---|---|---|---|---|---|---|
| Loans from non-controlling shareholders of subsidiaries | 1,630 | 1,544 | 87 | 1,568 | 1,568 | 0 |
| Liabilities to associated companies | 51 | 0 | 51 | 32 | 0 | 32 |
| Liabilities from finance leases | 8,259 | 4,775 | 3,484 | 242 | 138 | 105 |
| Derivative financial liabilities | 2 | 0 | 2 | 1,753 | 0 | 1,753 |
| Personnel liabilities | 3,915 | 0 | 3,915 | 3,564 | 0 | 3,564 |
| Accruals and deferrals | 5,800 | 0 | 5,800 | 2,915 | 0 | 2,915 |
| All other financial liabilities | 6,386 | 1,844 | 4,542 | 4,268 | 1,369 | 2,900 |
| | **26,043** | **8,163** | **17,881** | **14,342** | **3,074** | **11,268** |

The existing liabilities from finance leases as at 31 December 2012 are as follows:

| in kEUR | Term to maturity of under 1 year | Term to maturity of 1 to 5 years | 31.12.2012 Term to maturity of over 5 years | Term to maturity of under 1 year | Term to maturity of 1 to 5 years | 31.12.2011 Term to maturity of over 5 years |
|---|---|---|---|---|---|---|
| Total future minimum leasing payments | 3,882 | 5,031 | 0 | 113 | 142 | 0 |
| Interest portion | –398 | –256 | 0 | –8 | –4 | 0 |
| **Present value of the minimum leasing payments** | **3,484** | **4,775** | **0** | **105** | **138** | **0** |

## 6.16. OTHER LIABILITIES

| in kEUR | Total | of which long term | 31.12.2012 of which short term | Total | of which long term | 31.12.2011 adjusted of which short term |
|---|---|---|---|---|---|---|
| Liabilities from taxes and social security contributions | 5,782 | 0 | 5,782 | 4,771 | 0 | 4,771 |
| Prepayments received | 1,948 | 0 | 1,948 | 800 | 0 | 800 |
| Accrued income | 200 | 188 | 12 | 211 | 200 | 11 |
| All other liabilities | 4,386 | 425 | 3,961 | 4,442 | 437 | 4,005 |
| | **12,316** | **612** | **11,703** | **10,224** | **637** | **9,587** |

## 6.17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The table below shows the book values and fair values of the individual financial assets and liabilities classified in accordance with the valuation categories stipulated in IAS 39.9.

| 31.12.2012 in kEUR | Held for trading | AFS | Loans and receivables | Liabilities at amortised costs | Carrying amount as at 31.12.2012 | Fair Value as at 31.12.2012 | Hierarchy level |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Securities | 0 | 8,798 | 0 | 0 | 8,798 | 8,798 | 1 |
| Loans to associated companies | 0 | 0 | 563 | 0 | 563 | 563 | - |
| Other long-term loans | 0 | 0 | 9 | 0 | 9 | 9 | - |
| Trade receivables | 0 | 0 | 120,152 | 0 | 120,152 | 120,152 | - |
| Derivative financial instruments | 334 | 0 | 0 | 0 | 334 | 334 | 2 |
| Other financial assets | 0 | 0 | 2,799 | 0 | 2,799 | 2,799 | - |
| **Liabilities** | | | | | | | |
| Liabilities from redeemable non-controlling shares | n/a | n/a | n/a | 110,083 | 110,083 | n/a | - |
| Liabilities to banks | 0 | 0 | 0 | 118,524 | 118,524 | 118,524 | - |
| Trade payables | 0 | 0 | 0 | 50,534 | 50,534 | 50,534 | - |
| Derivative financial liabilities | 2 | 0 | 0 | 0 | 2 | 2 | 2 |
| Other financial liabilities | 0 | 0 | 0 | 26,043 | 26,043 | 26,043 | - |

| 31.12.2011<br>in kEUR | Held for trading | AFS | Loans and receivables | Liabilities at amor-tised costs | Carrying amount as at 31.12.2011 adjusted | Fair Value as at 31.12.2011 adjusted | Hierarchy level |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Securities | 0 | 10,787 | 0 | 0 | 10,787 | 10,787 | 1 |
| Loans to associated companies | 0 | 0 | 563 | 0 | 563 | 563 | - |
| Other long-term loans | 0 | 0 | 9 | 0 | 9 | 9 | - |
| Trade receivables | 0 | 0 | 114,329 | 0 | 114,329 | 114,329 | - |
| Derivative financial instruments | 34 | 0 | 0 | 0 | 34 | 34 | 2 |
| Other financial assets | 0 | 0 | 4,188 | 0 | 4,188 | 4,188 | - |
| **Liabilities** | | | | | | | |
| Liabilities from redeemable non-controlling shares | n/a | n/a | n/a | 97,292 | 97,292 | n/a | - |
| Liabilities to banks | 0 | 0 | 0 | 6,178 | 6,178 | 6,178 | - |
| Trade payables | 0 | 0 | 0 | 39,261 | 39,261 | 39,261 | - |
| Derivative financial liabilities | 0 | 1,753 | 0 | 0 | 1,753 | 1,753 | 2 |
| Other financial liabilities | 0 | 0 | 0 | 12,589 | 12,589 | 12,589 | - |

The three levels in the fair value hierarchy are defined as follows:

Level 1: Valuation based on quoted market prices for a specific financial instrument.
Level 2: Valuation on the basis of quoted market prices for similar instruments or on the basis of valuation models based exclusively on parameters that are observable in the market.
Level 3: Valuation on the basis of models with significant valuation parameters that are not observable in the market.

The derivative financial instruments allocated under Level 2 are forward foreign exchange transactions, for which the fair value was calculated by the counterparties (banks) based on standard financial calculation methods (such as the calculation of the present value of expected future payment flows based on current exchange-rate and interest curves). For the securities allocated under Level 1, the fair values were calculated based on publicly available rates.

For information on the valuation of redeemable non-controlling shares, please refer to the statements under 2.12. The fair value can only be calculated at a disproportionately high cost and is thus not disclosed.

# 7. Notes to the consolidated cash flow statement

The consolidated cash flow statement is created using the indirect method and shows how the cash and cash equivalents of the Semperit Group changed in the course of the financial year. Cash and cash equivalents are those recognised in the consolidated balance sheet (see Note 6.7).

The presentation was adjusted in 2012 such that tax payments, as well as interest paid and received, are reported separately in the consolidated cash flow statement. The figures for the previous year were adjusted accordingly.

The investments in tangible and intangible assets were made to expand production capacities, particularly in the segment Sempermed and segment Semperflex, and to modernise existing facilities.

In the financial year 2012, investments amounting to kEUR 2,224 were made and have not yet resulted in a decrease in cash and cash equivalents. In addition, investments made in the previous year amounting to kEUR 4,330 became cash effective in the financial year 2012.

The net outflow of funds related to the acquisition of Latexx Partners (see Note 3.3) breaks down as follows:

| in kEUR | 2012 |
|---|---|
| **Cash flow from investing activities** | |
| Payments for company acquisition (purchase price) | –130,935 |
| Cash and cash equivalents acquired | 9,971 |
| **Net cash flow arising from company acquisition** | **–120,964** |

The cash flow from financing activities includes the inflow of funds from the loan of kEUR 100,000 taken out in the financial year 2012 and the dividend of EUR 0.80 per share paid to the shareholders of Semperit AG Holding in 2012. There was also an outflow of funds due to the distribution of dividends to non-controlling shareholders of subsidiaries.

# 8. Risk management

The internationalisation of Semperit's business has caused the risk potential to grow, as a matter of course. Consequently, this is an issue on which the group has increased its focus. The most important market risks for the group are associated, above all, with the possibility of changes to exchange rates and interest rates. In addition, the risk of a business partner or customer defaulting also represents a risk of loss for the Group.

As a group with international activities, Semperit is affected by macroeconomic developments such as general economic performance, tax legislation, environmental regulations and other factors influencing the economies in which it is active. Unfavourable developments affecting some of these factors can have a negative impact on demand for the group's products, its sales volume and price level. Fluctuations in demand involve the risk of overcapacities, which can put increased pressure on prices and result in uncovered costs and diminishing margins. Consequently, production capacities are constantly compared against market data and order levels and adjusted by means of medium-term measures (such as temporary shutdowns or adjustment of shift schedules).

As a multinational group, Semperit has business activities in countries at various stages of economic and social development. Risks can thus develop as a result of unfavourable changes to the political and economic situation. Risks resulting from changes to tax and employment legislation, more rigorous statutory requirements with regard to the use of raw materials and environmental standards as well as risks associated with the coordination of international activities given the existence of linguistic and cultural differences can have a considerable impact on the Group's business activities.

Financial risk management is implemented by means of Group directives. There is an internal control system in place suitable for monitoring and managing existing financial risks that meets the requirements of the industrial group. The main risk management task at Semperit is to recognise emerging risks in good time and take countermeasures quickly. However, the possibility cannot be excluded that risks are not detected early, resulting in negative consequences for the Group's finances, assets and earnings.

### Capital risk management

The goals of capital management are to ensure the company's continued existence and to enable growth-oriented organic and non-organic investment activity; and dividend policies based on these goals.

The Group's total capital consists of equity, including non-controlling interests, liabilities from redeemable non-controlling shares and net financial debt.

To calculate net financial debt, the balance of cash, cash equivalents and available-for-sale securities is offset against the balance of interest bearing financial liabilities (liabilities to banks, loans from non-controlling shareholders from subsidiary companies, liabilities from financial leases).

As of December 31, 2012, net financial debt was positive, i.e., Semperit Group had net financial liquidity totalling kEUR 13,707. At December 31, 2011, too, Semperit Group had net financial liquidity totalling kEUR 100,691.

The group is not subject to any statutory requirements with regard to a minimum level of equity, a minimum equity ratio or a maximum level of gearing.

In 2012, the Group is subject for the first time to certain loan agreement requirements related to the consolidated financial statements. These requirements include a minimum equity ratio and a maximum level of indebtedness. As of December 31, 2012, the corresponding requirements were complied with.

Internally, Semperit Group has not established any fixed requirements for a target capital structure.

### Interest rate risk management

In the course of the company's business operations, equipment, investments and acquisitions are funded using interest bearing liabilities. The liabilities are borrowed at largely variable interest rates and are subject to the prevailing level of interest rate risk.

### Liquidity risk management

The monitoring and management of financial risks are important components of Semperit's group-wide controlling and accounting system.

The ongoing improvement of treasury guidelines and information systems helps Semperit to quickly identify financial risks and, if necessary, ensure that countermeasures are initiated. The liquidity situation is monitored by means of weekly and monthly analyses of flows of payments and by planning future income and expenditure. The net liquidity thus calculated forms the basis for the planning of investment decisions and the associated capital commitment.

Liquidity not needed in the short term is invested at low risk (fixed deposits). Nevertheless, developments in the financial markets can have a negative impact on the prices of securities in which Semperit has invested – even to the extent that they are no longer tradable. This can in turn have a negative impact on earnings and equity as a result of the devaluations or valuation adjustments that have to be made.

The maturities of the undiscounted contractual cash flows from financial liabilities as at 31 December 2012 break down as follows:

| in kEUR | Total | Up to 1 month | 2 to 3 months | 4 to 12 months | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Liabilities to banks | 118,476 | 2,814 | 6,690 | 7,840 | 101,131 | 0 |
| Trade payables | 50,534 | 24,365 | 19,059 | 7,111 | 0 | 0 |
| Derivative financial liabilities | 2 | 2 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 26,682 | 6,887 | 3,413 | 7,966 | 7,482 | 935 |

### Default/credit risk management

Credit risks arise when the other parties to transactions do not meet their obligations, resulting in a financial loss for the Group. Semperit's internal financial and treasury directives impose strict requirements with regard to financial partners' creditworthiness. Credit risks and the risk of parties to a contract delaying payment or defaulting are checked both when business relationships are entered into and during ongoing business relationships by means of credit checks, credit limits and audit routines.

In addition, the default risk is largely limited by credit insurance and on a case-by-case basis through bank collateral (bank guarantees). If credit limits are exceeded or payments delayed, deliveries are halted and only resumed once specific conditions are met and on the order of authorised individuals specified in Semperit Group directives. Since there are also credit risks for financial partners with excellent creditworthiness, developments in the financial markets are monitored continuously and the credit limits are adjusted accordingly.

The default risk associated with receivables from customers is assessed as low since their creditworthiness is monitored continuously and the diversified customer structure means that risk is not concentrated on individual customers.

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

The credit default risk associated with financial assets is taken into account by means of valuation adjustments.

Without taking into account the risk minimisation strategy described above, the group's maximum default risk corresponds to the carrying amount of its recognised financial assets, which can be broken down into the following categories:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Derivative financial instruments (held for trading) | 334 | 34 |
| Units in funds, government bonds, equities (AFS) | 8,798 | 10,787 |
| Loans and receivables | 123,522 | 119,088 |
| Cash and cash equivalents | 133,322 | 97,892 |

## Foreign exchange risk management

There are also currency risks associated with Semperit's operational activities. In addition to operational measures, derivative financial instruments – foreign exchange forward transactions, in particular – are employed to limit and manage these risks.

The following breakdown of the Semperit Group's revenue and earnings into key currencies (as a percentage of overall revenue) shows that in the financial year 2012 47.5% (previous year: 43.6%) was earned in foreign currency.

| in % of Group's revenue | 2012 | 2011 |
|---|---|---|
| EUR | 52.5 | 56.4 |
| USD | 27.2 | 28.9 |
| INR | 1.5 | 1.9 |
| CNY | 2.2 | 2.2 |
| BRL | 2.5 | 2.7 |
| THB | 8.3 | 2.0 |
| MYR | 2.4 | 0.0 |
| PLN | 0.0 | 2.0 |

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

The group's financial management is committed to avoiding foreign currency risks as much as possible by coordinating payment flows.

The table below shows the derivative financial instruments used to hedge against foreign exchange risk by company, type of forward transaction and currency secured. These are exclusively forward sales.

| Company | Country | Type of transaction | Currency | Hedge amount [1] | Hedged rate [2] | Fair Value in kEUR 31.12.2012 | Range of remaining days to maturity (in days) |
|---|---|---|---|---|---|---|---|
| Semperflex Optimit s.r.o. | Czech Republic | Forward exchange | EUR | 2,797,000 | 25.27 | 15 | 2–45 |
| Semperflex AH s.r.o. | Czech Republic | Forward exchange | EUR | 50,000 | 25.27 | 0 | 15–45 |
| Sempertrans Belchatow Sp. z o.o. | Poland | Forward exchange | EUR | 9,000,000 | 4.19 | 197 | 3–59 |
| Semperit Technische Produkte GmbH | Austria | Forward exchange | GBP | 600,000 | 0.80 | 16 | 3–45 |
| Semperit Technische Produkte GmbH | Austria | Forward exchange | HUF | 60,000,000 | 290.22 | 2 | 17 |
| Latexx Partners Berhad | Malaysia | Forward exchange | USD | 2,500,000 | 3.07 | 7 | 4–18 |
| Siam Sempermed Corp. Ltd. | Thailand | Forward exchange | USD | 21,674,754 | 30.98 | 84 | 30–175 |
| Siam Sempermed Corp. Ltd. | Thailand | Forward exchange | EUR | 691,840 | 40.86 | 0 | 84–176 |
| Semperflex Asia Corp. Ltd. | Thailand | Forward exchange | USD | 2,914,996 | 31.01 | 10 | 109–175 |

| Company | Country | Type of transaction | Currency | Hedge amount [1] | Hedged rate [2] | Fair Value in kEUR 31.12.2011 | Range of remaining days to maturity (in days) |
|---|---|---|---|---|---|---|---|
| Semperflex Optimit s.r.o. | Czech Republic | Forward exchange | EUR | 2,661,000 | 25.29 | –52 | 6–55 |
| Sempertrans Belchatow Sp. z o.o. | Poland | Forward exchange | EUR | 14,700,000 | 4.44 | –117 | 5–82 |
| Semperit Technische Produkte GmbH | Austria | Forward exchange | GBP | 1,500,000 | 0.87 | –66 | 19–110 |
| Semperit Technische Produkte GmbH | Austria | Forward exchange | HUF | 170,000,000 | 302.24 | 25 | 19–103 |
| Siam Sempermed Corp. Ltd. | Thailand | Forward exchange | USD | 37,860,913 | 30.44 | –1,258 | 20–135 |
| Semperflex Asia Corp. Ltd. | Thailand | Forward exchange | EUR | 105,000 | 43.44 | 6 | 127 |
| Semperflex Asia Corp. Ltd. | Thailand | Forward exchange | USD | 7,550,000 | 30.4 | –258 | 41–135 |

[1] Refers to the total amount of all existing derivative financial instruments as at the end of the reporting period.
[2] Refers to the weighted average rate derived from all existing derivative financial instruments as at the end of the reporting period.

The derivatives are reported as independent transactions rather than hedges, since the prerequisites for hedge accounting in accordance with IAS 39 are not met.

The translation of items in foreign currencies to the euro, the reporting currency, results in currency translation differences (translation risk) that are reported under other earnings. The carrying amounts of assets and liabilities belonging to subsidiaries not based in the eurozone and the contribution of these subsidiaries to the earnings of the group depend to a significant degree on the exchange rate between the euro and the functional currency used by these subsidiaries.

# 9. Other commitments and risks

## CONTINGENT LIABILITIES AND OTHER FINANCIAL LIABILITIES

There are only contractual-performance, warranty and advance-payment guarantees that are normal in the industry or business.

In addition, there are liabilities from the use of tangible assets not reported in the balance sheet that are based on tenancy or lease agreements as well as liabilities related to the acquisition of tangible assets based on contractually binding investment projects involving tangible assets (see Note 6.2).

## LEGAL DISPUTES

Various companies in the group are the defendant in cases in which the plaintifs claim to have incurred damages caused by products of the defendant. The Semperit Group rejects all of these claims as being unjustified. None of the cases is currently at a stage at which the outcome can be estimated with a sufficient degree of probability. The management of the Semperit Group does not expect these cases to significantly impair the asset, financial and earnings position, also because of the insurance cover that is in place.

One company is the defending party in a patent dispute, in which a competitor claims its patent for a dip mould holder has been infringed by a number of glove manufacturers and suppliers of dip moulds. The Semperit Group believes there are no grounds for this and rejects the claims as unjustified. The case is currently not at a stage at which the outcome can be estimated with a sufficient degree of probability. The management of the Semperit Group does not expect these cases to significantly impair the asset, financial and earnings position. A suitable provision has been made for the expected costs of the case.

Contingent liabilities are attributable primarily to payment guarantees in favour of third parties and bill of exchange liabilities. Obligations to acquire tangible assets are a consequence of contractually binding investment projects involving tangible assets.

# 10. Related-party transactions with companies, individuals and co-partners

## 10.1. RELATED-PARTY TRANSACTIONS WITH COMPANIES AND INDIVIDUALS

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

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

Related parties of the Semperit Group include the members of the Management and supervisory boards of Semperit Aktiengesellschaft Holding, the managing directors and supervisory board members of all companies which directly or indirectly hold a majority stake in Semperit Aktiengesellschaft Holding, including the members of the management board of B&C Privatstiftung and close family members of these Management and supervisory board members and managing directors.

Compensation paid to members of the management board is shown in Note 5.4. Remuneration paid to the supervisory board in the financial year 2012 comprises both a fixed and a variable component. In the year under review, the remuneration paid to members of the supervisory board amounted to kEUR 123 (previous year: kEUR 109). There are no other related parties.

The level of transactions with associated companies and other related parties is low, and they are conducted on normal business terms and conditions.

## 10.2. RELATED-PARTY TRANSACTIONS WITH CO-PARTNERS

The fully consolidated companies Semperflex Asia Corp. Ltd., Siam Sempermed Corp. Ltd., Shanghai Semperit Rubber & Plastic Products Co. Ltd. and Semperflex Shanghai Ltd. conduct business with the non-controlling co-partner of these subsidiaries, Sri Trang Agro-Industry Plc, at established market conditions. Sempertrans Best (Shandong) Belting Co. Ltd. conducts business with Wang Chao Coal & Electricity Group, the non-controlling co-partner of this company, under established market conditions.

# 11. Events after the balance sheet date

There are no events requiring disclosure after the reporting period.

Vienna, March 19, 2013

The Management Board

**Thomas Fahnemann**
**Chief Executive Officer**
**Chairman**

**Johannes Schmidt-Schultes**
**Chief Financial Officer**

**Richard Ehrenfeldner**
**Chief Technical Officer**

# AUDITOR'S REPORT 1)

## (TRANSLATION)

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Semperit Aktiengesellschaft Holding, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and the notes.

#### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

## COMMENTS ON THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 19, 2013

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

**Gerhard Schwartz m.p.**
**Certified Auditor**

**Hans-Erich Sorli m.p.**
**Certified Auditor**

[1] This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

# Balance sheet of Semperit AG Holding
## as at December 31, 2012

| in kEUR | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **ASSETS** | | |
| **Assets** | | |
| Intangible assets | 300 | 93 |
| Tangible assets | 724 | 679 |
| Financial assets | 65,584 | 71,354 |
| | **66,608** | **72,126** |
| **Current assets** | | |
| Receivables from affiliated companies | 27,578 | 31,758 |
| Other receivables | 5,651 | 5,973 |
| Cash on hand, bank deposits | 17,557 | 457 |
| | **50,786** | **38,188** |
| Accruals and deferrals | 383 | 253 |
| **TOTAL ASSETS** | **117,778** | **110,567** |
| | | |
| **LIABILITIES** | | |
| **Equity** | | |
| Share capital | 21,359 | 21,359 |
| Capital reserves | 21,539 | 21,539 |
| Revenue reserves | 27,499 | 15,999 |
| Net profit for the period | 16,941 | 16,835 |
| | **87,339** | **75,732** |
| **Untaxed reserves** | **2** | **2** |
| **Provisions** | | |
| Provisions for severance payments | 2,725 | 2,964 |
| Provisions for pensions | 17,277 | 15,585 |
| Tax provisions | 1,851 | 1,851 |
| Other provisions | 6,511 | 13,139 |
| | **28,365** | **33,539** |
| **Liabilities** | | |
| Trade payables | 815 | 488 |
| Liabilities to affiliated companies | 1,089 | 331 |
| Other liabilities | 168 | 475 |
| | **2,073** | **1,294** |
| **TOTAL LIABILITIES AND EQUITY** | **117,778** | **110,567** |
| | | |
| Contingent liabilities | 101,513 | 1,544 |

# Income statement of Semperit AG Holding
## for the financial year 2012 starting January 1, and ending December 31, 2012

| in kEUR | 2012 | 2011 |
|---|---|---|
| **Revenue** | **6,363** | **7,681** |
| Other operating income | 8,524 | 1,797 |
| Personnel expenses | –10,871 | –7,810 |
| Depreciation on tangible and intangible assets | –214 | –93 |
| Other operating expenses | –13,365 | –7,297 |
| **Earnings before interest and tax (EBIT)** | **–9,563** | **–5,723** |
| Income from Investments | 40,840 | 35,000 |
| Income from other securities of financial assets | 293 | 295 |
| Interest and related income | 310 | 96 |
| Expenditures for financial investments | –6,676 | –124 |
| Interest and related expenses | –812 | –81 |
| **Financial result** | **33,954** | **35,186** |
| **Result from ordinary business activities** | **24,391** | **29,463** |
| Income taxes | 3,673 | 1,246 |
| **Earnings after tax** | **28,064** | **30,709** |
| Allocation of other reserves | –11,500 | –15,000 |
| Profit carried forward from the previous year | 376 | 1,126 |
| **Net profit of the period** | **16,941** | **16,835** |

The annual financial statements 2012 of Semperit AG Holding, which were prepared according to Austrian accounting standards and awarded an unqualified audit opinion by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, were submitted together with all the relevant documentation to the commercial register of the Vienna Commercial Court under the commercial register number 112544 g. These financial statements are included in the Annual Financial Report 2012 in German, which is available for download from the homepage www.semperitgroup.com.

The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 0.80 per share from the net profit for the period of kEUR 16,941 and carry forward the remaining earnings to the new accounts.

Vienna, March 19, 2013

The Management Board

**Thomas Fahnemann**
**Chief Executive Officer**
**Chairman**

**Johannes Schmidt-Schultes**
**Chief Financial Officer**

**Richard Ehrenfeldner**
**Chief Technical Officer**

# Statement of all legal representatives

## PURSUANT TO SECTION 82 (4) AUSTRIAN STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements as at December 31, 2012 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) give a true and fair view of the assets, liabilities, financial position and profit or loss of the group 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 of Semperit Aktiengesellschaft Holding as at December 31, 2012 prepared in accordance with the Austrian Company Code (UGB) 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.

Wien, March 19, 2013

The Management Board

**Thomas Fahnemann**
**Chief Executive Officer**
**Chairman**

**Johannes Schmidt-Schultes**
**Chief Financial Officer**

**Richard Ehrenfeldner**
**Chief Technical Officer**

# Group's history

**1852** Factory built in Wimpassing, Austria

**1890** Company listed on the Vienna stock exchange for the first time

**1900** The "Semperit" name mentioned for the first time

**1912** Semperit Group established following the merger of several factories

**1920** Production of latex gloves commenced

**1985** Group reorganised to concentrate on four business segments
Tire production business sold to Continental

**1989** First glove factory established in Thailand
Conveyor belt company acquired in France

**1996** Hydraulic hose production commenced in Thailand
First production facility in China built (handrails)

**1998** Europe's largest hose factory acquired in the Czech Republic

**1999** Handrail factory opened in New Jersey, USA

**2000** Conveyor belt factory acquired in Poland

**2001** Majority interest acquired in an Indian conveyor belt factory
Hose factory bought in Italy

**2007** New hose factory opened in China

**2008** Handrail production relocated in Shanghai, China
Distribution company for medical gloves bought in Brazil

**2009** Joint venture established for a conveyor belt factory in China

**2010** New glove factory built in Thailand
Distribution company for hydraulic hoses established in Brazil

**2011** Porcelain mould production facility established in a joint venture in Malaysia

**2012** Largest acquisition in the company's history carried out with the purchase of Latexx Partners, a producer of gloves in Malaysia

# Glossary

## A

**ATX (Austrian Traded Index)**
Leading index of the Vienna Stock Exchange

## B

**Butadiene**
Organic, twofold unsaturated chemical polymer used in the manufacture of synthetic latex, amongst other things Petrochemical byproduct

## C

**CAGR (Compound Annual Growth Rate)**
Average annual growth rate over a specific period of time

**Compliance**
Conformity with regulations; adherence to rules, guidelines and voluntary codes within a company

**Corporate Governance**
Rules for the responsible management and control of a company; laid out in the Austrian Corporate Governance Code

## D

**DAX**
German equity index comprising the 30 largest companies

**Director's Dealings**
Share transactions conducted by the management of exchange-listed companies in the companies' own shares

**Directors and Officers (D&O) Insurance**
Liability insurance taken out by a company for its boards and executives

## E

**EBIT (Earnings Before Interest and Tax)**
Earnings before interest and tax, operating result

**EBIT margin**
EBIT in relation to revenue

**EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)**
Earnings before interest, tax, depreciation and amortisation

**EBITDA margin**
EBITDA in relation to revenue

**Equity ratio**
The ratio of shareholders' equity to total assets

**Elastomer**
Form stable but elastically deformable plastics

**EMEA (Europe, Middle East, Africa)**
Europe, Middle East, Africa

**EPDM (ethylene propylene diene monomer)**
Synthetic rubber

**Ex-dividend day**
The day on which the amount of the dividend is deducted from the share price

## I

**IFRS (International Financial Reporting Standards)**
Accounting standards developed by the International Accounting Standards Board (IASB). In addition to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the IASB, it also incorporates the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Interpretations of the Standing Interpretations Committee (SIC).

### Industrial Sector
The Industrial Sector consists of the segments Semperflex, Sempertrans and Semperform.

### ISO (International Organization for Standardization)
Institute responsible for coordinating standards worldwide

## K

### Key Account Management
A type of marketing organisation. Preferred treatment of buyers that hold a key position in relation to a company's success

## M

### Market capitalisation
Number of shares multiplied by the share price; market value of a company in absolute terms

### Medical Sector
The Medical Sector consists of the segment Sempermed.

## N

### Natural latex
Milky juice of the rubber tree that is obtained by grazing the bark

### Nitrile
Comprehensive term for a group of chemical compounds. Basic material for Semperit's synthetic gloves

## O

### Organisation for Economic Cooperation and Development (OECD)
A union of 30 industrial states aiming to promote economic growth and global trade

## P

### Payout ratio
Distribution ratio, share of the profit that is distributed to shareholders in the form of dividends

### Polypropylene (PP)
Thermoplastic weldable polymers made of carbon and hydrogen atoms. They are defined by their great hardness, rigidity and heat resistance and can be disposed of in an environmentally safe manner.

### Price/earnings ratio
Share price divided by profit per share

### Provisions
Accounting provisions for future obligations, the extent and maturity of which cannot be determined explicitly

## R

### Return on equity
The return on equity in terms of earnings after tax

## S

### Spot price
The price paid for the immediate, effective delivery of a standardised commodity that has already been produced

## V

### Vinyl
Thermoplastic polymer such as polyvinylchloride (PVC)

## Notes

# Notes

# Index

## CONTACT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**Financial Calender 2013**

| | |
|---|---|
| March 21, 2013 | Publication of 2012 annual financial statements and press conference |
| April 30, 2013 | Annual general meeting, Vienna |
| May 7, 2013 | Ex-dividend day |
| May 14, 2013 | Dividend payment day |
| May 14, 2013 | Report on the first quarter of 2013 |
| August 13, 2013 | Half-year financial report 2013 |
| November 12, 2013 | Report on the first three quarters of 2013 |

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## DISCLAIMER

In this report, the terms "Semperit" or the "Semperit Group" refers to the Group; "Semperit AG Holding" or "Semperit Aktiengesellschaft Holding" is used to refer to the parent company (individual company).

We have prepared this quarterly report and verified the information contained in it with the greatest possible care. In spite of this, rounding, typesetting and printing errors cannot be ruled out. Rounding of differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

The forecasts, plans and forward-looking statements contained in this report are based on the knowledge and information available and the assessments made at the time that this report was prepared (editorial deadline: March 19, 2013). As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, the actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements.

This report has been produced in German and English. In case of doubt, the German version shall take precedence.


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www.semperitgroup.com/en