

# Group Management Report

## Economic environment

Difficult framework conditions continued to characterise the world economy in 2016. A weak economic development in major economies caused subdued demand in numerous industrial sectors. In addition, Europe and the USA were influenced by further uncertainty factors due to the Brexit vote and the presidential election in the USA. In the second half of 2016, first signs of an upward trend were recorded in the industrialised countries. According to estimates by the International Monetary Fund (IMF), the global economy expanded by 3.1% in 2016, after 3.2% in 2015.

While economic growth in the industrialised countries cooled off with an average growth rate of 1.6% (2015: 2.1%), growth in the emerging and developing countries maintained the same level as the previous year at 4.1% (2015: 4.1%).

In the USA, GDP (gross domestic product) rose by 1.6% (2015: 2.6%); in the euro area, it grew by 1.7% (2015: 2.0%). Among the BRIC countries, economic growth in India, with GDP at 6.6% (2015: 7.6%), and China with 6.7% (2015: 6.9%) slowed down according to the IMF. The economy in Russia shrank further by 0.6% compared with 3.7% in 2015. Brazil remained in recession with its GDP declining by 3.5% (2015: 3.8%).

According to assessments by the IMF, the worldwide economy will develop positively over the next two years. However, the anticipated recovery will continue to be characterised by uncertainties due to political framework conditions. Emerging and developing countries are expected to develop more strongly overall than the industrialised countries.

## Developments in the raw materials markets

The sub-markets for raw materials that are important for the rubber industry, such as the market for natural rubber and natural latex as well as synthetic rubber and synthetic latex, experienced an increase in prices to varying degrees in 2016. The development of these markets in the natural rubber field is influenced by production conditions, while the fields of synthetic rubber and carbon black are impacted by supplier behaviour and costs for basic raw materials, which are affected by the price of crude oil. Demand is influenced primarily by the main buyers of rubber products, the tyre and automotive industry.

Since the beginning of March 2016, a partly significant price increase was recorded for almost all raw materials, which significantly surpassed the declining tendencies at the beginning of 2016. Since the beginning of November 2016, another enhanced increase in prices in all raw material categories was recorded. In November and December 2016, the average prices of individual raw materials were 50% and more above the average of November and December 2015. Over the full year, the average raw material prices in 2016 were slightly above the average of 2015. In the first two months of 2017, there was no indication that the raw material prices being relevant for Semperit would stop increasing.

At the beginning of 2016, prices for the filling material carbon black decreased compared with the end of the year 2015. From the second quarter of 2016, prices for carbon black increased significantly due to the rise in the crude oil price. The prices for wire rose in 2016 due to the significant price increase for wire rods.

## Revenue and earnings of Semperit Group

Revenue of the Semperit Group fell from EUR 914.7 million in 2015 to EUR 852.4 million in 2016, a decrease of -6.8%. For the most part, the decrease in revenue was due to significantly lower revenues of the Medical Sector and to a smaller extent to a revenue decline in the Sempertrans segment (for details on the development of sectors and segments see page 52ff). The distribution of revenues slightly shifted in favour of the Industrial Sector. In 2016 the Industrial Sector accounted for 59% (41% Medical Sector), after 57% in 2015 (43% Medical Sector).

In 2016, the inventories increased by EUR 2.2 million compared with EUR 6.8 million in 2015.

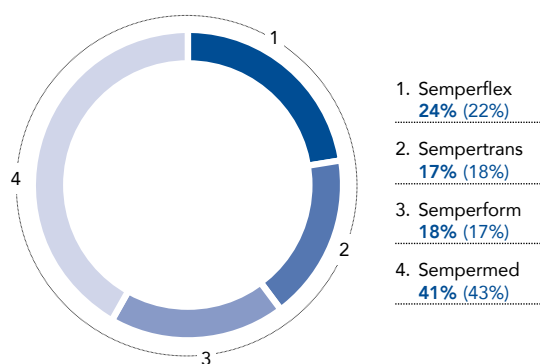
The other operating income increased slightly from EUR 9.1 million to EUR 10.5 million in 2016. The claim for reimbursement from the arbitration procedures ICC amounting to EUR 2.5 million had a positive influence on other operating income in 2016. In contrast, an income amounting to around EUR 3.4 million was recorded from the acquisition of Leeser, Germany, in 2015.

Cost of materials dropped by EUR 50.3 million or 9.0% to EUR 505.5 million, supported by an active raw material management.

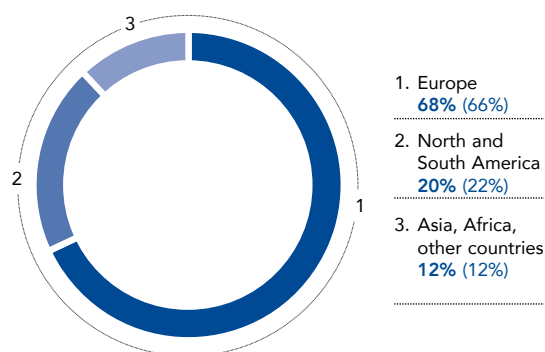
Personnel expenses grew slightly by 0.3% to EUR 165.3 million due to increases in salaries and wages. By contrast, the variable salary components for employees with target agreements showed a declining development in line with the business development.

As an internationally operating group, Semperit is subject to various foreign exchange effects within the scope of its business activities. For the purpose of a more effective internal management as well as a more transparent presentation in the external financial reports of Semperit Group and its segments, foreign exchange gains or losses in the consolidated income statement are not shown as part of the operating result in "Other operating income" or "Other operating expenses" anymore since 1 January 2016, but in financial income / financial expenses and are therefore part of the financial result. In order to guarantee comparability with the previous year following the change of method pursuant to IAS 8, all comparable figures for 2015 are presented according to the same new reporting method in this report.

Revenue split by segments



Revenue split by region



Other operating expenses dropped by 5.7% compared with 2015 to EUR 129.2 million, among other things due to lower legal and consulting expenses. This item included a special effect: A provision of EUR 4.7 million for levies in Brazil had a negative effect.

The item "Share of profits from joint ventures and associated companies" decreased by more than half to EUR 8.4 million (2015: EUR 17.1 million). This item consisted almost exclusively of the contribution to earnings of the glove production joint ventures in Thailand.

Hence, EBITDA (earnings before interest, tax, depreciation and amortisation) totalled EUR 77.9 million, a minus of 19.0%. The EBITDA margin decreased from 10.5% to 9.1%. Without the above-mentioned special effect (levies in Brazil), the adjusted EBITDA totalled EUR 82.6 million and the EBITDA margin was 9.7%.

Depreciation increased to EUR 33.3 million in line with capacity enhancements. Impairments totalled EUR 17.3 million, of which the impairment of intangible assets in the Sempermed segment accounted for EUR 17.0 million as a special effect relating to the joint venture transaction as well as the development in the Sempermed segment (see page 56), which was weaker than expected.

At EUR 27.3 million (-59.1%), EBIT was significantly below the level of 2015, also due to the above-mentioned impairment. The EBIT margin amounted to 3.2%. EBIT adjusted for the special effects (levies in Brazil and impairment of Sempermed goodwill) amounts to EUR 49.0 million while the adjusted EBIT margin is 5.8%.

The negative financial result totalled EUR 19.9 million in 2016 after EUR 8.0 million in the previous year. Financial income, which now also includes foreign exchange gains, decreased by EUR 6.4 million compared to the previous year and amounted to EUR 22.8 million. In 2015, this item (restated) had been influenced by the positive foreign exchange effects as well as profits from hedging transactions for foreign currencies. Financial expenses, which also include foreign exchange losses, increased by EUR 4.6 million compared to the previous year to EUR 36.4 million. The reasons for this are primarily foreign exchange losses (especially in the first quarter of 2016), interest expenses due to additional borrowings as well as the above-mentioned provisions in the interest component for the levies in Brazil amounting to EUR 2.5 million.

In 2016, the item "Profit/loss attributable to redeemable non-controlling interests" increased to EUR 6.4 million after EUR 5.4 million in 2015 and is mostly related to companies in the Semperflex and Sempermed segments.

**Key figures Semperit Group**

in EUR million	2016	2015 <sup>1)</sup> restated	Change	Change in EUR million
Revenue	852.4	914.7	-6.8%	-62.3
EBITDA adjusted <sup>2)</sup>	82.6	96.2	-14.1%	-13.6
EBITDA margin adjusted <sup>2)</sup>	9.7%	10.5%	-0.8 PP	-
EBITDA	77.9	96.2	-19.0%	-18.3
EBITDA margin	9.1%	10.5%	-1.4 PP	-
EBIT adjusted <sup>2)</sup>	49.0	66.7	-26.5%	-17.7
EBIT margin adjusted <sup>2)</sup>	5.8%	7.3%	-1.5 PP	-
EBIT	27.3	66.7	-59.1%	-39.4
EBIT margin	3.2%	7.3%	-4.1 PP	-
Earnings after tax adjusted <sup>2)</sup>	23.1	46.4	-50.1%	-23.2
Earnings after tax	-8.8	46.4	-	-55.2
Investments in tangible and intangible assets	65.1	71.8	-9.4%	-6.8
Employees (at balance sheet date)	6,974	7,053	-1.1%	-79

<sup>1)</sup> Values restated for 2015, see page 96f. in this report (Foreign Exchange restatement).

<sup>2)</sup> Values are adjusted for special effects (levies in Brazil, depreciation of the goodwill of Sempermed and tax effect of the joint venture transaction)

Income tax expense increased by EUR 3.8 million to EUR 16.2 million. The increase resulted from the special effect of the changes – recognised in profit or loss – in deferred tax liabilities amounting to EUR 7.7 million relating to the joint venture transaction as well as the value adjustment of deferred taxes and additional tax payments for prior periods.

Earnings after tax totalled EUR -8.8 million, resulting in earnings per share of EUR -0.43 in 2016, following EUR 2.26 in 2015. Adjusted for the three above-mentioned special effects (transportation taxes in Brazil, impairment of the Sempermed goodwill and tax effect of the joint venture transaction) totalling EUR 31.9 million, earnings after tax amount to EUR 23.1 million while earnings per share are EUR 1.12.

### Termination of the joint venture Siam Sempermed Corporation Ltd. ("joint venture transaction")

On 18 January 2017, the Semperit Group and the joint venture partner Sri Trang Agro-Industry Public Co Ltd. ("Sri Trang") signed an agreement on the termination of almost all joint venture activities. The agreement provides for changes for all segments except Sempertrans.

### Changes in the Sempermed segment

The agreement provides for the takeover of the joint distribution company Sempermed USA Inc. by Semperit. In addition, Semperit will take over the previous Sempermed joint venture companies Sempermed Singapore Pte Ltd, Shanghai Sempermed Glove Sales Co Ltd. und Sempermed Brazil Comércio Exterior Ltda. as well as the majority interest in the Malaysian FormTech Engineering (M) Sdn Bhd. Sri Trang will take over the glove production of Siam Sempermed Corporation Ltd. ("SSC") in Thailand, which has been operated jointly to date.

### Changes in the Semperflex segment

Semperit will fully take over Semperflex Shanghai Ltd. with a hydraulic hose production site in China. In Thailand, the joint venture Semperflex Asia ("SAC") will be continued. Here, Semperit on the one hand and Sri Trang together with further partners on the other hand each hold an unchanged share of 50% of the production for hydraulic hoses in Hatyai/Thailand. Semperit will receive an option to take over the remaining 50% of SAC for USD 60 million (approx. EUR 57 million) from the joint venture partners.

### Changes in the Semperform segment

Semperit increases the share of Semperform business activities in China from 90% to 100%.

### Financial effects of the transaction

Within the framework of the termination of the joint ventures, Semperit will receive a one-time compensation payment amounting to USD 167.5 million (approx. EUR 157 million) before taxes. Immediately prior to closing and with it the full transfer of SSC to Sri Trang, Semperit will receive a dividend of USD 51 million (approx. EUR 48 million) before taxes in cash from SSC. Immediately prior to the closing, a payout of a dividend of USD 15 million for SAC to the joint venture partner for 2017 has been provided for. As a result, a total cash inflow of USD 200 million (around EUR 187 million) before taxes is expected, of which USD 150 million (around EUR 140 million) are hedged by a Deal Contingent Forward to minimise the currency risk.

From today's perspective, a closing of the transaction would lead to positive special effects in Semperit's Group result amounting to around EUR 65-75 million in the financial year 2017. This is up against negative special effects in the Group's result of 2016 amounting to EUR 31.9 million (for details see chapter "Revenue and earnings of Semperit Group", page 47f.).

The transaction is subject to the approval of the Supervisory Board of Semperit, a corresponding resolution passed at the Extraordinary General Meeting of Sri Trang as well as relevant closing conditions. The closing of the transaction is expected for March 2017.

In case of a successful closing, all pending arbitration and civil proceedings between the Semperit Group on one hand and the Sri Trang Group and SSC on the other hand will be settled by mutual consent. Common break-up fees were agreed in case of failure.

### Dividend

Semperit's dividend policy provides for paying out approximately 50% of earnings after tax to the shareholders – assuming continued successful performance and that no unusual circumstances occur. As announced in the inside information of 18 January 2017, Semperit's existing dividend policy is being reviewed for 2016 and 2017 because of special effects.

Despite negative earnings after tax the Management Board will propose a dividend of EUR 0.70 per share at the Annual General Meeting on 23 May 2017. This means that EUR 14.4 million will be distributed in total. Given the share price of EUR 25.75 as at the end of 2016, this results in a dividend yield of 2.7% after 3.9% in 2015.

This dividend proposal is based on the assumption that the joint venture transaction will be closed. If the transaction fails to be closed, the Management Board reserves the right to make a resolution proposal at the Annual General Meeting that deviates from this dividend proposal.

## Assets and financial position

Compared with the balance as of 31 December 2015, the balance sheet total rose by 10.3% to EUR 1,034.5 million in 2016. On the asset side of the balance sheet, the main reasons for this increase were expansion investments and the related increase in tangible assets and cash and cash equivalents.

On the liabilities side, the item corporate Schuldschein loan increased while revenue reserves and liabilities to banks decreased.

Trade working capital (inventories plus trade receivables minus trade payables) decreased from EUR 160.6 million at the end of 2015 to EUR 145.4 million, and therefore constituted 17.1% of the revenues of 2016 (year-end 2015: 17.6%). The decline is attributable to a decline in trade receivables and an increase in inventories and trade payables.

Cash and cash equivalents increased from EUR 126.4 million by the end of 2015 to EUR 190.2 million as of 31 December 2016.

As of 31 December 2015, the Semperit Group's equity (without non-controlling interests) stood at EUR 329.3 million, EUR 34.0 million lower than at the end of 2015 (EUR 363.3 million). The change resulted almost entirely from a negative result after tax and the distribution of dividends to the shareholders of Semperit AG Holding in the second quarter of 2016.

The group's reported equity ratio as of 31 December 2016 amounted to 31.8% (year-end 2015: 38.7%). The capital structure of the Semperit Group therefore remains to be solid. The return on equity stood at -2.7%, following 12.8% in 2015. The return on equity is calculated based on the earnings after tax in relation to the equity of EUR 329.3 million (each both in respect to the portion attributable to the shareholders of Semperit AG Holding). Not taking into account the mentioned special effects, the return on equity was at 6.4%.

Debt is significantly higher at EUR 703.5 million compared with the end of 2015. Liabilities from the corporate Schuldschein loan and liabilities to banks totalled EUR 420.8 million (year-end 2015: EUR 302.6 million). Taking into consideration cash and cash equivalents, this resulted in an overall net debt of EUR 230.6 million (year-end 2015: EUR 176.1 million). The net debt/EBITDA ratio (net debt in relation to EBITDA) at the end of 2016 is therefore 2.96 (year-end 2015: 1.83). The liabilities from redeemable non-controlling interests remained almost unchanged at EUR 51.8 million. Provisions including social capital remained almost unchanged at EUR 66.7 million. Other liabilities and deferred taxes decreased to EUR 52.6 million.

## Cash flow

Gross cash flow was EUR 48.1 million, a year-on-year decline of EUR 7.6 million or 13.7%. This change resulted primarily from lower earnings before tax, an increase in depreciation and impairments, a change of non-current provisions and the change in the item "Investments in joint ventures and associated companies".

The cash flow from operating activities dropped sharply to EUR 34.4 million, a decline of -42.5%. The development of other liabilities and reserves was the primary reason for this decline while trade receivables had declined and had a positive effect on the cash flow.

The cash flow from investing activities amounted to EUR -64.8 million in 2016, following EUR -89.0 million in 2015. This decrease compared to the previous year is primarily due to the acquisition of Leeser in Germany in 2015 and a decline of investments in tangible and intangible assets.

The cash flow from financing activities at EUR 92.9 million (EUR 38.4 million in 2015) was impacted on the one hand by the payment of the dividend to shareholders of Semperit AG Holding totalling EUR 24.7 million and on the other hand the repayment and incoming payment of financing liabilities. Cash and cash equivalents as at 31 December 2016 amounted to EUR 190.2 million, a year-on-year increase of EUR 63.8 million.

## Investments

At EUR 65.1 million, cash-relevant investments in tangible and intangible assets (CAPEX) in 2016 were lower than in 2015 (EUR 71.8 million). The ratio of CAPEX to depreciation stood at 2.0 in 2016 and was thus lower than in 2015 (2.4). The investment priorities were on expansion and improvement in the segments Sempermed (expansion of glove production in Kamunting, Malaysia), Semperform (expansion of the locations in Wimpassing, Austria, and in Germany) and Semperflex (expansion of the hose production in Odry, Czech Republic).

## Related-party transactions with companies and individuals

With regard to the related-party transactions with companies and individuals please refer to the Consolidated financial statements and notes.

## Additional information

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

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

<http://www.semperitgroup.com/en/ir/corporate-governance/corporate-governance-reports/>

## Performance of the sectors and segments

### Industrial Sector

The Industrial Sector comprises the segments Semperflex, Sempertrans and Semperform and developed better than the market trend. Despite a challenging economic environment and a weak demand development, the Sector recorded only a slight decrease in revenue by 2.8% to EUR 506.4 million. EBITDA fell by 4.4% to EUR 89.5 million, while EBIT declined somewhat more strongly by 9.4% to EUR 70.0 million due to higher depreciation related to facilities that were newly put into operation. With more than 50%, the Semperflex segment contributed the largest share of EBIT in the Industrial Sector, followed by Semperform with more than 25% and Sempertrans with less than 20%.

In 2016 the sector's EBITDA margin stood at 17.7%, following 18.0% in 2015. The EBIT margin was 13.8%, down from 14.8% in 2015. However, the values of 2015 included net earnings from the Leeser acquisition amounting to EUR 3.4 million. Semperflex reported the highest EBIT margin at 19.5%, followed by Semperform with 11.8% and Sempertrans with 8.2%.

**Key figures Industrial Sector**

in EUR million	2016	Change	2015 restated <sup>1)</sup>	2014 <sup>2)</sup>
Revenue	506.4	-2.8%	521.0	477.5
EBITDA	89.5	-4.4%	93.6	88.0
EBITDA margin	17.7%	-0.3 PP	18.0%	18.4%
EBIT	70.0	-9.4%	77.2	66.2
EBIT margin	13.8%	-1.0 PP	14.8%	13.9%
Investments in tangible and intangible assets	34.9	-0.5%	35.1	35.1
Employees (at balance sheet date)	3,637	+1.7%	3,576	3,352

<sup>1)</sup> 2015 values restated, see notes page 96ff. in this report (foreign currency adjustments).

<sup>2)</sup> 2014 values restated, see notes page 90f. in Annual Report 2015 (JV adjustments).

**Semperflex segment**

The Semperflex segment generated further high profitability and slightly declining revenue thanks to very good production and sales performances in a declining market. The business unit for hydraulic hoses achieved sales successes primarily in Europe, while North America and Asia recorded weaker demand. In total, sales of hydraulic hoses increased. The booking situation for the coming months is good.

The test run for the new capacities for industrial hoses in Odry, Czech Republic, was transferred into regular operations in the third quarter of 2016. All capacities were, and still are, well utilised due to strategic partnerships with key customers, while sales of industrial hoses increased.

The comparison of 2016 and the previous year shows a slight decrease in revenue, due to structural shifts of the portfolio. A slight increase was recorded for EBITDA and EBIT.

**Key figures Semperflex**

in EUR million	2016	Change	2015 restated <sup>1)</sup>	2014 <sup>2)</sup>
Revenue	202.3	-0.5%	203.4	202.1
EBITDA	48.0	+4.1%	46.1	48.5
EBITDA margin	23.7%	+1.0 PP	22.7%	24.0%
EBIT	39.5	+3.4%	38.2	36.8
EBIT margin	19.5%	+0.7 PP	18.8%	18.2%
Investments in tangible and intangible assets	14.4	-1.4%	14.6	14.6
Employees (at balance sheet date)	1,674	+8.9%	1,536	1,538

<sup>1)</sup> 2015 values restated, see notes page 96ff. in this report (foreign currency adjustments).

<sup>2)</sup> 2014 values restated, see notes page 90f. in Annual Report 2015 (JV adjustments).



### Sempertrans segment

The Sempertrans segment defended its position in established markets and held its market position in new regions and market segments. This was achieved against the background of a stabilisation of raw material prices for mining products. However, demand for investment goods in the mining industry continued to remain subdued despite first indications of a price increase for individual raw materials in recent months. This also applies to conveyor belts.

Following a period of low raw material prices that were relevant for production, the price level for raw materials started to increase sharply as of November 2016. These high increases could only partially be passed on to the customer and with a delay. Combined with competitive pressures of other manufacturers, price pressures continued to be on a high level. Due to lower demand in the mining industry, Sempertrans has opened up other customer segments such as harbours, steel and cement factories to fully utilise its production capacities. These customers, however, rather have a demand in lighter belts, which has a negative effect on the total volume sold.

Considering the challenging market and competitive environment, the utilisation of production capacities was satisfying. However, year-on-year, the volume sold was slightly below previous year's level for steel cord reinforced conveyor belts, while conveyor belts with textile carcasses achieved a sales increase. Visibility of demand continued to be low and was characterised by prolonged uncertainty and strong price pressure.

In total, revenue as well as EBITDA and EBIT decreased due to the price pressure and the market situation described above.

#### Key figures Sempertrans

in EUR million	2016	Change	2015 restated <sup>1)</sup>	2014 <sup>2)</sup>
Revenue	148.4	-10.0%	164.9	146.4
EBITDA	15.9	-31.5%	23.2	20.9
EBITDA margin	10.7%	-3.3 PP	14.0%	14.3%
EBIT	12.1	-39.0%	19.9	16.8
EBIT margin	8.2%	-3.9 PP	12.1%	11.5%
Investments in tangible and intangible assets	6.7	-45.7%	12.3	12.3
Employees (at balance sheet date)	1,036	-4,6%	1,086	1,027

<sup>1)</sup> 2015 values restated, see notes page 96ff. in this report (foreign currency adjustments).

<sup>2)</sup> 2014 values restated, see notes page 90f. in Annual Report 2015 (JV adjustments).

## Semperform segment

In a difficult or contracting market environment with volatile demand, the Semperform segment profited from gaining market shares in the window and door profile as well as the handrail businesses. In the second and third quarter of 2016, two new extrusion lines for profiles were put into operation by the profile manufacturer Leeser, which was acquired in the second quarter of 2015. Thanks to market share gains in Western and Central Europe, sales of window and door profiles were increased compared with 2015. A sales increase was achieved despite the difficult market environment in Russia and Ukraine, which caused further substantial declines of the business volume in these markets. Gaining market shares was driven by an increased demand for high-quality and technically complex products, which helped to improve positioning with aluminium and wooden windows. In the USA, the market entry for window profiles was successful and first orders are being fulfilled.

Demand for products of the business unit Semperit Engineered Solutions remained roughly the same year-on-year, though it continued to show a volatile development. In order to counteract volatility, the company entered into development partnerships with market leaders in certain product segments. The business unit Special Applications increased sales.

In 2016, a slight increase in revenue as well as EBITDA was achieved, while EBIT declined. Operational profitability developed satisfyingly, considering that the values for 2015 included a positive effect of around EUR 3.4 million from the acquisition of Leeser. The good sales performance as well as measures for efficiency enhancement contributed to profitability – particularly in production – and to minimising the costs.

### Key figures Semperform

in EUR million	2016	Change	2015 restated <sup>1)</sup>	2014 <sup>2)</sup>
Revenue	155.7	+1.9%	152.8	129.0
EBITDA	25.6	+5.1%	24.3	18.6
EBITDA margin	16.4%	+0.5 PP	15.9%	14.5%
EBIT	18.3	-4.2%	19.1	12.7
EBIT margin	11.8%	-0.7 PP	12.5%	9.9%
Investments in tangible and intangible assets	13.8	+69.7%	8.1	8.1
Employees (at balance sheet date)	928	-2.7%	954	787

<sup>1)</sup> 2015 values restated, see notes page 96ff. in this report (foreign currency adjustments).

<sup>2)</sup> 2014 values restated, see notes page 90f. in Annual Report 2015 (JV adjustments).

### Medical Sector: Sempermed segment

The development of the Sempermed segment was characterised by a difficult market environment. This included increased production costs in Malaysia due to an extraordinary increase in salary costs as well as higher gas and electricity rates at the beginning of 2016, which could not entirely be passed on to the market. The pricing policy in particular for nitrile gloves was challenging – also due to overcapacities in the market.

On the raw material side, prices increased in particular for natural latex. Since the beginning of November 2016 there has been another strong increase of prices. So far, these increases could only partially be passed on to the customer and with a certain delay. In addition, the use of merchandise enhanced the margin situation.

The negative impact of the cooperation with the joint venture partner in Thailand (availability of the gloves was not sufficiently secured, conditions were not satisfying) persisted and involved additional costs. The earnings contribution of Siam Sempermed Corporation Ltd. was halved from EUR 16.6 million in 2015 to EUR 7.9 million in 2016, which had a negative effect on EBITDA and EBIT.

Considering this unsatisfying price situation, Sempermed now focuses on the core markets Europe and North America as well as selected markets in Asia (Japan and South Korea). The overall focus is on sales of Sempermed brand gloves. This sales strategy, which was adapted to the current market conditions, is intended to lead to further cost savings and efficiency enhancements in the coming quarters.

The expansion of the plant and the optimisation of existing capacities in Malaysia were continued. Relevant start-up costs arise due to the expansion. The initiated cost-cutting programme (production, marketing, sales) shows first positive results. However, in total, the earnings development is not satisfying, so that further measures have been taken.

Revenue of the Sector fell by 12.1% to EUR 346.0 million due to heavy price pressure and a weak start of the year 2016. EBITDA decreased to EUR 6.6 million after EUR 29.4 million in 2015. EBITDA includes a negative special effect of EUR 4.7 million for provisions relating to levies in Brazil. Relating to a fire in the former storage in Malaysia, a claim for insurance benefits (fire damage) amounting to EUR 2.5 million was recorded. Due to the damage caused by the fire, a carrying amount of EUR 1.3 million was derecognised.

Depreciation at EUR 13.2 million was EUR 1.0 million higher than in the previous year and reflected the ongoing expansion of the production capacities in Malaysia. In addition, in 2016 there was an impairment totalling EUR 17.3 million. Of this total, EUR 17.0 million were accounted for by impairment of the goodwill of the Sempermed segment as a special effect, which was necessary in the context of the joint venture transaction as well as the development in the Sempermed segment, which was weaker than expected.

EBIT fell to EUR -23.9 million, following EUR 17.2 million in 2015. Considering the two special effects (levies in Brazil and impairment of Sempermed goodwill), EBIT for the Sempermed segment amounted to EUR -2.2 million in 2016.

Demand for examination and protective gloves improved during 2016. Especially the structured market access to the Industrial (occupational health and retail) and Medical market segments contributed to this development. Sales of surgical gloves, which are produced in the core production facility in Wimpassing, Austria, showed development above average due to higher demand in the core markets compared to the previous year and resulted in a new maximum volume.

For further information on the joint venture transaction please refer to page 49f. The arbitration proceedings against the joint venture partner Sri Trang or the joint venture company SSC are explained on page 163f. of the notes.

**Key figures Sempermed**

in EUR million	2016	Change	2015 restated <sup>1)</sup>	2014 <sup>2)</sup>
Revenue	346.0	-12.1%	393.7	380.8
EBITDA adjusted	11.3	-61.5%	29.4	33.5
EBITDA margin adjusted	3.3%	-4.2 PP	7.5%	8.8%
EBITDA	6.6	-77.6%	29.4	33.5
EBITDA margin	1.9%	-5.6 PP	7.5%	8.8%
EBIT adjusted	-2.2	-	17.2	17.6
EBIT margin adjusted	-0.6%	-5.0 PP	4.4%	4.6%
EBIT	-23.9	-	17.2	17.6
EBIT margin	-6.9%	-11.3 PP	4.4%	4.6%
Investments in tangible and intangible assets	25.7	-13.0%	29.6	29.6
Employees (at balance sheet date)	3,183	-4,8%	3,344	3,428

<sup>1)</sup> 2015 values restated, see notes page 96ff. in this report (foreign currency adjustments).

<sup>2)</sup> 2014 values restated, see notes page 90f. in Annual Report 2015 (JV adjustments).

<sup>3)</sup> Values are adjusted for special effects (levies in Brazil and impairment of the Sempermed goodwill).

**Sustainability**

Long-term success is only possible in harmony with the environment and society. Therefore, we have made sustainability a fundamental principle of our company strategy. Our ethical principles, which are explained in more detail in the Code of Conduct, are the basis for all operations. The Sustainability Council designs and further develops current and future areas of work in the sustainability field. The Council comprises managerial staff from the segments and the central functions and deals with the group-wide establishment of sustainability management. There are guidelines that are valid throughout the group as well as measures and initiatives for the following five key topics of the sustainability strategy:

- Safety, health, environment: At Semperit, human and environmental safety is our highest priority. We systematically protect our employees from risks.
- Resource management: We constantly enhance our resource efficiency to reduce environmental pollution and increase profitability.
- Employees and society: We create attractive and fair working conditions. Supporting social projects at our locations worldwide is important to us.
- Suppliers: We work with suppliers, who act in harmony with the environment and society. Thus, we ensure sustainability along the entire supply chain.
- Innovation: We develop innovative products, processes and materials. Here we focus on highest user benefits and environmental friendliness.

In 2016, the focus of sustainability management was on the development and expansion of the sustainability strategy based on an extensive stakeholder survey and the definition of KPIs (key performance indicators) for the different business segments. The next step will be the preparation of external reporting in agreement with the GRI (Global Reporting Initiative). It also includes an extensive data collection in all sustainability segments that have been defined as material. The Semperit sustainability policies are available at [www.semperitgroup.com/sustainability](http://www.semperitgroup.com/sustainability).

## Employees

As of 31 December 2016, the number of employees was 6,974, which is -1.1% below the level of 31 December 2015. The employee headcount fell in all segments except the segments Semperflex and Corporate Center. The analysis by segments shows that slightly less than half of the employees work in the Sempermed segment, while around 20% work in the Semperflex segment and less than 15% in the Sempertrans and Semperform segments respectively.

### Number of employees (full time equivalents) at year end

	2016	Structure	Change 2016 vs. 2015	2015	2014
Semperflex	1,674	24.0%	8.9%	1,536	1,538
Sempertrans	1,036	14.8%	-4.6%	1,086	1,027
Semperform	928	13.3%	-2.7%	954	787
Sempermed	3,183	45.6%	-4.8%	3,344	3,428
Corporate Center	154	2.2%	15.5%	133	108
<b>Total</b>	<b>6,974</b>	<b>100.0%</b>	<b>-1.1%</b>	<b>7,053</b>	<b>6,888</b>
thereof Austria	838	12.0%	2.0%	821	821
thereof Semperit AG Holding	121	1.7%	13.8%	107	97

### Training and professional education

Semperit's Group management understands that the expertise and innovative strength of employees are critical success factors for expanding the company's market positions. The group therefore offers an extensive training and professional education programme to teach employees the necessary professional skills so that they are optimally prepared for their operational and strategic challenges. As part of a comprehensive training catalogue, personal development training is offered to, among other things, provide employees with skills for conflict, time and target management, as well as presentation techniques. In addition, employees have the opportunity to participate in specialized training courses.

### Research and development

By means of successful research and development, generations of competent engineers, chemists, physicists, basic researchers, plastic engineers and application engineers have made significant contributions to 190 years of history of the Semperit Group. Today research and development is focused on three pillars: further development of materials (both elastomers and reinforcing materials), product development and process development.

The research and development units of the Semperit Group are located in Malaysia, China, India, Poland, the Czech Republic, Germany and Austria. All of the related activities concerning this matter are coordinated at the Research & Development Center in Wimpassing, Austria. With more than 60 employees in research and development, the site in Wimpassing also serves for coordination with external development partners and the trans-sectoral exchange of knowledge and experience. In the Group, more than 250 employees work in research and development all over the world. Expenses amount to more than EUR 13 million or more than 1% of revenue per year. Semperit's innovation power is also reflected in the Group having approximately 50 patent families at its disposal.

The Semperit Group's research strategy is focused on the following objectives:

- Market-oriented product innovations as a basis to continue the growth strategy.
- Optimising the use of resources: the energy and materials used in the production and design of products are constantly being optimised (waste of energy/waste of material/waste of properties). The resulting benefits in terms of quality help ensure competitive advantages.
- More flexible production methods enable the group to respond rapidly to changes in raw material prices and market demand.
- Knowledge transfer as a precondition for achieving synergies.

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

1. The share capital of Semperit AG Holding amounted to EUR 21,358,996.53 as at 31 December 2016 and consisted of 20,573,434 non-par-value ordinary shares, each carrying equal rights in every respect.

The Management Board was authorised by the Annual General Meeting on 26 April 2016 (anew) – simultaneously repealing the resolutions of the Annual General Meeting of 23 April 2012 in this regard – subject to the approval of the Supervisory Board, to increase the share capital in the coming five years after registration of the amendment into the company register – in several tranches – against cash and/or contributions in kind by 50% or up to 10,286,717 new bearer shares. The Management Board is also authorised (anew), 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 10,286,717 bearer shares of the company (50% of the existing shares).

The Annual General Meeting on 26 April 2016 authorised the Management Board – simultaneously revoking the existing authorisation for repurchasing own shares pursuant to Section 65 Para. 1 Z 8 of the AktG of 29 April 2014 – with the consent of the Supervisory Board, to repurchase and, if applicable, retire own shares up to the legally permitted maximum of 10% of the share capital for a period of 30 months from the adoption of the resolution in the Annual General Meeting in accordance with Section 65 (1) (8) of the AktG. At the same Annual General Meeting, the Management Board was authorised, pursuant to Section 65 (1b) of the AktG and with the consent of the Supervisory Board, to decide on a different method of selling shares than via the stock exchange or through a public offer and on a possible exclusion of the pre-emption rights (subscription right) of shareholders. There is currently no share buyback programme and the company does not hold any treasury shares.

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

3. B & C Semperit Holding GmbH directly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2016 and is the majority shareholder of Semperit AG Holding. The private foundation B & C Privatstiftung is the highest controlling legal entity. B & C Holding Österreich GmbH is an indirect majority shareholder, who prepares and publishes consolidated financial statements including the Semperit Group. More than 10% of the ordinary shares had been held by Legg Mason Inc., USA, since 10 March 2011. In 2015 and 2016, this share was gradually decreased. As of 12 January 2016, the interest of Legg Mason Inc., USA, has been less than 3%. FMR Co., Inc (Fidelity Management & Research Company) has held more than 5% as of 17 February 2016. The remaining shares are in free float.

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

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

6. There are no other regulations extending beyond the legal requirements that relate to the appointment and dismissal of members of the Management Board.

7. The following applies with respect to the appointment and revocation of Supervisory Board members pursuant to the Articles of Association: unless a shorter term of office is specified, Supervisory Board members are elected until the end of the Annual General Meeting resolving upon the ratification of the actions of the Management and Supervisory Boards for the fourth year after the election, not including the financial year in which the election took place. However, at least 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 office 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. However, an election to replace them is 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 effective 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, a four-week notice period must be observed.

8. 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 AktG does not stipulate any other procedure.

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

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

## Risk report

### Risk environment

As a group with international activities, Semperit constantly has to face new challenges as a result of the current fragility of the global economy with its strong regional differences. Semperit operates in countries with different economic framework conditions. In addition, these countries are in different phases of political, constitutional and social development. Semperit is subject to risks related to this situation. The strategic orientation of each of Semperit's four operating segments means that their success depends to differing degrees on the general economic environment.

A risk potential of Semperit's worldwide business activities is the volatility of exchange rates, particularly between Euro and US dollar/Polish zloty/Czech crown as well as between US dollar and Malaysian ringgit/Singapore dollar/Chinese renminbi. Therefore, unfavourable exchange rate fluctuations may have significant effects on results.

Increasing raw material costs, energy prices and wage costs, which cannot be passed on fast enough to the customers through selling prices, may lead to a deterioration in Semperit's results.

Risks such as fire and natural or environmental disasters are also associated with significant potential losses for Semperit.

### Risk management and organisation

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 are accordingly an important component of these units' management activity. The foundation for this is a standardised, group-wide monthly reporting system.

Semperit's objective is to minimise significant risk potentials of future events through an effective enterprise risk management. Furthermore, risk management supports the achievement of company objectives as well as the company strategy while simultaneously developing competitive advantages. In addition to compliance with legal requirements, the main objective of group-wide risk management is to increase risk awareness and to integrate the perceptions into operational work and strategic company development.

The Risk Management & Assurance department is responsible for central coordination, moderation and monitoring of the risk management process for the entire group. Together with the operational units, the department records and assesses the principal risks and reports them to senior staff and the Management Board. At least once a year, the department comprehensively reports the significant risks to the Audit Committee of the Supervisory Board. The Risk Management & Assurance department is assisted by regional risk managers in the individual group units and also includes the insurance area. Whenever possible, measures to reduce risks are also implemented by arranging external insurance cover.



The process follows the international COSO standards (Committee of Sponsoring Organisations of the Treadway Commission) and is represented in a systematic risk management process with risk identification (bottom-up), risk assessment, development of measures and follow-up. This process ensures that risks are identified in time and appropriate risk-mitigating actions are implemented. Another task of the Risk Management & Assurance department is to keep track of the adequate implementation of actions with the risk owners.

Risk management and the Internal Control System (ICS, also see page 66f.) are strategic and operational elements. They support a sustainable company success and aim at minimising risks. The legal framework and guidelines for risk management are laid down in the Risk Management Guideline.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. audited and approved the functionality of Semperit's risk management system for 2016 according to C-Rule 83 of the Austrian Code of Corporate Governance.

### 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 group management report's section "Outlook". Selected specific risks and precautionary measures taken are explained below.

### Operational risks

#### Procurement risk

Semperit purchases large amounts of raw material such as rubber (particularly synthetic rubber), chemicals, bulking agents and both textile and steel reinforcing materials as well as energy for manufacturing its products. These raw materials are subject to high price volatility. Price increases can be passed on to the customer only partially or with delay – depending on the respective market situation. Therefore, an increase in raw material prices may have a negative impact on earnings and a shortage of individual raw materials may pose a risk. In this context, there are asset, financial and earnings risks.

Semperit manages this risk category by actively steering its supplier portfolio, and through a globally oriented purchasing management system that is coordinated throughout the group. 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 synthetic rubber, chemicals, bulking agents and both textile and steel reinforcing materials. At the Semperit research and development centre in Wimpassing, Austria, interdisciplinary teams are constantly working to develop alternative formulas so that Semperit can respond quickly and with flexibility to fluctuations in commodity prices and supply bottlenecks. This adaptability is also ensured by the flexible structuring of the group's production facilities.

#### Production and utilisation risks

Despite all these efforts, the risk of operational disruptions, accidents or underutilisation of production sites cannot be completely eliminated. Disruptions can be caused, in particular, by natural phenomena that are beyond the control of Semperit, which in turn may have a negative effect on the assets, financial and earnings position.

The Semperit Group has established high technical and safety standards for its production sites in Austria and abroad. The risk of downtime at production plants is also reduced through regular maintenance including preventive maintenance as well as through flexible production control. As far

as possible, the company protects itself against these types of risk with insurance to an extent that is reasonable from a commercial perspective.

#### **Environmental risks**

In the production process, unforeseen incidents may cause environmental risks/damage to the environment, which may have negative effects on Semperit's assets, financial and earnings position.

With the SHE programme (Safety/Health/Environment), Semperit tries to identify these risks in time and to minimise the associated potential risks.

#### **Sales, customer and default risks**

For companies of various industries and regions there is a latent danger of a declining business development. If the business developments of several major Semperit customers decline at the same time, this may have a negative effect on the assets, financial and earnings position.

Semperit's customer structure is relatively broad and well-balanced, thus avoiding an excessive concentration of risk on individual customers. No customer accounts for more than 5% of the group's consolidated revenue.

Credit risks and the risk of payment default are reduced by the implementation of standardised credit checks, defined credit limits and credit insurance. When credit insurances do not apply, there is a higher risk of debt defaults, depending on the customer's creditworthiness.

Sales risk is also reduced through the 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 adjustments of working shifts.

#### **Risks of information technology (IT)**

The major part of production, control systems and services depends on functioning and error-free IT landscapes. The failure of essential servers and production scheduling units, ERP systems, unavailability, and unauthorised access to IT networks (cyber-crime) may lead to a loss of production volumes that cannot be recovered anymore, a reduction in quality or delivery failures and therefore have a negative effect on Semperit. IT systems that were developed in-house, which require a high degree of manual interventions and that may impair data quality are an additional risk.

Therefore, it is Semperit's goal to create and maintain a functioning and error-free IT landscape. In 2016, an extensive update of software programmes for controlling machines was initiated, which is intended to minimise potential failures in mixed operations. Furthermore, another focus is on technical security measures which avoid the risk of unauthorised access to IT networks and systems.

#### **Personnel risk**

Semperit's business performance in the future will be largely determined by the recruitment of adequately qualified professional and managerial staff at the individual locations and the reduction of dependencies on key persons. A shortage of manpower may lead to a declining utilisation of production facilities as well as restrictions in other business sectors and therefore may have a negative impact on productivity as well as on the assets, financial and earnings position.

Semperit competes for highly qualified specialists and executive staff by working closely with universities, colleges and advanced technical colleges, and by positioning itself as an attractive employer at trade fairs and similar events. In addition to forward-looking succession planning, the bases of human resources management is formed by attractive opportunities for individual development and performance-based remuneration systems.

### **Risks relating to legal proceedings**

It cannot be ruled out that the outcome of legal proceedings and lawsuits may have a negative effect on the assets, financial and earnings position of the Semperit Group.

Likewise, compliance breaches such as cartel and corruption infringements pose considerable risks and may have adverse effects relating to financial and reputational damage.

The arbitration and national proceedings of the Semperit Group and the Thai joint venture partner Sri Trang Agro-Industry Public Company Limited are explained in detail in the notes, see page 163f. On 18 January 2017, the termination of several joint venture agreements with Sri Trang was announced, see page 49f of this Group management report and page 107f in the notes.

In October 2015, the Federal Competition Authority (Bundewettbewerbsbehörde) initiated proceedings against Semperit and the Sri Trang companies at the Vienna Antitrust Court due to a request of Sri Trang companies, which are joint venture partners of Semperit in Siam Sempermed Corporation Ltd. – see page 165 in the notes.

One group company is involved in anti-trust proceedings. The state of the proceedings does not allow an estimation of the outcome with sufficient likelihood. The proceedings take place before the authorities in coordination with local specialists. The subsidiary is cooperating with the competent authorities and has committed to providing full support. The Semperit Group's management does not expect a substantial impairment of the Group's assets, financial and earnings position from these proceedings. A provision of the most probable amount according to IAS 37 has been made for the expected costs and the associated risk according to the assessment of the Semperit Group. A possible need for adaptation is assessed periodically.

### **Risks in connection with the joint venture transaction and the reorientation of the Sempermed segment**

There are certain risks that may have negative effects on the assets, financial and earnings position of the group relating to the termination of the joint ventures in Thailand, the reorientation of the Sempermed segment, the capacity expansion at the location in Malaysia as well as further aspects involved including the failure of the joint venture termination.

### **Financial risks**

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

### **Capital and financial risks**

The goals with capital management are to ensure the company's going concern status and to enable growth-oriented organic (own business activity without acquisitions) and non-organic (acquisitions) investment activity and dividend policies based on these goals. Relating to loan agreements, the usual covenants include a termination by the banks/investors in case of non-compliance and therefore a possible negative effect on the assets, financial and earnings position.

Against the backdrop of the group's organic and non-organic growth strategy, the Semperit Group has decided not to establish a firmly defined target capital structure because different capital structures could be required. Management aims to ensure that the group has a sustainably robust capital structure.

**Interest rate risk**

Operating resources, investments and acquisitions in the group's business operations are partially financed using debt and partially carry variable interest rates. An increase in interest rates may have negative effects on the asset, liabilities, financial and earnings position.

Semperit tries to minimise the interest rate risk by various measures, among other things by a well-balanced ratio between variable and fixed interest rate agreements.

**Default and liquidity risk**

There are default risks relating to Semperit's bank deposits. These deposits are not or only partially secured by deposit protection funds and may be the reason why Semperit cannot or only partially or only with some delay access this liquidity or credit lines in case of difficulties of individual banks or another bank and/or financial crisis. In addition, Semperit has business activities in countries with capital controls or agreements with joint venture partners, which results in restrictions on the free availability of the respective cash and cash equivalents. The above-mentioned risks may have negative effects on the assets, financial and earnings position.

Semperit's contractual partners are for the most part banks with a good credit rating. Furthermore, Semperit has defined maximum investment amounts with each contractual partner in order to minimise the default risk. In countries with restricted cash transfer, Semperit tries to limit the locally kept amount to the operationally necessary minimum.

**Currency risk**

As a result of international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. There are associated transaction risks in all group companies, which for example purchase raw materials in foreign currencies or sell products in another currency than the Euro. The main currencies in this context are the US dollar, Czech crown, Polish zloty and Malaysian ringgit. In the notes under point 8. "Risk management/Currency risk management" there is a listing of revenue by the major currencies as well as those currency pairs that exist versus the Euro and the US dollar which pose a significant currency risk.

The primary objective of currency risk management is to achieve a natural balance of the currencies used on the level of the group companies by determining the billing currencies and the terms of payment of the subsidiaries. Furthermore, in individual cases the company protects itself against individual risks with forward transactions. No derivative financial instruments are concluded for the purpose of speculation.

Currency risks also exist in the context of granting Euro loans to group companies in other currency areas. In 2016, Semperit partially took up external financing in the companies' functional currencies and repaid the Euro loans to minimise these risks.

### Tax risks

Semperit's subsidiaries are subject to local tax legislation in the respective countries and have to pay profit taxes as well as other (local) taxes and fees. Changes in tax legislation and different interpretations of the respective provisions in force may lead to subsequent tax burdens.

Currently a subsidiary is involved in tax proceedings relating to levies in Brazil, in which the management now assumes for the assessment years 2008 to 2010 that the requirement of a provision is met due to the negative development of the proceedings in the financial year of 2016 as well as additional external statements. For the assessment years 2011 and 2012, the management still assumes that there is no need to form provisions for a possible tax risk – see page 162 in the notes.

Since the tax liabilities have to be settled in Brazilian real, there are currency risks deriving from the relation Euro versus Brazilian real.

### Internal Control System (ICS)

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

The following principles form the basis of the ICS:

- Recognition of potential operating risks and making losses visible that have already occurred
- Protection of property
- Improvement in operating effectiveness
- Ensuring the accuracy of accounting and reporting
- Compliance with internal and external laws and regulations
- Auditability by independent experts
- Ensuring adequate implementation and segregation of duties

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

## Outlook

After weak growth of the global economy in the past year, the International Monetary Fund (IMF) is expecting a slight increase in global economic growth to 3.4% (2016: 3.1%). However, this development is still characterised by instabilities caused by the political framework conditions.

In detail the outlook shows a differentiated development. At 1.9% (USA: 2.3%, euro area: 1.6%), the forecast GDP growth of the industrialised countries is higher in 2017 than the figure of 1.6% in the previous year. This moderate economic recovery is primarily based on increased industrial utilisation. For 2017, the IMF expects a heterogeneous scenario for the emerging and developing countries: while growth in China will slow down further, the prospects for India and Russia have improved. For South America, the IMF expects the weak economic development to continue.

After having reached the bottom in 2016, Semperit expects a moderate improvement of market conditions in the course of 2017 based on this development. Due to the rising trend of raw material prices as well as better economic forecasts, the generally low demand in the industrial sector is likely to recover slowly. A gradual easing of the investment backlog in the Industrial Sector might lead to a demand recovery. Demand in the Medical Sector, which is largely independent of economic cycles, is expected to continue to increase in 2017. However, on the supply side, the glove market continues to face overcapacities, which leads to further price and margin pressures.

For 2017, Semperit expects a largely stable sales development with good capacity utilisation and positive one-off effects on earnings in connection with the joint venture transaction. The expected closing of the joint venture transaction – taking into account a non-cash reduction of goodwill –, will have positive one-off effects amounting to EUR 85-95 million on the EBITDA and EBIT bases as well as around EUR 65-75 million of earnings after tax. Semperit continues to expect a cash inflow from the joint venture transaction of around USD 200 million (around EUR 187 million) before taxes, of which a major part has been hedged against currency fluctuations. Semperit thus strengthens its capital base and promotes investments for further growth.

From today's perspective, the adjusted EBIT (without one-off effects from the joint venture transaction) for the financial year 2017 will be below the adjusted EBIT of 2016 (EUR 49 million). The main reason for this are increasing raw material prices, which in both Sectors can probably only be passed on to the customers with a delay, and the elimination of the earnings contribution of Siam Sempermed Corporation Ltd. caused by the joint venture transaction. Furthermore, the currently high utilisation of production capacities limits the positive effects of the expected market recovery on the sales development in the Industrial Sector.

### Outlook Industrial Sector

Semperit expects a largely stable development in the Industrial Sector for the overall year of 2017 due to the strong market positions. Passing on increases in raw material prices with a delay will have a negative effect on the results. In the Semperflex segment, the production capacities are well utilised although market conditions are currently still difficult. However, volume growth as in previous years will only be possible after further expansion of the hose factory in Odry, Czech Republic. In the Sempertrans segment capacity bookings are satisfactory despite the difficult situation in the customer markets. Due to the rising raw material prices, a reduction of the investment reluctance in important customer groups may lead to an improvement of profitability at the earliest as of the second half of 2017. Utilisation in the Semperform segment continues to be satisfactory.

### Outlook Medical Sector

In the Medical Sector, Semperit expects largely unchanged market conditions in 2017. Increasing raw material and energy prices as well as overcapacities in the market lead to high margin pressure in the global glove business. This unsatisfying price situation will also have a negative effect on the earnings development of the Medical Sector in the financial year of 2017. However, the joint venture transaction was the basis for a successful realignment of the Sempermed segment. Therefore, 2017 should be viewed as a transition year for Sempermed, in which the development of its own medical business after the pending settlement of the legal disputes with the joint venture partner can be pushed ahead. In order to achieve cost and earnings improvements, Semperit counteracts the non-satisfying earnings development in the Sempermed segment by additional operational optimisation measures and a marketing and sales strategy that is adapted to the current market situation.

### Pursuing strategic objectives

The strategic orientation will remain unchanged in 2017. Semperit continues to focus on organic growth as well as operational earnings improvements in the Medical Sector. Investments in the expansion of capacities will be continued. In the Industrial Sector, the production capacities for hoses in Odry, Czech Republic, for conveyor belts in Bełchatów, Poland, as well as for window and door profiles in Germany will be expanded. In the Medical Sector, the focus is on the expansion of the factory in Malaysia as well as cost savings and efficiency enhancements. Total capital expenditures (CAPEX) of around EUR 80-90 million (2016: EUR 65 million) have been planned for 2017.

### Note

This outlook is based on the assessments of the Management Board as of 9 March 2017. The Management Board expects a closing of the joint venture transaction announced on 18 January 2017. The outlook does not take into account the effects of possible acquisitions, divestments or other unforeseeable structural or economic changes during the further course of 2017. These assessments are subject to both known and unknown risks and uncertainties, which may result in actual events and outcomes differing from the statements made here.

Vienna, 9 March 2017

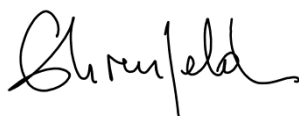
The Management Board



**Thomas Fahnemann**  
Chairman



**Frank Gumbinger**  
Finance



**Richard Ehrenfeldner**  
Member



**Michele Melchiorre**  
Technology



# **Consolidated financial statements and notes**

## Consolidated income statement

in EUR thousand	Note	2016	2015 restated <sup>1)</sup>
Revenue	5.1.	852,379	914,686
Changes in inventories		2,169	6,788
Own work capitalised		4,549	6,217
<b>Operating revenue</b>		<b>859,097</b>	<b>927,691</b>
Other operating income	5.2.	10,477	9,145
Cost of material and purchased services	5.3.	-505,504	-555,785
Personnel expenses	5.4.	-165,294	-164,813
Other operating expenses	5.5.	-129,237	-137,092
Share of profits from joint ventures and associated companies	3.2.	8,370	17,078
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>77,909</b>	<b>96,224</b>
Depreciation and amortisation of tangible and intangible assets	5.6.	-33,265	-29,462
Impairment of tangible and intangible assets	5.6.	-17,334	-16
<b>Earnings before interest and tax (EBIT)</b>		<b>27,310</b>	<b>66,746</b>
Financial income	5.7.	22,813	29,206
Financial expenses	5.7.	-36,350	-31,776
Profit / loss attributable to redeemable non-controlling interests	6.10.	-6,393	-5,395
<b>Financial result</b>		<b>-19,930</b>	<b>-7,965</b>
<b>Earnings before tax</b>		<b>7,379</b>	<b>58,781</b>
Income taxes	5.8.	-16,182	-12,419
<b>Earnings after tax</b>		<b>-8,802</b>	<b>46,363</b>
thereof attributable to the shareholders of Semperit AG Holding	6.9.	-8,799	46,394
thereof attributable to non-controlling interests	6.9.	-3	-31
<b>Earnings per share in EUR (diluted and undiluted)<sup>2)</sup></b>	<b>5.9.</b>	<b>-0.43</b>	<b>2.26</b>

<sup>1)</sup> 2015 values restated, see page 96 in the notes (Foreign Exchange restatement).

<sup>2)</sup> Attributable to the shareholders of Semperit AG Holding.

## Consolidated statement of comprehensive income

in EUR thousand	Note	2016	2015
<b>Earnings after tax according to the consolidated income statement</b>		<b>-8,802</b>	<b>46,363</b>
<b>Other comprehensive income</b>			
<b>Amounts that will not be recognised through profit and loss in future periods</b>			
Remeasurements of defined benefit plans (IAS 19)	6.11.	-523	2,060
Related deferred taxes	6.8.	328	-2,153
		<b>-195</b>	<b>-93</b>
Other comprehensive income from joint ventures / non-current assets held for sale	6.9.		
Remeasurements of defined benefit plans (IAS 19)	6.11.	9	247
Related deferred taxes	6.8.	-1	-36
		<b>7</b>	<b>211</b>
		<b>-188</b>	<b>118</b>
<b>Amounts that will potentially be recognised through profit and loss in future periods</b>			
Available-for-sale financial assets			
Revaluation gains / losses for the period	5.7.	12	-112
Cash flow hedges			
Revaluation gains / losses for the period	8.	289	624
Reclassification to profit and loss for the period		-274	771
		<b>15</b>	<b>1,395</b>
Other comprehensive income from joint ventures / non-current assets held for sale	6.9.		
Currency translation differences for the period	5.7.	4,884	2,545
Currency translation differences	5.7.		
Currency translation differences for the period		-5,374	-7,296
Related deferred taxes	6.8.	-7	-299
		<b>-469</b>	<b>-3,767</b>
<b>Other comprehensive income</b>		<b>-657</b>	<b>-3,649</b>
<b>Total recognised comprehensive income</b>		<b>-9,459</b>	<b>42,714</b>
thereof on earnings attributable to the shareholders of Semperit AG Holding		-9,269	42,949
thereof on earnings attributable to non-controlling interests		-191	-236

**Consolidated cash flow statement**

in EUR thousand	Note	2016	2015
Earnings before tax		7,379	58,781
Depreciation, amortisation, impairment and write-ups of tangible and intangible assets	6.1. / 6.2.	50,595	29,473
Profit / loss from disposal of assets (including current and non-current financial assets)		1,829	345
Change in non-current provisions		3,731	-4,735
Share of profits from joint ventures and associated companies		-8,370	-17,078
Badwill arising from business combinations	3.5.	0	-3,376
Profit / loss attributable to redeemable non-controlling interests		6,393	5,395
Net interest income (including income from securities)		5,084	3,466
Interest paid		-5,904	-4,330
Interest received		1,178	1,277
Taxes paid on income		-13,839	-13,502
<b>Gross cash flow</b>		<b>48,077</b>	<b>55,717</b>
Change in inventories		-2,393	-2,549
Change in trade receivables		6,675	-9,202
Change in other receivables and assets		-2,800	-8,925
Change in trade payables		1,193	14,878
Change in other liabilities and current provisions		-15,011	5,181
Changes in working capital resulting from currency translation adjustments		-1,324	4,717
<b>Cash flow from operating activities</b>		<b>34,416</b>	<b>59,816</b>
Proceeds from sale of tangible and intangible assets		266	299
Proceeds from sale of current and non-current financial assets		2	0
Investments in tangible and intangible assets	6.1. / 6.2. / 7.	-65,072	-71,848
Investments in current and non-current financial assets		0	-8
Net cash outflow on business combinations (net of cash acquired)		0	-17,474
<b>Cash flow from investing activities</b>		<b>-64,804</b>	<b>-89,032</b>
Cash receipts from current and non-current financing liabilities		144,204	239,401
Repayment of current and non-current financing liabilities		-26,552	-76,537
Dividend to shareholders of Semperit AG Holding	6.9.	-24,688	-123,441
Dividends to non-controlling shareholders of subsidiaries	6.10.	0	-1,003
Acquisition of non-controlling interests		-57	-63
<b>Cash flow from financing activities</b>		<b>92,907</b>	<b>38,358</b>
<b>Net increase / decrease in cash and cash equivalents</b>		<b>62,518</b>	<b>9,142</b>
Effects resulting from currency translation		1,259	1,714
Cash and cash equivalents at the beginning of the period		126,430	115,574
<b>Cash and cash equivalents at the end of the period</b>		<b>190,208</b>	<b>126,430</b>

**Consolidated balance sheet**

in EUR thousand	Note	31.12.2016	31.12.2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6.1.	53,396	111,314
Tangible assets	6.2.	313,560	276,630
Investments in joint ventures and associated companies	3.2.	2,608	102,670
Other financial assets	6.5.	13,170	12,372
Other assets	6.6.	4,404	5,275
Deferred taxes	6.8.	18,846	16,717
		<b>405,984</b>	<b>524,978</b>
<b>Current assets</b>			
Inventories	6.3.	138,105	135,711
Trade receivables	6.4.	118,844	125,519
Other financial assets	6.5.	7,698	2,284
Other assets	6.6.	14,121	16,670
Current tax receivables		6,842	6,192
Cash and cash equivalents	6.7.	190,208	126,430
		<b>475,817</b>	<b>412,806</b>
<b>Non-current assets held for sale</b>	<b>3.2.</b>	<b>152,684</b>	<b>0</b>
		<b>628,501</b>	<b>412,806</b>
<b>ASSETS</b>		<b>1,034,485</b>	<b>937,784</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>6.9.</b>		
Share capital		21,359	21,359
Capital reserves		21,503	21,503
Revenue reserves		284,079	317,733
Currency translation reserve		-11,670	2,664
Reserves, which are classified as non-current assets held for sale		14,033	0
<b>Equity attributable to the shareholders of Semperit AG Holding</b>		<b>329,304</b>	<b>363,260</b>
Non-controlling interests		1,675	1,924
		<b>330,979</b>	<b>365,183</b>
<b>Non-current provisions and liabilities</b>			
Provisions for pension and severance payments	6.11.	40,066	40,775
Other provisions	6.12.	16,384	11,421
Liabilities from redeemable non-controlling interests	6.10.	14,319	44,192
Corporate Schuldschein loan	6.13.	275,578	132,615
Liabilities to banks	6.14.	136,421	162,898
Other financial liabilities	6.15.	796	862
Other liabilities	6.16.	832	746
Deferred taxes	6.8.	17,836	11,924
		<b>502,231</b>	<b>405,433</b>
<b>Current provisions and liabilities</b>			
Provisions for pension and severance payments	6.11.	2,612	2,866
Other provisions	6.12.	7,676	19,033
Liabilities from redeemable non-controlling interests	6.10.	37,506	0
Corporate Schuldschein loan	6.13.	1,969	1,481
Liabilities to banks	6.14.	6,814	5,560
Trade payables		111,569	100,660
Other financial liabilities	6.15.	15,576	13,762
Other liabilities	6.16.	13,349	19,037
Current tax liabilities		4,203	4,769
		<b>201,275</b>	<b>167,168</b>
<b>EQUITY AND LIABILITIES</b>		<b>1,034,485</b>	<b>937,784</b>

## Consolidated statement of the changes in equity

in EUR thousand	Note	Revenue reserves					Currency translation reserve <sup>2)</sup>	Total equity attributable to the shareholders of Semperit AG Holding	Non-controlling interests	Total equity
		Share capital	Capital reserves	Re-valuation reserves	Other revenue reserves <sup>1)</sup>	Total revenue reserves				
<b>As at 1.1.2015</b>		<b>21,359</b>	<b>21,503</b>	<b>284</b>	<b>393,405</b>	<b>393,690</b>	<b>7,211</b>	<b>443,762</b>	<b>2,211</b>	<b>445,973</b>
Earnings after tax		0	0	0	46,394	46,394	0	46,394	-31	46,363
Other comprehensive income		0	0	-84	1,186	1,102	-4,546	-3,445	-204	-3,649
Total recognised comprehensive income		0	0	-84	47,580	47,496	-4,546	42,949	-236	42,714
Dividend	6.9.	0	0	0	-123,441	-123,441	0	-123,441	0	-123,441
Acquisition of non-controlling interests	3.6.	0	0	0	-11	-11	0	-11	-51	-63
<b>As at 31.12.2015</b>		<b>21,359</b>	<b>21,503</b>	<b>200</b>	<b>317,533</b>	<b>317,733</b>	<b>2,664</b>	<b>363,260</b>	<b>1,924</b>	<b>365,183</b>
<b>As at 1.1.2016</b>		<b>21,359</b>	<b>21,503</b>	<b>200</b>	<b>317,533</b>	<b>317,733</b>	<b>2,664</b>	<b>363,260</b>	<b>1,924</b>	<b>365,183</b>
Earnings after tax		0	0	0	-8,799	-8,799	0	-8,799	-3	-8,802
Other comprehensive income		0	0	9	-177	-168	-302	-470	-187	-657
Total recognised comprehensive income		0	0	9	-8,976	-8,967	-302	-9,269	-191	-9,459
Dividend	6.9.	0	0	0	-24,688	-24,688	0	-24,688	0	-24,688
Acquisition of non-controlling interests	3.6.	0	0	0	1	1	0	1	-58	-57
<b>As at 31.12.2016</b>		<b>21,359</b>	<b>21,503</b>	<b>209</b>	<b>283,870</b>	<b>284,079</b>	<b>2,363</b>	<b>329,304</b>	<b>1,675</b>	<b>330,979</b>

<sup>1)</sup> Includes reserves which are classified as non-current assets held for sale.

<sup>2)</sup> Includes currency translation reserves which are classified as non-current assets held for sale.

# Notes to 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 of 31 December 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and in conjunction with Section 245a of the Austrian Company Code (UGB). 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, unless specified otherwise. Rounding differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

These consolidated financial statements were prepared by the Management Board of Semperit AG Holding on 9 March 2017, signed and approved for forwarding to the Supervisory Board. The Supervisory Board is responsible for reviewing the consolidated financial statements and stating whether it approves them.

### 1.2. Adoption of new and revised accounting standards

#### First-time adoption of standards and interpretations

The following new or amended standards and interpretations were applied for the first time in the financial year 2016:

First-time adoption of standards and interpretations		Effective date <sup>1)</sup>	Endorsement
<b>New standards and interpretations</b>			
n/a	n/a		n/a
<b>Amended standards and interpretations</b>			
IFRS 11	Joint Arrangements – Amendments: Accounting for Acquisitions of Interests in Joint Operations	1.1.2016	November 2015
IAS 1	Presentation of Financial Statements – Amendments: Disclosure Initiative	1.1.2016	December 2015
IAS 19	Employee Benefits – Amendments: Employee Contributions	1.1.2015	December 2014
IAS 27	Separate Financial Statements – Amendments: Equity Method in Separate Financial Statements	1.1.2016	December 2015
IAS 16, 38	Property, Plant and Equipment and Intangible Assets – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	1.1.2016	December 2015
IAS 16, 41	Property, Plant and Equipment and Agriculture – Amendments: Bearer Plants	1.1.2016	November 2015
IFRS 10, 12, IAS 28	Investment Entities – Amendments: Applying the Consolidated Exception	1.1.2016	September 2016
Misc.	Annual Improvements to IFRS, cycle 2010-2012	1.2.2015	December 2014
Misc.	Annual Improvements to IFRS, cycle 2012-2014	1.1.2016	December 2015

<sup>1)</sup> According to the Official Journal of the EU, the standards are obligatory for financial years commencing on or after the effective date.

### Standards and interpretations that have already been published but are not yet effective

The application of the following new or amended 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 2016, 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 effective		Effective date <sup>1)</sup>	Endorsement
<b>New standards and interpretations</b>			
IFRS 9	Financial Instruments	1.1.2018 <sup>2)</sup>	November 2016
IFRS 14	Regulatory Deferral Accounts	1.1.2016	n/a
IFRS 15	Revenue from Contracts with Customers	1.1.2018 <sup>2)</sup>	September 2016
IFRS 16	Leases	1.1.2019	
<b>Amended standards and interpretations</b>			
IFRS 10, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures – Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	1.1.2018	
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1.1.2018	
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1.1.2018	
IAS 7	Statement of Cash Flows – Amendments: Disclosure Initiative	1.1.2017	
IAS 12	Income Taxes – Amendments: Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	
IAS 40	Investment Property – Amendments: Transfers of Investment Property	1.1.2018	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1.1.2018	
Misc.	Annual Improvements to IFRS, cycle 2014–2016	1.1.2017	

<sup>1)</sup> In accordance with the provisions of the IASB on entry into force, the standards are obligatory for financial years commencing on or after the effective date.

<sup>2)</sup> The new / amended standards are obligatory for financial years commencing on or after 1 January 2018.

### IFRS 9 Financial Instruments

IFRS regulates the classification and measurement of financial assets and creates a new form of categorisation for financial instruments. The standard was further amended with regard to hedge accounting. IFRS 9 is to be applied by companies whose financial years start on or after 1 January 2018. The standard has been adopted by the EU in November 2016. Amendments must be applied retrospectively. The anticipated amendments mainly relate to the measurement and presentation of changes in the value of financial assets in the consolidated income statement or under other comprehensive income, and to the measurement of the effectiveness of existing hedging relationships.

The standard will not have any significant effect on the consolidated financial statements of the Semperit Group.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts. The new regulations are to be applied for financial years commencing on or after 1 January 2018.

The distinction between types of contract and types of goods and services no longer applies. When applying this standard an entity must implement a 5-step model that focuses in particular on the interpretation of contracts with customers. Standard criteria are stipulated defining the performance obligations as well as the point in time or time period when the performance obligations are satisfied.



In order to evaluate the effects of the new standard on the consolidated financial statements of the Semperit Group, an initial analysis was conducted based on interviews with the segment heads and sales managers. Based on this analysis further investigations are currently planned, if actions are needed, at the business-unit level. The results of the initial analysis are summarised below.

The greatest need for adjustments is anticipated in the Semperform segment. The reason why changes are particularly likely here is because the segment's business model is highly diversified and considerably more complex compared with the other segments. The more detailed analysis at the business-unit level is currently being planned for the Semperform segment, and is to be carried out in the near future. Under the 5-step model of IFRS 15 the initial application of the standard requires that the individual performance obligations in the contract are identified (step 2) and the transaction price for these obligations is determined (step 3). The determined transaction price is then allocated to the individual performance obligations in the contract (step 4). This step is where the greatest potential for investigation has been identified in the Semperform segment compared with the other segments. Its customer contracts usually include a broad spectrum of performance obligations, including not only the sale of the produced goods but also their installation (particularly for hand rails). In addition, the effects and volumes of non-refundable upfront fees must be investigated.

We anticipate the Sempertrans segment will require a more detailed analysis as well. Contracts in this segment regularly include the delivery of the agreed quantities of produced goods, installation of the goods and warranty services. In this respect the requirements set out under step 4 must be investigated and the corresponding effects for the Sempertrans segment need to be taken into account.

It is likely the analyses for the Sempermed and Semperflex segments will be less extensive compared with the other segments. This is because the performance obligations under their contracts with customers are usually less differentiated and their business models are not as complex.

However, adjustments in the financial reporting will be necessary for all of the Semperit Group's segments in order to ensure compliance with the requirement for more detailed disclosures in the notes.

The Semperit Group anticipates at present that it will apply the regulations of IFRS 15 with effect as of 1 January 2018. The current planning foresees the Group will select the modified retrospective approach for the first-time application. The cumulative effect of initially applying this standard will therefore be recognised without restating the comparable periods.

### **IFRS 16 Leases**

On 13 January 2016 the International Accounting Standards Board (IASB) published IFRS 16, the successor standard to IAS 17 Leases. The new regulations are to be applied for financial years commencing on or after 1 January 2019. Early application is permitted in connection with the application of IFRS 15 Revenue from Contracts with Customers.

The new standard no longer distinguishes between operating leases and finance leases for lessees. Apart from a limited number of exceptions, lessees are required to recognise in the balance sheet the leases and the associated rights and obligations. This will lead to an increase in assets and liabilities. In addition, the recognition of assets will cause higher depreciation and a corresponding interest expense for the lease liability. Consequently, this shift will change key figures. The exceptions to the requirement to recognise leases in the balance sheet include low value and short-term leases.

The Semperit Group has initiated the first analyses to determine the effects on the consolidated financial statements. Material effects in the consolidated financial statements will result from the requirement to capitalise operating leases and rental agreements involving buildings, office equipment and vehicles. These effects will result from an increase in the balance sheet total and restatements in the income statement. The initial application will shift other operating expenses to depreciation and interest expense and thereby have a positive effect on the key figures EBITDA and EBIT. In addition, the shift of rent and lease payments to interest and principal payments will improve operating cash flow.

The Semperit Group anticipates at present that it will apply the regulations of IFRS 16 with effect as of 1 January 2019. The current planning foresees that the Group will select the modified retrospective approach for the first-time application. The cumulative effect of initially applying this standard will therefore be recognised as an adjustment to the opening balance of the reporting period, without restating the comparable period. The leasing liability is to be capitalised at the present value of the remaining lease payments. The right-of-use assets are to be recognised either at the value which would have resulted under retrospective accounting, or alternatively in the amount of the recognised leasing liability. When selecting this method the lessee must provide additional information in the notes.

#### **IAS 12 Income Taxes**

An amendment to IAS 12 Income Taxes was published in January 2016 regarding the recognition of deferred tax assets for unrealised losses. The amendment to IAS 12 is to be applied for the first time by companies whose financial years start on or after 1 January 2017.

Among other things, the amendment relates to the formation of deductible temporary differences when there are variations between unrealised losses on assets accounted for at fair value and the tax cost of acquisition. In addition, the standard sets out restrictions on the offsetting of tax losses in the applicable tax legislation to take into account when assessing whether deferred tax assets must be recognised for deductible temporary differences.

The 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 significant 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, i.e. the subsidiaries of the parent. The group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the time at which control begins until the time at which control ends.

Please see the comments in note 3.1 on the assessment whether the definition of control within the meaning of IFRS 10 is met where the group's de facto investment in subsidiaries is between 41.43% and 50%.

The annual financial statements of the individual, fully consolidated domestic and international companies were prepared for the period ending as of 31 December 2016, the balance sheet date of 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 method stipulates that identifiable assets and liabilities, including contingent liabilities, are to be recognised at their fair values as at the acquisition date. The exceptions to this requirement 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 interests 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 the consolidated income statement under "Other operating income". Incidental acquisition costs are included in profit or loss in the period in which they arise.

If a business combination has not yet been definitively accounted for by 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 circumstances that were already present on the acquisition date but which were 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.

In the course of expense and income elimination, all income and expenses resulting from intragroup transactions, such as the sale of goods or services, group financing or dividend pay-outs, 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), provided they are equity interests, are reported separately from the shares in these subsidiaries owned by shareholders of Semperit AG Holding (the parent company) in equity.

These non-controlling interests are initially recognised 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) At fair value (limited to business combinations as of 1 January 2010).

This recognition option 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 an 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 or the scheduled time has elapsed and is only obliged to compensate non-controlling shareholders for their 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 liabilities associated with such an interest are recognised under "Liabilities from redeemable non-controlling interests". For further explanatory material on accounting and valuation methods, see note 2.12.

#### **1.4. Currency translation**

The separate financial statements of each subsidiary 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 Industrial Products Singapore Private Ltd, Sempermed Kft. and Semperit Investments Asia Pte Ltd. The currency of the primary business environment in which Sempermed Singapore Pte Ltd., Sempermed Industrial Products Singapore Private 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 mid-rate on the reporting date. Items in the consolidated income statement and other comprehensive income are translated at the average rate for the financial year, which corresponds to the arithmetic mean of the mid-rates on the Fridays of the financial year. 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 into profit or loss upon disposal or other event leading to deconsolidation of the respective subsidiary.

Gains or losses resulting from exchange rate fluctuations 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 a foreign currency other than the functional currency are translated into the respective functional currency at the mid-rate on the balance sheet date, and any gains or losses resulting from the translation are also recognised in profit or loss.

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

	Average rate		Rate on balance sheet date	
	2016	2015	2016	2015
FX-rate for 1 EUR				
US dollar	1.11	1.11	1.05	1.09
Thai baht	38.74	37.71	37.38	39.08
Polish zloty	4.36	4.18	4.41	4.26
Czech koruna	27.03	27.29	27.02	27.02
Hungarian forint	311.37	309.73	309.83	315.98
British pound sterling	0.82	0.73	0.86	0.73
Brazilian real	3.85	3.62	3.43	4.31
Chinese renminbi	7.35	6.98	7.32	7.06
Indian rupee	74.36	71.22	71.59	72.02
Malaysian ringgit	4.58	4.30	4.73	4.70

## 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 of provisions corresponds to the best possible estimate of the outflows required to settle the obligations at the balance sheet date.

### 2.2. Recognition and measurement 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 returns, discounts, rebates, cash discounts and similar applicable reductions in the proceeds received.

Revenue and income from deliveries are generally considered realised upon the transfer of risk (at the transfer date of the risks and the utilisation or provision of the service). Interest income is realised pro rata temporis taking into account the effective interest 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 determined according to other parameters is measured and recognised in accordance with these underlying parameters.

### 2.3. Earnings per share (EPS)

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 outstanding 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 outstanding for all dilution effects of potential ordinary shares. No dilution effects were taken into account as at 31 December 2015 and 31 December 2016.

### 2.4. Tangible and intangible assets

#### Acquired intangible assets

Acquired intangible assets are recognised at acquisition cost, which is subsequently subject to amortisation on a straight-line basis according to their expected useful lives. The expected useful life is usually considered to be in the range of one 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.

In the Semperit Group development costs are capitalised only to a limited extent taking into account the aforementioned recognition criteria.

#### **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 amortised but is subject to an impairment test 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 the business combination. 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 market-specific conditions as well as on the basis of the individual cost structure and the development of the relevant raw material prices.

For discounting future cash flows, a cost of capital is derived which is market-based and adjusted for the specific risks of the Medical Sector (Sempermed segment) and Industrial Sector (Semperflex, Sempertrans, Semperform).

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 are valued at their cost of acquisition or production and, with the exception of land, depreciated according to the straight-line method, starting at the date in which the assets are available for initial operation, taking into account their probable useful lives. The 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 2.16).

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

	Useful life in years
<b>Buildings</b>	
Technical plant	10–50
Other company buildings	10–50
Technical equipment, plant and machinery	2–30
Office furniture and equipment	2–25
Vehicles	5–10

### 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. If it is reasonably certain that ownership will be transferred at the end of the lease, depreciation is carried out over the asset's useful life.

### Impairment

The above comments apply to goodwill. Other intangible and tangible fixed assets are subject to an impairment test, if 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 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 impairment 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 impairment.

**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 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 joint ventures and associated companies**

The group's share in financial assets accounted for using the equity method includes investments in joint ventures and 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.

A joint venture is an arrangement under which the group exercises joint control and has rights in the net assets, instead of rights in the assets and obligations for the liabilities.

Investments in joint ventures and associated companies are accounted for using the equity method. According to this method, the interest in an associated company is first recognised at the cost of acquisition, which is then increased or decreased 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 the group receives from investments accounted for using the equity method reduce the carrying amount of the investment.

**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 transaction costs. The exceptions are those financial assets categorised as being at "fair value through profit or loss". In such cases, the transaction costs are not taken into account, even at the initial recognition, and instead are recorded directly in profit or loss.

**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 (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 balance sheet date. 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.

Since January 2016 income and expense from the measurement of foreign exchange transactions are reported within "financial income" or "financial expenses" and therefore in the financial result. These changes are also applied for last years' figures. For further information see note 2.19.

Income arising from the measurement of other financial assets held for trading is also recognised like interest income and dividend income 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 as available-for-sale and cannot be allocated to any other category. Federal bonds and shares in funds held by the Semperit Group as well as equity instruments held in other companies 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 received 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 income or expenses reported in the revaluation reserves to be reclassified to profit or loss.

**Loans and receivables**

Trade receivables, loans and other receivables, featuring pre-set 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. Trade receivables, whose impairments cannot clearly be determined on an individual basis, are also to be examined for such impairments at the 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 recognition 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 instruments, a material and ongoing reduction in their fair value 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 trade receivables, which are recognised in an allowance account. Trade receivables are considered not recoverable if the loss of a receivable is definitively established, and the receivables are derecognised using previously recognised allowances.

**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, appreciation in value is not reported in the period's profit and loss 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 rewards 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. When determining net realisable value adequate allowances are taken into account for stock risks resulting from the duration of storage or impaired usability. Valuation is generally based on the weighted 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. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if its carrying amount will be recovered most likely through a sales transaction rather than through continuing use. The asset is shown in the balance sheet separately in the line "Non-current assets held for sale". This is the case when the sale is highly probable, it will take place within upcoming 12 months and the asset or disposal group is available for immediate sale in its present condition. Non-current assets held for sales are recognized at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are no longer depreciated.

## 2.9. Emission certificates

Two companies in the Semperit Group (Semperit Technische Produkte Gesellschaft m.b.H. and Semperflex Optimit s.r.o.) are subject to the Emission Certificate Act in Austria and the Czech Republic and receive emission certificates free of charge from public authorities. These emission certificates are not reported in the balance sheet using the net method. In the financial year 2016 16,238 certificates (previous year: 16,880) were allocated to the Semperit Group free of charge and no additional certificates were purchased (as in the previous year). 20,014 certificates (previous year: 18,148) were used. There were no sales, as was the case in the previous year. A total of 38,828 emission certificates were unused as of 31 December 2016 (previous year: 42,604).

## 2.10. 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. Attributable costs of issuance 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 instruments are neither recognised through profit or loss nor in other comprehensive income, but rather directly in equity, less any tax effects.

### **2.11. Retirement benefit expenses, provisions for pensions and severance payments**

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

In the case of defined benefit plans, the cost of providing the benefit is calculated using the Projected Unit Credit Method; for this purpose, an actuarial assessment is carried out at each balance sheet date. All remeasurements, especially actuarial gains and losses, are not recognised through profit or loss, but rather are reported directly in equity under other comprehensive income in accordance with IAS 19 (2011).

The provision recognised in the balance sheet for defined benefit plans equals the present value of the benefits accruing to the employees as of the balance sheet date, less the fair value of the plan assets required to settle the obligation as of the balance sheet date. Further explanatory material concerning provisions for pensions and severance payments can be found in note 6.11.

### **2.12. 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. Remeasurements (actuarial gains and losses) are reported in the consolidated income statement for the period as personnel expenses. This is explained further in note 6.12.

### **2.13. Liabilities from redeemable non-controlling interests**

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

They are reported as current liabilities if they are due for settlement within one year after the balance sheet date or if the group has no unconditional right to delay payment for at least twelve months after the balance sheet date, 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 taken place as of the balance sheet date, notwithstanding the fact whether the group considers it to be improbable that the non-controlling shareholder will exercise the right of redemption within a twelve month period following the balance sheet date.

If the non-controlling shareholder exercises its right to redeem its interest or that right to redeem expires within the agreed period, the result would be the liquidation of the company. The non-controlling shareholder must be compensated from the liquidation proceeds. However, if the non-controlling shareholder exercises its right to redeem, the group may prevent the liquidation of the company by acquiring the interest from the non-controlling shareholder in return for the pro-rata share of the enterprise value attributable to its interest. However, acquisition of the interest in such event is solely at the group's discretion.

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 IFRS do not provide any guidance on the subsequent measurement of such an obligation, a method has been determined pursuant to IAS 8 which takes into account 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. does not contain any distorting influences and is prudent and free of any material omissions. Thus, for the purposes of subsequent measurement at amortised cost, the amount of the liability initially recognised is increased by the share in profit or reduced by the share in loss accruing as of the measurement date in accordance with the possibility described in the statement issued by the Institute of Public Auditors in Germany (IDW RS HFA 45) on individual issues relating to the recognition of financial instruments pursuant to IAS 32. 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.

When subsequent measurement takes place, the investment of the non-controlling shareholders in the subsidiary's comprehensive income and any amounts recognised directly in equity are recognised in the consolidated income statement and constitute financial expense for the group. This is disclosed separately as "Results attributable to redeemable non-controlling interests".

## 2.14. 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 with interest expenses 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 are reported under "Other operating income" or "Other operating expenses", as the case may be, as these instruments are employed as economic hedges against 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 reported 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 settle the respective financial liability, results in a present value that 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, terminated or has expired.

### **2.15. Derivative financial instruments**

In addition to operating measures, individual derivative financial instruments, particularly foreign exchange forward contracts, are used to hedge currency risks. Hedge accounting as defined in IAS 39 is not applied to foreign exchange forward contracts as the conditions for this are not satisfied. They are therefore recognised as financial instruments held for trading and are measured at their current fair 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."

Derivative financial instruments are occasionally used to hedge interest rate risks. These derivative financial instruments are accounted for as either cash flow hedges or fair value hedges if the retrospective and prospective effectiveness measurements and the documentation of the hedging strategy are fulfilled as required by IAS 39.

Derivatives designated as hedging instruments are likewise accounted for at fair value. In the case of cash flow hedges the effective portion of unrealised gains and losses (as per the effectiveness measurement) is recognised in other comprehensive income. The ineffective portion is recognised in profit and loss of the period as "Financial income" or "Financial expense". As soon as the hedged transaction is realised (e.g. an interest payment), the amount recognised in other comprehensive income is reclassified to the consolidated income statement. The result on fair value hedges is recognised immediately through profit and loss in the consolidated income statement.

## 2.16. 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, incidental borrowing costs are recognised in profit or loss as "Financial expense" of the period in which they are incurred.

## 2.17. 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 effect of items recognised in other comprehensive income or directly under equity, are also recognised in other comprehensive income or directly under equity. Similarly, in 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 accounting.

Current income tax expense is determined 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 recognised for tax purposes in a period after the balance sheet date, or are never taxable or tax-deductible.

Deferred taxes are recognised for 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, future taxable profit will be available and can be offset against the deductible temporary differences. Similarly, deferred tax assets are recognised for benefits arising from carryforwards 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 investments in subsidiaries, joint ventures 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 investments held in subsidiaries, joint ventures 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 balance sheet date is impaired if, and to the extent that, it is no longer probable that sufficient taxable profit will be available against which the tax asset can be utilised.

Deferred tax assets and liabilities are determined using the tax laws and rates prevailing or substantively enacted as at the balance sheet date 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 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.

## **2.18. Material assumptions and estimates**

The preparation of the consolidated financial statements calls for estimates and assumptions to be made by management concerning the future. These may affect the assets and liabilities recognised in the balance sheet, the disclosure of other obligations as of 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 fair value for the initial recognition of the investment in joint ventures related to the 50% interest in Siam Sempermed Corp. Ltd., Thailand (SSC), was determined on the basis of forward-looking assumptions such as company planning, the growth rate and the discount rate, with mark-downs which a willing market participant would make from the point of view of IFRS 13. Any changes in these assumptions may result in impairments in future periods.

The recognition for SSC changed as per 31. December 2016 according to IFRS 5 since the Semperit group and the Sri Tang Agro-Industry Public Co Ltd Group signed a contract to end nearly all joint activities. The closing of this joint venture transaction is expected per March 2017 (see note 3.3). Per 31. December 2016 the sale of SSC is assessed most likely, the 12-months-requirement and the requirement for the immediate disposal capacity are regarded as fulfilled. Therefore the Semperit Group derecognized the equity approach under addition of the proportional goodwill. To derive this proportional goodwill the Semperit group had to derive the proportional Fair Values of the CGU Sempermed on the one hand and SSC on the other hand.

The recoverability of the carrying amount of goodwill is determined once a year and when there are impairment indicators. The recoverability of the carrying amount of tangible assets must be investigated upon any evidence of impairment indicators. Recoverability of the carrying amount is determined on the basis of forward-looking assumptions such as company planning, future inflation, growth and exchange rates, as well as assumptions about specific market, sector and company discount rates. Any changes in these assumptions may result in impairments in future periods (for carrying amounts and specific assumptions, see note 6.1).

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

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 carryforwards can be offset in the future. If actual future taxable profit differs from assumptions, this may render the utilisation of deferred tax assets unlikely and result in an impairment of these assets (for carrying amounts, see note 6.8).

When calculating the net realisable values in the course of inventory valuation at the balance sheet date, the group's management is required to make estimates about pricing and developments in the market (see notes 2.7 and 6.3).

When subsequently measuring receivables as of the balance sheet date, assumptions regarding the probability of default are made (for carrying amounts, see note 6.4).

The actuarial assumptions underlying the measurement of the provisions for pensions and severance payments are based on estimates concerning interest rates, salary increases, employee turnover, retirement ages and life expectancy. Any changes in these assumptions may result in a substantially different valuation (for carrying amounts, specific assumptions and sensitivity analysis, see note 6.11).

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 (for carrying amounts, see note 6.12).

Alternative valuation techniques are used to measure financial instruments for which no active market is available. The parameters relevant to valuation for determining fair value are based in part on forward-looking assumptions. The fair value of the liability from the corporate Schuldschein loan is determined based on an estimate, made by management, of the Semperit Group rating.

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

## 2.19. Retrospective restatement

As an internationally operating group, Semperit is subject to various foreign exchange effects within the scope of its business activities. For the purpose of a more effective internal management as well as a more transparent presentation of foreign exchange effects resulting from internal financing in the external financial reports of Semperit Group and its segments, foreign exchange gains or losses in the consolidated income statement are no longer shown as part of the operating result in other operating income / other operating expenses anymore since 1 January 2016, but in financial income / financial expenses and therefore within the financial result. In order to ensure comparability with the quarters of the previous year and the previous year following the change of method pursuant to IAS 8, all comparable figures for 2015 are presented according to the same new accounting method in this report.

### Effect on the consolidated income statement as of 31 December 2016

The restated consolidated income statement as of 31 December 2016 is shown in the following table:

in EUR thousand	2015	Restatement	2015 restated
Revenue	914,686	0	914,686
Changes in inventories	6,788	0	6,788
Own work capitalised	6,217	0	6,217
<b>Operating revenue</b>	<b>927,691</b>	<b>0</b>	<b>927,691</b>
Other operating income	37,099	-27,953	9,145
Cost of material and purchased services	-555,785	0	-555,785
Personnel expenses	-164,813	0	-164,813
Other operating expenses	-160,639	23,548	-137,092
Share of profits from joint ventures and associated companies	17,078	0	17,078
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>100,630</b>	<b>-4,406</b>	<b>96,224</b>
Depreciation, amortisation and impairment of tangible and intangible assets	-29,478	0	-29,478
<b>Earnings before interest and tax (EBIT)</b>	<b>71,152</b>	<b>-4,406</b>	<b>66,746</b>
Financial income	1,252	27,953	29,206
Financial expenses	-8,228	-23,548	-31,776
Profit / loss attributable to redeemable non-controlling interests	-5,395	0	-5,395
<b>Financial result</b>	<b>-12,371</b>	<b>4,406</b>	<b>-7,965</b>
<b>Earnings before tax</b>	<b>58,781</b>	<b>0</b>	<b>58,781</b>
Income taxes	-12,419	0	-12,419
<b>Earnings after tax</b>	<b>46,363</b>	<b>0</b>	<b>46,363</b>
thereof attributable to the shareholders of Semperit AG Holding	46,394	0	46,394
thereof attributable to non-controlling interests	-31	0	-31
<b>Earnings per share in EUR (diluted and undiluted)<sup>1)</sup></b>	<b>2.26</b>	<b>0.00</b>	<b>2.26</b>

<sup>1)</sup> Attributable to the shareholders of Semperit AG Holding.

### 3. Consolidated companies

#### 3.1. Subsidiaries (fully consolidated)

	31.12.2016			31.12.2015			
	Currency	Authorised share capital in '000s	Direct Holding in %	Group holding in %	Authorised share capital in '000s	Direct Holding in %	Group holding in %
<b>Europe</b>							
Semperit Aktiengesellschaft Holding, Wien, Austria	EUR	21,359			21,359		
Semperit Technische Produkte Gesellschaft m.b.H., Wien, Austria	EUR	10,901	100.00	100.00	10,901	100.00	100.00
Semperit Import & Services GmbH, Wien, Austria	EUR	36	100.00	100.00	36	100.00	100.00
PA 82 WT Holding GmbH, Wien, Austria	EUR	35	100.00	100.00	35	100.00	100.00
Semperflex Rivalit GmbH, Waldböckelheim, Germany	EUR	1,281	100.00	100.00	1,281	100.00	100.00
Semperit Profiles Deggendorf GmbH (previously Semperit Gummiwerk Deggendorf GmbH), Deggendorf, Germany	EUR	11,050	100.00	100.00	11,050	100.00	100.00
Semperit Profiles Leeser GmbH & Co. KG (previously Leeser GmbH & Co. KG), Hückelhoven, Germany	EUR	7,300	100.00	100.00 <sup>2)</sup>	2,700	100.00	100.00
Leeser Verwaltungsgesellschaft mbH, Hückelhoven, Germany	EUR	81	100.00	100.00	81	100.00	100.00
Semperit Profiles Leeser Verwaltungs GmbH, Germany	EUR	25	100.00	100.00 <sup>3)</sup>	-	-	-
Semperit (France) S.A.R.L., Levallois Perret, France	EUR	495	100.00	100.00	495	100.00	100.00
Sempertrans France Belting Technology S.A.S., Argenteuil, France	EUR	3,165	100.00	100.00	3,165	100.00	100.00
Sempertrans Maintenance France Nord E.U.R.L., Argenteuil, France	EUR	176	100.00	100.00	176	100.00	100.00
Semperit Industrial Products Ltd., Birmingham, Great Britain	GBP	150	100.00	100.00	750	100.00	100.00
Semperflex Roiter S.r.l., Rovigo, Italy	EUR	750	100.00	100.00	750	100.00	100.00
Sempertrans Bełchatów Sp. z o.o., Bełchatów, Poland	PLN	7,301	100.00	100.00	7,301	100.00	100.00
Carlona Sp. z o.o., Warschau, Poland	PLN	66,394	100.00	100.00	5	100.00	100.00 <sup>3)</sup>
Semperflex Optimit s.r.o., Odry, Czech Republic	CZK	470,318	100.00	100.00	470,318	100.00	100.00
Semperflex A.H. s.r.o., Odry, Czech Republic	CZK	100	100.00	100.00	100	100.00	100.00
Elastomer Technology Kmenta s.r.o., Husava, Czech Republic	CZK	2,848	75.00	75.00 <sup>3)</sup>	2,848	75.00	75.00 <sup>3)</sup>
Sempermed Kft., Sopron, Hungary	EUR	3,680	100.00	100.00	3,680	100.00	100.00
Semperform Kft., Sopron, Hungary	HUF	243,000	100.00	100.00	243,000	100.00	100.00
Sempermed Magyarország Kft., Budapest, Hungary	HUF	3,000	100.00	100.00	3,000	100.00	100.00
Sempertrans Conveyor Belt Solutions GmbH (previously Wohlfahrtseinrichtung für die Arbeiter und Angestellten der Semperit GmbH), Wien, Austria	EUR	36	100.00	100.00	36	100.00	100.00

	31.12.2016				31.12.2015		
	Currency	Authorised share capital in '000s	Direct Holding in %	Group holding in %	Authorised share capital in '000s	Direct Holding in %	Group holding in %
<b>The Americas</b>							
Sempermed Brazil Comércio Exterior Ltda., Piracicaba, Brazil	BRL	12,547	100.00	50.00 <sup>1)</sup>	12,547	100.00	50.00 <sup>1)</sup>
Semperit Brasil Produtos Técnicos Ltda., Sao Paulo, Brazil	BRL	411	100.00	100.00	411	100.00	100.00
Sempermed USA Inc., Clearwater, Florida, USA	USD	4,000	75.00	50.00 <sup>1)</sup>	4,000	75.00	50.00 <sup>1)</sup>
Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA	USD	1	100.00	100.00	1	100.00	100.00
Sempertrans North America Investments Corp., Atlanta, USA	USD	0.001	100.00	100.00	-	-	-
Sempertrans USA, LLC, Atlanta, USA	USD	0	100.00	100.00	-	-	-
Semperit Productos Técnicos SpA, Santiago de Chile, Chile	CLP	46,000	100.00	100.00	46,000	100.00	100.00
<b>Asia</b>							
Semperflex Shanghai Ltd., Shanghai, China	USD	15,000	50.00	50.00 <sup>1)</sup>	15,000	50.00	50.00 <sup>1)</sup>
Semperit (Shanghai) Management Co. Ltd., Shanghai, China	USD	2,000	100.00	100.00	2,000	100.00	100.00
Sempertrans Best (Shandong) Belting Co. Ltd., Shandong, China	EUR	20,000	80.00	80.00 <sup>1)</sup>	20,000	80.00	80.00 <sup>1)</sup>
Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China	EUR	2,471	90.00	90.00 <sup>1)</sup>	2,471	90.00	90.00 <sup>1)</sup>
Shanghai Sempermed Glove Sales Co Ltd., Shanghai, China	USD	1,000	100.00	50.00 <sup>1)</sup>	1,000	100.00	50.00 <sup>1)</sup>
Shanghai Changning Sempermed Glove Trading Co. Ltd., Shanghai, China	USD	310	100.00	100.00	310	100.00	100.00
Sempertrans India Pte. Ltd., Roha, Maharashtra, India	INR	230,769	100.00	100.00	230,769	100.00	100.00
FormTech Engineering (M) Sdn Bhd, Nilai, Malaysia	MYR	7,000	82.86	41.43 <sup>1)</sup>	7,000	82.86	41.43 <sup>1)</sup>
Latexx Partners Berhad, Kamunting, Malaysia	MYR	137,859	98.55	98.55	137,859	98.50	98.50
Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia	MYR	0.002	100.00	98.55	0.002	100.00	98.50
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	3,000	100.00	98.55	3,000	100.00	98.50
Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	5,000	100.00	98.55	5,000	100.00	98.50
Total Glove Company Sdn Bhd, Kamunting, Malaysia	MYR	10	50.01	49.28	10	50.01	49.26
Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	500	100.00	98.55	500	100.00	98.50
Semperit Engineering Technology Asia Sdn Bhd, Penang, Malaysia	MYR	600	100.00	100.00	600	100.00	100.00
Semperit Industrial Products Singapore Pte Ltd., Singapore	USD	665	100.00	100.00	591	100.00	100.00
Semperit Investments Asia Pte Ltd., Singapore	EUR	159,000	100.00	100.00	159,000	100.00	100.00
Sempermed Singapore Pte Ltd., Singapore	USD	8,000	50.00	50.00 <sup>1)</sup>	8,000	50.00	50.00 <sup>1)</sup>
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	THB	380,000	50.00	50.00 <sup>1)</sup>	380,000	50.00	50.00 <sup>1)</sup>

<sup>1)</sup> The investments of other shareholders are reported as redeemable non-controlling interests.

<sup>2)</sup> Since 18 January 2016 Semperit Profiles Leeser GmbH & Co. KG, Hückelhoven, Germany

<sup>3)</sup> Not consolidated due to a lack of materiality.

The Semperit Group regards the following subsidiaries in which the group has a de facto interest between 41.43% and 50% as meeting the requirement for control within the meaning of IFRS 10:

- Sempermed USA Inc., Clearwater, Florida, USA
- Sempermed Brazil Comércio Exterior Ltda., Piracicaba, Brazil
- Semperflex Shanghai Ltd., Shanghai, China
- Shanghai Sempermed Glove Sales Co Ltd., Shanghai, China
- Sempermed Singapore Pte Ltd., Singapore
- Semperflex Asia Corp. Ltd., Hat Yai, Thailand
- FormTech Engineering (M) Sdn Bhd, Nilai, Malaysia
- Total Glove Company Sdn Bhd, Kamunting, Malaysia

The Semperit Group carries out a thorough and ongoing analysis of the above mentioned subsidiaries regarding their inclusion in the consolidated financial statement through full consolidation under IFRS 10, in particular due to the loss of control over Siam Sempermed Corp. Ltd. (SSC) in 2014. This analysis is based on the group's professional judgement and expert opinions on corporate law and IFRS.

In light of the conclusions of the analysis as of 31 December 2016 the Semperit Group remains of the opinion that the requirements for control under IFRS 10 are still met. This assessment is based on the underlying agreements, the investigation of the relevant activities and the facts and circumstances relating to the above companies.

The following key arguments were evaluated for the individual companies:

#### **Sempermed USA Inc.**

- the deciding vote for the chairman of the Board of Directors, who is appointed by the group
- resolutions as a result of this deciding vote and the subsequent implementation
- independent, professional management which at the same time has no organ function on the Board of Directors and is bound by instructions
- sales management in the framework of the Sempermed segment
- use of the Sempermed brand in the company name and distribution
- the closing of the joint venture transaction would lead to a complete takeover of the company by the group at the end of the first quarter 2017

This subsidiary is a 50% subsidiary of SSC and another 25% is held by Semperit Technische Produkte Gesellschaft m.b.H. In January 2015 a director nominated for the Board of Directors by the Thai joint venture partner Sri Trang Agro-Industry Public Co Ltd. (Sri Trang) opposed a resolution of the Board of Directors taken with the deciding vote of the chairman, and applied for an injunction.

The request for an injunction was not granted by the competent court, and a hearing was ordered to deal with the lawsuit, scheduled for July 2015. In May 2015 an agreement was reached to end the proceeding and recognise the validity of the right to cast a deciding vote. The articles of incorporation of SUSA were modified accordingly.

**Sempermed Brazil Comércio Exterior Ltda.**

- chairman of the parent entity's Board of Directors (Sempermed Singapore Pte Ltd.) has the right to cast the deciding vote
- resolution in the 2016 financial year as a result of this deciding vote
- independent, local management which at the same time has no organ function on the Board of Directors of the parent company and is bound by instructions
- implementation of the necessary measures to establish full functionality of the company in order to successfully contest the tax proceedings
- use of the Sempermed brand in the company name
- the closing of the joint venture transaction would lead to a complete takeover of the company by the group at the end of the first quarter 2017

The material activity is the successful handling of several tax cases which local management is pursuing in consultation with legal advisors and Semperit Group head office departments.

**Semperflex Shanghai Ltd.**

- the deciding vote for the chairman of the Board of Directors, who is appointed by the group
- resolution as a result of this deciding vote and subsequent implementation
- independent, professional management which at the same time has no organ function on the Board of Directors and is bound by instructions
- purchasing, production and sales management within the framework of the Semperflex segment
- use of the Semperflex brand in the company name and the Semperit and Semperflex brands in distribution
- complete integration within the group's organisational structure
- the closing of the joint venture transaction would lead to a complete takeover of the company by the group at the end of the first quarter 2017

**Shanghai Sempermed Glove Sales Co Ltd.**

- the deciding vote for the chairman of the Board of Directors, who is appointed by the group
- independent, professional management which at the same time has no organ function on the Board of Directors and is bound by instructions
- quality control for gloves within the framework of the Sempermed segment (as material activity)
- use of the Sempermed brand in the company name
- the closing of the joint venture transaction would lead to a complete takeover of the company by the group at the end of the first quarter 2017

This subsidiary is a wholly-owned subsidiary of SSC. The group does not have a direct investment in this company. The members of SSC's Board of Directors are nominated through a motion by the shareholders Semperit or Sri Trang. Given the fact that the members of the Board of Directors are appointed for an unlimited term, the management is appointed by the group and due to the current situation of SSC no decisions can be made contrary to the group's opinion, the group believes there is control under IFRS 10.

**Sempermed Singapore Pte Ltd.**

- the deciding vote for the chairman of the BoD, who is appointed by the group
- resolution as a result of this deciding vote
- management of the holding functions by the group
- use of the Sempermed brand in the company name
- appointment of a member of the Board of Directors, nominated by the group, to observe the interests of the subsidiary Sempermed Brazil Comércio Exterior Ltda.
- the closing of the joint venture transaction would lead to a complete takeover of the company by the group at the end of the first quarter 2017

This subsidiary has no operating business and functions as a holding company for Sempermed Brazil Comércio Exterior Ltda. and FormTech Engineering (M) Sdn Bhd.

**Semperflex Asia Corp. Ltd.**

- the deciding vote for the chairman of the BoD, who is appointed by the group
- purchasing, production and sales management within the framework of the Semperflex segment
- use of the Semperflex brand in the company name and the Semperit and Semperflex brands in distribution
- the closing of the joint venture transaction would grant Semperit the option to purchase the remaining 50% share of Sri Trang during the period 2019 until 2021

This subsidiary is subject to similar statutory and contractual general conditions as SSC (see note 3.3). Currently, there are no indications that the joint venture partner Sri Trang will prohibit the exercise of control in a similar way as SSC. In the future, such a development could lead to a different evaluation of control under IFRS 10.

Changes of the joint venture contract to strengthen the right of control of Semperit have been signed in the framework of the joint venture transaction (see note 3.3.) and will be implemented after the closing.

**FormTech Engineering (M) Sdn Bhd**

- chairman of the parent entity's Board of Directors (Sempermed Singapore Pte Ltd) has the right to cast the deciding vote
- ability to appoint the majority of the members of the FormTech BoD
- independent, professional management by the two minority shareholders, who act as CEO and CFO to manage the company and have holdings of 17.14%
- the closing of the joint venture transaction would lead to a takeover of 41.43% of the shares of the company by the group at the end of the first quarter 2017

**Total Glove Company Sdn Bhd**

The de facto investment of the group in the subsidiary Total Glove Company Sdn Bhd is below 50%. Due to the control exercised by Latexx Partners Berhad (98.55%), the Semperit Group regards the facts and circumstances as sufficient for control within the framework of IFRS 10.



### Significant non-controlling interests

The following table shows information on subsidiaries of the group with significant non-controlling interests. These significant non-controlling interests represent redeemable or temporary interests held by non-controlling shareholders of subsidiaries and are recognised as “Liabilities under redeemable non-controlling interests” in the consolidated balance sheet.

#### Significant non-controlling interests as at 31.12.2016

in EUR thousand	Semperflex Asia Corp. Ltd.	Sempermed USA Inc.	Semperflex Shanghai Ltd.	Sempertrans Best (Shandong) Belting Co. Ltd.
<b>Non-controlling interests in %</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>20.0%</b>
Non-current assets	8,883	1,705	10,923	10,533
Current assets	47,864	34,811	9,505	6,200
Non-current provisions and liabilities	246	90	0	3,889
Current provisions and liabilities	4,340	14,742	4,653	2,675
<b>Net assets</b>	<b>52,161</b>	<b>21,684</b>	<b>15,774</b>	<b>10,168</b>
Redeemable non-controlling interests – non-current	11,850	0	0	2,034
Redeemable non-controlling interests – current	14,230	10,842	7,887	0
Revenue	38,307	84,925	14,778	13,393
thereof revenue within the group	29,791	0	9,515	6,604
thereof revenue with third parties	8,517	84,925	5,263	6,790
Earnings after tax	9,436	1,761	1,500	–2,533
Other comprehensive income (currency translation differences)	2,185	719	–518	–478
<b>Comprehensive income</b>	<b>11,621</b>	<b>2,480</b>	<b>982</b>	<b>–3,010</b>
Profit / loss attributable to redeemable non-controlling interests	4,718	881	750	–507
Other comprehensive income attributable to redeemable non-controlling interests	1,092	360	–259	–96
<b>Dividends paid to redeemable non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash flow from operating activities	8,121	4,026	2,046	–1,449
Cash flow from investing activities	–248	–61	–145	–550
Cash flow from financing activities (including dividends)	0	0	0	0
<b>Net increase / decrease in cash and cash equivalents</b>	<b>7,873</b>	<b>3,965</b>	<b>1,900</b>	<b>–1,999</b>

## Significant non-controlling interests as at 31.12.2015

in EUR thousand	Semperflex Asia Corp. Ltd.	Sempermed USA Inc.	Semperflex Shanghai Ltd.	Sempertrans Best (Shandong) Belting Co. Ltd.
<b>Non-controlling interests in %</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>20.0%</b>
Non-current assets	10,200	1,988	12,327	11,087
Current assets	34,939	35,993	7,586	7,403
Non-current provisions and liabilities	218	115	2,833	3,438
Current provisions and liabilities	4,380	18,662	2,288	1,874
<b>Net assets</b>	<b>40,540</b>	<b>19,203</b>	<b>14,793</b>	<b>13,179</b>
Redeemable non-controlling interests – non-current	20,270	9,602	7,396	2,636
Revenue	40,420	104,159	12,969	13,972
thereof revenue within the group	30,197	0	7,939	10,274
thereof revenue with third parties	10,223	104,159	5,030	3,698
Earnings after tax	9,293	1,774	98	–3,189
Other comprehensive income (currency translation differences)	822	1,834	925	1,066
<b>Comprehensive income</b>	<b>10,116</b>	<b>3,608</b>	<b>1,023</b>	<b>–2,123</b>
Profit / loss attributable to redeemable non-controlling interests	4,647	887	49	–638
Other comprehensive income attributable to redeemable non-controlling interests	411	917	463	213
<b>Dividends paid to redeemable non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash flow from operating activities	15,152	6,003	1,257	2,488
Cash flow from investing activities	–450	–155	–62	–211
Cash flow from financing activities (including dividends)	0	–3,598	0	0
<b>Net increase / decrease in cash and cash equivalents</b>	<b>14,702</b>	<b>2,250</b>	<b>1,195</b>	<b>2,277</b>

### 3.2. Investments in joint ventures and associated companies

The investments in joint ventures and associated companies are comprised as follows:

in EUR thousand	31.12.2016	31.12.2015
<b>Joint ventures</b>		
Siam Sempermed Corp. Ltd., Hat Yai, Thailand	0	100,535
<b>Associated companies</b>		
Synergy Health Allershausen GmbH, Allershausen, Germany	2,608	2,135
	<b>2,608</b>	<b>102,670</b>

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

in EUR thousand	2016	2015
As at 1.1.	102,670	82,835
Proportionate period result and intercompany elimination results	8,370	17,078
Currency translation	4,884	2,545
Revaluation of defined benefit obligation	7	211
Reclassification to non-current assets held for sale	-113,323	0
<b>As at 31.12.</b>	<b>2,608</b>	<b>102,670</b>

#### Investments in joint ventures

The consolidated carrying amount of the investment in Siam Sempermed Corp. Ltd. Totalled, before reclassification to non-current assets held for sale, EUR 113,323 thousand as of 31 December 2016 (previous year: EUR 100,535 thousand). Due to the expected joint venture transaction the carrying value plus the proportional goodwill for the segment Sempermed will be classified as non-current assets held for sale. The amount for the classification according to IFRS 5 is in total EUR 152,684 thousands, thereof EUR 39,631 thousand for goodwill and EUR 113,323 thousand for the previous carrying value.

Due to the contractual agreed price for SSC in the context of the joint venture transaction, the Semperit Group regards the values for SSC as recoverable.

The following table provides information about the company. The individual items show the total amounts recognised in the company, and not the portion attributable to Semperit.

in EUR thousand	2016	2015
<b>Group holding in %</b>	<b>50.0%</b>	<b>50.0%</b>
Non-current assets	72,219	76,503
Current assets	174,290	145,021
Non-current provisions and liabilities	2,016	1,853
Current provisions and liabilities	21,633	21,738
<b>Net assets</b>	<b>222,860</b>	<b>197,933</b>
Investments in still fully consolidated subsidiaries	-3,520	-3,367
<b>Net assets adjusted</b>	<b>219,340</b>	<b>194,566</b>
<b>Proportional net assets adjusted</b>	<b>109,670</b>	<b>97,283</b>
Goodwill	5,016	4,798
Intercompany elimination results	-531	-986
Other	-831	-561
<b>Investment in joint ventures</b>	<b>113,323</b>	<b>100,535</b>
Revenue	234,531	269,410
Earnings after tax	15,358	32,849
Other comprehensive income	15	423
<b>Comprehensive income</b>	<b>15,373</b>	<b>33,272</b>
Cash and cash equivalents	102,685	80,885
Current financial liabilities	1,631	1,004
Non-current financial liabilities	0	0
Depreciation and amortisation	14,766	14,813
Financial result	-179	-263
Income taxes	3,803	5,557

As of 31 December 2016 group companies conducted transactions that resulted in the following assets and liabilities against the joint venture, and their business relationships resulted in the following income and expenses in 2015 and 2016:

in EUR thousand	2016	2015
Revenue	685	1,468
Other operating income	619	488
Cost of material and purchased services	174,381	160,165
Other operating expenses	0	179
	<b>31.12.2016</b>	<b>31.12.2015</b>
Inventories	20,112	16,167
Trade receivables	1,930	1,319
Trade payables	27,447	24,533

#### Investments in associated companies

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

The company is included in the consolidated financial statements using the equity method. The group's investment and the nominal capital of the company remained unchanged in the financial year 2016.

The carrying amount of the investment in this associated company as of 31 December 2016 is EUR 2,608 thousand (previous year: EUR 2,135 thousand). A share in the profit of EUR 473 thousand was recognised in the consolidated income statement (previous year: EUR 453 thousand). No other comprehensive income attributable to the associated company had to be taken into account.

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

As of 31 December 2016 group companies had the following assets and liabilities against the associated company, and their business relationships resulted in the following income and expenses in 2016:

in EUR thousand	2016	2015
Other operating expenses	406	509
Financial income	6	7
	<b>31.12.2016</b>	<b>31.12.2015</b>
Other financial assets	569	566
Trade payables	32	173

### 3.3. Expected changes in the scope of consolidation

On 18 January 2017 Semperit and the Thai company Sri Trang Agro-Industry Public Co Ltd. Group (Sri Trang) signed an agreement to terminate nearly all of their joint business activities. Under this agreement Siam Sempermed Corporation Ltd (SSC) will be sold to Sri Trang. In exchange, Semperit will acquire Sri Trang's respective investment in the following joint venture companies:

- Sempermed USA Inc. (USA) – Sempermed segment
- Shanghai Sempermed Glove Sales Co Ltd. (China) – Sempermed segment
- Sempermed Singapore Pte Ltd. (Singapore) – Sempermed segment
- Formtech Engineering (M) Sdn Bhd (Malaysia) – Sempermed segment
- Sempermed Brazil Comércio Exterior Ltda. (Brazil) – Sempermed segment
- Semperflex Shanghai Ltd. (China) – Semperflex segment
- Shanghai Semperit Rubber & Plastic Products Co. Ltd. (China) – Semperform segment

Furthermore, as part of the termination of the joint venture Semperit will receive a one-time compensation payment totalling USD 167.5 million before taxes. In addition, immediately prior to the closing and thus the complete transfer to Sri Trang, SSC will pay a dividend to Semperit in the amount of USD 51.0 million before taxes.

Semperit will additionally receive a call option for the Thai company Semperflex Asia Corp. Ltd. (SAC). This option may be exercised between the middle of 2019 and the middle of 2021 at a fixed price to acquire the remaining 50% interest in SAC. Modifications have been made to the SAC joint venture agreement in order to strengthen Semperit's control rights. Moreover, a joint dividend policy has been agreed for SAC for 2017 and subsequent years. Immediately before the closing a dividend payment in the amount of USD 15.0 million will be made to the joint venture partner. The corresponding liability will be disclosed as current liability for redeemable non-controlling interests.

If the closing is successful, the termination agreement stipulates that all pending arbitration and civil proceedings between Semperit Group and Sri Trang Group or SSC will be settled. Customary break-up fees in the amount of USD 15.0 million have been agreed for the possibility that the closing fails. For this purpose a Stand-by Letter of Credit has been issued. For collateralization of this Stand-by Letter of Credit, the Semperit Group pledged fixed deposits in the amount of USD 15.0 million at the beginning of February 2017. According to IFRS these pledged fixed deposits has to be considered as restricted cash. The closing of the transaction is scheduled for the middle of March 2017.

The aforementioned transaction (joint venture transaction) has resulted in the following material effects in these financial statements:

- SSC was reclassified as a non-current asset held for sale in accordance with IFRS 5 (see Note 3.2).
- The components of the Sempermed cash generating unit were restated when performing the impairment test pursuant to IAS 36 (see Note 6.1).
- The company planning for the Sempermed cash generating unit was modified in light of the expected changes resulting from the joint venture transaction. These modifications relate, in particular, to the estimates of future sales volumes and the corresponding realisable margin.
- The effects from the joint venture transaction on the expected future distributions and the applicable tax rates were already taken into account accordingly in the assessment of the outside-basis differences under IAS 12 for both SSC and SAC (see Note 6.8).

- The value of liabilities from redeemable non-controlling interests was limited for one group company based on the expected valuation under the joint venture transaction. As a result of the loss situation for this group company, no further booking has therefore been recorded in this item for 2016 (see Note 6.10).

### **3.4. Change in the method of consolidation for Siam Sempermed Corp. Ltd. (SSC) in the financial year 2014**

As at 31 December 2014 the company Siam Sempermed Corp. Ltd. (SSC) was originally changed from full consolidation under IFRS 10 to the equity method in accordance with IFRS 11 and IAS 28.

As the result of a special audit of the consolidated financial statements as of 31 December 2013 and the consolidated interim financial statements as of 30 June 2014, the Austrian Financial Market Authority (FMA) reached the conclusion in its decision from 30 July 2015 that SSC was no longer eligible for consolidation already as of 30 June 2014.

Based on this finding of error, management assessed the effects of the obstacles during the first half of 2014 described above for the consolidated interim financial statements as of 30 June 2015. As a consequence, the above-mentioned change in the method of consolidation used for SSC as of 31 December 2014 (from full consolidation to the equity method) was retroactively restated to 31 March 2014.

For more details concerning the change in the method of consolidation for SSC see note 3.3. Group Financial Statement 2015.

For additional information concerning the ongoing proceedings at the international arbitration tribunals seated in Zurich (ICC 1 Case) see note 9.

### **3.5. Other changes in the scope of consolidation**

#### **Changes in the scope of consolidation in the financial year 2016**

##### Newly established companies

As of 31 December 2016 the newly established companies Sempertrans North America Investments Corp., Atlanta, USA, and Sempertrans USA LLC, Atlanta, USA, were included in the consolidated financial statements of the Semperit Group for the first time.

In addition, in December 2016 the company Leeser Profiles Verwaltungs GmbH was newly established as subsidiary of Semperit Profiles Leeser GmbH & Co. KG. Due to the lack of materiality, the company was not consolidated as of 31 December 2016.

##### Company disposals and restructurings

The company Carlona Sp. z.o.o., Warsaw, Poland, acquired in the financial year 2015 serves from now on as intermediate holding company in the Sempertrans segment.

## Changes in the scope of consolidation in the 2015 financial year

### Newly established companies

In the third quarter of 2015 the newly established company Shanghai Changning Sempered Glove Trading Co. Ltd., Shanghai, China, was included in the consolidated financial statements of the Semperit Group for the first time. In addition, the group purchased the company Carlona Sp. z.o.o., Warsaw, Poland, in the third quarter of 2015 for a purchase price of EUR 3 thousand.

### Company disposals and restructurings

In the third quarter of 2015 Semperit Tekniska Produkter Aktiebolag, Skärholmen, Sweden, which had discontinued its business operations in 2014, was sold to a Swedish liquidator.

The company Fabryka Lin "Stolin" Sp. z.o.o., Bełchatów, Poland, was merged in December 2015 into the company Sempertrans Bełchatów Sp. z.o.o., Bełchatów, Poland.

### Acquisitions

In April 2015 the Semperit Group acquired a 100% interest in Leeser GmbH & Co. KG, Hückelhoven, Germany, and in Leeser Verwaltungsgesellschaft mbH, Hückelhoven, Germany (Leeser). Leeser GmbH & Co. KG has a 75% interest in Elastomer Technology Kmenta s.r.o., Husava, Czech Republic. Leeser specialises in foam rubber and co-extruded seals for aluminium windows and facades. The two companies have been assigned to the Semperform segment. The acquisition of Leeser enables the Semperit Group to strengthen the Semperform segment as a comprehensive provider in the profiles market. Leeser complements the current Semperform business, particularly in profiles for windows, doors and facades. The bundling of expertise, particularly with regard to ultra-high frequency technology, will utilise synergies.

The purchase price allocation based on the fair values determined as of the date of acquisition is as follows:

in EUR thousand

Purchase price paid in cash	18,216
Purchase price not yet due	200
	<b>18,416</b>
Net assets	21,792
<b>Badwill</b>	<b>-3,376</b>



The fair values of the assets and liabilities of Leeser determined as of the date of acquisition are shown below:

in EUR thousand	Fair value at acquisition date
<b>Non-current assets</b>	
Intangible assets	5,697
Tangible assets	16,302
	<b>21,999</b>
<b>Current assets</b>	
Inventories	2,273
Trade receivables	3,252
Other assets	83
Cash and cash equivalents	742
	<b>6,350</b>
<b>Non-current provisions and liabilities</b>	
Liabilities to banks	1,594
Deferred taxes	1,569
	<b>3,163</b>
<b>Current provisions and liabilities</b>	
Other provisions	488
Liabilities to banks	454
Trade payables	1,321
Other liabilities	679
Current tax liabilities	452
	<b>3,394</b>
<b>Total net assets at their fair value</b>	<b>21,792</b>
Badwill	-3,376
<b>Compensation paid (purchase price paid in cash)</b>	<b>18,416</b>

The purchase price was EUR 3,376 thousand below the fair value of the acquired net assets. In accordance with IFRS 3, this amount was recognised as a gain in other operating income.

The fair value of trade receivables, i.e. the expected total payments to be received, amounts to EUR 3,252 thousand as of the acquisition date, while the gross amount is EUR 3,267 thousand. In accordance with management's judgement, the lack of detailed data makes it impossible to determine with a reasonable effort the disclosures required under IFRS 3.B64 (h) (iii) for the best estimate of the contractual cash flows at the date of acquisition that will probably be uncollectible.

The measurement of intangible assets and tangible assets was based on appraisals made by renowned external experts.

The negative goodwill (badwill) that arose from the acquisition results from two factors. First, the purchase price was at the lower end of the valuation ranges, and second, the benefits expected to be capitalised from the technology resulted in the recognition of corresponding intangible assets.

Of the purchase price totalling EUR 18,416 thousand, EUR 18,216 thousand was paid in cash, and the remaining EUR 200 thousand is payable in 2017. Transaction costs of EUR 836 thousand were incurred in connection with the acquisition of the company. These are included under other operating expenses.

Since the date of its acquisition, Leeser has contributed EUR 21,616 thousand to revenue and EUR 107 thousand to earnings before taxes. If the acquisition had taken place at the beginning of 2015, Leeser would have contributed EUR 33,902 thousand to revenue and EUR 775 thousand to earnings before tax.

### **3.6. Equity transactions**

In the 2016 financial year a 0.05% interest in Latexx Partners Berhad was acquired for EUR 57 thousand. As of 31 December 2016 the group's interest totalled 98.55%, up from 98.50% as of 31 December 2015. In the 2015 financial year a 0.04% interest was acquired for EUR 63 thousand, increasing the group's total interest to 98.50% as of 31 December 2015.

These transactions were recognised in 2015 and 2016 as equity transactions. The difference between the disposal of the carrying amount of the non-controlling interests (EUR 58 thousand, previous year: EUR 51 thousand) and the fair value of the consideration paid (EUR 57 thousand, previous year: EUR 63 thousand) amounted to EUR -1 thousand (previous year: EUR 11 thousand). This difference was recognised directly in equity and is presented in the consolidated statement of changes in equity as a change in the position "Other revenue reserves".

## 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 various technologies.

The accounting and measurement methods used in determining segment earnings, assets and liabilities are identical to those described in note 2. The segment result comprises EBIT and is derived in the same manner as EBIT (earnings before interest and tax) 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**

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

2016 in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-form	Corporate Center and inter-company transactions	Group
Revenue	345,956	202,327	148,351	155,745	0	852,379
Share of profits from joint ventures and associated companies	8,370	0	0	0	0	8,370
EBITDA	6,601	48,034	15,855	25,588	-18,168	77,909
EBIT = segment result	-23,942	39,521	12,129	18,325	-18,723	27,310
Depreciation and amortisation of tangible and intangible assets	-13,220	-8,501	-3,726	-7,263	-555	-33,265
Impairments of tangible and intangible assets	-17,323	-12	0	0	0	-17,334
Reversal of impairments of property, plant and equipment	0	0	4	0	0	4
Trade Working Capital	51,770	39,096	39,772	22,511	-7,770	145,380
Segment assets	420,832	226,106	147,943	129,482	-42,562	881,801
Non-current assets held for sale	152,684	0	0	0	0	152,684
Segment liabilities	109,831	69,408	31,272	34,490	458,505	703,506
Cash-effective investments in tangible and intangible assets	25,717	14,444	6,676	13,775	4,460	65,072
Investments in associated companies	2,608	0	0	0	0	2,608
Employees (at balance sheet date)	3,183	1,674	1,036	928	154	6,974

2015 in EUR thousand restated <sup>1)</sup>	Semper-med	Semper-flex	Semper-trans	Semper-form	Corporate Center and inter-company transactions	Group
Revenue	393,686	203,353	164,870	152,777	0	914,686
Share of profits from joint ventures and associated companies	17,078	0	0	0	0	17,078
EBITDA	29,422	46,130	23,151	24,345	-26,824	96,224
EBIT = segment result	17,229	38,215	19,888	19,137	-27,723	66,746
Depreciation and amortisation of tangible and intangible assets	-12,193	-7,900	-3,263	-5,208	-899	-29,462
Impairments of tangible and intangible assets	0	-16	0	0	0	-16
Reversal of impairments of property, plant and equipment	5	0	0	0	0	5
Trade Working Capital	54,530	43,423	48,297	22,604	-8,284	160,570
Segment assets	473,481	190,854	150,860	107,176	15,413	937,784
Segment liabilities	109,848	66,097	33,370	35,861	327,424	572,601
Cash-effective investments in tangible and intangible assets	29,571	14,644	12,293	8,118	7,223	71,848
Investments in joint ventures and associated companies	102,670	0	0	0	0	102,670
Employees (at balance sheet date)	3,344	1,536	1,086	954	133	7,053

<sup>1)</sup> 2015 values restated, see page 96 in the notes (Foreign Exchange restatement).

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 Center consists of Semperit AG Holding, which is not involved in operating activities, and those portions of a management company in China and a service company in Singapore that are allocated to the Corporate Center. In addition, some Corporate Center services are rendered by operating companies. Internal charging and allocations of Corporate Center costs are already allocated to the segments as far as possible. All group assets are allocated to segments, with the exception of the assets of Semperit AG Holding as a non-operating parent company, as well as the assets of a management company in China and a service company in Singapore, which are allocated to the Corporate Center. 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 Gesellschaft m.b.H. 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 group liabilities are allocated to segments, with the exception of the liabilities of Semperit AG Holding as a non-operating parent company, as well as the liabilities of a management company in China and a service company in Singapore, which are allocated to the Corporate Center. 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 Gesellschaft m.b.H. 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 region

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

Pursuant to IFRS 8, information on revenue is presented depending on the location of the customers. Details on non-current assets and investments are based on 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 EUR thousand	2016			2015		
	Non-current assets <sup>2) 3)</sup>	Cash-effective Investments	Revenue <sup>1)</sup>	Non-current assets <sup>2) 3)</sup>	Cash-effective Investments	Revenue <sup>1)</sup>
Austria	67,445	13,150	34,615	65,666	15,157	35,667
EU excluding Austria	150,294	25,696	490,855	133,464	27,308	502,749
Total for EU	217,739	38,846	525,470	199,130	42,465	538,416
Rest of Europe	0	0	57,402	0	0	63,546
Total for Europe	217,739	38,846	582,872	199,130	42,465	601,962
Asia	157,132	26,141	90,009	197,854	29,228	99,648
The Americas	3,157	83	165,495	2,119	155	198,665
Rest of the world	3	1	14,003	0	0	14,411
<b>Group</b>	<b>378,032</b>	<b>65,072</b>	<b>852,379</b>	<b>399,102</b>	<b>71,848</b>	<b>914,686</b>

<sup>1)</sup> After eliminating internal revenue.

<sup>2)</sup> Consolidation entries are assigned to the regions whenever possible.

<sup>3)</sup> Non-current assets do not include deferred income tax assets, financial investments and shares in joint ventures and associates.

## 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 EUR thousand	2016	2015 restated <sup>1)</sup>
Insurance claims	3,106	1,080
Reimbursement of costs ICC1 case	2,514	0
Sale of by-products and waste materials	512	532
Rental income	365	255
Income from the sale of property, plant and equipment	67	144
Reversal of impairments of property, plant and equipment	4	5
Income from first consolidation	0	3,376
Other	3,908	3,753
	<b>10,477</b>	<b>9,145</b>

<sup>1)</sup> 2015 values restated, see page 96 in the notes (Foreign Exchange restatement).

### 5.3. Cost of material and purchased services

in EUR thousand	2016	2015
Cost of materials	459,908	512,457
Purchased services	45,596	43,329
	<b>505,504</b>	<b>555,785</b>

## 5.4. Personnel expenses

Personnel expenses include the following items:

in EUR thousand	2016	2015
Wages	58,997	55,911
Salaries	71,330	75,957
Severance payments	1,813	1,509
Retirement benefit expenses	1,125	1,141
Statutory social security expenses and other compulsory wage-related payments	28,059	27,094
Other social security expenses	3,970	3,200
	<b>165,294</b>	<b>164,813</b>

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

	2016	2015
Blue-collar workers	5,263	5,308
White-collar workers	1,776	1,677
	<b>7,038</b>	<b>6,985</b>

The average number of employees in Austria totalled 838 (previous year: 818).

In the 2016 financial year, the remuneration paid to the active members of the Management Board totalled EUR 2,676 thousand (previous year: EUR 3,323 thousand), of which EUR 1,213 thousand (previous year: EUR 1,420 thousand) consisted of variable salary components. As a result of the change to the composition of the Management Board during 2016 and due to the repayment of variable compensation for previous years in 2016, comparing total compensation with the previous year is of limited value.

The expenses for pensions and severance payments for the active Management Board members amounted to EUR 216 thousand (previous year: EUR 191 thousand). Of this amount, EUR 201 thousand (previous year: EUR 180 thousand) is attributable to contribution-based severance and pension commitments.



## 5.5. Other operating expenses

Other operating expenses comprise the following:

in EUR thousand	2016	2015 restated <sup>1)</sup>
Maintenance and services	33,758	33,170
Outgoing freight	30,179	29,408
Legal, consulting and auditing fees	16,654	20,869
Travel expenses	10,108	11,042
Commission and advertising costs	6,984	8,234
Rental and leasing expenses	5,350	4,443
Insurance premiums	4,155	4,338
Other taxes	4,017	4,530
Fees, subscriptions and donations	1,914	1,627
Waste disposal	1,852	2,083
Communications	1,750	1,661
Training and education expenditures	1,400	1,319
Office equipment	1,225	1,250
Energy costs not for production	1,037	1,152
Bank expenses	603	613
Other	8,252	11,356
	<b>129,237</b>	<b>137,092</b>

<sup>1)</sup> 2015 values restated, see page 96 in the notes (Foreign Exchange restatement).

In the 2016 financial year the expenses for research and development amounted to around EUR 13,320 thousand (previous year: EUR 11,800 thousand).

The expenses for the auditors of the consolidated financial statements, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, are as follows:

in EUR thousand	2016	2015
Auditing of consolidated financial statements and thereto related audit opinion	812	709
there of Ernst&Young Wirtschaftsprüfungsgesellschaft m.b.H.	333	226
Other valuation and certification services	15	15
Other services	112	240
	<b>938</b>	<b>964</b>

## 5.6. Depreciation, amortisation and impairment of tangible and intangible assets

in EUR thousand	2016	2015
Depreciation and amortisation	33,265	29,462
Impairments	17,334	16
	<b>50,599</b>	<b>29,478</b>

Impairments in the financial year 2016 relate to impairment of goodwill and impairment of technical equipment, plant and machinery in the Sempermed segment as well as an impairment in land value in the Semperflex segment (see Notes 6.1 and 6.2).

## 5.7. Financial result

in EUR thousand	2016	2015 restated <sup>1)</sup>
<b>Financial income</b>		
Income from securities	145	153
Exchange rate gains	21,621	27,953
Interest and related income	1,048	1,099
	<b>22,813</b>	<b>29,206</b>
<b>Financial expenses</b>		
Other expenses from financial assets	-3,169	-2,651
Exchange rate losses	-25,287	-23,548
Interest and other financial expenses	-7,894	-5,577
	<b>-36,350</b>	<b>-31,776</b>
<b>Profit / loss attributable to redeemable non-controlling interests</b>	<b>-6,393</b>	<b>-5,395</b>
<b>Financial result</b>	<b>-19,930</b>	<b>-7,965</b>

<sup>1)</sup> 2015 values restated, see page 96 in the notes (Foreign Exchange restatement).

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

in EUR thousand	2016	2015
<b>Net income recognised directly in profit and loss</b>		
Income from available-for-sale financial assets	145	153
Losses on the disposal of securities	0	0
	<b>145</b>	<b>153</b>
<b>Net income/expenses recognised in other comprehensive income</b>		
Revaluation gains / losses for the period	12	-112
Reclassification to profit and loss for the period	0	0
	<b>12</b>	<b>-112</b>
<b>Net income from available-for-sale financial assets</b>	<b>156</b>	<b>41</b>

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

in EUR thousand	2016	2015
Interest income from loans and receivables	1,048	1,099
Valuation adjustments of loans and receivables	-1,779	654
Foreign exchange gains from loans and receivables	15,369	11,948
Foreign exchange losses from loans and receivables	-13,186	-4,569
<b>Net income from loans and receivables</b>	<b>1,451</b>	<b>9,134</b>

Allowances arising from loans and receivables are summarised under other operating expenses. This also includes reversals of allowances from loans and receivables recognised in profit and loss.

Foreign exchange gains resulting from financial liabilities at amortized cost amounts to EUR 4,510 thousand (previous year: EUR 4,431 thousand). These foreign exchange gains were offset by foreign exchange losses resulting from financial liabilities at amortized cost of EUR 13,309 thousand (previous year: EUR 9,689 thousand).

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

in EUR thousand	2016	2015
Income from foreign exchange transactions	827	5,455
Expenses from foreign exchange transactions	-3,593	-1,337
<b>Net income from financial instruments held for trading</b>	<b>-2,766</b>	<b>4,119</b>

Income and expenses from foreign exchange contracts are included in the financial result and relate exclusively to foreign exchange forward contracts. No foreign exchange options were entered into in the financial years 2016 and 2015. According to the changes in the recognition of foreign exchange gains and losses see note 2.19.

From the interest expenses and other financial expenses included in the financial result, EUR 7,894 thousand (previous year: EUR 5,577 thousand) is attributable to liabilities valued at amortised cost. Liabilities from redeemable non-controlling interests correspond to the result shown in the consolidated income statement amounting to EUR 6,393 thousand (previous year: EUR 5,395 thousand) and represent the effective interest expense.

## 5.8. Income taxes

Income tax expense recognised in 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 EUR thousand	2016	2015
Current tax expense (+) / tax income (-)		
for the current period	12,166	13,867
for previous periods	484	-1,445
	<b>12,650</b>	<b>12,422</b>
Deferred tax expense (+) / tax income (-)		
from the origination or reversal of temporary differences	8,217	3,134
from value adjustment of tax loss carryforwards and temporary differences	3,085	1,854
other deferred tax effects	-7,771	-4,992
	<b>3,531</b>	<b>-4</b>
	<b>16,182</b>	<b>12,419</b>

Other deferred tax effects mainly comprise tax loss carryforwards incurred and capitalised in the current financial year as well as changes to deferred tax assets on tax credits and tax concessions usable in future periods, as well as deferred taxes for previous periods.

The effective tax rate in the financial year 2016, i.e. the tax expense in relation to the earnings before tax and before deduction of profit or loss attributable to redeemable non-controlling interests, is 117.5% (previous year: 19.4%). The significant increase in comparison to the financial year 2015 is on the one hand due the impairment of the goodwill which is tax-neutral and on the other hand due to the re-evaluation of the outside-basis-differences in connection with the joint venture transaction. 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 reported in the consolidated income statement:

in EUR thousand	2016	2015
<b>Earnings before tax</b>	<b>7,379</b>	<b>58,781</b>
<b>Tax expense / income (-/+)</b> at 25 %	<b>-1,845</b>	<b>-14,695</b>
Tax rates in other countries	23	2,791
Share of profits from joint ventures and associated companies	2,093	4,269
Profit / loss attributable to redeemable non-controlling interests	-1,598	-1,349
Non-deductible expenses	-4,041	-2,364
Non-taxable income, tax exemptions and tax deductibles	1,795	1,983
Tax credits and tax concessions usable in future periods	4,553	2,033
Reduction of current tax expenses on the basis of yet unused tax loss carryforwards	369	46
Non-recognised deferred tax assets on new losses carryforwards and temporary differences in the financial year	-3,892	-153
Value adjustment of deferred tax assets from loss carryforwards or temporary differences arising and recognised in previous years	438	-1,747
Change to outside-basis-differences	-7,680	-1,215
Tax effects on write-downs on holdings of fully consolidated companies	1,045	0
Non-deductible impairment of goodwill	-4,246	0
Withholding taxes	-1,158	-1,414
Current tax arrears from previous periods	-484	1,445
Other	-1,553	-2,049
<b>Income taxes according to the consolidated income statement</b>	<b>-16,182</b>	<b>-12,419</b>

The change in the outside-basis differences in the amount of EUR 7,680 thousand for the year 2016 relates primarily to the adopted assessment of the applicable tax rate (up to now based on dividend payment with withholding tax, from now on based on dividend payment with withholding tax combined with pending taxes in the case of a disposal of the investment) in connection with the investment in SSC. In 2015 the item "Other" contains the effects from deferred taxes for previous periods.

in EUR thousand	2016	2015
Earnings before tax	7,379	58,781
Profit / loss attributable to redeemable non-controlling interests	6,393	5,395
	<b>13,773</b>	<b>64,176</b>
Income taxes according to the consolidated income statement	16,182	12,419
<b>Effective tax rate in %</b>	<b>117.5%</b>	<b>19.4%</b>

### 5.9. Earnings per share (EPS)

in EUR		2016	2015
Earnings after taxes attributable to the shareholders of Semperit AG Holding	in EUR	-8,799,051	46,393,838
Average number of shares issued	in units	20,573,434	20,573,434
Earnings per share (diluted and undiluted)	in EUR	-0.43	2.26

There were no dilution effects as of both 31 December 2015 and 31 December 2016.

## 6. Notes to the consolidated balance sheet

### 6.1. Intangible assets

in EUR thousand	Software licences, industrial property rights and similar rights	Goodwill	Prepayments	Total
<b>Acquisition costs</b>				
<b>As at 1.1.2015</b>	<b>32,807</b>	<b>93,324</b>	<b>4,184</b>	<b>130,315</b>
Additions due to business combinations	5,697	0	0	5,697
Currency translation differences	-1,040	-8,597	0	-9,637
Additions	7,286	0	830	8,115
Disposals	-89	0	0	-89
Transfers	3,450	0	-3,350	100
<b>As at 31.12.2015</b>	<b>48,111</b>	<b>84,727</b>	<b>1,663</b>	<b>134,501</b>
Currency translation differences	-110	-555	0	-664
Additions	2,145	0	3,358	5,503
Disposals	-47	0	0	-47
Reclassification to non-current assets held for sale	0	-39,361	0	-39,361
Transfers	608	0	-271	337
<b>As at 31.12.2016</b>	<b>50,707</b>	<b>44,812</b>	<b>4,749</b>	<b>100,268</b>
<b>Depreciation / write-ups / impairment</b>				
<b>As at 1.1.2015</b>	<b>17,900</b>	<b>0</b>	<b>0</b>	<b>17,901</b>
Currency translation differences	-458	0	0	-458
Depreciation and amortisation	5,826	0	0	5,826
Impairments	0	0	0	0
Disposals	-88	0	0	-88
Transfers	6	0	0	6
<b>As at 31.12.2015</b>	<b>23,186</b>	<b>0</b>	<b>0</b>	<b>23,187</b>
Currency translation differences	-117	0	0	-117
Depreciation and amortisation	6,865	0	0	6,865
Impairments	0	16,984	0	16,984
Disposals	-47	0	0	-47
Reclassification to non-current assets held for sale	0	0	0	0
<b>As at 31.12.2016</b>	<b>29,887</b>	<b>16,985</b>	<b>0</b>	<b>46,872</b>
<b>Carrying amount</b>				
Carrying amount 1.1.2015	14,907	93,324	4,183	112,415
Carrying amount 31.12.2015	24,925	84,727	1,663	111,315
<b>Carrying amount 31.12.2016</b>	<b>20,820</b>	<b>27,827</b>	<b>4,749</b>	<b>53,395</b>

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

The scheduled depreciation, amortisation and impairments are reported in the consolidated income statement under the item "Depreciation, amortisation and impairment of tangible and intangible assets". For 2016 there was an impairment of intangible assets amounting to EUR 16,984 thousand (previous year: EUR 0 thousand) necessary. There was no reversal of impairments in the two financial years for intangible assets necessary.

The reported goodwill is distributed to the cash-generating units (CGU) as follows:

Cash generating unit in EUR thousand	31.12.2016	31.12.2015
Segment Sempermed	26,063	82,963
Segment Semperflex	1,693	1,693
Segment Sempertrans	71	71
	<b>27,828</b>	<b>84,727</b>

The impairment testing of goodwill was performed as at 31 December 2016 at the respective segment level. The recoverable amount of the respective segment is based on its value in use, which is calculated using the segment's discounted future cash flows. These forecasted cash flows were determined using the budgets for the 2016 financial year that were approved by the Management Board and the Supervisory Board. In addition, an organic (growth from own business activity without acquisitions) medium-term plan covering the next five years was taken into account as well. For Sempermed segment a financial haircut due to historical planning mismatches was also taken into account. The planning is based on assumptions made by segment management on the development of their markets, the market share of their segments and specific business initiatives. Key assumptions in the plan are unit sales and EBIT margins, which are determined in medium-term planning in coordination with strategic product and customer initiatives.

These assumptions are subject to forecasting uncertainty. Corporate planning in this regard assumes, in principle, that measures will be taken in the future to expand the segment's capacity and improve its infrastructure. The planned cash flows from these measures were eliminated from the impairment test if the implementation of these measures had not begun as at the reporting date. The change in working capital is derived from internally defined targets for the respective segment.

A constant long-term growth rate of 0.75% (previous year: 1.5%) is used for the period after the detailed planning time period in the Sempermed segment. For the Sempertrans and Semperflex segments a constant long-term growth rate of 1.25% (previous year: 1.5%) is assumed. This is based on market growth expected in the long term, allowing for forecast expectations in inflation.

The discount rate used is the weighted average cost of capital (WACC) as derived in the capital asset pricing model. When determining this rate, a separate peer group is assumed for the Medical Sector (equivalent to the Sempermed segment) and the Industrial Sector (includes the Semperflex, Sempertrans and Semperform segments). The pre-tax discount rate, which was determined for each segment individually, was 8.7% (previous year: 9.4%) for the Sempermed segment, 11.3% (previous year: 11.8%) for the Sempertrans segment, and 11.2% (previous year: 11.7%) for the Semperflex segment.

The recoverability of the goodwill has been proofed by the impairment test for the Sempertrans and Semperflex segments. The recoverable amount of the CGU was higher than the book value, so that no impairment is necessary.



For the Sempermed segment the recoverable amount for the CGU totalled to EUR 186.859 thousand and therefore was below the book value which resulted in the necessity for an impairment of EUR 16,984 thousand. The main reason for this impairment were adjustments in the budgets of the CGU Sempermed. The company planning for the Sempermed cash generating unit was modified in light of the expected changes resulting from the joint venture transaction. These modifications relate, in particular, to the estimates of future sales volumes and the corresponding realisable margin.

These adjustments mainly were performed in respect to the business influences of the joint venture transaction. By virtue of the joint venture transaction the SSC including the proportional goodwill is recognized under the position "non-current assets held for sale" and therefore the cash inflows are not realized through the operating profit anymore and consequently not accounted in the segment assets.

The value in use is largely determined using the end value (present value of a perpetual annuity), which is especially sensitive to changes in assumptions regarding free cash flow, long-term growth rates and the discount rate. Management regards the following negative changes in parameters as possible.

Change in parameters	2016	2015
Discount rate (WACC)	+/-1 percentage point	+ 1 percentage point
Long-term growth rate	+/-0.75 percentage point	-1 percentage point
Change in free cash flows	+/-10% change	-10% change

For the Sempermed segment the sensitivity analysis was designed in a way that considers negative as well as positive changes for the individual parameters in isolation. These results were compared to the book value of the CGU (after the Impairment amounting to EUR 16.984 thousand). The results of this analysis are shown in the following table and show a change of the Impairment value (increase / decrease respective elimination / formation of Headroom):

in EUR thousand	WACC		Long-term growth rate		Change in free cash flows	
	+1% <sup>1)</sup>	-1%	+0.75%	-0.75%	+10%	-10% <sup>1)</sup>
Impairment Risk (-) / Headroom (+)	-30,875	42,682	22,898	-18,046	49,444	-43,853

<sup>1)</sup> The remaining goodwill in the Sempermed segment amounts to EUR 26,063 thousand, further impairment tests of assets have to be considered on asset level.

For the Sempertrans and Semperflex CGU the above given, realistic parameter changes were taken into account. These sensitivity analyses showed that there is no necessity for any impairment since the book value is still covered.

No impairment test was performed for the Semperform CGU, which does not contain any goodwill or intangible assets with indefinite useful lives, because there was no indication that an impairment was present.

Besides goodwill, the Semperit Group has no other intangible assets with an indefinite useful life.

## 6.2. Tangible assets

in EUR thousand	Land and build- ings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Prepayments and assets under construction	Total
<b>Acquisition costs</b>					
<b>As at 1.1.2015</b>	<b>136,575</b>	<b>361,779</b>	<b>60,626</b>	<b>41,678</b>	<b>600,659</b>
Additions due to business combinations	5,698	8,798	1,770	36	16,302
Currency translation differences	1,108	953	418	-1,909	570
Additions	2,832	16,216	5,735	42,794	67,578
Disposals	-54	-5,563	-2,126	-74	-7,817
Disposals resulting from changes in the scope of consolidation	0	0	-55	0	-55
Transfers	8,705	26,423	925	-36,153	-100
<b>As at 31.12.2015</b>	<b>154,865</b>	<b>408,606</b>	<b>67,294</b>	<b>46,372</b>	<b>677,138</b>
Currency translation differences	-1,699	-2,566	171	-156	-4,249
Additions	5,083	22,191	4,957	37,235	69,466
Disposals	-150	-6,154	-1,998	-16	-8,317
Other adjustments	0	15	-44	0	-29
Transfers	16,915	21,156	2,760	-41,168	-337
<b>As at 31.12.2016</b>	<b>175,015</b>	<b>443,248</b>	<b>73,141</b>	<b>42,269</b>	<b>733,673</b>
<b>Depreciation / write-ups / impairment</b>					
<b>As at 1.1.2015</b>	<b>71,036</b>	<b>263,218</b>	<b>46,387</b>	<b>0</b>	<b>380,642</b>
Currency translation differences	757	2,109	588	0	3,454
Depreciation and amortisation	3,241	16,341	4,055	0	23,637
Impairments	0	1	15	0	16
Write-ups	0	-5	0	0	-5
Disposals	-54	-5,439	-1,681	0	-7,174
Disposals resulting from changes in the scope of consolidation	0	0	-55	0	-55
Transfers	0	0	-6	0	-6
<b>As at 31.12.2015</b>	<b>74,980</b>	<b>276,225</b>	<b>49,304</b>	<b>0</b>	<b>400,509</b>
Currency translation differences	-334	-835	248	0	-922
Depreciation and amortisation	3,469	17,767	5,164	0	26,400
Impairments	12	339	0	0	350
Write-ups	-4	0	0	0	-4
Disposals	-50	-4,441	-1,728	0	-6,219
<b>As at 31.12.2016</b>	<b>78,073</b>	<b>289,054</b>	<b>52,987</b>	<b>0</b>	<b>420,114</b>
<b>Carrying amount</b>					
Carrying amount 1.1.2015	65,539	98,561	14,239	41,678	220,016
Carrying amount 31.12.2015	79,885	132,381	17,991	46,372	276,630
<b>Carrying amount 31.12.2016</b>	<b>96,942</b>	<b>154,195</b>	<b>20,154</b>	<b>42,269</b>	<b>313,559</b>

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

EUR 10,481 thousand of the carrying amount reported for land and buildings, including land owned by third parties, is attributable to land (land value) (previous year: EUR 10,468 thousand). EUR 33,194 thousand of the carrying amount reported for prepayments and assets under construction (previous year: EUR 37,676 thousand) is attributable to assets under construction.

In the financial year 2016 EUR 365 thousand (previous year: EUR 0 thousand) of borrowing costs were capitalised as part of the production costs of qualified assets.

The depreciation, amortisation and impairments are recognised in the consolidated income statement under the item "Depreciation, amortisation and impairment of tangible and intangible assets". Write-ups in value are included in the consolidated income statement in the item "Other operating income".

In the 2016 financial year impairments totalling EUR 350 thousand (previous year: EUR 16 thousand) for tangible assets were necessary. Thereof an impairment amounting to EUR 339 thousand relates primarily to technical equipment, plant and machinery in the Sempermed segment. In the financial year 2015 there were impairments on technical equipment, plant and machinery in the amount of EUR 16 thousand. This was due to changes in the possible use of plant and machinery in the Semperflex segment.

In 2016 impairment losses were reversed in the amount of EUR 4 thousand (previous year: EUR 5 thousand) because the reasons for the impairments were no longer present.

As of 31 December 2016 tangible assets with a carrying amount of EUR 98 thousand (previous year: EUR 192 thousand) are pledged as collateral for liabilities to banks and liabilities from finance leases.

As of 31 December 2016 the group has contractual obligations to acquire tangible assets totalling EUR 53,214 thousand (previous year: EUR 30,835 thousand). The increase compared to the previous year is due to the investment projects to expand production capacity.

In addition to operating leases, the Semperit Group also makes use of finance leases. Finance lease agreements have been concluded in Semperit for various production machinery and vehicles. The agreements are generally structured so that ownership of the asset transfers to the group at the end of the agreement term. The leased assets serve as security for the leasing obligations. The assets associated with these agreements are depreciated over the asset's expected useful life and not over the shorter term of the leasing agreement. The agreements typically do not contain an option to extend the lease or a specially agreed purchase option.

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

in EUR thousand	Acquisition costs	Accumulated depreciation	31.12.2016 Carrying amount	Acquisition costs	Accumulated depreciation	31.12.2015 Carrying amount
Other equipment, office furniture and equipment	382	283	98	486	294	192

In addition, the Semperit Group rents a number of storage and office facilities based on operating leases. Most of these leasing relationships have a remaining term of less than 5 years. The agreements are normally designed so that an extension is possible. An option to purchase the assets at market prices is also included in several individual agreements.

Moreover, when needed, leasing agreements are concluded for company cars, IT equipment as well as machines and office equipment. As at the reporting date, the remaining term of these agreements is generally less than 5 years. Individual agreements include an option to extend the term and/or a purchase option at market prices at the end of the agreement term.

As at the balance sheet date, the future minimum leasing payments from non-terminable tenancies, operating and other leases total as follows:

in EUR thousand	31.12.2016	31.12.2015
Within the following year	2,928	2,287
Within the following 2 to 5 years	6,046	5,194
More than 5 years	376	1,150

The cost of rent and leases from operating lease agreements came to a total of EUR 5,139 thousand in the financial year 2016 (previous year: EUR 4,443 thousand).

### 6.3. Inventories

The balance sheet item "inventories" comprises the following:

in EUR thousand	31.12.2016	31.12.2015
Raw materials and supplies	36,378	36,020
Work in progress	18,699	18,422
Finished goods and merchandise	82,524	80,736
Prepayments	303	185
Services not yet billable	200	348
	<b>138,105</b>	<b>135,711</b>

in EUR thousand	31.12.2016	31.12.2015
Inventories		
thereof at acquisition / production costs	124,468	120,283
thereof at their net realisable value	13,636	15,428
	<b>138,105</b>	<b>135,711</b>

The allowances for inventories recognised as an expense totalled EUR 5,875 thousand in the year under review (previous year: EUR 3,556 thousand).

#### 6.4. Trade receivables

Trade receivables are assigned to the category loans and receivables and are therefore recognised at amortised cost. Impairments to trade receivables are indirectly recognised in allowance accounts.

Trade receivables comprise the following:

in EUR thousand	31.12.2016			31.12.2015		
	Gross	Allowances	Net	Gross	Allowances	Net
Receivables not yet due	87,900	-187	87,713	100,244	-545	99,699
Up to 1 month overdue	19,225	-123	19,102	17,818	-108	17,710
1 to 3 months overdue	7,822	-291	7,531	4,715	-62	4,653
3 to 6 months overdue	3,212	-90	3,122	2,538	-317	2,221
6 to 12 months overdue	3,129	-1,764	1,365	795	-273	522
More than 12 months overdue	954	-944	11	1,582	-868	714
	<b>122,243</b>	<b>-3,399</b>	<b>118,844</b>	<b>127,691</b>	<b>-2,172</b>	<b>125,519</b>

Trade receivables which are already due, but have not been subject to valuation adjustments, total EUR 27,123 thousand as of 31 December 2016 (previous year: EUR 21,290 thousand).

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 have been written down to the likely recoverable amount, valuation adjustments are also carried out in part on overdue receivables based on country-specific empirical values. Experience-based allowances also apply to receivables not covered by credit insurance at all or with regard to the retained portion of credit-insured receivables that the entity has to pay.

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 exist primarily at subsidiaries in India, USA, Poland and China. With respect to non-insured receivables and the retained portion of insured receivables, there is no significant concentration of credit risk due to the company's diversified customer base.

Impairments on trade receivables are usually recognised indirectly in allowance accounts. Allowances changed as follows:

in EUR thousand	2016	2015
As at 1.1.	2,172	3,573
Release	-464	-1,991
Currency translation difference	62	88
Written down due to irrecoverability	-515	-147
Additions	2,144	649
<b>As at 31.12.</b>	<b>3,399</b>	<b>2,172</b>

The allowances as of the end of the financial year include specific valuation allowances for receivables based on an individual assessment of the respective customers. These specific allowances total EUR 2,272 thousand (previous year: EUR 897 thousand). They are primarily allocated on the basis of insolvency proceedings over the assets of the affected customers. The remaining carrying amounts after deduction of the allowances are the amounts likely to be recoverable in the insolvency proceedings. The other allowances were made on a portfolio basis.

## 6.5. Other financial assets

The carrying amounts of the other financial assets break down as follows:

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
<b>Securities available-for-sale</b>						
Shares in funds, shares, other securities	6,498	6,498	0	6,490	6,490	0
	<b>6,498</b>	<b>6,498</b>	<b>0</b>	<b>6,490</b>	<b>6,490</b>	<b>0</b>
<b>Financial assets recognised at fair value through profit or loss</b>						
Derivatives	4,811	4,802	9	4,469	4,462	8
<b>Loans and receivables recognised at amortised cost</b>						
Loans to associated companies	563	563	0	563	563	0
Other loans	13	5	8	11	7	5
Receivables to employees	1,740	427	1,313	922	0	922
Accruals and deferrals	2,517	0	2,517	0	0	0
Other financial assets	4,727	875	3,852	2,201	852	1,349
	<b>9,559</b>	<b>1,870</b>	<b>7,689</b>	<b>3,697</b>	<b>1,421</b>	<b>2,276</b>
	<b>20,868</b>	<b>13,170</b>	<b>7,698</b>	<b>14,656</b>	<b>12,372</b>	<b>2,284</b>

The funds comprise 97,500 units (previous years: 97,500 units) in PIA Toprent, a bond fund suitable for funding pension provisions. The fund invests primarily in fixed-income and floating-rate Eurozone government bonds.

The carrying amount of the available-for-sale financial assets amounts to EUR 6,498 thousand (previous year: EUR 6,490 thousand) corresponds to the fair value.

The loan to associated companies, amounting to EUR 563 thousand (previous year: EUR 563 thousand), bears a standard market rate of interest of 1,12% as of 31 December 2016 (previous year: 1.17%) and is attributable to Synergy Health Allershausen GmbH, Allershausen, Germany, which is included in the consolidated financial statements in accordance with the equity method.

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

The part of the item "Other financial assets" shown as current includes interest free employer loans for management amounting to EUR 654 thousand (previous year: EUR 0 thousand).

## 6.6. Other assets

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
Accrued expenses	8,758	3,051	5,707	9,382	4,799	4,583
Prepayments	712	0	712	716	0	716
Tax receivables	7,544	337	7,208	11,236	0	11,236
Other non-financial receivables	1,510	1,017	494	611	476	135
	<b>18,525</b>	<b>4,404</b>	<b>14,121</b>	<b>21,945</b>	<b>5,275</b>	<b>16,670</b>

The main item contained in non-current accrued expenses is an advance payment for a volume incentive under a strategic customer agreement.

## 6.7. Cash and cash equivalents

in EUR thousand	31.12.2016	31.12.2015
Cash on hand	45	44
Cash deposits in banks	190,163	126,387
	<b>190,208</b>	<b>126,430</b>

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 deferrals recognised in the balance sheet after temporary differences comprise the following:

in EUR thousand	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,154	2,227	844	2,019
Tangible assets	1,406	9,175	658	7,806
Financial assets	270	0	0	74
Inventories	2,622	0	2,288	102
Receivables	428	3,809	696	2,675
Other assets	177	1,062	57	49
Provisions for personnel	6,694	0	6,935	0
Other provisions	1,273	13	2,989	136
Trade payables	48	3	372	140
Other liabilities	1,131	487	1,217	539
Temporary differences in connection with shares in subsidiaries and joint ventures / non-current assets held for sale (outside-basis-differences)	0	15,604	0	7,375
Tax loss carryforwards and as yet unused tax credits	28,047	0	18,932	0
<b>Total deferred tax assets and liabilities</b>	<b>43,250</b>	<b>32,380</b>	<b>34,989</b>	<b>20,914</b>
Valuation allowance for deferred tax assets	-9,860	0	-9,280	0
Offset of deferred tax assets and liabilities	-14,544	-14,544	-8,991	-8,991
<b>Net deferred tax assets</b>	<b>18,846</b>		<b>16,717</b>	
<b>Net deferred tax liabilities</b>		<b>17,836</b>		<b>11,924</b>

The allowance for deferred tax assets of EUR 9,860 thousand (previous year: EUR 9,280 thousand) includes an allowance for deferred tax assets on temporary differences in the amount of EUR 3,730 thousand (previous year: EUR 4,468 thousand) and an allowance for deferred tax assets on loss carry forwards in the amount of EUR 6,130 thousand (previous year: EUR 4,812 thousand).



Deferred tax, after taking into account allowances for deferred tax assets and before netting off, relates to the following differences between the financial statements for tax purposes and IFRS:

in EUR thousand	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Different acquisition and production costs of intangible and tangible assets, elimination of intercompany profits	357	7,694	1,285	6,513
Different useful lives of intangible and tangible assets	2,198	2,407	168	1,453
Valuation of assets acquired in business combinations	0	1,294	0	1,731
Tax valuation differences in valuation adjustments of receivables	672	1,482	417	1,370
Tax valuation differences of inventories, elimination of intercompany profits	2,362	0	1,989	102
Differing tax recognition of personnel provisions	3,311	0	3,196	0
Differing tax recognition of other provisions	1,132	13	2,704	136
Differences in foreign currency valuation of assets and liabilities at the balance sheet date	692	2,603	638	468
Deferred tax assets on loss carryforwards	13,828	0	9,797	0
Deferred tax assets on tax assets and tax concessions usable in future periods	6,385	0	3,197	0
Impairments of investments not yet taxed	1,703	0	1,126	0
Temporary differences in connection with shares in subsidiaries and joint ventures / non-current assets held for sale (outside-basis-differences)	0	15,604	0	7,375
Other differences	749	1,285	1,191	1,767
<b>Total</b>	<b>33,390</b>	<b>32,380</b>	<b>25,709</b>	<b>20,915</b>

The change in the deferred taxes recognised in the balance sheet is as follows:

in EUR thousand	2016	2015
Net deferred taxes as at 1.1.	4,794	8,429
Deferred taxes in profit or loss for the financial year	-3,531	4
Deferred taxes in other comprehensive income for the financial year	-253	-2,070
Changes in the scope of consolidation	0	-1,569
<b>Net deferred taxes as at 31.12.</b>	<b>1,010</b>	<b>4,794</b>

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

in EUR thousand	2016	2015
<b>Amounts that will not be recognised through profit and loss in future periods</b>		
Deferred taxes related to remeasurements of defined benefit plans (IAS 19)	326	-2,189
<b>Amounts that will potentially be recognised through profit and loss in future periods</b>		
Deferred taxes related to available-for-sale financial assets	-3	28
Deferred taxes related to cash flow hedges	-4	-327
Currency translation differences related to deferred taxes	-573	418
	<b>-579</b>	<b>119</b>
	<b>-253</b>	<b>-2,070</b>

Deferred taxes attributable to the remeasurement of defined benefit plans (IAS 19), which are included in other comprehensive income for the financial year, were influenced by allowances.

The currency translation differences of EUR -573 thousand (previous year: EUR 418 thousand) are included in the consolidated statement of comprehensive income under the heading "Currency translation differences for the period".

Deferred tax liabilities amounting to EUR 15,604 thousand (previous year: EUR 7,375 thousand) were recognised for temporary differences in connection with investments in subsidiaries and joint ventures (or non-current assets held for sale). The increase of this position relates primarily to the adopted assessment of the applicable tax rates (up to now based on dividend payment with withholding tax, from now on based on dividend payment with withholding tax combined with pending taxes in the case of a disposal of the investment) in connection with the investment in SSC.

In addition, there are taxable temporary differences in the amount of EUR 195,281 thousand (previous year: EUR 180,887 thousand) and deductible temporary differences of EUR 170,414 thousand (previous year: EUR 12,373 thousand) in connection with investments in subsidiaries, for which deferred tax liabilities of EUR 48,020 thousand (previous year: EUR 41,926 thousand) and deferred tax assets of EUR 33,971 thousand (previous year: EUR 3,644 thousand) were not recognised. This is because the parent is able to manage the timing of the offset of the temporary difference, and it is probable at the balance sheet date that the temporary differences will not be offset in the foreseeable future.

The temporary differences in connection with investments in subsidiaries and joint ventures (or non-current assets held for sale) can arise either from the withholding tax on the distribution of dividends or from the tax obligation of the holding. Depending on the specifics of the transaction leading to the reversal of the differences, there may be tax consequences of various types at the different participation levels in the group. The computation of temporary differences in connection with investments in subsidiaries and joint ventures (or non-current assets held for sale) was made taking into account tax effects outside the respective group level.

As of the reporting date there are further deductible temporary differences of EUR 13,714 thousand (previous year: EUR 16,546 thousand) and unused tax losses of EUR 26,202 thousand (previous year: EUR 17,913 thousand), for which no deferred tax assets were recognised.

Of these unused tax losses, EUR 15,136 thousand (previous year: EUR 15,534 thousand) expire within five years. Otherwise these losses and deductible temporary differences can be carried forward without limit.

Recognised deferred tax assets include deferred tax assets for tax jurisdictions, in which during the reporting period or in the previous period tax losses were incurred, which exceed the deferred tax liabilities of the relevant companies by EUR 14,260 thousand (previous year: EUR 11,883 thousand). Deferred tax assets are recognised based on the assumption that there will be sufficient taxable profit in the coming years, that the incurred tax losses were attributable to extraordinary effects in connection with the expense of litigation, and that concrete organisational measures have been undertaken which indicate that the planned improvement in pre-tax profit can be expected. Moreover expense reduction concerning joint venture transaction costs is expected.

### 6.9. Equity

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

As at 31 December 2016, 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 EUR 21,503 thousand of the capital reserves are appropriated reserves. These may be released only 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 other revenue reserves encompass the statutory reserves of Semperit AG Holding totalling EUR 999 thousand (previous year: EUR 999 thousand), the free reserves of Semperit AG Holding amounting to EUR 32,500 thousand (previous year: EUR 47,500 thousand), Semperit AG Holding's net profit for the period under the Austrian Company Code (UGB) in the amount of EUR 14,548 thousand (previous year: EUR 24,798 thousand), 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 the first-time adjustment of the annual accounts of the consolidated companies (recognised and measured according to the accounting policies of the group). In addition, the item includes remeasurements from defined benefit plans (IAS 19) and the cash flow hedge reserve (IAS 39).

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 other derecognition reasons of the respective subsidiary.

The other comprehensive income from joint ventures / non-current assets held for sale is shown in other revenue reserves and currency translation reserves. In the financial years 2016 and 2015, the position "other comprehensive income / non-current assets held for sale" solely includes the result of SSC.

The non-controlling interests as well as their corresponding portion of earnings after tax and comprehensive income relate exclusively to Latexx Partners Berhad, the company acquired in 2012, and its subsidiaries.

The management board was enabled by the shareholders' meeting per 26 April 2016 – under simultaneous repeal of the shareholders' meeting decision of 23 April 2012 – under approval of the board of directors, to raise the registered capital in the following five years from the date of the entry in the company register on – against Cash and/or contributions in kind by 50% or up to 10,286,717 share units – at most in several instalments. Furthermore the management board was enabled, upon approval by the board of directors, to issue convertible bonds. Linked to this is the possibility to raise the registered capital through conversion or subscription rights respective conversion or subscription obligations up to 10,286,717 share units (50 % of the existing share units).

The management board was enabled by the shareholders' meeting per 26 April 2016 – under simultaneous revocation of the existing authorisation of 29 April 2014 to repurchase treasury shares according to § 65 Abs. 1 Z 8 AktG – to repurchase and, if appropriate, to collect own shares up to the legal limit of 10% of the registered capital, for the duration of 30 month from the date of the corresponding resolution in the shareholders' meeting on in accordance with § 65 Abs. 1 Z 8 AktG under approval of the board of directors. In the same shareholders' meeting the management board was enabled, according to § 65 Abs. 1b AktG, and under approval of the board of directors, to resolve another way of disposal than the stock exchange or a public offer or through an exclusion of the right to resale (subscription rights) for the shareholders. At the moment there is no share buyback program, the company does not hold any treasury shares.

#### **Dividend and treasury shares**

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 be released only 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.

The Management Board will propose to distribute a total dividend of EUR 14,401 thousand (previous year: EUR 24,688 thousand), or EUR 0.70 per share (previous year: EUR 1.20 per share), for the financial year 2016. This dividend proposal is based on the assumption that the joint venture transaction will be closed and must still be voted on at the Annual General Meeting and is accordingly not yet recognised as a liability in the present financial statements. The payment of the dividend has no tax consequences for the Semperit Group.

Semperit AG Holding has no treasury stock as at 31 December 2016.

#### **6.10. Liabilities from redeemable non-controlling interests**

Shares of subsidiaries' net assets held by non-controlling shareholders are recognised as liabilities from redeemable non-controlling interests 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 changed as follows:

in EUR thousand	2016	2015
As at 1.1.	44,192	37,303
Dividends	0	-1,003
Share of annual income after tax	6,591	5,395
Currency translation differences	950	2,405
Other changes	92	92
<b>As at 31.12.</b>	<b>51,825</b>	<b>44,192</b>

EUR 37,506 thousand of the liabilities from redeemable non-controlling interests as of 31 December 2016 are current. The short term part is related to entities, for which can be assumed that in course of the joint venture transaction the Semperit Group will take over their shares in the first quarter 2017, as well as on the planned dividend of SAC. The profit / loss attributable to the redeemable, non-controlling shares is reported separately in the financial result in the consolidated income statement.

## 6.11. Provisions for pension and severance payments

### Pension plans – defined benefit plans

#### Pension commitments

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

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

#### Severance payment commitments

Depending on their length of service, most employees in Austria, France, Italy and Thailand are legally entitled to a one-off payment on retirement. One Management Board member is contractually entitled to a severance payment in accordance with the Austrian Employee Act on termination of his 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

The most important actuarial parameters for the defined benefit pension and severance plans are as follows:

Discount rate p.a. in %	31.12.2016	31.12.2015
Austria – pensions	1.10% / 1.40%	1.60% / 2.10%
Austria – severance payments	1.50% / 1.60%	2.20%
Germany – pensions	1.40% / 1.60%	2.10% / 2.20%
Other countries – severance payments		
France	1.60% – 1.80%	2.30% – 2.50%
Italy	1.70%	2.30%
Poland	3.50%	3.00%
India	6.70%	7.70%
Thailand	3.00%	2.90%

Interest rates were determined separately in the individual countries depending on the pension plan.

Salary increases p.a. in %	31.12.2016	31.12.2015
Austria – pensions	0.00%	0.00%
Austria – severance payments	3.50% / 4.00%	4.50%
Germany – pensions	1.80% / 3.40%	1.80% / 3.40%
Other countries – severance payments		
France	2.30%	2.30%
Italy	1.50%	1.50%
Poland	2.00%	2.00%
India	5.00% / 12.00%	5.00% / 12.00%
Thailand	3.00% / 5.00%	3.00% / 5.00%

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

Fluctuation deductions p.a. in %	31.12.2016	31.12.2015
Austria – pensions	0.00%	0.00%
Austria – severance payments	0.00% – 6.90%	0.00% – 10.00%
Germany – pensions	0.00%	0.00%
Other countries – severance payments		
France	0.00% – 7.00%	0.00% – 7.00%
Italy	5.00%	5.00%
Poland	5.00%	5.00%
India	2.00%	2.00%
Thailand	0.00% – 30.00%	0.00% – 30.00%

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

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

The following biometric parameters and assumptions were used:

- Austria: AVÖ 2008-P ANG
- Germany: Heubeck 2005G
- France: TH 00-02 / TF 00-02
- Italy: RG48 (Ragioneria Generale dello Stato)
- Poland: Polish Life Length Table 2013
- India: Indian Assured Live Mortality (2006 - 08)
- Thailand: Thailand TM008

### Balance sheet figures

The provisions for pensions and severance payments comprise the following:

in EUR thousand	Total 31.12.2016	Thereof non-current	Thereof current	Total 31.12.2015	Thereof non-current	Thereof current
Provisions for pensions	19,623	17,886	1,737	19,483	17,698	1,784
Provisions for severance payments	23,055	22,180	875	24,159	23,077	1,082
	<b>42,678</b>	<b>40,066</b>	<b>2,612</b>	<b>43,642</b>	<b>40,775</b>	<b>2,866</b>

### Provisions for pensions

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

in EUR thousand	31.12.2016	31.12.2015
Present value of funded defined benefit obligations	3,795	3,685
Fair value of the plan assets	-691	-886
<b>Deficit</b>	<b>3,104</b>	<b>2,799</b>
Present value of unfunded defined benefit obligations	16,519	16,684
<b>Plan deficit = provision</b>	<b>19,623</b>	<b>19,483</b>

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

in EUR thousand	2016	2015
Present value of the obligations (DBO) as at 1.1.	20,368	22,211
Current service costs	19	20
Interest expense	409	387
<b>Total expenses for pensions</b>	<b>428</b>	<b>407</b>
Remeasurements	1,288	-445
Payments / Transfers	-1,770	-1,804
<b>Present value of the obligations (DBO) as at 31.12.</b>	<b>20,314</b>	<b>20,368</b>

The expenses shown in the table are recognised as "Pension expenses" under personnel expenses in the consolidated income statement (see note 5.4.).

Plan assets measured at fair value consist of the following:

in EUR thousand	31.12.2016	31.12.2015
Cash funds	180	116
Other receivables	511	769
<b>Fair value of the plan assets as at 31.12.</b>	<b>691</b>	<b>886</b>

There are no prices quoted on an active market for the components of the plan assets.

Plan assets changed as follows:

in EUR thousand	2016	2015
Fair value of the plan assets as at 1.1.	886	1,070
Remeasurements of plan assets	44	39
Payments / Transfers	-239	-224
<b>Fair value of the plan assets as at 31.12.</b>	<b>691</b>	<b>886</b>

Interest income from plan assets is recognised as "Pension expenses" under personnel expenses in the consolidated income statement. The remeasurements of plan assets are recognised in accordance with IAS 19 (2011) directly in equity under other comprehensive income.

### Provisions for severance payments

in EUR thousand	2016	2015
Present value of the obligations (DBO) as at 1.1.	24,159	25,475
Current service costs	611	682
Interest expense	550	460
<b>Total expenses for severance payments</b>	<b>1,161</b>	<b>1,142</b>
Remeasurements	-730	-1,576
Payments	-1,544	-903
Currency translation differences	9	21
<b>Present value of the obligations (DBO) as at 31.12.</b>	<b>23,055</b>	<b>24,159</b>

The expenses shown in the table are recognised as "Severance expenses" under personnel expenses in the consolidated income statement (see note 5.4).



### Remeasurements

The remeasurements recognised under other comprehensive income in accordance with IAS 19 (2011) comprise the following:

in EUR thousand	2016	2015
<b>Pensions</b>		
Remeasurements of the obligation		
from changes to financial assumptions	-1,053	592
Experience adjustments	-236	-147
	<b>-1,288</b>	<b>445</b>
Remeasurements of plan assets	44	39
	<b>-1,244</b>	<b>484</b>
<b>Severance payments</b>		
Remeasurements of the obligation		
from changes to demographic assumptions	0	-2
from changes to financial assumptions	458	1,337
Experience adjustments	272	241
	<b>730</b>	<b>1,576</b>
<b>Total remeasurements</b>	<b>-515</b>	<b>2,060</b>

### Sensitivity analysis

Sensitivity analyses were performed for pension and severance plans regarding the effect of significant actuarial assumptions. The determination of sensitivities was carried out based on the same actuarial assumptions used to value the provisions for pensions and severance payments. The remaining parameters remained unchanged.

A change of one percentage point in each of these parameters has the following impact on the present value of pension obligations totalling EUR 20,314 thousand (previous year: EUR 20,368 thousand) and on the present value of severance payment liabilities amounting to EUR 23,055 thousand (previous year: EUR 24,159 thousand):

in EUR thousand	Change in parameter	Present value of obligation (DBO) 31.12.2016		Present value of obligation (DBO) 31.12.2015	
		increase in parameter	decrease in parameter	increase in parameter	decrease in parameter
<b>Pensions</b>					
Interest rate	+/-1 percentage point	18,501	22,486	18,589	22,491
Increases in salaries	+/-1 percentage point	21,501	19,322	21,522	19,404
Life expectancy	+/-1 year	21,228	19,414	21,181	19,597
<b>Severance payments</b>					
Interest rate	+/-1 percentage point	20,691	25,852	21,670	27,104
Increases in salaries	+/-1 percentage point	25,617	21,834	26,849	21,826

#### Average duration

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

Weighted average duration	31.12.2016	31.12.2015
Austria – pensions	7.8	9.6
Austria – severance payments	11.5	11.7
Germany – pensions	10.9	10.4
Other countries – severance payments		
France	14.9	14.8
Italy	14.6	15.2
Poland	9.0	10.5
India	7.6	7.5
Thailand	15.0	15.0

### Maturity analysis

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

in EUR thousand	31.12.2016	31.12.2015
<b>Severance payments</b>		
under 1 year	875	1,082
1 to 5 years	6,200	5,416
6 to 10 years	7,279	7,188
over 10 years	21,405	27,081
<b>Pensions</b>		
under 1 year	1,737	1,785
1 to 5 years	6,622	6,012
6 to 10 years	4,843	5,778
over 10 years	8,936	11,744

### Pension plans – defined contribution plans

Semperit AG Holding is required to contribute to a pension fund for all members of the Management Board with one exception. Annually, 1/14 of the respective fixed remuneration is paid into a pension fund (APK Pensionskasse AG). In 2016 the expense for these contributions amounted to EUR 107 thousand (previous year: EUR 89 thousand).

One member of the Management Board and selected executives were granted pensions, which are covered by reinsurance policies with Generali Versicherung AG, whereupon the pension entitlement matches the amount covered by the reinsurance. Based on an updated analysis of these commitments this plan is since 2015 treated as a defined contribution plan. In 2016 the expense for these contributions amounted to EUR 271 thousand (previous year: EUR 262 thousand).

Employees whose employment is subject to Austrian law and who entered into this employment relationship after 31 December 2002 are not entitled to severance payments from their employer. For these employees and all members of the Management Board with one exception, contributions amounting to 1.53% of their wages or salaries are paid into a staff pension fund. The expense for Semperit's contributions in the financial year 2016 amounted to EUR 526 thousand (previous year: EUR 494 thousand). It is expected that a similar amount of contributions will be paid out in the following year.

For employees in the USA, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. The expense for these contributions in the financial year 2016 amounted to EUR 145 thousand (previous year: EUR 151 thousand).

For employees in Singapore, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. The expense for these contributions in the financial year 2016 amounted to EUR 167 thousand (previous year: EUR 170 thousand).

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

## 6.12. Other provisions

The carrying amounts of the other provisions are as follows:

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
Long-service bonuses	4,313	4,093	220	4,063	3,886	177
Guarantees	3,029	473	2,556	8,969	3,344	5,625
Bonuses and other personnel provisions	4,464	821	3,642	12,488	1,461	11,028
Other	12,255	10,998	1,257	4,933	2,730	2,203
	<b>24,060</b>	<b>16,384</b>	<b>7,676</b>	<b>30,453</b>	<b>11,421</b>	<b>19,033</b>

The other provisions changed as follows:

in EUR thousand	1.1.2016	Currency differences	Release	Use	Additions	Interest cost	31.12.2016
Long-service bonuses	4,063	0	0	-210	376	83	4,313
Guarantees	8,969	-136	-5,481	-1,486	1,164	0	3,029
Bonuses and other personnel provisions	12,488	-37	-832	-11,544	4,388	0	4,464
Other	4,933	1,161	-1,191	-2,113	9,337	127	12,255
	<b>30,453</b>	<b>989</b>	<b>-7,504</b>	<b>-15,353</b>	<b>15,265</b>	<b>210</b>	<b>24,060</b>

The timing of the expected payment streams from other provisions is as follows:

31.12.2016

in EUR thousand	Total	Under 1 year	1 to 5 years	More than 5 years
Long-service bonuses	10,531	225	1,620	8,687
Guarantees	3,029	2,556	473	0
Bonuses and other personnel provisions	4,464	3,642	535	286
Other	12,415	1,227	11,158	30

31.12.2015

in EUR thousand	Total	Under 1 year	1 to 5 years	More than 5 years
Long-service bonuses	11,003	177	1,085	9,741
Guarantees	8,969	5,747	3,222	0
Bonuses and other personnel provisions	12,488	11,053	960	476
Other	5,243	2,438	2,621	185

Provisions for long-service bonuses are established for employees in Austria, Germany and in the Czech Republic. Said employees are entitled to long-service bonuses based on collective bargaining agreements. The valuation was carried out based primarily 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 average weighted duration of the present value of the long-service bonus obligations is around 10 years (previous year: 10 years). Sensitivity analyses regarding the effects of material actuarial assumptions were performed. These resulted in the following effects on the present value of the provisions for long-service bonuses:

in EUR thousand	Change in parameter	Present value of obligation (DBO) 31.12.2016		Present value of obligation (DBO) 31.12.2015	
		increase in parameter	decrease in parameter	increase in parameter	decrease in parameter
Interest rate	+/-1 percentage point	3,920	4,779	3,695	4,414
Increases in salaries	+/-1 percentage point	4,676	3,998	4,498	3,764

The provisions for warranties are based largely on a case-by-case assessment of the risks. In addition, provisions are allocated on a portfolio basis and according to experience, based on the revenue of the previous financial year. 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.

The decrease of the bonuses and other personnel provisions in 2016 mainly results from missing some of the earning targets in the Semperit group so there is no claim on the applicability of the group bonus policy.

In the remaining other provisions the most significant item is a provision for transfer taxes in Brazil with an amount of EUR 8,126 thousand (previous year: EUR 0 thousand). In comparison to 2015 this issue leads to the increase in remaining other provisions. Furthermore EUR 1,238 thousand (previous year: EUR 1,352 thousand) are recognized for lawsuits in conjunction with the transfer tax topic in Brazil.

### 6.13. Corporate Schuldschein loan

In July 2013 Semperit AG Holding issued a corporate Schuldschein loan totalling EUR 125 million with partially fix and partially variable interest. In the second quarter of 2014 and in the first quarter of 2015, additional corporate Schuldschein loans amounting to EUR 5 million with the same conditions as the 10-year fixed-interest tranche of the original corporate Schuldschein loan were issued to "Privatstiftung zur Förderung der Gesundheit von Beschäftigten der Semperit AG Holding" (in English: Private Foundation to Promote the Health of the Employees of Semperit AG Holding). This means that the total notional volume amounted to EUR 130 million.

In 2015 Semperit AG Holding redeemed the variable five- and seven-year tranches (notional volume EUR 36,500 thousand and EUR 35,500 thousand) of the existing corporate Schuldschein loan. In July 2015 these two variable tranches of the corporate Schuldschein loan from July 2013 were repaid. At the same time in July 2015, Semperit AG Holding issued a new corporate Schuldschein loan for a total amount of EUR 75,000 thousand in order to take advantage of the decline in financing costs. This corporate Schuldschein loan consists of three fixed-interest tranches with durations of seven, ten and fifteen years. The average interest rate of the issue is 2.16%. The loan was placed primarily in Austria and Germany. The cash inflows were primarily used to repay the variable tranches of the corporate Schuldschein loan from July 2013.

In November 2016 Semperit AG Holding issued additional corporate Schuldschein loans with a total volume of EUR 139 million (SSD 2016), which are denominated in US Dollar (approx. 63%), in Polish Zloty (approx. 23%) and in Czech Koruna (approx. 14%). By using these additional corporate Schuldschein loans, Semperit Group further optimizes its financing structure as well as its foreign exchange exposure management. Primarily, the proceeds from the SSD 2016 transaction are intended to be used to reduce Semperit's current long-term borrowings provided by the revolving credit facility.

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
Corporate Schuldschein loan	277,547	275,578	1,969	134,096	132,615	1,481
Liabilities to banks	143,236	136,421	6,814	168,458	162,898	5,560
	<b>420,782</b>	<b>411,999</b>	<b>8,783</b>	<b>302,554</b>	<b>295,513</b>	<b>7,041</b>

The corporate Schuldschein loans 2016 are composed of various long-term tranches with fixed and also variable interest rates with a maturity inbetween three and seven years. The average interest rate of these Schuldschein offerings were 1.10% up to 3.22% depending on their underlying currencies and durations. These corporate Schuldschein loans were primarily placed in Austria, in Germany, in the Netherlands as well as in various countries in Asia.

As of 31 December 2016 accrued interest amounting to EUR 1,969 thousand is recognised with the current liabilities section. The differences between the carrying amounts excluding interest (clean prices) and the nominal amounts are the transaction cost of the Schuldschein offerings in July 2013 and July 2015. These differences are allocated over the terms of the corporate Schuldschein tranches in accordance with the effective interest rate method.

In October 2013, Semperit entered into two interest rate swaps (hedged notional volume of EUR 30,240 thousand) to hedge the variable-interest-rate tranches of the corporate Schuldschein loan from 2013. As a result, a part of the variable-interest-rate tranche was converted into a fixed one. Both interest rate swaps were accounted for as cash flow hedges in accordance with IAS 39. When the variable tranches of the corporate Schuldschein loan were redeemed in July 2015, both interest rate swaps were settled as well and the hedge accounting relationships were terminated.

In order to hedge Semperit's financing to a subsidiary company issued in Malaysian Ringgit, Semperit AG Holding entered into a cross currency swap in April 2015. On the one hand, the cross currency swap causes the variable refinancing to be converted into fixed interest rates, on the other hand, the exchange rate of the Euro and the Malaysian Ringgit was fixed. According to IAS 39 the cross currency swap was classified as a cash flow hedge (regarding interest rate risk) and as a fair value hedge (regarding the foreign exchange risk) too. In total, the derivative was accounted for at fair value. As of 31 December 2015 the requirements for hedge accounting in accordance with IAS 39 were no longer met. Since then, all fair value changes are recognised completely through profit and loss within the financial result section of the consolidated income statement. Considering also the ongoing negative EURIBOR, an interest rate floor was added to the existing cross currency swap on 30 September 2016 with the intention to increase the effectiveness of these counter-balancing fair value changes.

In order to hedge Semperit's further financing to a subsidiary company issued in Malaysian Ringgit, Semperit AG Holding entered into two additional cross currency swaps in March 2016 and in August 2016. On the one hand, the cross currency swaps again caused the variable refinancing to be converted into fixed interest rate, on the other hand, the exchange rates of the Euro and the Malaysian Ringgit were fixed. According to IAS 39 these cross currency swaps are also classified as cash flow hedges (regarding interest rate risk) and as fair value hedges (regarding the foreign exchange risk). In total, these derivatives are also accounted for at fair value. For 2016 the effective portion of this cash flow hedge of EUR 289 thousand was recognised in other comprehensive income and EUR -274 thousand were reclassified in the consolidated income statement. As of 31 December 2016 the cash flow hedge reserve from both cross currency swaps amount to EUR 15 thousand (31 December 2015: EUR 0 thousand).

#### 6.14. Liabilities to banks

The liabilities to banks are recognised at amortised cost and consist of the following:

	31.12.2016					
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
	0.9 – 1.6%	EUR thousand	136,541	136,541	136,421	120
	3.0 – 5.0%	MYR thousand	26,271	5,556	0	5,556
Variable-interest liabilities to banks	5.7%	USD thousand	1,200	1,139	0	1,139
				<b>143,236</b>	<b>136,421</b>	<b>6,814</b>

31.12.2015

	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
	0.8 – 1.1%	EUR thousand	144,630	144,648	144,527	121
	3.0 – 5.0%	MYR thousand	25,484	5,427	0	5,427
Variable-interest liabilities to banks	1.47%	USD thousand	20,000	18,383	18,371	12
				<b>168,458</b>	<b>162,898</b>	<b>5,560</b>

In December 2014 a framework loan agreement for EUR 250,000 thousand was concluded with a consortium of six banks. This agreement comprises two tranches, one for EUR 100,000 thousand with a five-year term, and another in the amount of EUR 150,000 thousand with a seven-year term (original term of five years with two renewal options, each for one year, of which both options have already been exercised). As of the balance sheet date EUR 135,014 thousand of the framework loan agreement was utilised.

### 6.15. Other financial liabilities

The carrying amounts of the other financial liabilities break down as follows:

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
Liabilities from finance leases	30	0	30	91	31	59
Derivatives	171	0	171	240	0	240
Personnel liabilities	5,853	86	5,767	4,266	0	4,266
Accruals and deferrals	5,597	0	5,597	5,431	0	5,431
Remaining other financial liabilities	4,722	710	4,012	4,597	831	3,766
	<b>16,372</b>	<b>796</b>	<b>15,576</b>	<b>14,624</b>	<b>862</b>	<b>13,762</b>

The liabilities from finance leases as at 31 December 2016 break down as follows:

	31.12.2016			31.12.2015		
in EUR thousand	Term to maturity of under 1 year	Term to maturity of 1 to 5 years	Term to maturity of over 5 years	Term to maturity of under 1 year	Term to maturity of 1 to 5 years	Term to maturity of over 5 years
Total future minimum leasing payments	31	0	0	62	32	0
Interest portion	-1	0	0	-3	-1	0
<b>Present value of the minimum leasing payments</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>31</b>	<b>0</b>



### 6.16. Other liabilities

The carrying amounts of the other liabilities break down as follows:

in EUR thousand	31.12.2016	Thereof non-current	Thereof current	31.12.2015	Thereof non-current	Thereof current
Liabilities from taxes and social security contributions	5,238	0	5,238	8,937	0	8,937
Prepayments received	2,017	0	2,017	2,314	0	2,314
Accrued income	417	161	256	496	153	343
Unused holidays and overtime balances	5,699	328	5,371	5,270	232	5,039
All other liabilities	809	343	466	2,765	362	2,403
	<b>14,181</b>	<b>832</b>	<b>13,349</b>	<b>19,783</b>	<b>746</b>	<b>19,037</b>

### 6.17. Disclosures on financial instruments

The following tables show the carrying amounts of the individual financial assets and liabilities classified in accordance with the valuation categories stipulated in IAS 39.9.

#### Assets

in EUR thousand	Valuation category IAS 39	Carrying amount 31.12.2016	Carrying amount 31.12.2015
Trade receivables	Loans and receivables	118,844	125,519
Other financial assets			
Securities	Available-for-sale	6,498	6,490
Loans to associated companies	Loans and receivables	563	563
Other loans	Loans and receivables	13	11
Derivative financial instruments	Held for trading	4,396	4,469
Derivative financial instruments	Designated as a hedging instrument	415	0
Other financial assets	Loans and receivables	8,984	3,123
Cash and cash equivalents			
Cash on hand, cheques and cash deposits in banks	–	190,208	126,430

## Liabilities

in EUR thousand	Valuation category IAS 39	Carrying amount 31.12.2016	Carrying amount 31.12.2015
Corporate Schuldschein loan	Liabilities at amortised cost	277,547	134,096
Liabilities from redeemable non-controlling interests	Liabilities at amortised cost	51,825	44,192
Trade payables	Liabilities at amortised cost	111,569	100,660
Liabilities to banks	Liabilities at amortised cost	143,236	168,458
Other financial liabilities			
Derivative financial liabilities	Held for trading	171	240
Liabilities from finance leases	Liabilities at amortised cost	30	91
Remaining other financial liabilities	Liabilities at amortised cost	16,172	14,293

## Fair value

The three levels in the fair value hierarchy are defined as follows:

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

In 2016 there were no reclassifications of financial instruments between the above mentioned levels.

## Assets and liabilities at fair value

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

in EUR thousand	Valuation category IAS 39	Fair Value 31.12.2016	Fair Value 31.12.2015	Level
<b>Assets</b>				
Securities	Available-for-sale	6,498	6,490	1
Derivative financial instruments	Held for trading	4,396	4,469	2
Derivative financial instruments	Designated as a hedging instrument	415	0	2
<b>Liabilities</b>				
Derivative financial liabilities	Held for trading	171	240	2

The fair values of available-for-sale securities are determined using publicly available prices.

The derivative financial instruments held for trading purposes are foreign exchange forward contracts and one cross currency swap. Their fair values are determined using generally accepted financial valuation models (e.g. determination of the present value of expected future cash flows based on current foreign exchange rates and yield curves).

### Assets and liabilities not measured at fair value

The fair value of all other financial assets and liabilities, except for the following items and liabilities from redeemable non-controlling interests, corresponds to their carrying amount.

in EUR thousand	Valuation category IAS 39	Fair Value 31.12.2016	Fair Value 31.12.2015	Level
<b>Liabilities</b>				
Corporate Schuldschein loan	Liabilities at amortised cost	291,537	144,794	3
Liabilities from finance leases	Liabilities at amortised cost	44	92	3

The fair value of the corporate Schuldschein loan was determined by discounting the contractual payment streams with current interest rates. The comparable interest rates as at the reporting date were derived from capital market yields with matching maturities and then adjusted for current risk and liquidity costs that are observable on the market. These comparable interest rates were derived based on management's current assessment of the rating of the Semperit Group. The difference between carrying value and fair value is, on the one hand, the result of a very significant decrease since the issue of the corporate Schuldschein loan in the banks' refinancing costs (as part of the cost of corporate financing through banks) due to the measures taken by the ECB, such as medium-term refinancing tenders for banks at a current interest rate of 0.05% p.a. and the ECB's quantitative easing measures, which led to a significant decrease in risk premiums. On the other hand, the positive wording of several clauses in the corporate Schuldschein loan contract, which deviate from a standard loan, is in Semperit's favour.

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

For the valuation of redeemable non-controlling interests, which are planned to be transferred in conjunction with the joint venture transaction, the agreed valuation range is about 15% above the book value amounting to EUR 22,593 thousand per 31 December 2016. The calculation of the fair value for the remaining redeemable non-controlling interests would require a disproportionately high effort and is thus not disclosed in this report.

## 7. 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 correspond to those recognised in the consolidated balance sheet (see note 6.7.).

Investments in tangible and intangible assets recognised in the consolidated cash flow statement are cash-effective investments in the 2016 financial year. These include investments from the previous year amounting to EUR 7,194 thousand (previous year: 6,480 thousand) which became cash-effective in the 2016 financial year.

The additions in the statement of changes in tangible and intangible assets (see notes 6.1. and 6.2.) amounting to EUR 74,969 thousand (previous year: EUR 75,964 thousand) include investments totalling EUR 17,091 thousand (previous year: EUR 10,325 thousand) that did not result in a cash outflow in the 2016 financial year.

The investments in tangible and intangible assets were made to expand production capacities, particularly in the Sempermed and Semperflex segments, and to modernise existing facilities particularly in the Semperform segment.

Cash flow from investing activities contains in the previous year outflows of EUR 17,474 thousand for the acquisition of Leeser.

Cash flow from financing activities contains cash proceeds in the amount of EUR 142,948 thousand from the issue of a new corporate Schuldschein loan (see note 6.13.), and a cash outflow of EUR 26,837 thousand (previous year EUR 0 thousand) for the repayment of liabilities to banks. In the previous year there was a cash outflow of EUR 72,000 thousands for the repayment of the corporate Schuldschein loan (see note 6.13.). A further part of the cash flow from investing activities is the dividend payment to shareholders of Semperit AG Holding in the financial year 2016 in the amount of EUR 1.20 per share, in total EUR 24,688 thousand.

There was also a cash outflow in the previous year due to the distribution of dividends to non-controlling interests in subsidiaries amounting to EUR 1,003 thousand.

The cash flow from financing activities also contains the cash outflow associated with the acquisition of an additional investment in Latexx Partners Berhad totalling EUR 57 thousand (previous year: EUR 63 thousand) (see note 3.5.).

## 8. Risk management

As a group with international activities, Semperit constantly has to face new challenges as a result of the current fragility of the global economy with its strong regional differences. Semperit operates in countries with different economic framework conditions. In addition, these countries are in different phases of political, constitutional and social development. Semperit is subject to risks related to this situation. The strategic orientation of each of Semperit's four operating segments means that their success depends to differing degrees on the general economic environment.

A risk potential of Semperit's worldwide business activities is the volatility of exchange rates, particularly between euro and US dollar/Polish zloty/Czech crown as well as between US dollar and Malaysian ringgit/Singapore dollar/Chinese renminbi. Therefore, unfavourable exchange rate fluctuations may have significant effects on earnings.

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 are 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.

Semperit's objective is to minimise significant risk potentials of future events through effective enterprise risk management. Furthermore, risk management supports the achievement of company objectives as well as the company strategy while simultaneously developing competitive advantages. In addition to compliance with legal requirements, the main objective of group-wide risk management is to increase risk awareness and to integrate the resulting findings into operational work and strategic company development.

### Capital risk management

The goals of capital management are to ensure the company's continued existence and to enable growth-oriented organic (own business activity without acquisitions) and non-organic (acquisitions) investment activity and dividend policies based on these goals. Relating to loan agreements, the usual clauses include a termination by the banks/investors in case of non-compliance and therefore a possible negative effect on the asset, liabilities, financial and earnings position.

Given the group's organic and non-organic growth strategy, the Semperit Group has decided not to establish a firmly defined target capital structure because different capital structures could be needed. Management aims to ensure that the group has a sustainably robust capital structure

The total capital of the Semperit Group consists of equity, including non-controlling interests in subsidiaries (if they relate to equity instruments), liabilities from redeemable non-controlling interests and net financial debt.

To calculate net financial debt, the balance of cash, cash equivalents and available-for-sale securities is deducted from the balance of interest-bearing financial liabilities (corporate Schuldschein loan, liabilities to banks, loans from non-controlling shareholders from subsidiary companies, liabilities from finance leases).

As of 31 December 2016 net financial debt was EUR 224,106 thousand. The Semperit Group had net financial debt as of 31 December 2015 totalling EUR 163,724 thousand.

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.

The group is subject 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 31 December 2016 the corresponding requirements were complied with.

### **Interest rate risk management**

Operating resources, investments and acquisitions in the group's business operations are partially financed using debt and partially carry variable interest rates. An increase in interest rates may have negative effects on the asset, liabilities, financial and earnings position.

Semperit tries to minimise the interest rate risk by various measures, among other things by a well-balanced ratio between variable and fixed interest rate agreements.

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

In order to hedge Semperit's financing to a subsidiary company issued in Malaysian Ringgit, Semperit AG Holding entered into a cross currency swap in April 2015. On the one hand, the cross currency swap causes the variable refinancing to be converted into fixed interest rates, on the other hand, the exchange rate of the Euro and the Malaysian Ringgit was fixed. According to IAS 39 the cross currency swap was classified as a cash flow hedge (regarding interest rate risk) and as a fair value hedge (regarding the foreign exchange risk) too. In total, the derivative was accounted for at fair value. As of 31 December 2015 the requirements for hedge accounting in accordance with IAS 39 were no longer met. Since then, all fair value changes are recognised completely through profit and loss within the financial result section of the consolidated income statement. Considering also the ongoing negative EURIBOR, an interest rate floor was added to the existing cross currency swap on 30 September 2016 with the intention to increase the effectiveness of these counter-balancing fair value changes.

In order to hedge Semperit's further financing to a subsidiary company issued in Malaysian Ringgit, Semperit AG Holding entered into two additional cross currency swaps in March 2016 and in August 2016. On the one hand, the cross currency swaps again caused the variable refinancing to be converted into fixed interest rates, on the other hand, the exchange rates of the Euro and the Malaysian Ringgit were fixed. According to IAS 39 these cross currency swaps are also classified as cash flow hedges (regarding interest rate risk) and as fair value hedges (regarding the foreign exchange risk). In total, these derivatives are also accounted for at fair value. For 2016 the effective portion of this cash flow hedge of EUR 289 thousand was recognised in other comprehensive income and EUR 274 thousand were reclassified in the consolidated income statement. Details to the cash flow hedge reserve see note 6.13.

The current balance of interest rate risks is derived from the interest-bearing financial instruments as of the balance sheet date. The interest rate profile of the group's interest-bearing financial instruments is shown below:

in EUR thousand	31.12.2016		31.12.2015	
	Fixed interest	Variable interest	Fixed interest	Variable interest
Financial assets	349	54,340	16,806	72,975
Financial liabilities	140,494	278,348	133,091	168,457

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

The resulting effects on the financial result are shown below:

in EUR thousand	31.12.2016			31.12.2015		
	Balance	Sensitivity to changes in interest rates by +100 basis points	Sensitivity to changes in interest rates by -100 basis points <sup>1)</sup>	Balance	Sensitivity to changes in interest rates by +100 basis points	Sensitivity to changes in interest rates by -100 basis points <sup>1)</sup>
Variable-interest financial assets	54,340	543	-44	72,975	730	-438
Variable-interest financial liabilities	278,348	-2,783	2,740	168,457	-1,685	1,597

<sup>1)</sup> For interest rates below 1%, negative interest rates are not taken into account

### Liquidity risk management

There are default risks relating to Semperit's bank deposits. These deposits are not or only partially secured by deposit protection funds and may be the reason why Semperit cannot or only partially or only with some delay access this liquidity or credit lines in case of difficulties of individual banks or another bank and/or financial crisis. In addition, Semperit has business activities in countries with capital controls or agreements with joint venture partners, which results in restrictions on the free availability of the respective cash and cash equivalents. The above-mentioned risks may have negative effects on the asset, liabilities, financial and earnings position.

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

#### 31.12.2016

in EUR thousand	Total	Up to 1 month	2 to 3 months	4 to 12 months	1 to 5 years	Over 5 years
Corporate Schuldschein loan	310,108	0	0	6,787	197,651	105,670
Liabilities to banks	143,475	1,874	3,721	1,219	135,712	949
Trade payables	111,569	61,972	46,045	2,911	308	334
Derivatives	171	154	0	17	0	0
Liabilities from finance leases	30	2	5	22	0	0
Other financial liabilities	14,462	7,273	5,068	1,515	564	42

#### 31.12.2015

in EUR thousand	Total	Up to 1 month	2 to 3 months	4 to 12 months	1 to 5 years	Over 5 years
Corporate Schuldschein loan	152,038	1,619	0	1,619	53,277	95,522
Liabilities to banks	168,699	1,817	3,665	77	162,065	1,075
Trade payables	100,661	54,579	36,516	8,950	50	566
Derivatives	240	72	168	0	0	0
Liabilities from finance leases	94	5	14	39	36	0
Other financial liabilities	14,409	7,637	627	3,669	2,436	40



### 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 contractual partners are for the most part banks with a good credit rating. Furthermore, Semperit has defined maximum investment amounts with each contractual partner in order to minimise the default risk. In countries with restricted cash transfer, Semperit tries to limit the locally kept amount to the operationally necessary minimum.

In addition, the default risk is largely limited by credit insurance and in certain cases 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. Furthermore, the group's 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 group's maximum exposure to credit risk in the corresponding valuation categories in IAS 39.9 are as follows:

in EUR thousand	31.12.2016	31.12.2015
Derivative financial instruments (held for trading)	4,811	4,469
Units in funds, government bonds, equities (AFS)	6,498	6,490
Loans and receivables	36,694	41,638
Cash and cash equivalents	190,208	126,430

### Currency risk management

As a result of international trading activities in various foreign currencies, the Semperit Group is exposed to currency risk. There are associated transaction risks in all group companies, which for example purchase raw materials in foreign currencies or sell products in a currency other than the euro. The main currencies in this context are the US dollar, Czech crown, Polish zloty and Malaysian ringgit.

The translation of separate financial statements in foreign currencies to the euro, the reporting currency, results in currency translation differences (translation risk), which amount to EUR -489 thousand (previous year: EUR -4,751 thousand) and were recognised in other comprehensive income. EUR -187 thousand (previous year: EUR -204 thousand) of this amount was attributable to non-controlling interests, and foreign exchange differences from joint ventures / non-current assets held for sale amounted to EUR 4,884 thousand (previous year: EUR 2,545 thousand). In connection with the joint venture transaction an amount of EUR 14,033 thousand has been classified from the currency translation reserve to reserves which are attributable to non-current assets held for sale.

This led to a change in the foreign currency translation reserve from EUR 2,664 thousand as of 31 December 2015 to EUR -11,670 thousand as of 31 December 2016. In 2015 the foreign currency translation reserve changed from EUR 7,211 thousand to EUR 2,664 thousand. The carrying amounts of assets and liabilities belonging to subsidiaries not based in the Eurozone and the contribution of these subsidiaries to the earnings of the group depend to a significant degree on the exchange rate

between the euro and the functional currency used by these subsidiaries. Translation risk is not taken into account in the following disclosures under IFRS 7.

The following breakdown of the Semperit Group's revenue into key currencies (as a percentage of overall revenue) shows that in 2016, 41.1% (previous year: 47.5%) of sales was realised in a foreign currency.

in % of Group's revenue	2016	2015
EUR	58.9%	52.5%
USD	31.9%	35.6%
CNY	2.9%	2.9%
INR	1.7%	1.9%
GBP	1.6%	2.2%
PLN	0.7%	2.2%
MYR	0.4%	0.4%
THB	0.3%	0.2%
Other	1.6%	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 currency risks as much as possible by coordinating payment flows.

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

31.12.2016	Country	Type of transaction	Currency	Hedge amount <sup>1)</sup>	Hedge rate <sup>2)</sup>	Fair value in EUR thousand 31.12.2016	Range of remaining days to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	1,549,895	38.39	8	160-187
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	6,833,779	35.01	-153	48-136
Semperit AG Holding	Austria	Cross Currency Swap	EUR/MYR	6,562,397/ 30,000,000	4.57	214	818
Semperit AG Holding	Austria	Cross Currency Swap	EUR/MYR	6,625,881/ 30,000,000	4.53	201	1,916
Semperit AG Holding	Austria	Cross Currency Swap	EUR/MYR	25,641,026/ 100,000,000	3.90	4,387	1,084

<sup>1)</sup> Refers to the total amount of all existing derivative financial instruments as at the end of the reporting period.

<sup>2)</sup> Refers to the weighted average rate derived from all existing derivative financial instruments as at the end of the reporting period.

31.12.2015	Country	Type of transaction	Currency	Hedge amount <sup>1)</sup>	Hedge rate <sup>2)</sup>	Fair value in EUR thousand 31.12.2015	Range of remaining days to maturity in days
Sempertrans Bełchatów Sp. z o.o.	Poland	Forward exchange	EUR	26,000,000	4.27	-87	7-182
Semperit Technische Produkte GmbH	Austria	Forward exchange	CNY	58,590,000	7.29	-72	21
Semperit AG Holding	Austria	Forward exchange	USD	10,000,000	1.10	-73	57
Semperit AG Holding	Austria	Cross Currency Swap	EUR/MYR	25,641,026/ 100,000,000	3.90	4,462	1,449

<sup>1)</sup> Refers to the total amount of all existing derivative financial instruments as at the end of the reporting period.

<sup>2)</sup> 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 instruments held for trading rather than as hedges because the prerequisites for hedge accounting in accordance with IAS 39 are not met. The fair values are reported in the consolidated balance sheet as "Other financial assets" or "Other financial liabilities".

In terms of currency risk, sensitivity analyses of monetary items that deviate from the functional currency are prepared for measurement at the reporting date. When doing so, the effects on profit are determined based on hypothetical changes in exchange rates for each currency pair. The basis takes into account the receivables and liabilities in the currency pair in question at the reporting date and the currency derivatives. A uniform change in the range of price fluctuation was not assumed; instead, the appropriate fluctuation ranges for each currency pair were determined based on historical fluctuations during the year.

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

Change in currency to EUR	2016			2015		
	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease
	in %	in EUR thousand	in EUR thousand	in %	in EUR thousand	in EUR thousand
USD	5%	4,904	-4,904	5%	-554	554
THB	4%	-598	598	9%	23	-23
PLN	3%	725	-725	4%	-1,368	1,368
CZK	0%	-24	24	2%	146	-146
HUF	2%	33	-33	3%	40	-40
GBP	10%	122	-122	5%	158	-158
CNY	3%	-141	141	5%	676	-676
INR	4%	-135	135	6%	-176	176
MYR	4%	-1,515	1,515	14%	-2,877	2,877
SGD	3%	3	-3	5%	4	-4

Change in currency to USD	2016			2015		
	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease
	in %	in EUR thousand	in EUR thousand	in %	in EUR thousand	in EUR thousand
THB	2%	137	-137	8%	147	-147
PLN	6%	493	-493	5%	496	-496
CZK	4%	71	-71	4%	45	-45
HUF	5%	-92	92	4%	11	-11
GBP	11%	188	-188	3%	40	-40
CNY	4%	166	-166	3%	41	-41
INR	2%	0	0	5%	27	-27
MYR	7%	307	-307	14%	299	-299
SGD	4%	43	-43	4%	46	-46

## 9. Other commitments and risks

### Contingent liabilities and other financial obligations

A group company is currently conducting tax proceedings regarding levies in Brazil. Based on the negative outcome of these proceedings in the financial year 2016 as well as external expert opinions, the management expects that the requirements for a provision are fulfilled and therefore a provision is necessary for the assessment years 2008 to 2010 (see note 6.12.). For the assessment years 2011 and 2012 the management still assumes that no provision is necessary for a possible tax risk. In the event that this assessment of risk is not correct, there could be a loss, which would significantly impact the asset, liabilities, financial and earnings position of the group. Management aims to ensure that all necessary measures will be taken for a successful enforcement of the legal position of the group company concerned. Appropriate provisions have been accrued for the expected costs of the proceedings (see note 6.12.).

There are otherwise 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 plaintiffs claim to have incurred damages caused by products of the defendant. The Semperit Group rejects all of these claims as being unjustified. None of the cases are currently at a stage at which the outcome can be estimated with a sufficient degree of probability. However, in light of the current insurance coverage, the management of the Semperit Group does not expect these cases to significantly impair the asset, liabilities, financial and earnings position.

One group company is involved in an unfair competition proceeding. The case is currently not at a stage at which the outcome can be estimated with a sufficient degree of probability. The case is being heard before the authorities in consultation with local specialists. The subsidiary is cooperating with the competent authorities and is providing all the necessary assistance. The management of the Semperit Group does not expect this case to significantly impair the asset, liabilities, financial and earnings position. For the anticipated costs and the appropriate risk a provision has been made in the most likely amount according to the assessment of the Semperit Group and in accordance with IAS 37. The amount is reviewed periodically in case there is need for adjustment.

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

### **Legal disputes with the joint venture partner Sri Trang Agro-Industry Public Co Ltd.**

Since 2014, the Semperit Group has been involved in several legal proceedings with domestic courts in Thailand and with international arbitration tribunals seated in Zurich based on the rules of the International Chamber of Commerce (ICC). These proceedings relate in particular to the competencies and internal organisation of the Board of Directors (BoD) being the management body of Siam Sempermed Corp. Ltd. (SSC), a joint venture in Thailand. They also concern the business conduct of SSC, SSC's business relationships with group subsidiaries of the Thai joint venture partner, Sri Trang Agro-Industry Public Co Ltd. (Sri Trang), and the exclusive distribution rights of the Semperit Group.

The opposing parties in the arbitration proceedings are the contracting parties in the joint venture agreements and SSC itself. In the proceedings at Thai courts, the opposing parties are the BoD members who have been nominated by Sri Trang. Semperit is the plaintiff in the ICC proceedings. The BoD members appointed by Semperit are the defendants in most of the proceedings at Thai courts.

The core issue at dispute is that the members of SSC's BoD who have been nominated by the joint venture partner Sri Trang are currently hindering the exercise of control by Semperit.

Due to this inability to exercise control over SSC and the assessment of a loss of control under IFRS 10.B24, Semperit decided to change the method of consolidation for SSC as of 31 March 2014, from full consolidation according to IFRS 10 to the equity method in accordance with IFRS 11 / IAS 28 (see note 2.18. in the annual report 2015).

### **ICC Cases**

Currently, the arbitration proceedings are mostly at an advanced or final stage; the arbitration tribunals have been constituted and case management conferences have been held. Semperit has then prepared and submitted detailed statements of claim and additional briefs. In addition, hearings were held where witnesses were questioned and expert reports presented.

### **ICC 1 Case**

In the second quarter 2016, a final award was rendered in favour of Semperit in the arbitration proceeding against the joint venture partners concerning the possibility to pass board resolutions with a reduced quorum. The arbitral tribunal decided that the Sri Trang nominated directors of SSC cannot and may not block SSC's decision-making and also the Casting Vote of the Semperit nominated Chairman, by not participating in board meetings. Further, the joint venture partners are ordered to bear the costs of the arbitration proceedings and of the ICC Court and to reimburse to Semperit an amount of approximately EUR 2.5 million (net value less the costs of arbitration already paid to the ICC). The joint venture partners failed to honour the award.

Semperit has taken necessary legal actions in Thailand to enforce the award and in both, Thailand and Singapore, to execute the claim for cost reimbursement.

Due to the expected sale of SSC the consolidation method has been changed in accordance with IFRS 5 as of 31 December 2016. Now SSC is disclosed as non-current asset held for sale.

**ICC 2 Case**

In the first quarter 2016, a partial award was rendered in the arbitration proceedings against the joint venture partner concerning the business operations and the business relationships with the joint venture company SSC. The arbitral tribunal decided that Sri Trang and the other Thai joint venture partners must comply with Semperit's request for access to SSC's accounts and company records as well as for the restoration of transparency at SSC.

The joint venture partners failed to honour the partial award, as a consequence Semperit has taken necessary legal actions in Thailand to enforce the partial award.

Other contentious issues that have not been included in the partial award remain subject of the ongoing proceedings. Another partial award is expected to be rendered during the first half of 2017.

**ICC 3 Case**

In the second quarter of 2016, a Partial Award in this case was issued. The arbitration tribunal decided, that SSC itself has to fulfill the demands of Semperit of restoration for transparency, access to the books and accounts and access to the premises.

SSC failed to honour the partial award, as a consequence Semperit has taken necessary legal actions in Thailand to enforce the partial award.

**ICC 4 Case**

In the fourth quarter of 2016, Semperit initiated a further arbitration proceeding which is at the beginning. This arbitration proceeding refers to violations of contracts in relation to a noncompetition clause in Thailand. The arbitration proceeding is at an early stage, the arbitration tribunal has not been constituted so far.

For the ICC Cases 1 to 3, the 30-day-periods for application to set aside the (partial) awards have expired according to Swiss Law and so they are effective.

### Thailand Cases

Several proceedings are still pending at the Thai courts.

Some of these lawsuits were submitted by a Sri Trang nominated director against SSC directors nominated by Semperit and against SSC itself. In the course of 2016, three decisions in favour of Semperit have been made by the courts, the counterparty has filed or is expected to file appeals against these decisions.

Semperit nominated directors have also initiated a lawsuit against Sri Trang nominated directors. In this litigation, the court of appeal overturned the lower court decision and confirmed the legal position of the Semperit directors. The counterparty has filed an appeal against this decision which has remained enforceable so far.

Additionally, Semperit has sued two Sri Trang nominated SSC directors.

In the year 2016, one of the Sri Trang nominated directors commenced a lawsuit against the validity of one shareholders' resolution regarding a shareholder-audit, which was previously passed by an unanimous consent of all SSC shareholders. The first lawsuit has been rejected in the first instance. The counterparty is expected to file appeals against these decision.

If the closing is successful, the termination agreement stipulates that all pending arbitration and civil proceedings between Semperit Group and Sri Trang Group or SSC will be settled.

### BWB Case

In October 2015, the Austrian Federal Competition Authority (BWB) – acting on a petition from Sri Trang companies, which are Semperit's joint venture partners in SSC – commenced a proceeding against Semperit and these Sri Trang companies with the antitrust court in Vienna. The proceeding relates to exclusive distribution rights in Europe. In December 2015, Semperit submitted extensive briefs to defend its legal position. In the first quarter 2016, a court hearing was held and Semperit submitted additional briefs. By the end of June 2016, the antitrust court in Vienna determined in a partial ruling the incompatibility of the exclusive distribution rights with the legal regulations of the EU Competition Law. In July 2016, Semperit filed an appeal with the Austrian Supreme Court. Semperit also proposed that this legal issue be decided by the European Court of Justice because there has so far been no ruling in similar cases on the prohibition of distribution regulations. A decision is expected during the first half of 2017.

The Semperit Group continues to anticipate that its interpretation of the law will be confirmed in these proceedings. The costs for the proceedings in which Semperit is the claimant are being expensed as incurred. Appropriate provisions have been set up for the expected costs of the proceedings in which Semperit is the defendant.



## 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 further discussed here.

B & C Semperit Holding GmbH is the direct majority shareholder of Semperit AG Holding, and B & C Privatstiftung is the dominant legal entity. B & C Holding Österreich GmbH is the shareholder holding an indirect majority stake which draws up and publishes consolidated financial statements in which the Semperit Group is consolidated. 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 AG Holding, the managing directors and supervisory board members of all companies which directly or indirectly hold a majority stake in Semperit AG Holding, and finally the members of the management board of B & C Privatstiftung and the close family members of these management and supervisory board members and managing directors.

Compensation paid to members of the Management Board is shown in note 5.4., loans to the Management Board are shown in note 6.5. The Supervisory Board compensation for the 2016 financial year consists of basic compensation, compensation for the members for each committee, and an attendance fee for each meeting. In the 2016 financial year, the remuneration paid to members of the Supervisory Board for 2015 amounted to EUR 482 thousand (previous year: EUR 353 thousand).

Balances and transactions with joint ventures and associated companies are explained in more detail in note 3.2.

With the other related parties mentioned below the group has the following transactions:

In 2016 the group conducted transactions with unit-it GmbH in the amount of EUR 462 thousand (previous year: EUR 1,130 thousand). This related to the maintenance of SAP licences and was conducted at arm's length conditions. As of 31 December 2016 there are no unpaid liabilities to the company (previous year: EUR 558 thousand).

In 2016 the group conducted transactions with Grohs Hofer Rechtsanwälte Gesellschaft m.b.H. and Grohs Hofer Rechtsanwälte GmbH & Co KG in the amount of EUR 612 thousand (previous year: EUR 264 thousand). These transactions relate to legal consulting services and were conducted at arm's length conditions. As of the reporting date there are unpaid liabilities to these companies in the amount of EUR 251 thousand (previous year: EUR 20 thousand).

The remaining level of transactions with associated companies and other related parties is low, and they are conducted on normal business terms and conditions.

### 10.2. Transactions with co-partners

The fully consolidated company Semperflex Asia Corp. Ltd. has a business relationship with the non-controlling co-partner of this subsidiary, Sri Trang Agro-Industry Public Co Ltd. In addition, Sempertrans Best (Shandong) Belting Co. Ltd. conducts business with Wang Chao Coal & Electricity Group, the non-controlling co-partner of this subsidiary.

### 10.3. Management Board matters

In year 2016 the Supervisory Board of the Semperit AG Holding extended the mandate of the Chairman Thomas Fahnemann for an additional period of office till 31 December 2019.

In the reporting period the Supervisory Board appointed Michele Melchiorre for three years as a member of the Management Board. His mandate commenced on 1 June 2016 and will last until 31 May 2019. Mr. Melchiorre is responsible as technical director for the Industrial Sector.

Chief Financial Officer Johannes Schmidt-Schultes and Chief Information Officer Declan Daly informed the Supervisory Board in September 2016, that after expiry of their terms of office (end of April 2017 and end of May 2017) they would not be available for another contract renewal. Johannes Schmidt-Schultes has been working for Semperit since April 2011, Declan Daly since June 2014. Johannes Schmidt-Schultes and Declan Daly have terminated their mandate on 30 November 2016 by mutual agreement.

The function of the Chief Financial Officer and Chief Information Officer have been merged. For this function, the Supervisory Board appointed Frank Gumbinger as a member of the Management Board. His mandate commenced on 1 December 2016 and last until 31 December 2019.

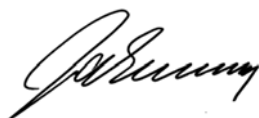
### 11. Events after the balance sheet date

On 18 January 2017 Semperit and the Thai company Sri Trang Agro-Industry Public Co Ltd. Group (Sri Trang) signed an agreement to terminate nearly all of their joint business activities. For further details see note 3.3.

No further significant events requiring disclosure occurred between 31 December 2016, the balance sheet date, and 9 March 2017, the date on which this report was approved for publication.

Vienna, 9 March 2016

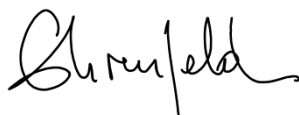
The Management Board



**Thomas Fahnemann**  
Chairman



**Frank Gumbinger**  
Finance



**Richard Ehrenfeldner**  
Member



**Michele Melchiorre**  
Technic

# Independent Auditor's Report<sup>1)</sup>

## Report on the Consolidated Financial Statements

### Audit Opinion

We have audited the consolidated financial statements of

#### **Semperit Aktiengesellschaft Holding, Vienna,**

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRSs) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

### Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Below we describe the **Key Audit Matters**:

- Valuation of goodwill in the Sempermed segment
- Valuation of deferred tax assets
- Effects of current transactions – signing of an agreement to terminate the joint ventures with Sri Trang

<sup>1)</sup> This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

### Valuation of goodwill in the Sempermed segment

The consolidated financial statements of the Semperit Group contain a material goodwill (carrying amount as at 31 December 2016: EUR 26,063 thousand), which is allocated to the Sempermed cash generating unit (CGU).

There is a considerable risk associated with the recoverability of the goodwill, primarily because of the negative earnings trend in the Sempermed segment during 2016. An impairment loss on goodwill in the Sempermed segment was recognised in the financial year in the amount of EUR 16,984 thousand.

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

The corresponding disclosures of the Semperit Group on goodwill are contained in Note "6.1 Intangible assets".

In order to address this risk we have scrutinised and reviewed management's assumptions and estimates. We have additionally performed audit procedures, including the following:

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

### Valuation of deferred tax assets

A material amount of deferred tax assets is recognized in the balance sheet of the Semperit Group (31 December 2016: EUR 18,846 thousand).

The measurement of deferred tax assets is based on significant estimates and judgements. The key risk relates to estimates of future taxable income and the assessment when this income will be realised. To do this Semperit derives a plan for taxable income based on the company's medium-term planning. It then assesses as recoverable those values which can probably be realised over the next five years.

The company's disclosures on deferred tax assets are contained in the Note "6.8 Deferred taxes".

In order to address this risk we have scrutinised and reviewed management's assumptions and estimates. We have additionally performed audit procedures, including the following:

- Assessed the planning and design of the process to review the recoverability of deferred tax assets
- Reconciled the planning data submitted to the Supervisory Board to the tax planning of the individual companies and analysed the plausibility of the key value drivers
- Audited the methodology applied and the mathematical accuracy of the documentation submitted and the calculations
- Performed analyses and assessed the plausibility of the recoverability of deferred tax assets within the next five years using the tax planning

Heading

Risk

Audit response

Heading

Risk

Audit response

Heading **Effects of current transactions – signing of an agreement to terminate the joint venture structure with Sri Trang**

Risk The Austrian Semperit Group (Semperit) and the Thai company Sri Trang-Agro Industry Public Co Ltd Group (Sri Trang) signed an agreement on 18 January 2017 to terminate nearly all of their joint business activities.

Under this agreement Semperit will acquire the joint sales company in the USA (Sempermed USA). In addition, Semperit will acquire the current Sempermed joint venture companies in Singapore, China and Brazil as well as the majority interest in the Malaysian company Formtech (producer of ceramic moulds for glove production).

Sri Trang will acquire the glove production of Siam Sempermed Corporation Ltd. (SSC) in Thailand, which has been operated jointly until now.

In the Industrial Sector Semperit will completely acquire Semperflex Shanghai with a hydraulic hose production plant in China. Semperit will increase its investment in the Semperform business activities in China from 90% to 100%. The Semperflex Asia (SAC) joint venture in Thailand will be continued. Semperit, on the one hand, and Sri Trang together with additional investors, on the other, will each continue to own a 50% interest in the production plant for hydraulic hoses in Hatyai, Thailand.

As part of the termination of the joint venture structure Semperit will receive a one-time compensation payment totalling USD 167.5 million before taxes. Immediately prior to the closing SSC will adopt a resolution to pay a dividend amounting to a total distribution of about USD 118.2 million. SAC will adopt a resolution to pay a dividend amounting to a total distribution of USD 30 million.

This agreement also provides for the termination of all ongoing litigation with Sri Trang.

The key risk relates to the complete recognition of the accounting consequences and the necessary disclosures as at 31 December 2016 resulting from the transaction with Sri Trang. These include, in particular, the following issues:

- Definition of the cash generating unit in the Sempermed segment
- Recognition as an asset held for sale
- Reclassification of the goodwill attributable to Siam Sempermed Corp. Ltd.
- Measurement of the at-equity carrying amount of Siam Sempermed Corp.
- Measurement of the non-controlling interests
- Valuation based on third-party principles
- Assessment of the accounting effects associated with the settlement of the arbitration proceedings in favour of Semperit
- Tax effects
- Presentation of the notes regarding these events occurring after the balance sheet date

The company's disclosures on the effects resulting from the signing of the agreement to terminate the joint venture structure with Sri Trang are included in Note 3.3.

Audit response In order to address this risk we have scrutinised and reviewed management's estimates. We have additionally performed audit procedures, including the following:

- Reviewed the agreement to terminate the joint venture structure with Sri Trang
- Assessed the definition of the cash generating unit in the Sempermed segment
- Audited the recognition as an asset held for sale

- Audited the derecognition of the goodwill attributable to Siam Sempermed Corp. Ltd.
- Audited the recoverability of the at-equity carrying amount of Siam Sempermed Corp. Ltd.
- Assessed the measurement and presentation of the non-controlling interests
- Assessed whether the valuations were made based on arms-length principles
- Audited the accounting effects associated with the settlement of the arbitration proceedings in favour of Semperit
- Audited the tax effects as at 31 December 2016
- Audited the disclosures regarding events occurring after the balance sheet date

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

### Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

### Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

### Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hans-Erich Sorli.

Vienna, 9 March 2017

Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

**Mag. Gerhard Schwartz mp**

Wirtschaftsprüfer / Certified Public  
Accountant

**Mag. Hans-Erich Sorli mp**

Wirtschaftsprüfer / Certified Public  
Accountant



## Statement of all legal representatives

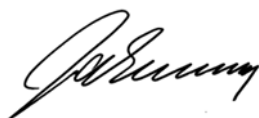
### Pursuant to Section 82 (4) (3) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements as at 31 December 2016 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) give a true and fair view of the assets, liabilities, financial position and profit or loss of the group 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 31 December 2016 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.

Vienna, 9 March 2017

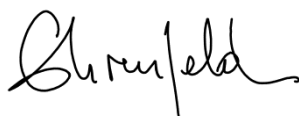
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Member



**Michele Melchiorre**  
Technic