MAG **16**

ANNUAL REPORT **2016**

POLYTEC

MOVING TECHNOLOGIES

PASSION CREATES INNOVATION

Founded in 1986, the POLYTEC GROUP is a leading developer and manufacturer of high-quality plastic components with 26 locations and some 4,500 employees worldwide. For more than 30 years, the Austria-based company has been offering its customers experience and know-how, not only as a complete supplier in the injection moulding field, but also a specialist for fibre-reinforced plastics, a producer of original accessories made from plastic and special steel, and a developer of individualised industrial solutions in polyurethane, as well as the machines and plants needed for this purpose.

KEY FIGURES 2016

Key figures from the consolidated income statement	Unit	2016	2015	2014
Sales	EUR million	650.4	626.5	491.3
thereof passenger cars	EUR million	425.4	420.1	315.7
thereof commercial vehicles	EUR million	147.4	148.1	123.1
thereof non-automotive	EUR million	77.6	58.3	52.5
EBITDA	EUR million	80.1	59.7	36.5
EBIT	EUR million	52.4	36.6	20.6
Earnings per share	EUR	1.65	1.08	0.62
EBITDA margin (EBITDA/sales)	%	12.3	9.5	7.4
EBIT margin (EBIT/sales)	%	8.1	5.8	4.2

Balance sheet key figures	Unit	2016	2015	2014
Balance sheet total	EUR million	501.4	485.1	424.0
Equity ratio (equity/balance sheet total)	%	37.9	33.6	34.0
Investments in tangible assets	EUR million	33.2	134.4	31.2
Net working capital	EUR million	40.1	50.5	56.2
Net working capital in % of sales (NWC/sales)	%	6.2	8.1	11.4
Average capital employed	EUR million	274.8	219.1	150.3
ROCE before tax (EBIT/capital employed)	%	19.1	16.7	13.7
Net debt (+)/assets (–)	EUR million	69.9	99.1	11.8
Net debt (+)/assets (–) to EBITDA	–	0.87	1.66	0.32
Gearing	–	0.37	0.61	0.08

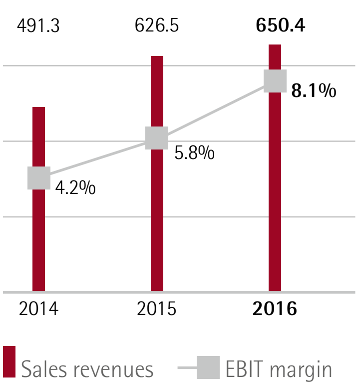
Cash flow key figures	Unit	2016	2015	2014
Cash flow from operating activities	EUR million	70.7	51.3	20.8
Cash flow from investing activities	EUR million	-28.8	-69.2	-37.7
Cash flow from financing activities	EUR million	-20.0	-36.4	94.5

Personnel key figures (incl. leasing personnel)	Unit	2016	2015	2014
Employees on annual average	FTE[1]	4,449	4,247	3,581
Employees as of December 31	FTE	4,427	4,223	4,162
Sales per employee	EUR k	146	147	137

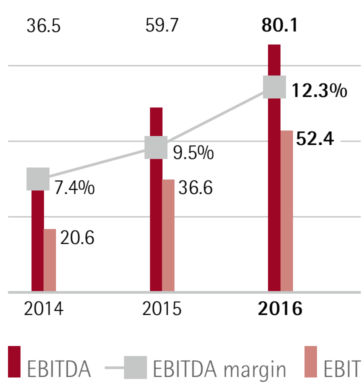
[1] FTE: Full-time equivalents

POLYTEC share (AT0000A00XX9)	Unit	2016	2015	2014
Year-end closing price	EUR	10.39	7.66	6.25
Highest closing price during the year	EUR	10.60	8.45	8.54
Lowest closing price during the year	EUR	6.65	6.20	5.90
Market capitalisation at year-end	EUR million	231.9	171.0	139.6
Money turnover (daily average, double counting)	Shares	35,937	45,660	45,126
Earnings per share	EUR	1.65	1.08	0.62
Proposed dividend per share	EUR	0.40	0.30	0.25
Dividend yield on the basis of the average share price	%	5.1	4.0	3.5

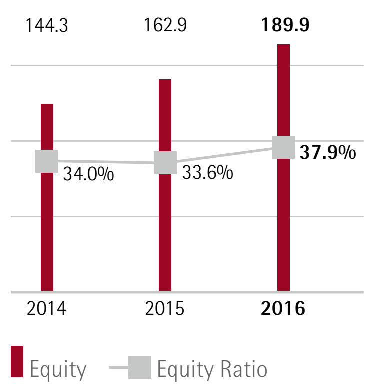
SALES REVENUES, EBIT MARGIN



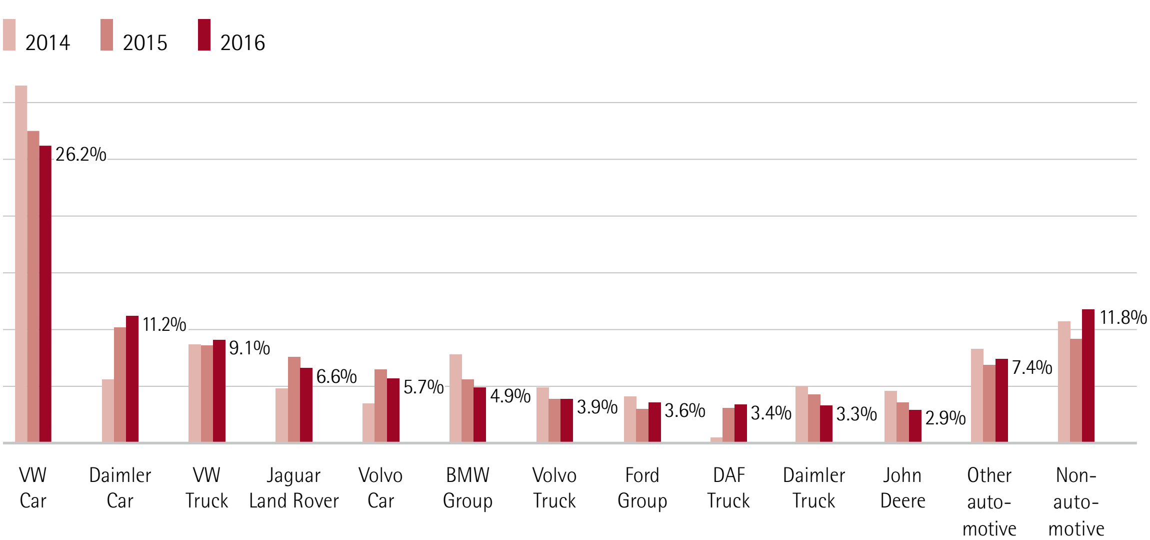
EBITDA, EBITDA MARGIN, EBIT



EQUITY, EQUITY RATIO



GROUP SALES BY CUSTOMER



26 LOCATIONS FOR RESEARCH, DEVELOPMENT AND PRODUCTION

SALES REVENUES **EUR 650.4 million**

MORE THAN **30** YEARS OF EXPERIENCE IN INNOVATIVE PLASTIC SOLUTIONS

~4,500 EMPLOYEES

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

In both the automotive and non-automotive areas, POLYTEC provides excellent value-added depth in every segment. This incorporates design and project development, as well as the production of tools and semis for fibre compound materials, component simulation and testing, and virtually all the available plastics processing technologies. In addition, POLYTEC supplies excellent performance in the shape of downstream processes such as painting, assembly and just-in-time or just-in-sequence delivery.

POLYTEC GROUP

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WITH NEW TOOLMAKING EQUIPMENT
THE POLYTEC GROUP EXTENDED ITS VALUE.

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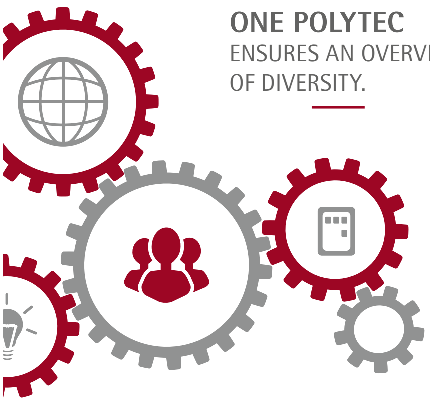
ONE POLYTEC
ENSURES AN OVERVIEW OF DIVERSITY.



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CUSTOMER PROXIMITY:
POLYTEC SHOWCASES ITS LIGHTWEIGHT DESIGN COMPETENCES DIRECTLY AT CUSTOMER PREMISES.

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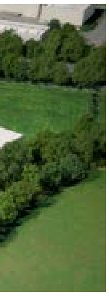


A GREAT DEAL IS ON THE MOVE ...

"Moving Technologies" is the title of this annual report and it is perfectly true that from a technological perspective POLYTEC sets a great deal in motion. Not only in a literal sense through our offer of a unique diversity of technologies for the automotive industry and its "moving" products, but also figuratively. We at POLYTEC generate a constant flow of new applications, material combinations and formulations and therefore are seen by our customers as a congenial partner. Furthermore, what were once clear limitations are becoming increasingly blurred, owing to the fact that the standard practice used to date of allocating certain technologies to predetermined component categories, is steadily disappearing. We are also demonstrating our flexibility in this regard and on the basis of our extensive technology portfolio are able to play a decisive role in shaping developments.

Movement is also highly tangible within our organisation, as exemplified by numerous initiatives for the future such as the increasingly solid anchorage of the ONE POLYTEC philosophy and thus cooperation and individual responsibility throughout the group, progressive overhead reduction, the implementation of our digitisation initiative, the complete reconfiguration of our IT systems and sizeable investments at various locations, all of which have been prepared and successfully implemented in recent years. Moreover, these measures have had a positive impact, which is not only reflected by the solid result for 2016, but first and foremost by the fact that we have become still fitter for the future.

The capital markets have also clearly honoured this development because in recent months our share has enjoyed a strong rally. As a result, following a lengthy period of undervaluation, the POLYTEC share has now finally attained a reasonable price level. Our higher profitability also played a role in this respect, in tandem with the positive estimation of our future potential on the part of investors.

All these factors make me optimistic that POLYTEC will continue to display dynamic forward movement.

Friedrich Huemer

MOVING TECHNOLOGIES

MOVEMENT MADE LIGHT AND EASY

Versatility is one of the POLYTEC GROUP's great strengths. There is virtually no other market player that offers a comparable wealth of materials, technologies and products. Moreover, from the development of new materials to just-in-sequence delivery, the group operates with a depth of value-added that is more or less unsurpassed. If that were not enough, POLYTEC is continually extending and linking the multifaceted know-how at its 26 locations in order to always offer customers the very best of solutions. This approach results in the intermingling of technologies and hence the repeated creation of new and innovative products. Consequently, not only the POLYTEC portfolio, but also the group itself is constantly on the move.

The automotive industry is also always in motion and in particular during the past few years, new concepts such as e-mobility have lent it fresh impetus. However, for the POLYTEC GROUP e-mobility is not the sole driving force, as it has long been successfully involved with the topic of lightweight construction in conventional vehicle design and the long-term trend in the market clearly points towards ever-lighter solutions. It is precisely in the latter area that the POLYTEC GROUP possesses a major competitive advantage because it has the ability to combine various technologies and materials to form optimised products. In this regard, POLYTEC constantly has an eye on market demands to which it repeatedly responds with inventive concepts and the required answers.

1. POLYTEC IS A SYNONYM FOR STATE-OF-THE-ART DIVERSITY

The POLYTEC GROUP is a plastics specialist and hence a market leader. It processes a diversity of materials using numerous technologies and thus creates innovative, highly functional and above all, lightweight components. The intelligent employment of plastics not only facilitates the substitution of metals, but also volume reduction, functional integration and last, but not least, cost savings. As a result of rapid further development, plastics are now able to withstand high static, thermal and dynamic loads and therefore they are ideally suited to use in structural parts. Moreover, plastics not only excel with regard to mobility due to their low weight, but also due to various other merits because with the aid of the correct technology and the appropriate know-how, they can be processed with more or less total freedom of design and as a rule, greater cost-efficiency than metal.

POLYTEC customers also profit from an uninterrupted value-added chain, as from POLYTEC they receive everything from material development and toolmaking, to finishing and just-in-sequence delivery on a one-stop-shopping basis.

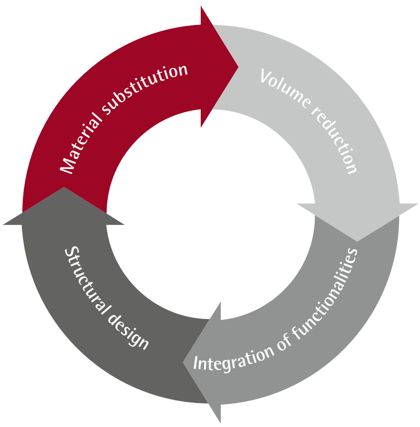
POLYTEC is a leading manufacturer in the **injection moulding** field and produces parts incorporating high levels of production complexity and various technological focal points for both the automotive and non-automotive sectors. The POLYTEC specialists select the optimum process for every product from a range that includes multi-component injection moulding, water injection technology (WIT), gas injection technology (GIT) and projectile injection technology (PIT).

In the **fibre-reinforced plastics** field, POLYTEC disposes over a complete, in-house process chain. Every major step from the production of SMC semis and various pressing processes, to painting involving comprehensive technical competence, can be completed within the group.

POLYTEC supplies **accessories and small series components** for the automotive industry in virtually any requested material. Accordingly, apart from PUR parts manufactured using the RRIM, rigid and semi-rigid processes, blow-moulded and metal components are also produced.

The employment of differing materials in a single part with the aim of achieving even better characteristics is also on the increase and both the combination of thermo- and duroplastics, as well as metal insertions can be used to create such hybrids.

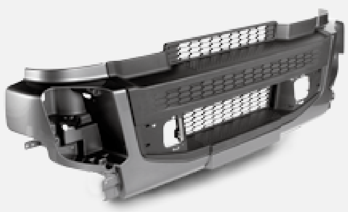
POLYTEC demonstrates equal innovativeness with regard to the ongoing further development of materials and production processes. Furthermore, in order to ensure maximum quality, every new part is subjected to rigorous testing. The group possesses its own state-of-the-art testing systems and stands, as well as innovative analysis software and this capacity represents the key to further product optimisation, regular patent registrations and over a hundred listed patents.



Four ways towards lighter solutions

2. POLYTEC HAS THE BRIGHTEST IDEAS

During the development of innovative solutions, POLYTEC activates its entire material and production know-how. This involves the intelligent networking and linkage of its various technologies, and over the years has led to the creation of numerous products for vehicle exteriors, interiors and engine bays.



MIXED MATERIAL BUMPER MODULE

Prior to the allocation of an order for the manufacture of bumpers for its trucks, Volvo held a concept competition. In response, several POLYTEC plants designed a joint project, which for the first time combined the production of four SMC components and 22 injection-moulded parts, as well as topcoat painting and assembly.

PUR RRIM LIGHTWEIGHT

In PUR RRIM Lightweight, hollow glass spheres and carbon fibre mixed with a polyurethane base replace conventional reinforcement materials. The hollow glass spheres reduce the density of the material and thus create weight reductions of as much as 30 per cent. Consequently, the material is ideally suited to the production of exterior parts such as the rear bumper of the Porsche 911 GT3 RS.

OIL PAN

In 2015, the production of a new oil pan for the Porsche 911 Carrera was requested. However, the space underneath the boxer engine was extremely limited and the oil pan also had to fulfil the role of an air and oil separator, as well as allowing the integration of a fireproof partition box and oil lines. On the basis of these requirements, POLYTEC developed a multifunctional product, which to the additional advantage of the customer is 36 per cent lighter than its aluminium predecessor and considerably cheaper to produce.

HYBRID CYLINDER HEAD COVER

One example of a conceptual solution from POLYTEC is the in-house developed hybrid cylinder head cover. In order to provide this injection-moulded component with greater strength, rigidity and dimensional stability, POLYTEC developed a compound consisting of metal and thermoplastics, which also allows the more precise positioning of functional add-ons.

BATTERY BOX UPPER SHELL

The battery box upper shell for the e-Golf protects the sensitive, high-voltage battery of the e-car, is dimensionally stable and both media- and temperature-resistant. It also safeguards the vehicle occupants and the environment against powerful electromagnetic fields. The component, which is over two metres long, has been in production at the Weiden plant since 2014 and is made from SMC with an additional layer of aluminium film.

C-PILLAR

During the design of its new 7 series, BMW opted for carbon fibre reinforced plastic for the production of light, but structurally rigid reinforcement elements. Therefore, since July 2015, the POLYTEC plant in Weiden has been manufacturing the C-pillar reinforcement of the BMW 7 using carbon SMC, which as opposed to steel also provides 60 per cent weight savings.

PRODUCT EXAMPLES

GMT, PISA, PUR, VICS ... ... ARE THESE ACRONYMS NEW TO YOU?

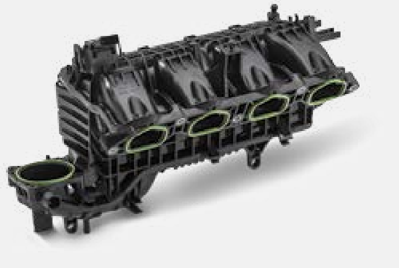
If so, and you have a question, our glossary will provide the answer!
Page 132

AIR FILTRATION SYSTEM

The demands made by the automotive industry on air filter systems are increasing steadily and in particular, strict standards have to be met with regard to filtration quality and pressure loss reduction. In the run-up to the serial production of one such system for a respected German premium class car manufacturer, POLYTEC's injection moulding specialists again demonstrated their development competence through the skillful combined use of testing and simulation techniques for the innovative design of the new unit. This resulted in the development of an efficient air filter that fulfilled the considerable expectations of the customer in every respect.

BLOW MOULDING

The new VW Amarok is fitted with a POLYTEC styling bar, which is manufactured using blow moulding. This technology for medium-sized series facilitates the cost-efficient production in relatively small numbers of thick-walled, hollow thermoplastic components with single-part geometry and Class A surfaces.



INTAKE MANIFOLD

POLYTEC's intake system production incorporates injection moulding, ultrasound and vibration welding, assembly and quality checks that are carried out in one fully automated production line. The three main component parts are produced in a single tool during a cycle lasting less than 60 seconds. This level of automation represents a significant competitive advantage.

HYBRID UNDERBODY SOLUTIONS

The production of POLYTEC's underbody solutions involves the bonding of up to five different materials in a one-shot working process. This results in material combinations of high-loft LWRT, GMT, VICS, aluminium, D-LFT, SMC, PUR, PP foam and POLYTEC-patented PISA, which make the parts lighter, more stable and rigid, and also improve both their noise insulation characteristics and thermal resistance.

SOFT ENGINE COVER

For many years, two-part, motor block covers were manufactured, which consisted of an injection-moulded hard shell and noise-absorbent material such as PUR flexible foam. Then in the course of teamwork between various group locations, POLYTEC developed a cover for Volvo made from asymmetric PUR flexible foam. This is manufactured in a one-shot process and consequently is lighter, costs less to produce, absorbs more noise and possesses improved head-impact behaviour. POLYTEC manufactures its soft engine covers in Hörsching.

→ 3. POLYTEC DEVELOPS CONCEPTS

In the past products were constantly linked to certain technologies and were requested accordingly. Customers not only ordered a specific product, but at the same time also a specific technology. Consequently, the product, business unit and technology generally formed a predetermined triumvirate. However, in recent years the teamwork between customers and suppliers has altered radically and therefore POLYTEC has departed from pre-established product and technology classifications in favour of networked thinking and creativity, which are invaluable during the acquisition of new contracts.

Today, tender procedures are designed with greater openness and flexibility, and technological areas interlock to an increasing degree. In the course of concept competitions, the OEMs frequently only provide data regarding the technical requirements, the available space and the functions that the component should fulfil. On the basis of this information, the supplier delivers a complete concept, which furnishes a platform for the best, lightest and most cost-efficient product for the customer.

POLYTEC does well during such concept competitions due not only to its technological versatility and development infrastructure, but also its enormous innovative capacity, which not least derives from the close cooperation between the experts at its various locations. Moreover, POLYTEC thinks in terms of solutions rather than technologies and no longer solely supplies vehicle manufacturers with individual components, but equally with complete systems.

4. POLYTEC ADDS VALUE

At POLYTEC, value-added commences with the production and further development of materials, and only ends with just-in-sequence deliveries to the customer. In between are a whole series of tasks that if requested, the group assumes within the framework of a production contract. Recently, tooling production has gained in significance within the POLYTEC GROUP and in particular, this area further enhances its flexibility. However, pre- and product development, production, painting, finishing and logistics also represent important links in the value-added chain because the group regards itself as a systems supplier that furnishes its clientele with comprehensive solutions.

5. POLYTEC UNITES WORLDS

The diversity of products that POLYTEC offers its customers is not restricted to just the automotive sector and the group has a second business cornerstone in the shape of the non-automotive segment. Here, POLYTEC employs its technical versatility in a variety of areas and manufactures logistics boxes, toner containers, household appliance control panels, solar collector housings, technical moulded parts and many other non-automotive components in series of between 500 and eight million pieces per year.

One current product group on the interface between the automotive and non-automotive worlds is formed by power service stations. In this area POLYTEC is working with a number of customers on the development of systems for inductive, cable-free charging and in this connection is using its expertise in the underbody field in combination with its non-automotive application know-how. During inductive charging, the driver simply leaves his or her vehicle on a suitably equipped parking space. Charging then follows fully automatically without the need for cables.

POLYTEC also envisages major potential in the expansion of e-mobility infrastructure, for the coming years will almost certainly require the installation of thousands of new power service stations in which plastics will play a defining role.

6. POLYTEC SETS THE FUTURE IN MOTION

There are numerous indications that e- and hybrid vehicles will play a decisive role in future mobility. Nonetheless, cars with conventional combustion engines are likely to remain with us for decades to come and above all this applies to large vehicles such as long-distance trucks. Viewed in this light, a multifaceted future awaits us and this also means a diversity of opportunities for plastics technology. For what is certain to continue is the trend towards mobility in combination with lower energy consumption. Consequently, lightweight construction and functional integration will remain critical factors in transport technology. ■

PRODUCT EXAMPLES

LOGISTICS BOXES

Since mid-2015, the POLYTEC plant in Ebensee has been manufacturing logistics boxes for the IFCO company. Fourteen, fully automated production lines were put into operation in minimum time for this purpose and now up to 8 million boxes are being delivered annually.

CONTROL PANEL

Another lighthouse project in the non-automotive segment is the production of control panels for Miele washing machines and dryers. These components are subject to stringent optical and functional requirements and the POLYTEC plant in Lohne manufactures them in 40 variations, 26 languages and a range of 24 decor options.

DOSING SYSTEMS

POLYTEC also designs and manufactures industrial dosing systems and thereby demonstrates its comprehensive know-how.

"... NOBODY ELSE CAN OFFER SUCH TECHNOLOGICAL DIVERSITY ..."

FRIEDRICH HUEMER, MARKUS HUEMER, ALICE GODDERIDGE AND PETER HAIDENEK, THE MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS, IN CONVERSATION ON THE TOPICS OF SUCCESS, TECHNOLOGICAL DIVERSITY, DIGITISATION, PERSONAL RESPONSIBILITY AND FUTURE PERSPECTIVES.

Mr. Huemer, following a very solid year in 2015, the POLYTEC GROUP again delivered a strong performance in 2016. Are you content in this regard?

Friedrich Huemer: Yes, for the first time in many years, I am unreservedly satisfied with our development and this not only applies to the figures, but also the overall mood in both my case and within the group as a whole. In other words, I can see sustained improvement.

What were the driving forces behind this positive trend?

Friedrich Huemer: For me, three factors predominate. Firstly, owing to stable demand we achieved good production quantity statistics and secondly, we were able to deal with a number of unresolved issues that had a negative impact on our result in 2015. Thirdly, the managerial performance of our entire team during the past year was simply good.

Markus Huemer: Particularly gratifying is the fact that in the meantime, our efforts aimed at improving operative performance have begun to achieve tangibly positive results. We have been working intensively on this objective for years, however not top-down, but instead through an overall transition in corporate culture. Personal responsibility, leadership, communications and procedural standardisation constitute absolute keywords in this regard. Major advances have now become evident at the plants where we established related special priorities and the task now is to spread this progress over a wider area.

The implementation of the new corporate culture is therefore going well, but what did you mean specifically when you referred previously to unresolved issues?

Friedrich Huemer: First and foremost, I was thinking about our plant in Ebensee, where following the end of leisure furniture production in 2013, we initially had to fight quite hard to achieve the level of quality and process understanding required of an automotive subsupplier. Then in 2015, we made a huge investment in order to carry out a new, major order from IFCO for fifty million multipurpose boxes. This led to marked changes in the plant and the transfer of complex production to one of our locations in the Netherlands. On this basis, within only a year we achieved an improvement in the Ebensee result of around EUR 5 million, which was thus positive for the first time.

Another important point was the reduction in the workforces at some of our COMPOSITES plants during recent years. This process continued during 2016, but was already mostly accounted for in the 2015 balance sheet.

May we now turn from internal improvements to external influences? How were you affected by the market environment in 2016 and for example, did the VW exhaust gas affair impact your business?

Alice Godderidge: Basically, one must begin by saying that our development does not automatically follow that of the automotive market. Naturally, we cannot shut ourselves off entirely from the overall trend, but ultimately our performance is dependent upon our receipt and successful realisation of concrete projects and orders, and how the related sales figures subsequently develop. Therefore, it can well be the case that during a specific period, a market segment may fail to show dynamic development but nevertheless still be able to provide us with good business. However, we certainly benefit when the general mood is positive.

Markus Huemer: At any rate, the VW exhaust gas affair has barely affected our sales revenues. As opposed to the general expectations, which initially also had a detrimental impact upon our share price, our volumes did not fall. One must →

also remember that this problem primarily concerns the USA, which for VW is a relatively small market with a limited diesel engine percentage. In addition, the effects would also appear to be less serious than one might imagine, as exemplified by the recent publication of figures, which revealed that in 2016 VW overtook Toyota in terms of the number of units sold.

Have you made any strategic changes, or do you see a need for adjustments in the near future?

Markus Huemer: No, nothing has altered and the three keystones of our strategy comprised by the strengthening of our position in the European market, the development of new technologies and applications, and the creation of production centres in growth regions, remain firmly in place. Moreover, I should add that certain new focal points have become apparent.

For example, as far as the strengthening of our market position in Europe is concerned, the optimisation of the overhead structure is quite clearly the prime concern. This is because our competitiveness not only depends on operative performance, which in both our case and that of our competitors is simply a prerequisite, but increasingly upon the efficiency of indirect process sequences. One must always bear in mind that we have numerous plants in high-cost countries.

And how do you intend to achieve this optimised overhead cost structure?

Markus Huemer: By means of a comprehensive package of initiatives and measures subject to the underlying logic that we wish to make every process as efficient as possible, irrespective of whether value-added is created directly or indirectly. This also involves the harmonisation of core processes across the group, which is certainly in line with "gentle centralisation". This should enable us to make every procedure leaner, faster, more transparent and above all, less expensive. In addition, these slimline processes should be automated to a maximum extent.

To realise this objective, we must create free space for our managers in order that they are not concerned primarily with "fire fighting" but can dedicate far more time to their true, design-related leadership tasks. In turn, this presupposes that we raise the degree of personal responsibility of the entire workforce right down to the shopfloor and thus empower our personnel to take all the decisions affecting their areas of answerability. However, for this purpose we must provide information of relevance to decision-making in sufficient quality and real time. Furthermore, we have to create the correct mindset by motivating employees and managers alike and providing them with the necessary competences. In the meantime, our complexity has simply reached a level that no longer allows its top-down control and consequently action upon personal responsibility at every level has become essential.

During recent years, within the framework of a general offensive, we have launched appropriate initiatives in every working area. These extend from our ongoing POLYTEC Performance System (PPS) lean management programme, which has been running since 2013 and provides methodology competence, to the POLYTEC Leadership Academy via which we are creating a targeted increase in leadership competence throughout the group, to the digitisation drive started in 2016, which, in a deviation from the mainstream, we consciously regard as being solely a means to an end.

Instead of wishing to master this complexity, would it not also be conceivable to reduce it?

Alice Godderidge: This is not an option because the targeted, ongoing enlargement of both our technology and application portfolio, and the depth of our value-added constitutes the very substance of our second strategic keystone. We are therefore deliberately moving in the direction of increasingly complex and closely integrated products. The more we can offer our customers and the greater the extent to which we have our multifaceted portfolio under control, the stronger our position becomes. The degree by which multiplicity increases is mirrored exactly by a decrease in competition, owing to the fact that fewer competitors can keep pace and no one else is capable of offering the technological diversity that we provide.

You mentioned digitisation, which at present is a genuine buzzword. What is the actual significance of this topic for POLYTEC?

Markus Huemer: We have drawn up a digitisation roadmap, which we are now systematically putting into practice. In this connection we are not talking about grandiloquent Industry 4.0 applications, but rather the tangible support of everyday company and plant working. Our key concern is the full-coverage compilation and combination of all the relevant data and processes, and their preparation and structuring in a form that provides a suitable basis for decision-making. With this in view, we have defined various platforms and streams ranging from production and quality management to operational data logging, workflow automation and the standardisation of the ERP landscape. A key requirement in this connection is that all systems are capable of a full-scale roll-out because only then can the group really benefit.

Peter Haidenek: In order to create the prerequisites for this digitisation offensive, in 2016 we carried out a complete IT restart under the heading NextGenIT, which involved investment in hard- and software on an unprecedented scale. In addition, we have put both the structure

and the procedural organisation of IT throughout the group on a fresh footing. Consequently, an entirely new basis has been created from a technical, organisational and personnel perspective. In a parallel move, our security measures are being modified in such a way that we will be able to offer long-term 360° cyber security and this will involve everything from the heightening of awareness levels to technical safeguards.

You also previously mentioned the topic of corporate and managerial culture and one key term in this regard is ONE POLYTEC. What related impulses and initiatives were there during the past year?

Markus Huemer: In 2016, we further consolidated our matrix organisation and the topic of network organisation took centre stage. This was because owing to the composition of our group structure, our employees are geographically widely spread. Nonetheless, and perhaps for this very reason, they must be able to work constructively in well-coordinated teams. Therefore, we are trying to dissuade people from thinking in terms of individual departments and instead are seeking to create a horizontal rather than a strongly accentuated vertical structure. However, such a transition can only function when in practical terms interfaces and departmental frontiers cease to exist. This applies equally to both the locations and the various →

„IN 2016, WE FURTHER CONSOLIDATED OUR MATRIX ORGANISATION AND THE TOPIC OF NETWORK ORGANISATION TOOK CENTRE STAGE."

MARKUS HUEMER, COO

specialist areas, and confronts many with sizeable challenges.

How could one envisage these network organisations in real terms?

Markus Huemer: Within the ONE POLYTEC framework, we define the personnel structure and requirements centrally and in coordinated fashion. The aim is to design the organisation to be so effective that we can complete any assignment with a minimum use of resources. For example, in the controlling area, we not only have a team at group headquarters here in Hörsching, but also units at other locations. By network organisation, we understand that each of these units has a focal point to which the others can refer. This is exemplified by the topic of provisions for pensions, which is looked after by Kraichtal-Gochsheim. It is self-evident that this system results in a better use of expert capacity and an overall reduction in expense.

This annual report is entitled "Moving Technologies". What does this mean for your group?

Alice Godderidge: I see two facets in this regard. On the one hand, as previously stated, we offer impressive technological diversity that is unparalleled in the market, and on the other, we attempt to make full use of this versatility throughout our entire portfolio. With reference to the term "moving", a great deal is in motion in this respect, especially as we are departing from the previous standard use of fixed classification of products and technologies. In the past, the product, business unit and technology formed a type of rigid triumvirate, but today we offer customers the respective, optimum solution for their products employing the most appropriate technology. Moreover, the more the topic of lightweight construction involving the substitution of metal by plastic gains in significance, the greater the interest in hybrids involving combinations of every type of technology. Therefore, everything has become more open and variable, and the various areas are interlocking to an ever-increasing extent. The sentence: "We need a bumper for a truck" personifies current customer demands and we have to think about how to fulfil them at the most favourable price by means of the best possible technology.

With increasing frequency, new contracts are being put out to tender in the form of conceptual competitions. In the course of this process, the customer makes known the demands on the product, often in very general terms, and the potential suppliers suggest what in their view is the optimum solution from a technical and cost-efficiency perspective. In this regard, our diversity naturally gives us an edge.

„WE OFFER IMPRESSIVE TECHNOLOGICAL DIVERSITY THAT IS UNPARALLELED IN THE MARKET, AND ON THE OTHER, ATTEMPT TO MAKE FULL USE OF THIS VERSATILITY THROUGHOUT OUR ENTIRE PORTFOLIO."

ALICE GODDERIDGE, CSO

Markus Huemer: Networked thinking is of elementary importance in such competitions and teamwork that goes beyond prior limits also represents a fundamental requirement. In this connection, ONE POLYTEC is intended to help prevent differing specialists from seeing one another as rivals, which is unfortunately the norm in many organisations, and instead, facilitate constructive cooperation and the exploitation of technological synergies.

And how does this function in practice?

Alice Godderidge: Through our definition of clear, internal processes for product development and tendering, and the strict monitoring of their observance. In every case, the inclusion of all the relevant areas must be ensured and in the case of projects of greater size or complexity, I myself am regularly involved, while standard enquiries are handled by means of an established procedure.

E-mobility is currently the object of considerable hype. What is its significance for you, especially with regard to lightweight construction?

Alice Godderidge: Without wishing to enter into the discussion concerning the meaningfulness of e-mobility, and there are a number of critical voices, clearly we cannot simply ignore this trend. However, e-mobility is not per se a driving force behind our business because weight reduction is also at the top of the agenda in the conventional vehicle manufacturing area. What does apply is that lightweight construction is our number one topic, irrespective of the direction in which it is heading. We have been concerned with this issue for years and have a correspondingly solid foothold in the market.

Where do you see other additional potential for the POLYTEC GROUP?

What is the outlook in the non-automotive segment?

Alice Godderidge: Apart from repeatedly new developments in lightweight construction, we are also working intensively on our non-automotive initiatives with the aim of also profitably using our know-how from the automotive sector in other areas. In particular, we are pushing such applications hard in the injection moulding field and an excellent example in this connection is provided by the aforementioned folding boxes for IFCO. Moreover, we are also successfully manufacturing modules with integrated functions for household appliances and wish to expand these activities further.

During 2016, you made sizeable investments in your Ebensee und Chodová Planá plants and took over the Hungarian company Ratipur Kft. in its entirety. Production has also commenced at your new plant in China and a large-scale investment is imminent in the UK. This would seem to imply that all the signals are pointing to growth ...

Markus Huemer: These investments partly serve the enlargement of our production footprint and partly the creation of the prerequisites for current orders. The expansion of the plant in Chodová Planá exemplifies the former and the spending in Ebensee, the latter. In Chodová Planá we first purchased the property from the previous lessor and then undertook plant expansion with regard to both buildings and equipment. As a result we have strengthened our presence in a country with a favourable cost structure and logically enough, also our competitiveness. Incidentally, this does not mean that we favour low-cost locations in principle. For in the final analysis, the allocation of orders is always a question of the workload of the individual plants and logistical considerations. Therefore, within the group we prefer to use the term best-cost locations.

The new plant in China became operational in 2016 as scheduled and now the focus is on the intensive acquisition of new orders, as at present the use of capacity does not correspond with our expectations.

Friedrich Huemer: In the UK, or Telford in England to be exact, we are investing over EUR 20 million in a new paint shop and here, too, the good order situation was the primary reason for this expansion. However, we obviously hope to obtain additional, new projects from the British automotive industry.

Particularly in the exterior part segment, geographical proximity to the customer is of major importance and therefore Telford will be working almost exclusively for English customers. May I add that as the automotive industry has long traditions in the local area, we do not anticipate disadvantages due to Brexit, although as a convinced European, I personally find it painful.

The price of your share has recently developed in an extremely positive manner. How do you account for this sharp rise?

Peter Haidenek: I think there are two key points in this connection. Firstly, during the past two years we have systematically improved our profitability, which apparently has been positively received. And secondly, the market endorses the fact that we possess future potential and above all, estimates our product and customer mix, as well as our diversified technology portfolio.

Undoubtedly, one restrictive factor at the beginning of last year was the fear that the exhaust gas affair would have negative repercussions on VW's business and thus also affect us. This put a brake on the share price during the first half of 2016, but since the third quarter, the positive aspects have predominated.

„ALL IN ALL, DURING THE PAST TWO YEARS OUR SHAREHOLDERS HAVE SEEN THE VALUE OF THEIR INVESTMENTS INCREASE BY MORE THAN TWO-THIRDS."

PETER HAIDENEK, CFO

→ Overall, we clearly outperformed the market in 2016 and irrespective of the peer groups selected for comparison with POLYTEC in recent years, we were clearly undervalued. In the meantime, we have moved into the middle of the market and naturally I regard this as extremely positive.

If one considers the share price and the operative performance in tandem, at present the POLYTEC shareholders must be most satisfied ...

Peter Haidenek: The vast majority of our shareholders are indeed content at the moment, particularly those that have accompanied us for some time. The dividend return for investors who bought in several years ago is considerable and in addition it is also possible that they have doubled their buying price. Moreover, anyone who purchased POLYTEC shares in the summer of 2016 must be more than happy, for if in 2015 total shareholder return amounted to a notable 27 per cent in 2016 this figure climbed still further to 40 per cent. All in all, during the past two years our shareholders have seen the value of their investments increase by more than two-thirds.

How will the dividends for 2016 turn out?

Friedrich Huemer: The proposed 40 cents per share is a new record, even though in view of the net income for the year, in theory more would have been possible. However, we attach value to continuity in our dividend policy and with 40 cents we lie more or less exactly in the middle of the announced 20 to 30 per cent range of the distributable earnings. In addition, this amount leaves room for additional increases ...

Following the sizeable investments of recent years, what is the situation with regard to your liquidity and leeway for any possible acquisitions? Do you see a need for action in connection with corporate financing?

Peter Haidenek: Not at all. The annual financial statements disclose cash and cash equivalents of EUR 80 million, which is a far higher figure than in the previous year. At the same time, we have slashed net debt by almost EUR 30 million. A sustained improvement in cash flow provides the background to these statistics and in future this will also allow us to finance investments from our own resources. Furthermore, we recently issued a EUR 45 million promissory note, which largely serves the premature repayment of existing bonded loans and provides us with considerable interest savings.

How do you see demand and the general mood in the automotive industry developing in the coming months and years?

Friedrich Huemer: Basically, I anticipate a continuation of the positive trend in the global automotive industry. I also think that as to date, in the foreseeable future we will be affected primarily by the situation in Europe because all the more distant markets and regions are for us of peripheral significance. Nevertheless, we still wish to undertake targeted and measured investments in these areas.

Alice Godderidge: As I already remarked, our development is not necessarily dependent upon that of the market in general. Of greater importance is that we opt for the correct market segments and keep a watchful eye open for opportunities. In this regard, active and focused market cultivation is essential. Therefore we consciously focus on our main customers and in the process, build on our technological diversity and extensive experience. The true skill lies in the identification of those projects that present us with the best chances. Moreover, we prefer to involve ourselves with issues offering genuine promise and are prepared to forego short-term business when this does not offer sustained development.

Last, but not least, what is your outlook for 2017?

Friedrich Huemer: Following the growth of the past two years, we envisage further slight expansion with respect to both consolidated sales revenues and the operating result. However, this estimation assumes a stable economic situation, positive business development amongst all our major customers and naturally enough total commitment on our part, although I don't think I need to make special mention of the latter ... ■

„FOLLOWING THE GROWTH OF THE PAST TWO YEARS, WE ENVISAGE FURTHER SLIGHT EXPANSION."

FRIEDRICH HUEMER, CEO

POLYTEC PLASTICS EBENSEE

AN EFFICIENCY ROLE MODEL

In 2013, the unexpected insolvency of a key customer led to the shutdown of POLYTEC's leisure furniture production, which until then had taken place at its plant in Ebensee. This resulted in difficult years, however in 2016 the Ebensee operation finally achieved a turnaround. The manufacture of transport boxes for IFCO commenced at the plant during 2015 as part of one of the largest, non-automotive orders in POLYTEC GROUP history. Today, the Austrian facility is already seen as a role model with regard to both production and cost-efficiency.

In 2015, the logistics specialist IFCO allocated POLYTEC one of the largest, non-automotive contracts in its history, involving the manufacture in Ebensee of 50 million transport boxes in the period up to 2021. Receipt of this commission was followed by massive investment in fourteen production lines and the automation technology employed at the location. The first line was commissioned in August 2015 and since May 2016 all the lines have been fully operational with a transport box leaving the Ebensee plant every two seconds.

Requirements clearly surpassed

2016 was not only characterised by the start of production for the IFCO project, but also ongoing optimisation measures with respect to improvements in cycle times, plant availability and quality, as well as the minimisation of the reject quota. These moves enabled the fulfilment of the project's ambitious targets and using up to 21 shifts on seven days per week, by the end of 2016 more than eight million boxes had already been manufactured and delivered.

The production order for fifty million transport boxes transformed the situation in the POLYTEC plant in Ebensee.

Optimisation at every level

Moreover, POLYTEC not only optimised the production of the logistics boxes, but in a parallel move also examined the potential for improvements throughout the plant and eliminated less cost-efficient production from its portfolio. In addition, the level of automation and the process performance of all the plants systems were raised, logistical procedures were analyzed and perfected, and the qualification of the workforce enhanced through the recruitment of skilled personnel. Ultimately, all these measures resulted in increased productivity and plant availability, which also benefited the automotive segment. Consequently, apart from current production for Audi and BMW, two exciting projects for Ford and Jaguar will commence in Ebensee during 2017.

A focus on the POLYTEC Performance System (PPS)

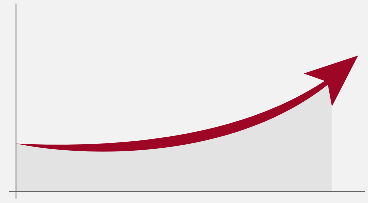
In order to further encourage positive location development, in 2016 the plant management introduced systematic lean management, which resulted in a massive improvement in all the key indicators relating to quality, customer satisfaction and cost-efficiency. The successful turnaround provided impressive confirmation of the effectiveness of the measures implemented and in the coming years, a focus is to be placed on process digitalisation. This has the clear objective of establishing the Ebensee plant as a role model for the entire POLYTEC GROUP with regard to the digitisation offensive by the end of 2017.

New technical systems and optimisation measures necessitated the recruitment of highly qualified personnel.

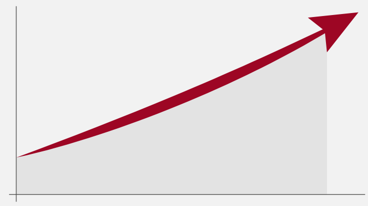
In 2015, the Ebensee plant invested tens of millions in its high-tech production, which already paid dividends during 2016.

In 2016, fourteen fully automated production lines manufactured eight million logistics boxes for IFCO.

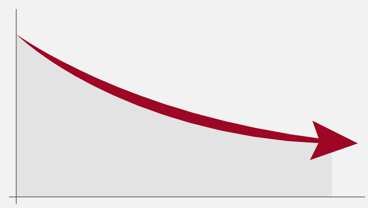
OPERATIONAL PERFORMANCE



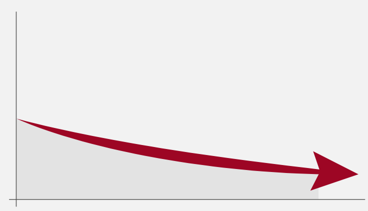
PRODUCTIVITY



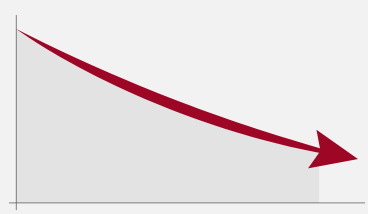
CLAIMS



SPECIAL RUNS



REJECTS



During 2016 decisive measures were implemented at the Ebensee plant, which should ensure its successful future.

POPULAR AMONGST CUSTOMERS,

AWARDS FOR POLYTEC

"BEST RECRUITERS" SEAL IN SILVER

When it comes to employment, POLYTEC is also a top Austrian company!

The recruiting field is currently undergoing profound changes. In the age of social media, job seekers expect a very rapid reaction to their applications. Moreover, especially when key and high-potential personnel are being sought, companies must present themselves as attractive employers and as it were, advertise their virtues to possible employees. Under the auspices of Daniel Lehner, the head of Corporate Human Resources, the POLYTEC GROUP already began to match its systems and processes to these new challenges in 2014. These efforts continued in the year under report and the award of the "Best Recruiters" seal in silver from the Career publishing house in August 2016 constitutes a clear indication that POLYTEC's further development of its HR strategy has been well received by the market.

The Career publishing house based this award on a study carried out again in 2016, which examined the recruiting processes of the 1,500 largest employers in Austria, Germany and Switzerland. This was the most extensive survey of its type in the German-speaking region and utilised a scientific questionnaire involving some 130 criteria for the evaluation of career websites, social media activities and the quality, scope and information content of job advertisements. Major importance was attached to the time elapsing between the application and a response, and as compared to previous years, POLYTEC demonstrated improvements in every area.

One-click application

Apart from its highly successful human resources strategy, POLYTEC sees its receipt of this award as being due primarily to the applicant-friendly design of its career website and job portal. By means of a one-click system, the platform enables interested persons to apply quickly and simply, or to send their application via XING and LinkedIn. Mobile devices can naturally be used for all of these options. At the same time, newly designed employer-branding profiles on kununu, XING and LinkedIn describe the advantages of POLYTEC as an employer in a nutshell. ■

LinkedIn XING

Social media facilitate the rapid supply of feedback to potential new recruits.

career best recruiter 16|17 aut

The "Best Recruiters" seal in silver for an applicant-friendly career website

PRIZE-WINNING PARTNERSHIP

The Jushi Customer Excellence Award 2016

The 2016 Jushi Customer Excellence Award was captured for the outstanding technological partnership with the Chinese fibreglass manufacturer.

In 2016, the Chinese fibreglass producer Jushi honoured POLYTEC with its Customer Excellence Award for excellent technological partnership. This is the third time that POLYTEC has received this accolade, which was presented to the POLYTEC COMPOSITES team in October in Tongxiang, which is located in the province of Zhejiang. According to its own information, the globally active Jushi Group, with which POLYTEC has been cooperating since 2013, manufactures over a million tonnes of fibreglass annually for the world market. POLYTEC COMPOSITES uses Jushi's fibreglass for the production of its SMC material. ■

EMPLOYEES AND SUPPLIERS ALIKE

© Porsche

SPE AUTOMOTIVE AWARD FOR A PORSCHE OIL PAN

Outstanding branch recognition for a technical masterpiece

In 2016, POLYTEC's innovativeness was again recognised with the prestigious SPE Automotive Award. On this occasion, the prize was conferred upon the group for the development of a complex oil pan with integrated functions for the Porsche 911 Carrera. The functionality of this component met with major recognition on the part of the industry and in the spring of 2016 was already listed as a top conference topic at the international VDI Congress (Plastics in Automotive Engineering) in Mannheim, Germany. In the following October, POLYTEC's innovative product then received the coveted SPE Automotive Award in the Power Train category.

The SPE Automotive Award, which has been presented annually by the Society of Plastic Engineers Central Europe since 1992, is known in the branch for the high quality of the competition entries and the objective nature of the judging criteria. ■

The SPE Automotive Award is bestowed upon the most innovative components to come from the automotive subsupplier industry.

MAXIMUM EFFICIENCY IN MINIMUM SPACE

The compact oil pan with integrated functions was developed jointly with Porsche. The part's geometry enables it to fit perfectly into the gap in the engine bay underneath the six-cylinder Boxer engine. Furthermore, the air-oil separator, the partition box and the oil lines have all been integrated into the module, and the choice of material not only provides a sizeable weight reduction, but also an improvement in the acoustic characteristics of the component. The prerequisite for this technical masterpiece is the highly specialised, technological know-how that POLYTEC has been demonstrating since October 2015 through the production of complex oil pans at its plant in Idstein, Germany. In the meantime, every year some 30,000 carefully tested and approved oil pans make the 200-km-journey to the Porsche plant in Stuttgart.

Highly specialised technical know-how for Porsche

PRODUCT PORTFOLIO

INNOVATION GUARANTEED

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

Bumper

Bumper

TECHNOLOGIES

- (Bi-component) injection moulding
- Blow moulding
- Class-A coating
- D-LFT pressing
- GIT (gas internal pressure technology)
- GMT pressing
- Hybrid injection moulding
- Hybrid pressing (LWRT)
- In-mould coating
- In-mould decoration
- Injection moulding compounding
- Metal and stainless steel processing
- PIT (projectile injection technology)
- Production of glass & carbon fibre SMC
- PUR casting
- PUR foaming
- PUR processing (moulded parts)
- PUR rigid
- PUR RRIM
- PUR RRIM (lightweight)
- PUR semi-rigid
- PUR spraying
- SMC pressing
- Welding (e. g. hot gas welding)
- Wet pressing
- WIT (water injection technology)

1 EXTERIOR & INTERIOR SOLUTIONS

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

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

Trunk lid

Battery box covers

Intake

Cylinder head cover

2

POWERTRAIN SOLUTIONS

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

- Air filtration systems
- Battery box covers
- Battery panels
- Cable pass-throughs
- Chain adjustment systems
- Charge air ducts
- Cooling water pipes
- Cooling water tanks
- Cylinder head covers
- Electronic boxes
- Engine covers
- Expansion pressure systems
- Intake manifolds
- Oil pans
- Timing belt protection
- Transmission oil pans
- Valve covers
- Venting systems

4

Underbody cover

Soft engine cover

INTEGRATED ACOUSTIC SOLUTIONS

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

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

3

Drive shaft guard

Cabin floors

STRUCTURAL & FUNCTIONAL SOLUTIONS

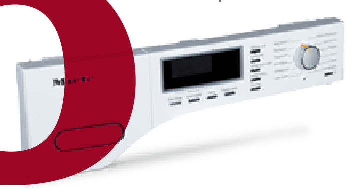
Intelligent glass and carbon fibre reinforced composites for high-strength structural parts and maximum functional integration

- Cabin floors
- Drive shaft guards
- Mounting supports
- Pillar reinforcements
- Trunk wells
- Underbody covers

Mixing and dosing system

5

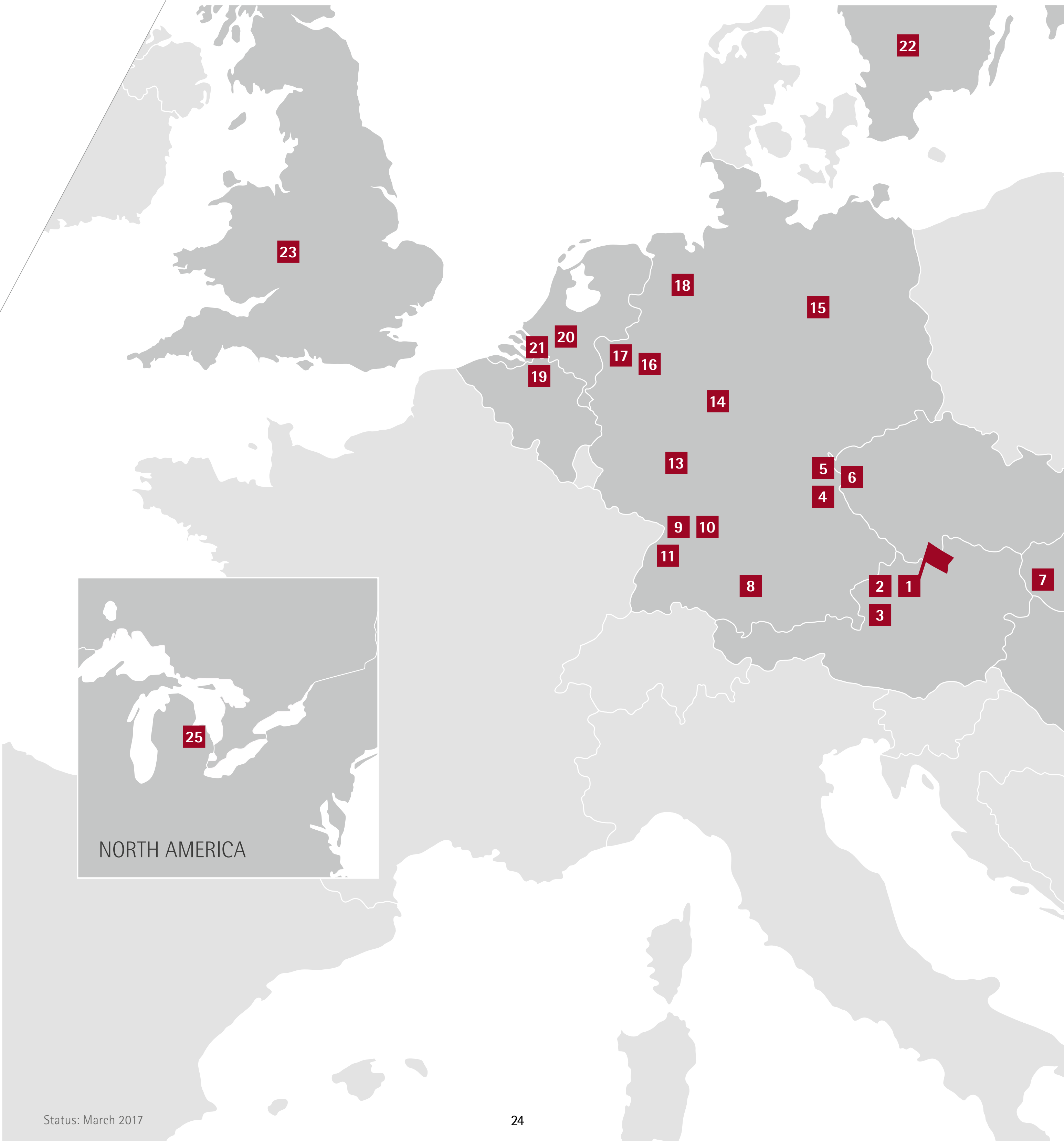
Washing machine switch panel



NON-AUTOMOTIVE

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

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



Status: March 2017

LOCATIONS

PRESENT ON THREE CONTINENTS

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

THE POLYTEC GROUP STRATEGY

THE KEYSTONES FOR SUCCESS

During the past three decades, systematic development and innovation activities have turned the POLYTEC GROUP into a preferred partner of both the automotive and non-automotive industries, as well as an attractive option for investors. In partnership with its clientele, POLYTEC supplies customer-oriented innovations and thus guarantees tailor-made solutions of the highest quality standard. The basis for this long-term success is formed by three superordinated strategic keystones:

Flat hierarchies and hence short decision-making channels, motivated employees, innovative strength, efficiency and high levels of production technology and logistical know-how form additional elements in POLYTEC's success story.

Strengthening of the market position in Europe

In its core markets, the POLYTEC GROUP has a clear strategy with regard to both its large, regular customers and the selective capture of new clients. Uncompromising quality and punctuality of delivery form the key to durable customer relationships, while other decisive factors include a systematic focus upon managerial competences, careful choices with regard to key positions and targeted personnel advancement. Through the development of new products and technologies, POLYTEC also achieves the ongoing enhancement of its value-added chain in tandem with the internal securing of sensitive know-how. At the same time, the group employs efficiency measures to continually consolidate its competitiveness. One example in this connection is the digitisation initiative launched in 2016, which represents the most extensive management programme in group history. Its cornerstones are improved information quality, greater speed and a higher degree of automation that also extends beyond the production area. Moreover, the group also keeps a constant watch on potential acquisition possibilities, although it must be stressed that basically strategic relevance takes priority over rapid growth. Last, but not least, the POLYTEC GROUP also bolsters its European market position by means of a solid capitalisation.

Development of new technologies and applications

POLYTEC is closely involved in the production processes of its customers from the pre-production stage to just-in-sequence delivery, and thus supplies tailor-made solutions. The group is continually further developing its technologies, thereby facilitating both the progressive substitution of metal and the integration of complex functions into components. All plastics technologies can be employed throughout the group on the basis of multi-material modules and this also generates valuable competitive advantages for customers. The main priorities during the development of new products consist of lightweight construction and functional integration. Vehicle weight reductions lead to lower pollutant emissions and thus to both a cut in operating costs and an improved environmental basis, all of which play a significant role in concepts for sustainable transport such as hybrid technology and e-mobility.

Creation of production locations in growth regions

Automotive industry dynamism is increasingly shifting from Europe to the world's growth regions. On the one hand, the POLYTEC GROUP operates in these markets through teamwork with carefully chosen partners. On the other hand, it uses its own local production facilities, which are gaining in importance with respect to the retention of competitive advantages. POLYTEC has also decided to follow selected customers into growth regions of strategic interest with the result that it not only furnishes its clientele with material logistic benefits, but also simultaneously taps into valuable development synergies for both its customers and itself. ■

ONE POLYTEC

MAKING COMPLEXITY CONTROLLABLE

The POLYTEC GROUP's technology and product portfolio is becoming steadily more diverse and complex. Consequently, the group is able to offer its customers a growing number of increasingly better solutions. In addition, this diversification also means that POLYTEC possesses a major advantage over its competitors, which frequently only have a mastery of one or two technologies. However, such deliberately selected complexity must remain under control and therefore, full-cover digitisation and a fresh start in the IT area represent major prerequisites in this regard. Accordingly, during 2016 POLYTEC made intensive efforts in these two areas.

Another feature of 2016 was the extensive public discussion of the Industry 4.0 topic with numerous "experts" again proclaiming the omnipotence of this development. As opposed to companies that are investing a great deal of energy in grandiloquent Industry 4.0 applications such as virtual reality, artificial intelligence (AI), the Internet of Things (IoT), 3D printing, etc., the POLYTEC GROUP has chosen to largely refrain from major gestures in this connection. Accordingly, instead of initiating selected projects involving individual measures offering a high degree of marketing potential, the group focus is on the targeted, widespread employment of information technology and the creation of a structure that is genuinely suited to this purpose. Digitisation does not represent an end in itself, but rather is clearly directed towards the concrete support of day-to-day business operations. With this in view, during 2016 a group-wide digitisation strategy was put in place, which in combination with a variety of additional initiatives, is designed to lead to success.

Linking technological competences to form customer solutions

Over the decades, POLYTEC has built up an extremely extensive technology portfolio. Therefore, whilst its main competitors limit themselves to a single or a pair of key technologies, the POLYTEC GROUP can offer a wealth of highly complex plastics solutions. This is an ideal launch pad, which is seldom found elsewhere in the market. Indeed, owing to its technological versatility and multi-material products, POLYTEC has the capabilities needed to meet the enormous demands made by modern lightweight construction. However, this presupposes that the group's technological competences can actually be perfectly interlocked to form sustainable customer solutions. Precisely this ability is therefore a central element in POLYTEC's strategy, in tandem with the targeted increase in value-added derived from processes requiring specialist know-how and the broadening of the group's geographical presence.

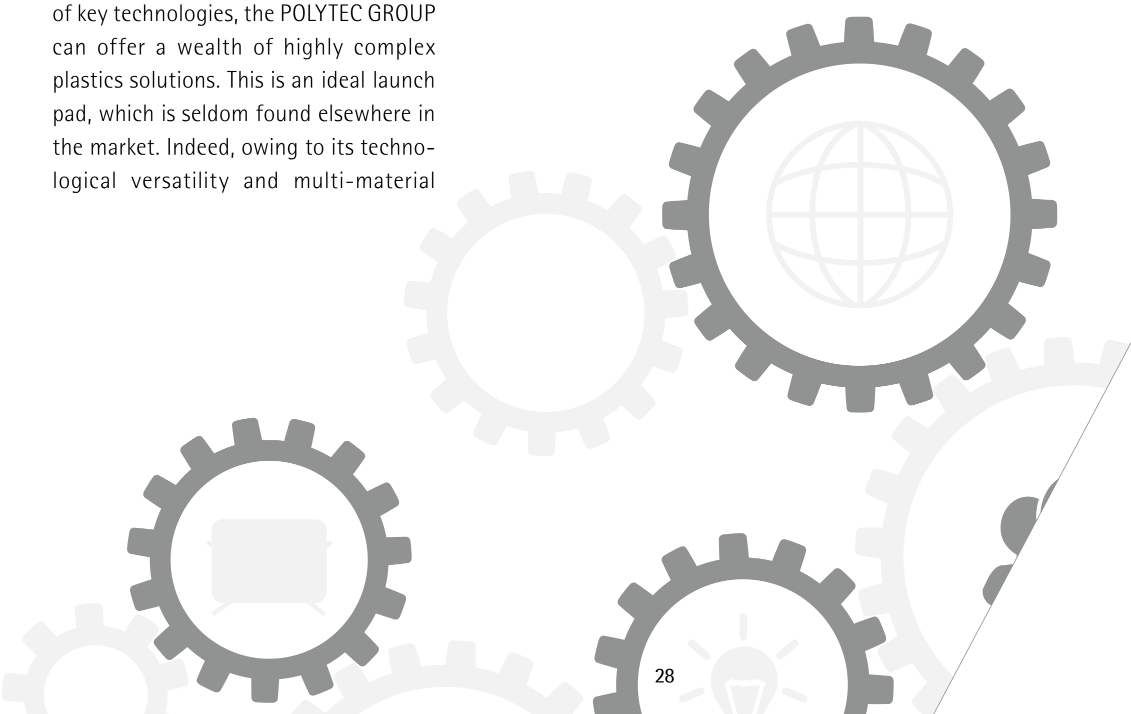
Nonetheless, 26 locations on three continents, four development centres in Europe and an extremely extensive product portfolio add up to a virtually unparalleled complexity, the control of which represents an increasing challenge.

Individual responsibility demands a focus on essentials

In order to secure such control, POLYTEC relies primarily upon a high degree of individual responsibility on the part of its entire workforce, in order to allow the respective managerial personnel to concentrate on their leadership and design assignments. This means leaving the solution of everyday problems and continued efforts towards improvements to the various work levels although initially this requires the creation of various fundamental preconditions. In particular, employees must be promptly provided with the information needed for decision-making (VISION) and they must also be appropriately motivated, enthusiastic (PASSION) and qualified (SKILLS) in order to be able to assume such responsibilities. Decision-makers on every level must know the "big picture" because only then can they adjudge how this will be impacted by their individual decisions.

ONE POLYTEC creates the appropriate framework

Apart from promoting enthusiasm and qualifications, POLYTEC also creates suitable general conditions for its workforce. Under the motto ONE POLYTEC various, key company processes are gradually being standardised via the technological areas. Particularly with regard to specialist, inter-company capabilities, POLYTEC looks to network organisations with defined focal point competences, which need not necessarily be concentrated on a local level. This organisation is steered by the POLYTEC HOLDING without large administrative overheads and thus facilitates the achievement of a high degree of coordination without the addition of further hierarchical tiers. →



VISION

IMPROVEMENTS IN INTERNAL COMPANY COMMUNICATIONS

Only those that know the "big picture" can take the right decisions.

PASSION

EMPLOYEE SELECTION AND MOTIVATION

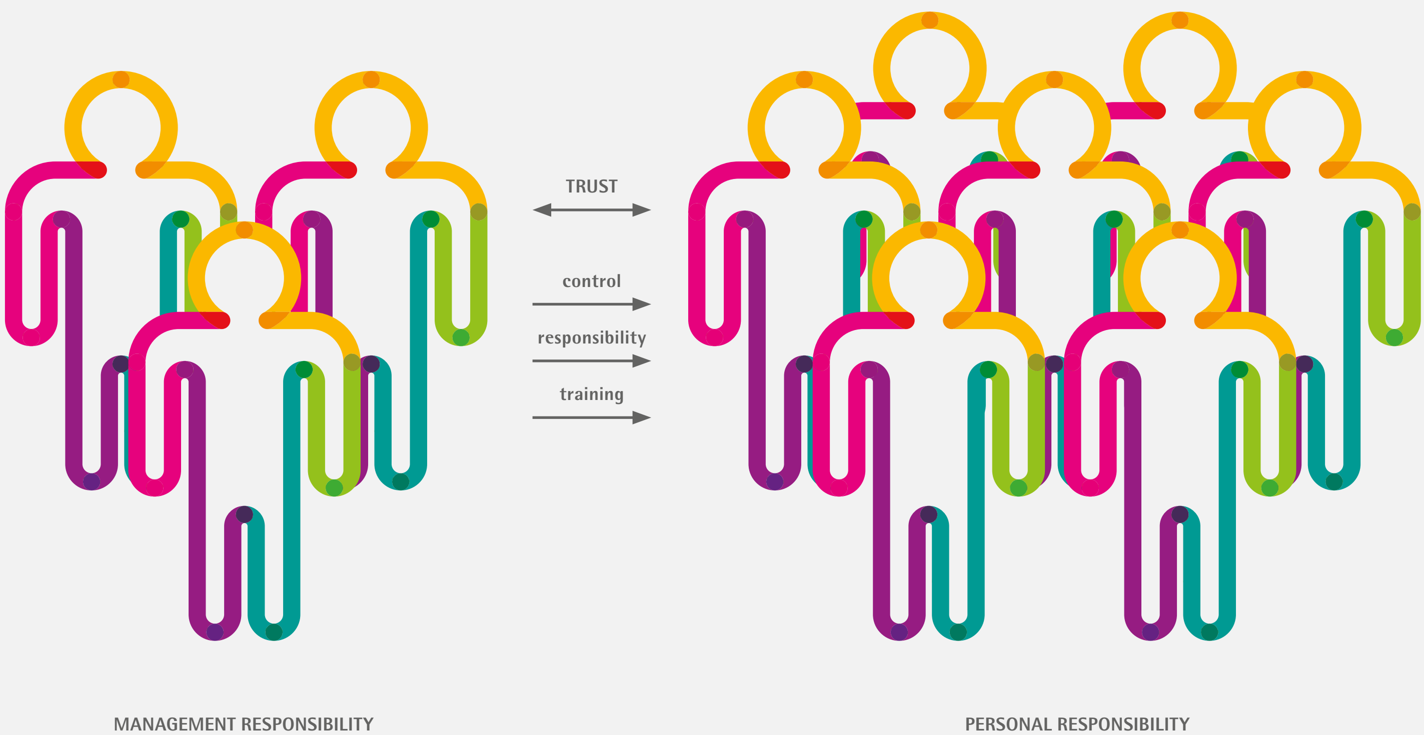
Even during the recruiting process, POLYTEC takes special note of the capacity of applicants for enthusiasm and within the framework of managerial responsibility of targeted commitment to the company and its products.

SKILLS

QUALIFICATION OFFENSIVE

POLYTEC places great reliance on qualification programmes (POLYTEC Leadership Academy) for leadership skills (POLYTEC Leadership Principles) and lean management (POLYTEC Performance System, PPS). This is because correct management and personal responsibility can only be achieved by persons with a knowledge of the appropriate methodology.

From its employees, POLYTEC requires personal initiative, responsibility and commitment.



Digitisation creates the technical foundations

However, even the best employees in the strongest organisation cannot take decisions on their own initiative when they lack the relevant information. Therefore, for the POLYTEC GROUP an increase in the availability of information constitutes a development step of high significance. Accordingly, in 2016, the group launched an extensive digitisation offensive, which constitutes the biggest management programme in its history. This has three primary objectives:

1. ENHANCED INFORMATION QUALITY

Information should be provided efficiently in a form that is more user- and assignment-oriented, and serve as a foundation for action based on individual responsibility.

2. HIGHER SPEED

Information of relevance to decision-making should be supplied in real time, or be available at the press of a button. This cuts the time needed for problem recognition and analysis, as well as focusing attention on effective measures.

3. PROGRESSIVE AUTOMATION

Apart from the value-added process, standard tasks should be largely automated, in order to improve the overhead cost structure.

A digitisation roadmap keeps measures on the right track

In order to achieve these fundamental objectives, in the period up to 2019 numerous programmes are to be launched within the framework of the POLYTEC digitisation road map (please also see page 32). These programmes will incorporate all the measures required for full-coverage digitisation, from the standardisation of the ERP landscape, which serves group-wide resource planning, to the creation of various system platforms targeted on a high degree of networking and data evaluation, and automation for the support of work flows and administrative tasks.

A new start for IT

In 2016, under the name NextGenIT (please also see page 31), the POLYTEC GROUP reorganised its information technology entirely in a move that represents a vital prerequisite for the attainment of the desired digitisation. Apart from massive investments in hard- and software, new competence carriers and functions were added to the system in order to facilitate the efficient mapping of the interfaces between IT and the specialist areas for the related projects. Furthermore, within the POLYTEC HOLDING, a Business Process Development unit was created, which on the basis of the extensive lean management activities of recent years will now accompany the digitisation offensive with a special emphasis on the process perspective.

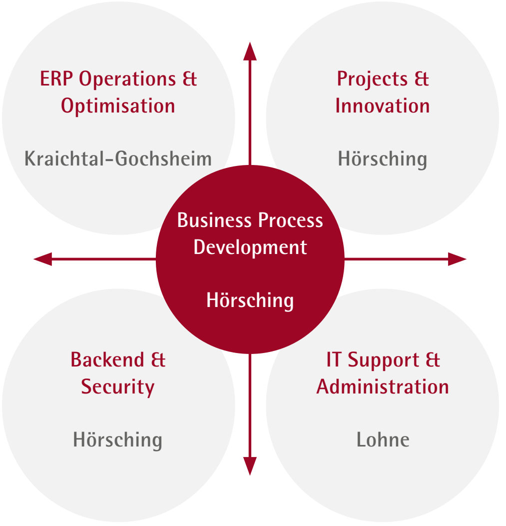
Lean management as a basis

In recent years, the use of the PPS lean management system has enabled the POLYTEC GROUP to first create the standards required in order to make possible digitisation with the currently sought-after degree of continuity. Because however great the enthusiasm is for digital benefits, the premise that the process comes first and digitisation follows remains paramount. In other words: "Those that digitise a defective process will end up with a defective digital process."

As a consequence of the interaction between these initiatives, work patterns within POLYTEC are set to alter fundamentally and along with this change the group's organisational capacity will be enhanced significantly. ■

NextGenIT

INTO THE DIGITAL FUTURE WITH A NEW IT ORGANISATION



The POLYTEC GROUP's comprehensive digitisation offensive has necessitated the fundamental reorganisation of its information technology (IT). Therefore, in 2016 within the scope of the NextGenIT project, work commenced on the redesign of the IT structure, which had evolved historically and consisted largely of units subject to local and functional limits. This process involves large-scale investments in hard- and software, as well as profound organisational changes in both a compositional and procedural regard.

Via the NextGenIT project, the POLYTEC GROUP's IT organisation is to be placed on a completely new footing.

The POLYTEC GROUP's IT departments have for many years achieved outstanding results within the existing structure. However, the implementation of the group's digitisation road map means that they now face fresh challenges and many additional tasks. Accordingly, this situation demands fundamental change.

The key requirement is that through overall solutions that integrate both specialist and technical aspects, IT should be able to make the best possible contribution to the optimum fulfilment of the demands emanating from core business. In turn, this presupposes that IT will serve as a partner to the other organisational units, possess a profound understanding of all the processes employed within the group and thus unite both production-related and technical IT know-how.

Greater efficiency through integrated overall solutions

The POLYTEC GROUP's IT-landscape has now been completely reconceptualised on the basis of these premises. Subject to the maxim, "From local optimisation to ongoing, group-wide innovation" sustainable solutions with group-wide implications are spotlighted, developed in coordinated teamwork between all business units and then made available via central IT platforms. In turn, these require ongoing, direct and targeted adjustments to increasingly flexible business demands.

Acceleration through four central competence centres

The most important strategic measure with respect to the far-reaching changes implemented during 2016 was the bundling of the POLYTEC GROUP's IT departments according to their functional assignments. To date these had been locally organised, but now they are integrated into four globally acting IT competence centres in a new structure, which means that IT can react with far greater rapidity to changes and implement innovations speedily throughout the group. Central value-added also derives from the linkage of the activities of the newly created Business Process Development unit with those of the IT competence centres, as demands emanating from the plants can be dealt with by IT in the quickest possible manner. ■

ERP OPERATIONS & OPTIMISATION

Homogenisation and ongoing optimisation of the ERP landscape along the entire value-added chain

PROJECTS & INNOVATION

Channelling of all the demands made on IT and coordination between the individual stakeholders

BACKEND & SECURITY

Development and full coverage roll-out of system standards and the securing of smooth system operation

IT SUPPORT & ADMINISTRATION

Provision of central services (e. g. inter-group help desk, new clients) and the guarantee of IT operation to the external locations

GROUP-WIDE DIGITISATION OFFENSIVE

A CHANCE AND A CHALLENGE

As in many other areas of life, digitisation is one of the most important future issues in the economic sphere. It confronts industry with new challenges, but also offers previously unimaginable opportunities. POLYTEC is tapping into this potential on a broad front by means of its digitisation road map, which was launched in 2016.

Enhanced information quality, higher speed and a greater degree of automation represent the three underlying objectives of the digitisation offensive initiated across the POLYTEC GROUP in 2016. In turn, this serves the superordinated goal of assisting the actions of individual employees on their own responsibility and the provision of managerial personnel with more time and resources for the analysis and solution of problems, and the efficient design of working processes. To this end, all relevant data and processes must be prepared and structured promptly in order that they are available to serve as a concrete basis for decision-making.

Increased competitiveness

POLYTEC has opted for an extremely targeted, focused and systematic approach to the topic of digitisation. It is employing digital resources and tools in a concentrated fashion with the aim of cutting overheads and thus strengthening its competitive capacity. Data logging and evaluation are not ends in themselves, but rather constantly serve the control, optimisation and support of the company and everyday plant operations. The advantages are relatively self-evident, as problem analysis requires less time and monotonous standard procedures and pure transfer activities are largely automated. The final goal is that all procedures become leaner, faster, more transparent and above all, are carried out at reduced expense.

Collation and analysis

In order to attain this objective, all systems of relevance must be collated, analyzed and then networked. Therefore, at the start of the project, the business procedures used throughout the group were scrutinised with regard to the possibilities for realisable improvements. Virtually every company unit was subjected to rigorous examination and no differentiation was made between value-added and purely administrative operational sequences. The findings showed that many solution approaches were closely interlocked and could be easily networked. POLYTEC sees valuable potential in precisely such networking, which can be harnessed by intelligent digitisation.

1. Enhanced information quality

2. Higher speed

3. Progressive automation

Structuring in streams
In line with the efficient implementation of the digitisation road map, activities were classified in streams, or as focal points. The enterprise resource planning (ERP), manufacturing execution system (MES), computer-aided quality control (CAQ) and enterprise content management (ECM) examples are described in greater detail in the box at the right. Within these streams, teams carry out analytical project breakdowns and define the related requirements. The demands thus established then form the basis for the development of concrete solutions, which are subsequently implemented by superordinated, interdisciplinary teams. Scaleability and roll-out capacity play a special role in this regard because they constitute the prerequisites that decide whether or not a solution can even be considered for standard application throughout the POLYTEC GROUP. ■

EXAMPLES OF DIGITISATION STREAMS

Enterprise resource planning (ERP)
At present, the POLYTEC GROUP's ERP landscape is extremely heterogeneous. In the course of the realisation of the digitisation road map, a platform is to be created that will allow a roll-out across the entire group.

Manufacturing execution system (MES)
Promptly collated operational and machine data is to be used to create a virtual mirror image of production reality in real time. This will allow the group to increase the flexibility and reaction speed of its production planning and control, raise throughput rates significantly, and reduce transfer activities.

Computer-aided quality control (CAQ)
The digital logging of production quality parameters and errors facilitates the virtual analysis and real optimisation of a process. The planning, securing and management of product quality along the entire value-added chain, from development to production, form the cornerstones of digitisation.

Enterprise content management (ECM)
Within the scope of the digitisation road map and apart from the focus on manufacturing, where worthwhile, interventions will also be made in administrative processes and new technological possibilities will be employed for greater efficiency and speed.

Cyber security
Increased networking and digitisation will also make the group more vulnerable to cyber criminality. Therefore, both the hard- and software of the existing security system are being modified appropriately. However, first and foremost, employee awareness levels are to be heightened by means of regular information and targeted training.

STATE-OF-THE-ART TOOLMAKING

The installation of a universal machining centre in Hörsching has resulted in the more efficient and economic production of complex, milled components.

Investments in two extremely modern universal machining centres in Germany and Austria have further diversified the POLYTEC GROUP's portfolio.

During 2016, the POLYTEC GROUP invested heavily in the strategically important toolmaking sector. In concrete terms, a total of around EUR 2 million was spent on two extremely modern machining centres for POLYTEC TOOLING and POLYTEC CAR STYLING with the aim of enhancing value-added through the creation of inter-group resources and increased capacity. POLYTEC is thus now in a position to bore and mill larger and more complex workpieces in-house, which not only creates cost advantages, but above all also enables the retention of valuable production know-how within the group. POLYTEC purchases simple components at favourable prices, e. g. in China, which are then integrated into end products, but systematically manufactures all its complex parts requiring intensive know-how on the premises. Moreover, in order to exploit synergy effects, the group companies involved in toolmaking coordinate to precisely harmonise the equipment used.

A universal machining centre for Thannhausen

A new universal machining centre was installed at the POLYTEC TOOLING location in Thannhausen, Bavaria. This plant produces top quality prototype and reliable serial production tools, which in turn are employed for the manufacture of technically demanding automotive components. The new portal machine installed in Thannhausen allows the simple and effective processing of workpieces with weights of up to eight tonnes and lengths in excess of two metres. Furthermore, it can also carry out deep-hole boring and milling.

High-tech expansion in Hörsching

The new machining centre at POLYTEC CAR STYLING in Hörsching, Upper Austria, which was put into operation during the summer of 2016, has also helped the POLYTEC GROUP to achieve a marked diversification of its tooling competence. By using this centre, complex milled components can be manufactured efficiently. Moreover, the investment also included special CAM software, which enables the programming of simultaneous, five-axis processing. This orientates itself on milling with the indexed tool, but is faster and provides superior surface quality.

Overall, the shorter throughput times and optimum tool quality thus obtained provide greater production cost-efficiency and as the new system is also capable of producing aluminium tools and hence the processing of steel, this investment will also serve to ease the burdens in Thannhausen during peak use of capacity. ■

The investment in Thannhausen facilitates the efficient output of reliable serial production tooling for the manufacture of sophisticated automotive components.

THE LONG-TERM HUNGARIAN PARTNER RATIPUR HAS BEEN TAKEN OVER IN FULL

POLYTEC KOMLÓ – THE ACOUSTICS SOLUTIONS SPECIALIST

Two polyurethane components are blended together in the so-called mixing head before being fed into the closed tool.

For over two decades, POLYTEC, which is based in Hörsching, Upper Austria, held a non-controlling interest in the Ratipur Kft. company located in the small town of Komló in southern Hungary. Then in 2016, the POLYTEC GROUP Board of Directors decided that in view of Ratipur's potential for development and its strategic contribution to group consolidation, it would integrate the company fully. This decision was in line with the long-term group strategy of strengthening POLYTEC's market position in Europe and continually expanding its portfolio of technologies and applications. Accordingly, in October 2016, the POLYTEC GROUP was enriched by an additional acoustic solutions specialist in the shape of the renamed POLYTEC Komló.

First and foremost, the POLYTEC Komló location broadens the group's value-added chain. The technological competence available at the plant is used primarily for engine bay solutions and the manufacture of top quality products for vehicle customisation. In addition, many of the components from POLYTEC Komló are employed in modules produced at other POLYTEC locations and owing to its siting in Hungary, the plant also offers decisive cost benefits.

Exterior parts and polyurethane foam noise absorbers

The exterior product portfolio of the location continues to contain items made from integral foam such as mud flaps, side and bumper protective strips, mudguard extensions and complete styling kits for leading OEMs such as Suzuki, Toyota, Honda and Hyundai.

However, POLYTEC Komló currently obtains almost two-thirds of its sales revenues from engine bay noise absorbers. Indeed, the company's know-how with regard to asymmetric integral foam formed the basis for the development by POLYTEC CAR STYLING in Hörsching of the prototypes for POLYTEC's soft engine cover. This engine block cover, which is manufactured in a single phase, is now used in all Volvo cars with petrol engines and stands out due to its excellent noise absorption characteristics and top quality surfaces. Moreover, in 2017 a second production line will be installed, which will virtually triple annual output to some one million pieces.

As a competent partner, POLYTEC Komló also supports its customers during CAD development work and thus facilitates the design and construction of prototypes and tools. Among other results, this has led to Komló-produced corrosion protection covers and mud flaps for BMW. Apart from group plants, the Hungarian location also numbers Audi and Volvo among its main clients.

In 2016, the plant's workforce of some 200 achieved sales revenues of around EUR 7.8 million and in the coming years, POLYTEC intends to further expand the capacity, competence and sales of its Hungarian location. ■

In March 2018 the new paint shop of POLYTEC CAR STYLING will start its production in Telford, UK.

POLYTEC HAS REACTED TO THE GOOD USE OF CAPACITY AT ITS LOCATION IN BROMYARD.

NEW CAPACITY IN THE UK

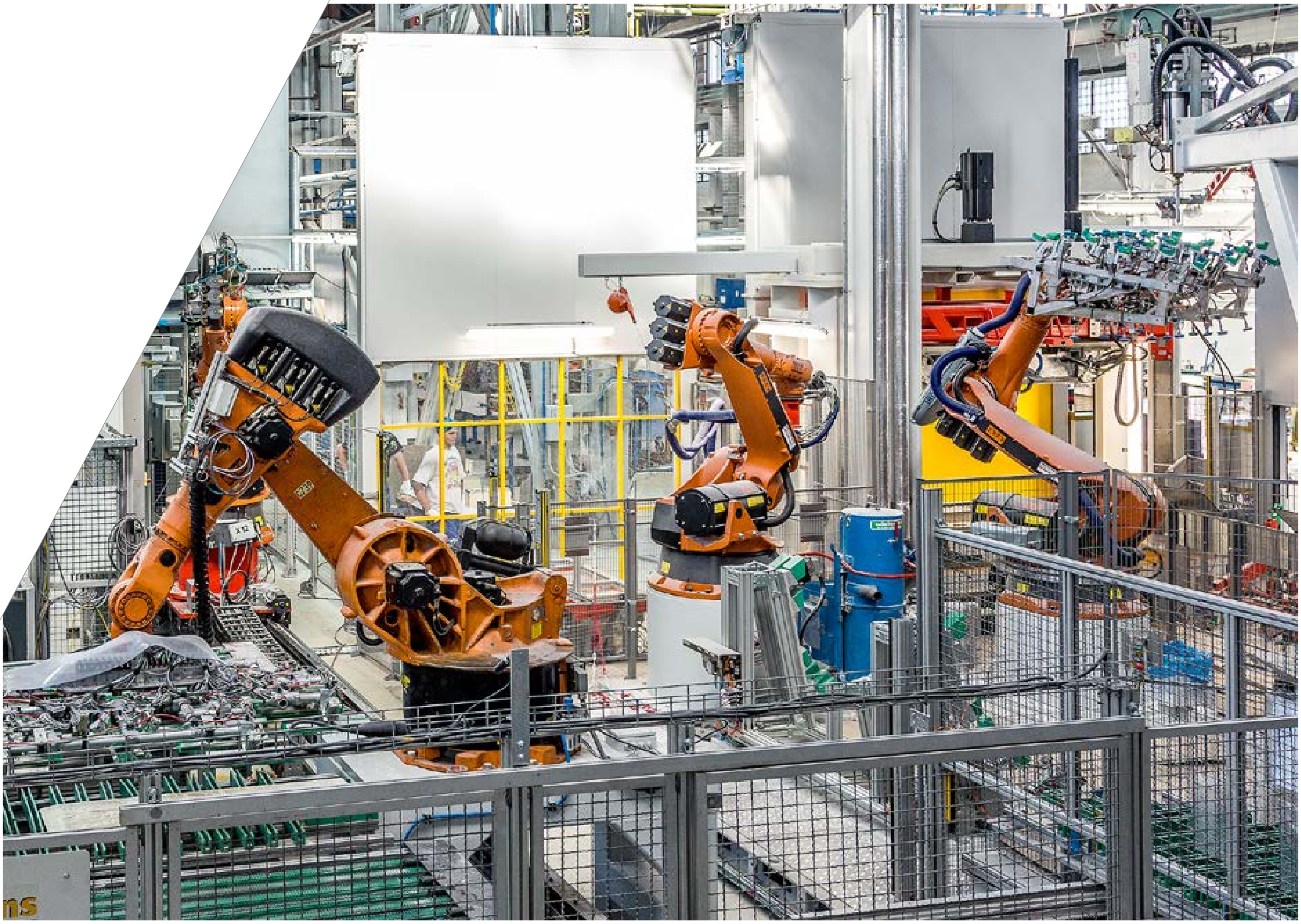
May 2017 will see the laying of the foundation stone for a new POLYTEC CAR STYLING paint shop in the town of Telford in the English midlands. The POLYTEC GROUP is to spend some EUR 20 million on this additional facility, which is to be built as a direct result of the already good use of capacity at its plant in Bromyard, which is roughly 70km away from Telford. Moreover, the demand of virtually all of POLYTEC's customers in the British automotive subsupplier market is on the rise.

The decision to create new production capacity was taken in spite of the British government's intention to end UK membership of the European Union in the coming years. In fact, to date POLYTEC has not suffered any direct impact upon its order intake due to the Brexit announcement. Instead the low exchange rate of the British pound has served to actually stimulate vehicle exports. Therefore, at the very least POLYTEC anticipates the stable development of the long-established UK automotive industry.

Closeness to the customer is particularly important from a logistics perspective and the location selected for the new paint shop in the T54 Technology Park in Telford is thus ideal for the POLYTEC GROUP. The T54 Technology Park, where 7,500 m^2 of production space is to be created by March 2018 is situated directly on the M54 motorway, which offers easy access to important customers. The geographic proximity to Jaguar Land Rover, which is POLYTEC CAR STYLING's main UK customer, is especially favourable and facilitates optimised, just-in-sequence deliveries.

Consolidation of the position in the British market

Once the plant has been completed, it is planned that up to 3,000 components upgraded with Class A top coat paint will leave the premises daily and initially some 100 employees will work on a two-shift basis. Apart from a marked increase in capacity, the complete automation of the paint shop will also provide a higher degree of process stability and thus a further leap forward in paintwork quality. Using this platform, the POLYTEC GROUP intends to further strengthen its solid position in the UK market and in future all of POLYTEC CAR STYLING Bromyard's customers will also receive products and services in the painting, assembly and just-in-sequence delivery areas from the Telford plant. Moreover, as the new plant has been designed on a scaleable basis, the required capacity can be made available at any time with only limited additional investment. ■



Robots automatically bond the two shells of the Scania roof spoiler.

POLYTEC COMPOSITES BOHEMIA DOUBLES ITS CAPACITY

INNOVATION AND GROWTH IN THE CZECH REPUBLIC

In order to further optimise its production footprint in line with group strategy, during 2016 POLYTEC COMPOSITES completed sizeable expansion and modernisation at its plant in Chodová Planá. The company is thus now able to manufacture its products more cost-efficiently and offer them to customers at more favourable prices.

Since the summer of 2016, the POLYTEC COMPOSITES plant in Chodová Planá has been manufacturing a new and lighter roof spoiler for Scania trucks.

Chodová Planá also produces SMC pressings with an IMC coating, which form the hood of MAN trucks.

Plant landscape optimisation

All in all, during the past year the POLYTEC GROUP invested over EUR 10 million in the purchase of additional properties and the modernisation and expansion of its location in Chodová Planá. The technical equipment was supplemented with a newly purchased plastics press, several handling robots and an automatic bonding system. In addition, three presses with clamping force capacities of between 1,000 and 3,000 t were transferred to the Czech Republic from the Weiden plant in Germany.

This measure primarily served the optimisation of the POLYTEC plant landscape. However, it confronted logistics and plant management with no small challenges. Moreover, during the modernisation process the plant premises were enlarged to 51,000 m^2.

A lightweight roof spoiler

The investments in Chodová Planá have also enabled the plant to assume the production of a completely new product. Since the summer of 2016, POLYTEC COMPOSITES Bohemia has been manufacturing the newly developed roof spoiler for the Scania New Cabin Generation (NCG). This two-shell component was developed especially for this purpose in cooperation with the Swedish truck manufacturer and is characterised by a markedly lower weight in combination with improved surface quality. In future, it is planned that some 70,000 roof spoiler sets in eleven different versions will leave the plant annually.

From a logistical perspective, the POLYTEC COMPOSITES Bohemia plant in Chodová Planá, which has a workforce of around 140, is ideally positioned and also supplies Daimler Trucks, VW, MAN, John Deere and DAF with plastic components. By 2017, the plant intends to double its sales revenues.

Everything under one roof

During the production of the new roof spoiler for Scania, valued added within the group is used to optimum effect through the close cooperation between several POLYTEC locations. The POLYTEC COMPOUNDS headquarters in Kraichtal-Gochsheim not only completed the technological development work, but the plant also manufactures the SMC material employed for the spoiler. In addition, following production in Chodová Planá, one of the versions of the spoiler receives an additional undercoat at POLYTEC INDUSTRIELACKIERUNGEN Weiden. ■

PUT TO THE TEST

Since the beginning of 2015, 15-centimetres-thick, wedge-shaped noise absorbers have been in use in the acoustic chamber at POLYTEC PLASTICS in Lohne, in order to provide precise measurement results.

POLYTEC constantly wishes to offer its customers new products with improved characteristics and extended functions. Therefore, development work represents one of the group's key activities and in order to secure maximum quality, every new component is subjected to rigorous testing.

The POLYTEC PLASTICS plant in Lohne is one of the group's innovation centres and is staffed by highly qualified experts working on the development of new products and their practical application. Among the latest innovations to emerge from Lohne are air and silencer filters, the functionality of which has been undergoing continual improvement since 2015 through the use of new testing equipment. This analyses the amounts of dust that a filter system can absorb and where pressure retention weaknesses occur. The data then provides a valuable basis for the optimisation of new modules.

In order to make further progress in the important acoustic solutions field, the acoustics chamber at the Lohne plant was subjected to a complete renovation and then recommissioned at the beginning of 2016. Noise absorbers on the walls and ceiling of the chamber virtually eradicate reflections and under these ideal conditions, a ring of 32 microphones carries out noise measurements that are practically interference-free. An acoustic camera then converts the data into images, which allow the engineers to read off precisely the points at which a component "swallows" sound and where it is permeable. This permits detailed statements regarding the noise insulation characteristics of the tested materials and on this platform, the further optimisation of material composition and more efficient component design.

However, testing equipment, state-of-the-art technology and innovative analytical software are not everything and human expertise is equally vital to the ongoing further development of the POLYTEC GROUP product portfolio. Indeed, it is this combination of comprehensive employee know-how with the latest equipment and advanced software that creates a decisive competitive advantage. ■

Examination of an air filter system on a test stand.

The pulsation test unit is used to scrutinise components for structural weak points.

POLYTECDAYS

TAILOR-MADE EVENTCONCEPT PROMOTES DIALOGUE WITH THE CUSTOMERS.

With their practical orientation and short information channels, the **POLYTECDAYS** have proven their worth as innovative events at customer companies.

With some 800 exhibitor companies from 32 countries, the 2016 International Subsuppliers Fair (IZB) was the most international in its history and naturally, the POLYTEC GROUP part of the scene.

The POLY**TECDAY** concept enables the POLYTEC GROUP to present itself to its customers in an ideal setting. The content of the events is always trimmed to precisely match customer concerns, which greatly increases interest levels and the events also furnish a perfect opportunity to discover more about the requirements and wishes of the host company in the course of informal conversations. Furthermore, within this framework POLYTEC is naturally able to give an on the spot demonstration of its entire innovative competence and group-wide know-how.

Following successful events at the headquarters of Volvo and Jaguar Land Rover, in May 2016 POLYTEC was invited to visit DAF in Eindhoven, Netherlands.

Components at first hand

The POLY**TECDAYS** offer a unique possibility for POLYTEC to empathise with the challenging world of its customers. The rather more theoretical section of the events, which generally last a day, consists of an informative introduction to the host company after which comes a comprehensive presentation of the POLYTEC GROUP. The practical section then follows under the title **PART**ICIPATE →

The POLYTECDAYS also offer a perfect forum for making personal acquaintances and strengthening customer ties in the commercial vehicle sector.

The PARTICIPATE programme item offers an invitation to put new components under the microscope together with POLYTEC experts.

and in this case nomen est programme because **PART**ICIPATE is intended to be understood as both an invitation to interact and a pointer to the actual stars of the show. These are the "PARTs", which are scrutinised closely in conjunction with POLYTEC experts and subjected to a detailed explanation and discussion of their advantages and characteristics.

Exchanges of ideas promote closer ties

For the POLYTEC GROUP's sales and development specialists, the POLY**TECDAYS** offer a tailor-made platform for becoming better acquainted with customers and thus strengthening business relations. Accordingly, Alice Godderidge, the POLYTEC GROUP CSO, summarises the positive feedback from the three POLY**TECDAYS** held to date as follows: "We have been able to cultivate the excellent exchange of ideas with our customers and partners while constantly exploring the possibilities for new solutions and applications."

The POLYTEC show car as an eye-catcher

At the POLY**TECDAYS**, the POLYTEC show car regularly constitutes a special attraction. This is fitted with over fifty plastic parts and therefore presents the concentrated solutions competence of the group in the area of lightweight construction and functional integration, from injection moulding and fibre composites, to polyurethane applications, blow moulding and painting.

"Moving Technologies" at the IZB 2016

The POLYTEC show car also attracted a great deal of attention at the International Subsuppliers Fair (IZB), which was held in Wolfsburg, Germany in autumn 2016. Under the motto "Moving Technologies", the POLYTEC GROUP demonstrated its capabilities as a specialist for innovative solutions along the entire value-added chain by means of its extremely wide range of technological know-how and holistic concepts for the exterior, engine bay, structural and acoustic components. With some 800 exhibitor companies from 32 countries, the IZB 2016 was the most international in the fair's history and naturally, the POLYTEC GROUP could not fail to be on the scene.

SMC^{Q} – PLASTICS QUALITY SQUARED

A FIVE-PHASE POLYTEC INITIATIVE ENSURES OPTIMUM SMC QUALITY.

POLYTEC products constitute a synonym for uncompromising quality and high levels of innovative capacity. In order to do justice to these attributes and also achieve ongoing improvements, a great deal of backroom development work is required. This is because the road from the initial idea to serial maturity is often long and as a prerequisite, the creation of new material compositions and production procedures demands a holistic understanding of the chemical and physical processes involved, as well as other diverse, mutually influential factors. Equally, the tests and modifications that accompany production also play a key role in the securing of process stability and hence product quality.

SMC technology leadership

One extremely important material for the POLYTEC GROUP is sheet moulding compound (SMC). POLYTEC is among Europe's technological leaders with regard to the production and processing of SMC and the group manufactures some 20,000t of semis annually. The results consist of products with particularly high mechanical strength, temperature and media resistance in combination with excellent mould-filling behaviour and top class surface quality.

SMC^{Q} – a five-phase initiative

Within the POLYTEC GROUP, POLYTEC COMPOUNDS, which is located in Kraichtal-Gochsheim in Baden-Württemberg, Germany, acts as the group's development and production centre for SMC technology. The focus of material development is on new materials recipes that for example offer high mechanical strength, Class A surfaces, lower emission values or usability for foodstuffs. Moreover, Kraichtal-Gochsheim also develops effective testing procedures for enhanced product quality and thus makes a significant overall contribution to the further consolidation of POLYTEC's position in the important SMC segment.

In 2016, Kraichtal-Gochsheim launched a new, five-phase initiative aimed at further improvements in SMC semis and therefore also the end products. This holistic process can be employed during ongoing serial production and provides measurement results regarding numerous material characteristics in real time. As a consequence, direct interventions in the production process are possible and hence rapid reactions to any deviations. ■

SMC^{Q} – A FIVE-PHASE APPROACH TO ENHANCED PRODUCT QUALITY

5. Improvement in the homogeneity
of the resin filler mixture

4. Optimisation of semis manufacture
through a reduction in air inclusions and the more precise dosing of the individual components

3. Analysis of the main influences
on SMC target characteristics

2. Characterisation
of important raw materials

1. Analysis and optimisation
of the SMC semis with regard to their mould filling behaviour

A LOCATION WITH POTENTIAL

With its decision to establish its own production centre near the megacity of Tianjin, in 2014 the POLYTEC GROUP took an initial step into the Chinese market. Then, at the beginning of 2016, as scheduled, the new injection moulding plant commenced the production of oil separators and pans.

State-of-the-art production technology enables the local supply of Chinese customers with quality products of European standard.

A successful production launch

Following the completion of the POLYTEC plant in Tianjin, the production run-up phase commenced at the beginning of 2016. In the course of the year, as planned, the first quantities of oil pans and separators were manufactured and supplied to the VW Group subsidiaries in China. In April 2017, production will be increased gradually from one- to two-shift operations.

In 2016, the POLYTEC plant in China supplied oil separators to Volkswagen.

TIANJIN INJECTION MOULDING PLANT

→ Company name	POLYTEC Auto Parts Tianjin
→ Employees	26 (2016), 30 (planned from April 2017)
→ Production	Injection moulding, elastomer production (planned from Q3/2017)
→ Competences	Assembly, JIT delivery
→ Products	Transmission oil pans, oil separators, elastomer sealings
→ Customers	VW.ATJ, FAW-VW
→ Completed audits	TS 16949 and VDA 6.x

The location exploits its proximity to important OEMs

With the foundation of the Chinese plant, which took place in response to a customer order, POLYTEC followed the VW Group and hence one of its most important customers into a new market. The plant location is also near other major clients such as Volvo, Daimler and BMW and its creation is in line with the POLYTEC GROUP's corporate strategy, which foresees the establishment of production centres in growth regions.

Performance capability confirmed

The successful start of production has confirmed the capacities of the new location and is supporting the POLYTEC sales team in its drive to convince new customers of the efficiency of the Tianjin plant. This is most important as China continues to offer POLYTEC considerable unexploited potential. ■

The POLYTEC plant in Tianjin operates with a slimline team of around thirty well-qualified employees.

A PROBLEMATIC MARKET ENVIRONMENT IN TURKEY

PRODUCTION SLOWED FOLLOWING CUSTOMER CONSULTATIONS

The current market slump has reduced the use of capacity at the modernised and enlarged POLYTEC plant in Aksaray, Turkey. Nevertheless, this in no way diminishes the significance of the location.

In spite of the currently tense political situation in Turkey, in April 2016 production commenced in the expanded Aksaray plant as scheduled. The new paint shop was successfully put into operation with the joint support of a project team and experts drawn from across the group. The shop is capable of upgrading 3,000 plastic elements per day for the driver's cabs of Mercedes trucks using Class-A coatings.

Unfortunately, the politically related economic downturn means that at present the call-ups on the part of Mercedes-Benz Türk are at a lower level than anticipated. Nonetheless, in view of the close cooperation with the customer, the POLYTEC GROUP continues to regard its investment in Turkey as a prudent step and is therefore ideally equipped for the future. ■

VALUES TAKE THE LEAD

THE POLYTEC LEADERSHIP ACADEMY SETS BENCHMARKS IN MANAGER TRAINING

The POLYTEC Leadership Academy (PLA) was founded in 2015. Since then, 120 managerial employees have successfully completed this modular qualification programme. The superordinated goal of the PLA is to turn superiors into active leaders that provide a positive working environment with attractive development possibilities for all POLYTEC GROUP personnel and thus equip the company for the challenges of the future. The PLA attendees come from various POLYTEC locations, participate in an intensive, internal company discourse and complete a variety of coaching.

A differentiated range for diverse demands

In 2016, the PLA training programme placed a special focus on production manager groups. The attendees were put into peer groups in line with their managerial level and the teaching content was oriented towards the concrete demands and problems of the respective management tier. On the schedule were special presentations, role-playing and practice-related exercises involving a wealth of topics that included successful managerial communications and conflict solutions.

Apart from the dissemination of management skills, the PLA naturally also creates a platform for networking within the POLYTEC GROUP and an extensive exchange of ideas. Repeated training sessions and the possibility of one-on-one discussions with a coach are intended to ensure that attendees are able to continually develop further even after the official end of Academy training, and receive support with regard to complex issues.

Heading into the future with four leadership principles

The four POLYTEC Leadership Principles form the foundations of the PLA curriculum. They define what in the company's view adds up to good managerial performance and also illustrate the group's key issues. As a result they act as a guideline for all managerial activities at POLYTEC and cover everyone from the Board of Directors to team leaders. ■

1 I LEAD FROM THE FRONT.

2 I RESPOND TO PEOPLE.

3 I AM AN ENTREPRENEUR.

4 I ENCOURAGE AND EXPECT.

DIE POLYTEC LEADERSHIP PRINCIPLES FÜR ERFOLGREICHE FÜHRUNGSARBEIT

"I PROVIDE MY COLLEAGUES WITH ORIENTATION BY TELLING THEM CLEARLY WHAT I WANT AND WHAT I DON'T WANT. THE POLYTEC LEADERSHIP ACADEMY SHOWED ME HOW TO GET THE BEST RESULTS FOR MY TEAM AND HENCE FOR THE POLYTEC GROUP THROUGH MY PERSONAL COMMUNICATIONS STYLE."

UDO STOCKMANN, HEAD OF PRODUCTION, IDSTEIN, GERMANY

"EVEN AFTER MANY YEARS IN MANAGERIAL POSITIONS, FOR ME THE POLYTEC LEADERSHIP ACADEMY PROVED A HIGHLY ENRICHING EXPERIENCE. I NOW CONSCIOUSLY TAKE MORE TIME FOR MY MANAGEMENT ASSIGNMENTS AND APPLY THE BASIC PRINCIPLE THAT ONLY THOSE CAPABLE OF RESPONDING TO PEOPLE ARE ABLE TO LEAD THEM."

THOMAS EGELKRAUT, PLANT MANAGER, EBENSEE, AUSTRIA

"THE POLYTEC LEADERSHIP ACADEMY GOES FAR BEYOND STANDARD MANAGEMENT TRAINING. NOT ONLY IS ESSENTIAL KNOW-HOW TAUGHT, BUT ONE IS ALSO PROVIDED WITH THE TOOLS NEEDED IN ORDER TO BE EQUIPPED FOR EVERY SITUATION REQUIRING MANAGERIAL SKILLS."

MARKO MATEJIC, HEAD OF PAINT SHOP, HÖRSCHING, AUSTRIA

"THE POLYTEC LEADERSHIP ACADEMY DEMANDS ACTIVE TEAMWORK IN THE COURSE OF WHICH I LEARNED TO ENTER INTO PERSONAL DISCUSSIONS WITH MY COLLEAGUES. IN THIS WAY, TOGETHER WE CAN ACHIEVE AN OPTIMUM OUTCOME FOR BOTH SIDES."

STEPHAN FUNK, HEAD OF TRIMMING, KRAICHTAL-GOCHSHEIM, GERMANY

In 27 years, Andreas Wetzel has advanced from an apprentice to the head of production: "I have always had excellent colleagues at my side!"

A CAREER WITH A FIERY CHAPTER

A PORTRAIT OF ANDREAS WETZEL, THE HEAD OF PRODUCTION AT THE TWO POLYTEC PLANTS IN KRAICHTAL-GOCHSHEIM

When the 15-year-old Andreas Wetzel started his first working day at Fibron GmbH in Bretten, Baden-Württemberg in August 1989, he could hardly have dreamed that less than thirty years later he would be in charge of production and some 320 employees. However, it was his apprenticeship as a toolmaker that laid the foundations for a highly successful career in the POLYTEC GROUP.

Andreas Wetzel expanded his professional horizons step by step, task by task and from production plant to production plant. Moreover, he faced every new challenge with enthusiasm and in the process evolved from a tool mechanic for repairs at Fibron in Bretten to an automatic press operator and then via technical planning, to the press shop foreman at Menzolit-Fibron in Kraichtal-Gochsheim. At the same time, he completed extra-occupational training as an industrial master craftsman.

"Make it simple with a system!"

Nevertheless, it was not only his professional qualifications that in the summer of 2016 helped Andreas Wetzel to become the head of moulded parts and semis production in Kraichtal-Gochsheim. His work philosophy was already "Make it simple with a system!" even before this became the motto of the POLYTEC Performance System (PPS) and today he continues to recommend this career approach to all the young employees with whom he comes into contact.

Andreas Wetzel is currently responsible for production and maintenance at both the POLYTEC COMPOSITES and POLYTEC COMPOUNDS locations in Kraichtal-Gochsheim and when asked to reflect upon the most influential factors during his career, the 44-year-old stresses the fact that many excellent colleagues have accompanied him along the way. Indeed, Andreas Wetzel makes very special mention of his apprenticeship master, who to this day has remained his professional and personal role model.

Complete reconstruction after a major fire

There were also times that demanded exceptional qualities on Andreas Wetzel's part, especially in the autumn of 2005 when during welding work by an external company, sparks led to the outbreak of a major fire at the Kraichtal-Gochsheim plant. "I will never forget the 19th of October 2005, or the fact that we alarmed the fire service at precisely 10.35 a.m." Andreas Wetzel is himself the commander of a volunteer fire service, but he was forced to watch as the conflagration destroyed the 4,000 m^2 shop. He had already experienced a number of major fire service operations, but this incident was of another dimension for with the "Fire out!" call, the complete reconstruction of the new production hall began from scratch. The following months were tough, but what impressed Andreas Wetzel in particular was the solidarity shown by his team: "Even though on occasion nine of us had to share the same office, the result was that during the rebuilding work we did not lose a single customer."

The special advantages of a family-managed company

Andreas Wetzel regards the possibility of attending the POLYTEC Leadership Academy as a major opportunity. The academy coaches managers from POLYTEC's various locations, in order that in the course of their daily activities they are able to communicate the company's objectives to their colleagues in a respectful and sympathetic manner. What Andreas Wetzel especially appreciates is the fact that he works for a family-managed company that offers well-defined decision-making structures, rapid measure implementation and clear future perspectives.

Andreas Wetzel is very happy with his assignments and his employer, and he is proud of the company, despite the fact that in one exceptional case he would give sheet metal priority over plastic: "At sometime or other, I may well buy myself a vintage tractor." ■

A CLEAR COMMITMENT TO SUSTAINABLE CONDUCT

In the POLYTEC GROUP, a conservationist approach to energy and resources is not merely "green theory", but established practice and a central element in corporate strategy. Moreover, in the case of products requiring sizeable raw material and energy consumption, even small interventions can result in considerable effects with regard to increased environmental compatibility.

THE POLYTEC GROUP ENVIRONMENTAL STRATEGY

Three strategic focal points

There are many screws that can be tightened in order to improve the ecological balance of a manufacturing company. The POLYTEC GROUP is committed to active environmental protection and for many years has pursued a stringent policy in this respect with the aim of designing production to be as energy and resource protective as possible. A diversity of individual measures has been implemented in the course of this approach that includes resource conservation by means of internal recycling, the minimisation of waste and the avoidance of hazardous materials. As far as energy efficiency is concerned, at present POLYTEC's focus is on effective process cooling, LED technology, heat recovery and building insulation. A positive by-product of these measures is a reduction in production costs, which results in advantages for both society and the environment, as well as customers and the group itself. The effectiveness of the initiatives taken is evidenced by the environmental certification of all the POLYTEC plants in Germany and Austria in accordance with ISO 14001 and ISO 50001.

Furthermore, the overall impact achieved by POLYTEC product applications is even more far-reaching, as the substitution of metal for plastic enables the production of vehicle parts that are markedly lighter, but possess the same or better characteristics and functions. The reduction in vehicle weight in hundreds of thousands of cars, trucks and other commercial vehicles worldwide through the use of POLYTEC components results subsequently in a cut in pollutant emissions and hence an improved environmental balance. ■

POLYTEC PLASTICS EBENSEE

COOLING FROM THE DEEP

The manufacture of IFCO logistics boxes commenced in Ebensee in 2015 and expressly for this order, fourteen new, fully automated production lines were put into operation. However, their short production cycle times necessitated a far higher degree of cooling performance than was possible with the existing equipment. In order to solve this problem, POLYTEC opted for an unconventional approach and instead of employing conventional, energy-intensive air conditioning, or cooling towers, a system was installed that utilises groundwater as a coolant. Water is extracted from the ground and conducted through a heat exchanger in which the temperature level of the cooling medium is lowered. Subsequently, the groundwater is returned to its source at a slightly higher temperature. Using this system, the cooling performance for the Ebensee systems has been raised by 70 per cent and the related long-term energy requirement minimised. ■

The number of wells in Ebensee was doubled, in order to obtain groundwater for production system cooling.

POLYTEC INDUSTRIELACKIERUNGEN ALTENSTADT

CLEAN AND FAVOURABLY PRICED, IN-HOUSE POWER PRODUCTION

Two cogeneration modules provide the POLYTEC location in Altenstadt with a reliable, clean and favourably priced energy supply.

In July 2014, a combined heat and power plant went on-stream at the POLYTEC location in Altenstadt, Germany. The plant has a total output of 966 kW (352 kW of electricity, 614 kW of heat) and EUR 800,000 were invested in its two natural gas-fired cogeneration modules. Since commissioning, the plant has supplied 1.6 million kWh of electrical power, of which the plant used 1.3 million, while the remainder was fed into the public grid. As a result, roughly 70 per cent of the plant's electricity needs have been covered owing to in-house generation. The experience gained during the first three years of operation have been thoroughly positive and it may well be the case that other POLYTEC plants will soon be using clean electricity derived from in-company production. ■

POLYTEC CAR STYLING HÖRSCHING

SAVING ENERGY AND MONEY WITH HIGH-TECH

In 2016, POLYTEC CAR STYLING in Hörsching demonstrated with an economy package centred on heating system optimisation that measures for increased energy efficiency really pay dividends. The company has also invested in a new and more efficient air compressor, which conducts waste heat into the heating system of the Hörsching plant, as well as another measure involving the correction of small leaks in the compressed air lines in the production area. These improvements mean that from the middle of 2017, the location will be able to reduce its annual consumption of gas and electricity by 1.3 million kWh, which corresponds with roughly 316,000 kg of CO_2 and energy costs of EUR 45,000.

Apart from supply system optimisation, 2016 also saw an analysis of user behaviour and production processes with regard to their energy efficiency. This showed that in numerous processes energy could be employed more efficiently because user conduct during machine operation, as well as various other process parameters frequently have a decisive influence upon consumption in the course of production.

With these measures, POLYTEC has made significant progress towards an optimised energy future at the location. Moreover, the search for further savings potential remains very much an item on the Hörsching agenda. ■

A new air compressor feeds waste heat into the Hörsching heating system.

SHARE & CORPORATE GOVERNANCE

+35.6%
ANNUAL PERFORMANCE OF
POLYTEC SHARE

PROPOSED DIVIDEND RISES BY **33%** TO
EUR 0.40 PER SHARE

DIVIDEND YIELD ON THE BASIS OF THE
AVERAGE SHARE PRICE **5.1%**

POLYTEC SHARE

TEN YEARS LISTED ON THE VIENNA STOCK EXCHANGE

28 April 2006 was undoubtedly one of the most significant days in POLYTEC's corporate history. The IPO lent the group additional impetus for its further development into a leading developer and manufacturer of top-quality plastics modules, which are used primarily in the automotive industry. Since the IPO, the turbulent price pattern of the POLYTEC share on 2,477 trading days has reflected both external, global economic influences and especially in recent years, the highly positive, internal earnings trend. The share hit its all-time low following the worldwide economic crisis of 2008/2009, but in the meantime has seen an almost fourteen-fold price rally. Therefore, on the occasion of the tenth anniversary of the IPO, we requested leading financial sector experts for their comments. ■

EUR 1.4 billion
Total monetary turnover (double counting)

TRADED SHARES
203,900,000
(double counting)

HIGHEST DAILY TRADING VOLUME
1,411,484 SHARES
(excluding issue day) on 4 September 2008 (double counting)

TOTAL GROSS DIVIDEND PAYMENTS
EUR 54 million
(2006, 2007, 2011–2015 financial years and the proposed dividend for the 2016 financial year)

ALL-TIME HIGH
EUR 14.50
On 6 July 2007

ALL-TIME LOW
EUR 1.00
On 6 and 9 March 2009

AVERAGE DAILY TURNOVER
82,326 shares
(double counting)

(ALMOST FOURTEEN-FOLD) PRICE RISE
+1,385%
From all-time low in March 2009 to mid-February 2017

IPO EMISSION PRICE
EUR 7.75

EUR 323.8 million
HIGHEST MARKET CAPITALISATION
(on the basis of the all-time high)

EUR 6.46
AVERAGE PRICE

Source: Vienna Stock Exchange
All figures for the ten-years period from 28 April 2006 to 28 April 2016

10 YEARS SINCE IPO OF POLYTEC HOLDING AG

Christoph Boschan,
CEO, Vienna
Stock Exchange

"The Vienna Stock Exchange and POLYTEC HOLDING AG are linked by a partnership dating back more than a decade, which commenced at the end of April 2006 with the stock exchange listing. Since then, the Polytec share has been constantly traded in the prime market, which is the premium segment of the Vienna Stock Exchange. Polytec's selection of the Vienna Stock Exchange meant that it opted for the market leader in the Austrian share trading area that not only offers domestic listed companies by far the greatest level of security and liquidity, but also transactions at the lowest expense."

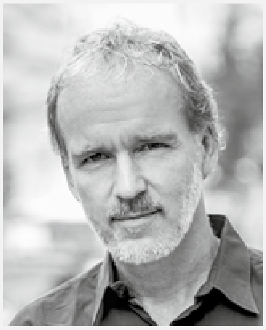
Wilhelm Rasinger,
President of the Austrian
Investors Association (IVA)

"During the last decade, shareholders experienced both highs and lows. However, loyalty has paid dividends. The precondition in this regard is a reliable, competent core shareholder that is not only prepared to share profits and increased asset volume in good times, but also strengthen the bond of trust with the co-owners through an intensive information policy. Polytec has succeeded in creating satisfaction through precisely this approach."

Björn Voss,
analyst, Warburg Research,
Hamburg

"As was the case in earlier years, in the recent past Polytec has constantly adapted to the changing demands of the automotive market. Friedrich Huemer, the group's founder, main shareholder and chairman is regarded both by the capital market and my company as an intelligent strategist and entrepreneur. From an M.M. Warburg & CO perspective, during the past six years the focus on products of functional relevance, successful restructuring measures and new contracts has resulted in highly successful corporate development and with a margin level (EBITDA) of over 10 per cent, Polytec has become one of the most profitable automotive subsuppliers in the capital market.

We anticipate global car sales growth of 2 to 3 per cent in the coming years and in this environment Polytec should remain a highly profitable company and consequently its shares will continue to be an attractive dividend stock."



Christian Drastil,
financial and
stock exchange journalist

"In 2016, Polytec celebrated its tenth year on the stock exchange with a thoroughly solid price trend. The group not only provided its private shareholders with a degree of information unsurpassed by virtually any other company during its "going public", but more importantly offers excellent service with regard to daily "being public" life. For me, a shareholders event in September 2015 provided an especially positive memory. The VW exhaust gas affair had just begun and this was met with a proactive response on the podium through the informing of the shareholders. This won their trust and the company has emerged stronger from this industrial crisis. In my opinion, during the past two years, Polytec has been the company with the most enthralling communications. I witness this at events, experience it during day-to-day working and hear it from institutional investors."

INTERVIEW "TEN YEARS LISTED ON THE VIENNA STOCK EXCHANGE"

"... IN OUR CASE, STOCK EXCHANGE LISTING IS ABSOLUTELY IDEAL ..."

Friedrich Huemer, founder and CEO of the POLYTEC GROUP

"SINCE THE IPO, THE PRICE OF OUR SHARE HAS ROUGHLY DOUBLED."

FRIEDRICH HUEMER, CEO

Mr Huemer, when you look back, was the IPO in 2006 the right decision?

Friedrich Huemer: Undoubtedly. In our configuration as a company oriented towards strong growth with an important, but not dominant core shareholder, I am of the opinion that stock exchange listing is ideal. Therefore, the decision for the IPO in 2006 was entirely correct and not only because at the time our financial investor, Capvis, wished to pull out. I am convinced that the necessity for transparency and consideration with regard to the other shareholders engendered by listing is thoroughly positive, even though conversely, an entrepreneurially involved core shareholder is of far greater advantage for the group than exclusively free float ...

And was Vienna the right choice of financial centre?

As far as the development of the company is concerned, which for me as a manager represents my paramount responsibility, the stock exchange selected for listing is basically unimportant. However, in my view it is only logical for an enterprise of our size to opt for the stock exchange with a catchment area that is home to company headquarters. In addition, as a Vienna Stock Exchange issuer we receive excellent support with our financial market communications.

Over the years, the POLYTEC share price has been subject to considerable turbulence, but in recent months has experienced a notable rally. How do you regard this development?

Since the IPO, in overall terms the price of our share has roughly doubled, in spite of ups and downs varying from EUR 1 to EUR 14. This indicates that for the company the past eleven years have been highly eventful. On 28 April 2016, exactly ten years to the day since the IPO, our share reached precisely its issue price, but since then the trend has been pleasingly positive and has brought us up to the EUR 14 mark. This represents confirmation of the probity of our strategy, which is targeted on longterm performance.

At least in Vienna, stock exchange IPOs would seem to have gone out of fashion and some companies have actually delisted. What in your opinion are the reasons?

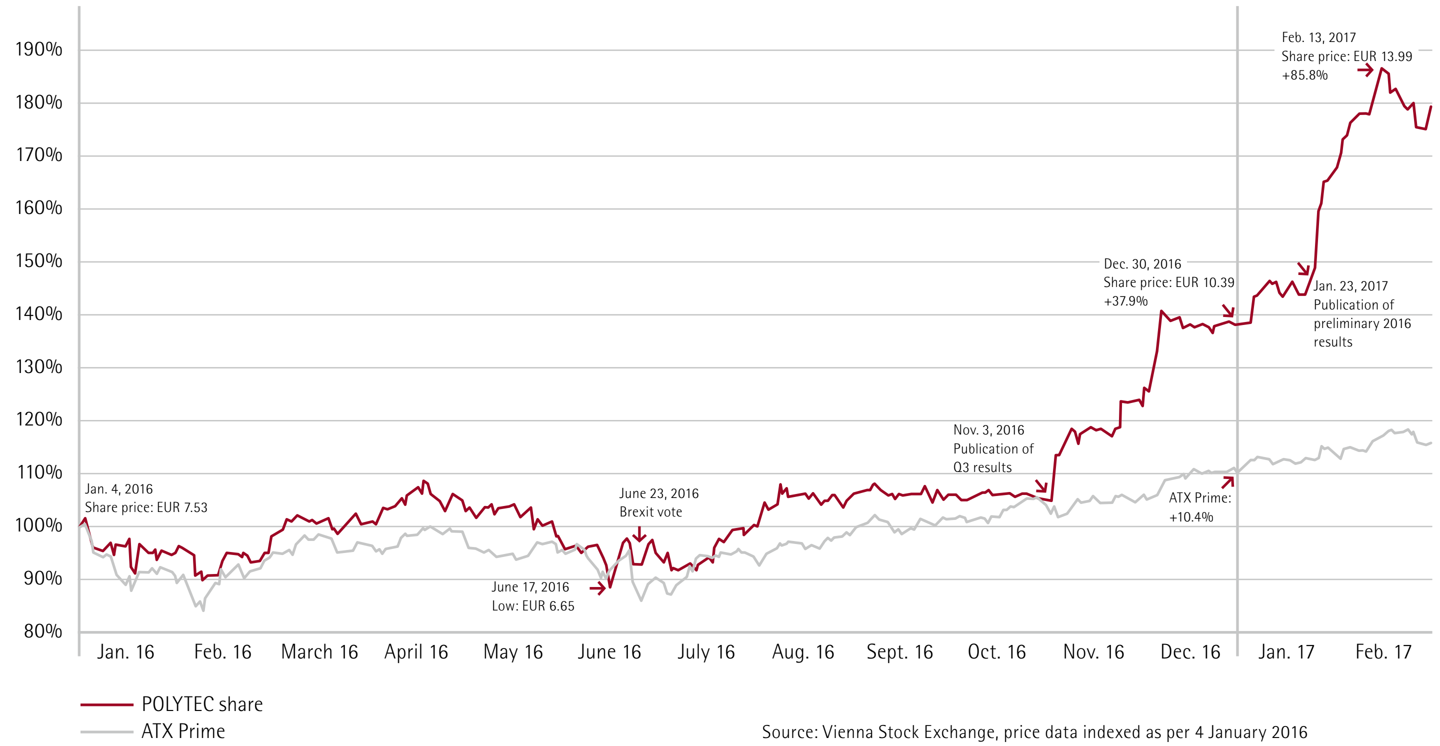
If one is not pursuing a genuine growth strategy, then it is certainly better for the company not to join the stock exchange, or to withdraw from it. This is because there is no reason to subject oneself to the ever-tighter regulatory requirements. In this regard, I need only mention the new market abuse regulation, or the MiFID-II financial market directive as examples. Apart from increasingly elaborate administrative tasks, the owners and the managements of listed companies are thus exposed to considerable additional risks. And reasonably enough, one can only be willing to accept this fact, when one intends to grow and does not wish to, or cannot, achieve this from one's own resources. Therefore, I can fully understand why a company would want to delist. ■

SHARE & INVESTOR RELATIONS

POLYTEC SHARE PRICE DEVELOPMENT

As at December 30, the last stock exchange trading day in the 2016 financial year, the POLYTEC share (ISIN: AT0000A00XX9) closed at EUR 10.385 and was thus EUR 2.73 or some 35.6% up on the value of the previous year (EUR 7.66). The mean price for the year stood at EUR 7.89 (2015: EUR 7.52) and market capitalisation at the end of the year totalled EUR 231.9 million (2015: EUR 171.0 million).

The ATX Prime Index rose by 10.4% to 1,203.13, while the STOXX® Europe 600 Automobile & Parts (SXAP) fell by 3.9% and closed at 543 points (2015: 565).



Source: Vienna Stock Exchange, price data indexed as per 4 January 2016

From mid-February onwards, the POLYTEC share price rose steadily and on 20 April attained an interim high of EUR 8.19. Beginning at this point, the share came under strong subsequent pressure and on 17 June hit a low for the year at EUR 6.65. This day saw the third highest trading volume (322,536 shares using double counting) in the period under report. However, in the final trading days of the month up to 30 June 2016, the POLYTEC share rallied and also recovered from a short Brexit low. From the beginning of the third quarter until the start of August 2016, the POLYTEC share demonstrated a constant improvement in performance and on 9 August 2016 reached its third best closing price up to the end of the third quarter at EUR 8.14. From then on, the price showed lateral movement along the EUR 8 line until the end of October 2016.

Following the publication of the highly positive interim report on the third quarter, the share price rose sharply. The marked improvement in the group's operating result figures met with favourable investor reaction and on the publication date of 3 November 2016 led to the strongest trading day of the entire year. 450,476 POLYTEC shares (double counting) were traded on the Vienna Stock Exchange, which was more than twelve times the volume on an average day. As compared to the previous day, the price climbed by over 8% and this trend continued in the following weeks. On 6 December, the POLYTEC share reached its high for the period at EUR 10.60 and on the final trading day in 2016, closed at EUR 10.385. As opposed to the closing price on 4 January 2016, this represented a gain of 37.9%.

During the 249 days of trading on the Vienna Stock Exchange, in 2016 the average trading volume amounted to 35,937 shares per day (2015: 45,660 shares, both figures using double counting). On 3 November 2016, the best trading day, 450,476 shares were traded. Other strong trading days were 23 March with 361,790 shares and 17 June with 322,536, both using double counting. In addition to market trading on the Vienna Stock Exchange, OTC transactions involving POLYTEC shares were concluded to the value of EUR 16.6 million (2015: EUR 25.1 million, both figures using single counting). This represents a share of around 31.7% (2015: 37.3%) of the total trading volume.

POLYTEC share (AT0000A00XX9)	Unit	2016	Change	2015	2014
Year-end closing price	EUR	10.39	35.6%	7.66	6.25
Highest closing price during the year	EUR	10.60	25.4%	8.45	8.54
Lowest closing price during the year	EUR	6.65	7.3%	6.20	5.90
Market capitalisation at year-end	EUR million	231.9	35.6%	171.0	139.6
Vienna Stock Exchange money turnover (double counting)	EUR million	71.7	-15.2%	84.6	80.7
Vienna Stock Exchange share turnover (double counting)	Shares million	9.0	-20.8%	11.3	11.2
Turnover per share (daily average, double counting)	Shares	35,937	-21.3%	45,660	45,126

Source: Wiener Börse AG

The price surge continued beyond the 2016 reporting period and following the publication of the preliminary results for the 2016 financial year on 23 January 2017, there were above-average trading values and price rises shortly before the stock exchange close and on the following day. The positive price trend was maintained and on 13 February 2017 reached its high to date with a closing price of EUR 13.99.

INVESTOR CONTACTS

In order to secure a comprehensive, timely and transparent presentation of POLYTEC GROUP information of relevance to the capital markets, the Board of Directors and the Investor Relations team maintain constant contacts with stockholders. During the 2016 financial year, together with investment banks and the Vienna Stock Exchange, POLYTEC organised road shows on more than thirty days, and participated in several investor conferences upon invitation with the aim of reporting upon the current business figures and development of the company. In addition, a regular dialogue was continued with institutional and private investors and analysts by means of frequent telephone conferences.

RESEARCH COVERAGE

The coverage of the POLYTEC GROUP by national and international investment banks is an important element in its comprehensive investor relations activities and plays a significant role in the visibility of the POLYTEC shares within the investor community. During the 2016 financial year the following financial institutions published reports on the POLYTEC GROUP and the recommendations and price targets up to the editorial closing date of this report at the end of March 2017 were as follows:

Institute	Recommendation	Latest price target
BAADER Helvea Equity Research	Buy	EUR 13.5
ERSTE Group Research	Under review	Under review
M.M.Warburg Research	Buy	EUR 15.0
Raiffeisen CENTROBANK Research	Hold	EUR 15.5

DIVIDEND POLICY

POLYTEC's dividend policy is based on profitability and the strategic growth perspectives and the capital requirements of the group. In the 2016 business year, POLYTEC HOLDING AG's net profit amounted to EUR 123.3 million. Therefore, the Board of Directors and the Supervisory Board will propose the distribution of a dividend of EUR 0.40 per eligible share to the 17th Ordinary Annual General Meeting to be held on 22 May 2017. This corresponds to a total dividend payment of around EUR 8.8 million (2015: EUR 6.6 million) and a dividend pay-out ratio of roughly 24.2% in terms of the POLYTEC GROUP's net profit. It is thus in the middle of the aspired 20 to 30% distributable earnings range. On the basis of an average price for the year of EUR 7.89, a dividend yield of 5.1% results. 29 May 2017 is the ex-dividend day and 31 May 2017 the dividend pay-out day.

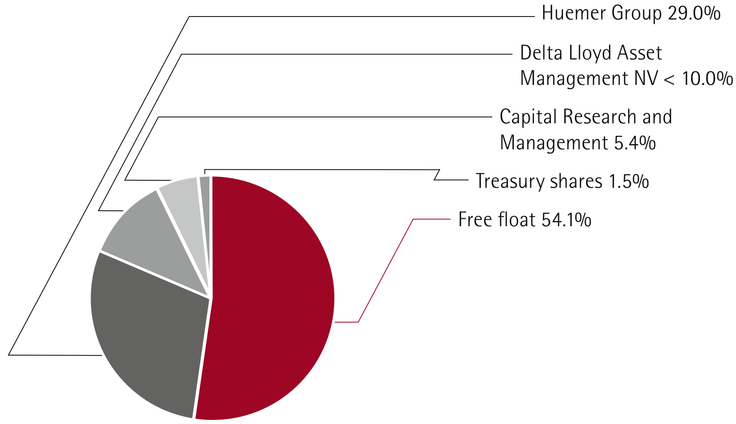
POLYTEC share (AT0000A00XX9)	Unit	2016	Change	2015	2014
Earnings per share	EUR	1.65	52.8%	1.08	0.62
Proposed dividend per share	EUR	0.40	33.3%	0.30	0.25
Dividend yield on the basis of the average share price	%	5.1	27.5%	4.0	3.5
Pay-out ratio	%	24.2	-12.9%	27.8	40.3

SHAREHOLDER STRUCTURE

As at 31 December 2016, POLYTEC HOLDING AG's share capital remained unchanged at EUR 22.3 million and was divided into 22,329,585 bearer shares. On the balance sheet date POLYTEC HOLDING AG held an unchanged total of 334,041 treasury shares, which amounted to roughly 1.5% of share capital. The Huemer Group had an approximately 29.0% (16.0% Huemer Holding GmbH and 13.0% Huemer Invest GmbH) holding in POLYTEC HOLDING AG share capital, which was unchanged.

In mid-July 2016, the shareholder Delta Lloyd Asset Management NV, Amsterdam (Netherlands) notified POLYTEC HOLDING AG that on 15 July 2016 it fell short of a reporting threshold. On 15 July 2016, two of the funds administered by Delta Lloyd Asset Management (Delta Lloyd Europees Deelnemingen Fonds NV and Delta Lloyd L European Participation Fund) received a joint interest of 9.98%, or 2,228,808 shares in POLYTEC HOLDING AG. Apart from this notification, in the period under report from 1 January to 31 December 2016, POLYTEC HOLDING AG did not receive any voting right communications from shareholders pursuant to §91 of the Austrian Stock Exchange Act.

As at 31 December 2016, on the basis of the shares issued, the shareholder structure of POLYTEC HOLDING AG presented the following picture:



AUTHORISED CAPITAL

A resolution regarding the renewed creation of authorised capital (§169 of the Austrian Stock Corporation Act) within a maximum of three years following entry into the company register and thus by 24 August 2019, for the purpose of an increase in cash or non-cash capital up to an amount of EUR 6,698,875.00, with the possibility of the exclusion of the subscription rights of the shareholders, as well as the corresponding amendment of the Articles of Association, was approved by the required majority at the 16th Ordinary Annual General Meeting on 19 May 2016.

CORPORATE CALENDAR 2017

6 April 2017	Thursday	Publication of the financial statements and annual report for 2016
8 May 2017	Monday	Publication of the interim report for Q1 2017
12 May 2017	Friday	Record date AGM
22 May 2017	Monday	17th Ordinary Annual General Meeting for the 2016 financial year, Hörsching, 10:00 a.m.
29 May 2017	Monday	Ex-dividend day
30 May 2017	Tuesday	Dividend cut-off date (record date)
31 May 2017	Wednesday	Dividend pay-out day
10 August 2017	Thursday	Publication of the report for HY1 2017
7 November 2017	Tuesday	Publication of the interim report for Q3 2017

DETAILS REGARDING THE POLYTEC SHARE

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

CORPORATE GOVERNANCE

1. COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

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

Since its IPO, POLYTEC HOLDING AG has voluntarily committed itself to compliance with the Austrian Corporate Governance Code in its respective current edition. During the 2016 financial year, the version of the code from January 2015 applied and therefore all the information and statements provided in this report pursuant to § 243b of the Austrian Commercial Code (UGB) are based on this edition. The complete text of the Austrian Corporate Governance Code can be called up from the website of the Austrian Working Committee for Corporate Governance (www.corporate-governance.at).

POLYTEC HOLDING AG complies with all the compulsory "L rules" (Legal Requirements) and all the "C rules" (Comply or Explain) contained in the Austrian Corporate Governance Code with the exception of Rule C-62. According to this rule, the company should allow an evaluation of adherence to the C rules of the code by an external institution, which to date has not taken place. The company justifies this fact with the related high costs, but is nonetheless convinced that adherence to the C rules and transparency are secured through internal audits and measures. The Corporate Governance Report for the 2016 financial year is publicly available via the POLYTEC HOLDING AG's corporate website (www.polytec-group.com), which is registered in the Austrian Company Register.

2. POLYTEC HOLDING AG GOVERNING BODIES

BOARD OF DIRECTORS

BOARD ORGANISATION AND WORKING METHODS

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

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

All of the serving members of the Board of Directors in 2015 were granted a unanimous discharge at the 16th Ordinary Annual General Meeting on 19 May 2016.

At the meeting of the Supervisory Board held on 7 December 2016, the mandate of the Board Chairman, Friedrich Huemer was extended for a year and therefore ends on 31 December 2017. That of the CFO, Peter Haidenek, was prolonged for three years until 31 December 2019.

THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG BOARD OF DIRECTORS IN 2016:

Alice Godderidge (CSO)

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

Peter Haidenek (CFO)

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

Friedrich Huemer (CEO)

- Born in 1957
- Chairman of the Board of Directors and founder of the POLYTEC GROUP
- Date of initial appointment: year of company foundation
- End of current term of office: December 31, 2017
- Areas of responsibility: M&A, Investment Management, Corporate Strategy, Corporate Communications, Human Resources, Legal Affairs
- Supervisory Board positions: Globe Air AG (Chairman of the Supervisory Board)

Markus Huemer (COO)

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

SUPERVISORY BOARD

BOARD ORGANISATION AND WORKING METHODS

The Supervisory Board's scope of activities is defined by laws and regulations that apply to listed companies in Austria, e.g. the Austrian Stock Corporation Act and the Austrian Stock Exchange Act. In addition, the Supervisory Board is obliged to comply with the rules of the Austrian Corporate Governance Code. As far as internal company regulations are concerned, the Articles of Association and the rules of internal procedure are of primary importance. The members of the Supervisory Board are elected and can be removed from office by the Annual General Meeting. In accordance with the POLYTEC HOLDING AG Articles of Association, the Supervisory Board consists of at least three and no more than six members, elected by the Annual General Meeting. When appointing the Supervisory Board members, the Annual General Meeting must take care to ensure the adequate professional and personal qualifications of eligible candidates, and that the composition of the Board demonstrates balanced expertise. Furthermore, the aspect of diversity with regard to gender equality, age structure and the international background of the members has to be taken into due consideration. Newly elected Supervisory Board members have to adequately inform themselves about the organisation and the activities of the company, as well as about their specific tasks and responsibilities. Last, but not least, the members of the Supervisory Board must conduct an annual self-assessment in order to examine the efficiency of their activities.

All of the serving members of the Supervisory Board in 2015 were granted a unanimous discharge at the 16th Ordinary Annual General Meeting on 19 May 2016.

THE FOLLOWING PERSONS SERVED AS MEMBERS OF THE POLYTEC HOLDING AG SUPERVISORY BOARD IN 2016

Fred Duswald

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

Manfred Trauth

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

Viktoria Kickinger

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

Robert Büchelhofer

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

Reinhard Schwendtbauer

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

INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS

The members of the Supervisory Board are deemed to be independent if they have no business or personal relationships with the company or its Board of Directors that could result in a material conflict of interest and thus influence the members' conduct. One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan transactions. The members of the POLYTEC HOLDING AG Supervisory Board have committed themselves to compliance with the criteria of independence pursuant to Rule C-53 of the Austrian Corporate Governance Code and have declared their independence. Moreover, all members comply with Rule C-54 of the Code.

BUSINESS TRANSACTIONS OF THE SUPERVISORY BOARD MEMBERS REQUIRING PRIOR APPROVAL

In the 2016 financial year, the members of the Supervisory Board undertook no transactions that required prior consent pursuant to Rule L-48.

SUPERVISORY BOARD COMMITTEES

In accordance with the Austrian Stock Corporation Act, the POLYTEC HOLDING AG Supervisory Board has established an audit committee, which carries out the scheduled controlling and monitoring functions. The audit committee is also responsible for monitoring the accounting and auditing processes of both the financial statements and the consolidated financial statements, as well as monitoring the effectiveness of the internal control and risk management systems. In addition, it also supervises the compilation of the Corporate Governance Report for each financial year, which is then reported upon at the Annual General Meeting.

During the 2016 financial year, the audit committee met twice and a total of four Supervisory Board meetings were held. No further meetings were required. No Supervisory Board member attended fewer than half of the Board's meetings. In addition to the mandatory establishment of the audit committee, a nomination committee and a risk management committee were established.

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

REMUNERATION REPORT

REMUNERATION OF THE BOARD OF DIRECTORS

When determining the total remuneration of the members of the Board of Directors, the Supervisory Board has to ensure that this is commensurate with their individual tasks and performance, the company's economic position and the customary levels of remuneration, while providing long-term incentives for a sustainable development of the company. Remuneration contains fixed and variable components. Apart from the achievement of performance-related targets set for each individual Board member, the development of the return on capital employed (ROCE) is the most important parameter for the calculation of the variable remuneration components. There are no stock option plans or share-based remuneration systems currently in place.

In the year under review, total remuneration to the members of the Board of Directors including performance-related components amounted to EUR 2,541 k (2015: EUR 2,498 k). As in the preceding year, in 2016 no payments were made following the termination of the working relationship. Unpaid variable remuneration for 2016 is recognised in the current provisions for personnel. The Chairman of the Board of Directors, Friedrich Huemer works for POLYTEC HOLDING AG on the basis of a service contract via IMC Verwaltungsgesellschaft mbH, Hörsching. There is no company pension system for members of the Board of Directors. As at the balance sheet date on 31 December 2016, no loans or advance payments had been granted to the current or former members of the Board of Directors.

COMPOSITION OF THE COMMITTEES

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

REMUNERATION OF THE BOARD OF DIRECTORS IN THE 2016 FINANCIAL YEAR

Member of the Board of Directors	Basic salary	Variable component of remuneration	Total
Friedrich Huemer[1)]	447	785	1,232
Markus Huemer[2)]	259	379	638
Alice Godderidge[2)]	230	173	403
Peter Haidenek[2)]	208	60	268
Total	**1,144**	**1,397**	**2,541**

Amounts in EUR k, [1)] Service contract fee, [2)] Gross salaries

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board for the previous financial year is sanctioned within the framework of the Annual General Meeting. Total remuneration of the members of the Supervisory Board for the 2015 financial year was approved during the 16th Ordinary Annual General Meeting held on 19 May 2016 and totalled EUR 98,750. For the 2016 financial year, a total amount of EUR 98,750 for the remuneration of all members of the Supervisory Board was again recognised as an expense. Accordingly, the Board of Directors will propose this amount to the 17th Ordinary Annual General Meeting to be held on 22 May 2017 as total emoluments to the Supervisory Board. Subject to prior approval by the Annual General Meeting, this sum will be distributed among the individual members of the Supervisory Board as follows:

REMUNERATION OF THE SUPERVISORY BOARD IN THE 2016 FINANCIAL YEAR

Member of the Supervisory Board	Function	Remuneration
Fred Duswald	Chairman of the Supervisory Board	25
Manfred Trauth	Deputy Chairman of the Supervisory Board	19
Viktoria Kickinger	Member of the Supervisory Board	15
Robert Büchelhofer	Member of the Supervisory Board	25
Reinhard Schwendtbauer	Member of the Supervisory Board	15
Total		**99**

Amounts in EUR k

3. OTHER INFORMATION

MANAGERS' TRANSACTIONS

The managers' transactions of the Supervisory Board and the Board of Directors were published in the Directors' Dealings database of the Austrian Financial Market Authority (FMA) up to 2 July 2016. Since 3 July 2016, the EU Market Abuse Regulation No. 596/2014 (MAR) is to be applied. The notification of managers' transactions (e.g. share purchases and sales) by persons discharging managerial responsibilities with an issuer now takes place in line with Article 19 MAR and the related mandatory implementation regulation.

D&O INSURANCE POLICY

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

COMPLIANCE

POLYTEC HOLDING AG introduced compulsory compliance guidelines pursuant to Rules L-20 and C-21 of the Austrian Corporate Governance Code a number of years ago. In the year under report, POLYTEC HOLDING AG Compliance dealt comprehensively with the statutory changes resulting from the coming into force during the summer of 2016 of the EU Market Abuse Regulation No. 596/2014 (MAR). The internal regulations used to date to prevent any misuse of insider information were amended accordingly and furthermore the additional organisational measures required were newly established. The members of the Supervisory Board and the Board of Directors were provided with regular and comprehensive information during the year under review and the personal data required from them was collated.

Other tasks relating to the implementation of the new regulation such as the gathering of data and personal undertakings on the part of persons, who if necessary could have access to insider information or information of relevance to compliance, as well as the training of these persons with regard to the prevention of the abuse of insider information and possible sanctions, was carried out in coordination with the entire Board of Directors. Compliance activities are reported to the audit committee on an annual basis.

In addition to the content of capital market compliance, the POLYTEC GROUP holds regular training regarding anti-corruption and anti-trust law. The awareness levels of employees are raised with respect to issues of competition and anti-trust law relevance, as well as correct conduct when dealing with gifts and invitations. The aim is to protect both employees and the company against infringements of the law and to offer practice-related support during the application of the relevant regulations.

MEASURES FOR THE PROMOTION OF WOMEN

Viewed from a gender perspective, the composition of POLYTEC HOLDING AG's governing bodies, the Board of Directors and the Supervisory Board, as at the balance sheet date of 31 December 2016 was as follows: one in five Supervisory Board positions was held by a woman, which corresponds to a proportion of 20%. One woman also served on the four-member Board of Directors, thus accounting for a 25% share of the posts.

On 31 December 2016, the quota of women in the group amounted to 18.9%, which was one percentage point higher as compared to the balance sheet date of the previous year. The workforce in the automotive subsupply industry is still predominately male, as this sector is primarily oriented towards technology. However, the percentage of female employees has increased over recent years and this also applies to executive management positions. On the closing date for this report at the end of March 2017, women held 19% of the executive managerial posts at the POLYTEC GROUP's companies and men 81%. On the balance sheet date, the quota of women within the holding company amounted to 50%. In the Finance and Accounting, Sales and Marketing as well as in the Legal departments, women currently hold clerical, middle and top management positions. This high percentage of female employees is mainly attributable to the increased efforts of the Human Resources department during recent years, which have been aimed at filling both new and replacement vacancies with women.

When recruiting for vacant positions, the Human Resources department evaluates both male and female applicants in an equal manner. Candidates are selected primarily on the basis of the qualifications and experience they can contribute to the company. Other personal characteristics such as social background, religion or age are not deemed important. For a globally operating company, performance orientation, equal opportunities and the uniform treatment of all employees take centre stage in daily business operations.

AUDITOR

Deloitte Oberösterreich Wirtschaftsprüfungs GmbH, Linz was recommended by the Supervisory Board as the auditor of POLYTEC HOLDING AG's financial statements and consolidated financial statements for the 2016 financial year. This proposal was approved with the required majority at the 16th Ordinary Annual General Meeting held on 19 May 2016. In the year under review, total expenses for auditing purposes amounted to EUR 175 k (2015: EUR 166 k). A more detailed breakdown of these expenses in the single fields of activity is available in the notes to the consolidated financial statements.

Hörsching, 31 March 2017

The Board of Directors of POLYTEC HOLDING AG

Friedrich Huemer m. p.
Chairman – CEO
Markus Huemer m. p.
Deputy Chairman – COO
Alice Godderidge m. p.
Member of the Board – CSO
Peter Haidenek m. p.
Member of the Board – CFO

REPORT OF THE POLYTEC HOLDING AG SUPERVISORY BOARD FOR THE 2016 FINANCIAL YEAR

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

During the 2016 financial year, the committees formed in accordance with the Austrian Corporate Governance Code (audit, nomination and risk management committees) convened as stipulated. The meetings dealt largely with the discussion of the course of business and resolutions regarding business matters and measures of importance. The Supervisory Board of POLYTEC HOLDING AG is currently composed of five shareholder representatives and is committed to compliance with the Austrian Corporate Governance Code. All of the Supervisory Board members are deemed to be independent according to the definition contained in the Austrian Corporate Governance Code.

Deloitte Oberösterreich Wirtschaftsprüfungs GmbH, Linz, audited the financial statements including the management report, the consolidated financial statements and the group management report of POLYTEC HOLDING AG in its capacity as the auditor for the 2016 financial year. The auditor granted both the 2016 financial statements and consolidated financial statements of POLYTEC HOLDING AG an unqualified opinion. On the basis of this audit, apart from the clarification of especially important auditing matters, among other aspects it was confirmed that the financial statements and the consolidated financial statements comply with all legal requirements and provide a true and fair view of the asset and financial situation as at 31 December 2016, as well as the profit situation for the financial year ending on this closing date. Pursuant to the opinion of the auditor, the financial statements were prepared in accordance with the stipulations of Austrian company law and the consolidated financial statements in line with the International Financial Reporting Standards, as applied in the EU (IFRS) and the additional requirements pursuant to § 245a UGB (Austrian Company Code).

At its meeting on 5 April 2017, together with the auditor, the audit committee of the Supervisory Board studied in detail the annual financial statements including the management report, the corporate governance report, the consolidated financial statement including the group management report and the auditor's report. Following its own examination, the audit committee endorsed the findings of the auditor's report and informed the Supervisory Board accordingly. Owing to the long-term appointment of Deloitte Oberösterreich Wirtschaftsprüfungs GmbH, the audit committee also recommended that at the Annual General Meeting, the Supervisory Board should propose that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz be appointed as the auditor for the 2017 financial statements.

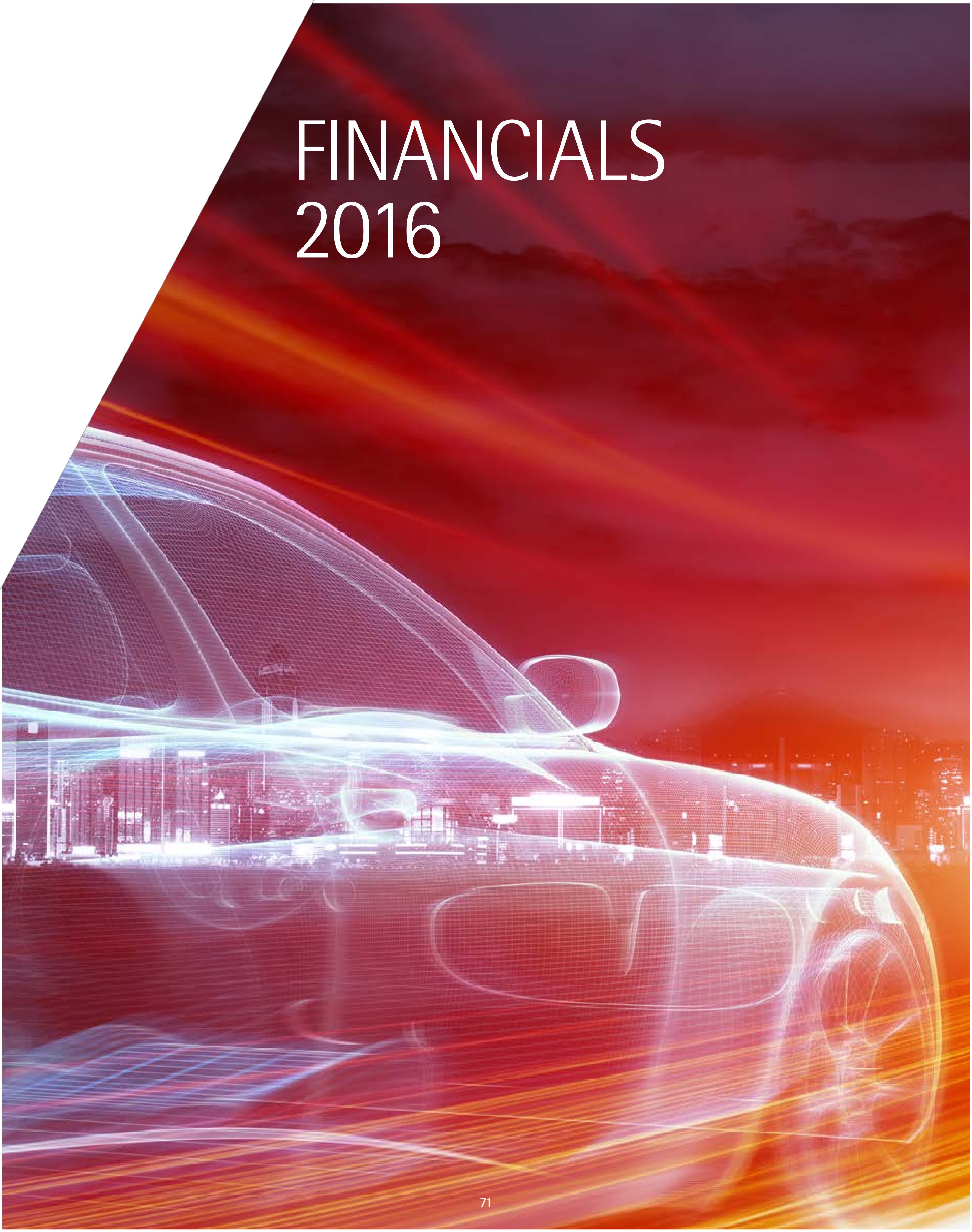
The Supervisory Board examined the annual financial statements, the consolidated financial statements, the management report, the group management report and the corporate governance report and endorsed the result of the audit of the financial statements and consolidated financial statements. The Supervisory Board concurred with the annual financial statements, which are thus adopted pursuant to § 96 Para.4 of the Austrian Stock Corporation Act. The Supervisory Board also agreed with the recommendation of the audit committee and will propose to the Annual General Meeting that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz be appointed as the auditor for the 2017 financial year.

Furthermore, the Supervisory Board concurs with the recommendation of the Board of Directors to distribute a dividend of EUR 0.40 per eligible share for the 2016 financial year.

On behalf of the Supervisory Board, I would like to express my gratitude to the Board of Directors and all the members of the POLYTEC GROUP workforce for their endeavors and great commitment during the 2016 financial year. I would also like to thank the POLYTEC GROUP's shareholders and customers for their trust.

Hörsching, April 2017

Fred Duswald m. p.
Chairman of the Supervisory Board


FINANCIALS
2016

POLYTEC HOLDING AG GROUP MANAGEMENT REPORT FOR THE 2016 FINANCIAL YEAR

1. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

AUTOMOTIVE BRANCH DEVELOPMENT IN 2016

The global car industry can look back on a good year in 2016. The markets in China and the USA registered new sales records, and Western Europe grew strongly to reach its highest level since 2007. In these three predominant markets, new car registrations rose by around 4.7 million to a total of 55.8 million vehicles (2015: 51.1 million). The Indian market was equally dynamic with an increase in car sales during 2016 of 7% to roughly three million new vehicles. In Japan, the world's fourth largest car market, in 2016 sales dropped by 1.6% to 4.2 million cars. Moreover, as anticipated, registrations in Brazil and Russia also showed a downward trend, although the falls were less pronounced than in 2015. The VW Group sold a total of 10.31 million vehicles worldwide and thus became the world's largest car manufacturer, having overtaken Toyota with 10.17 million.

IN 2016 CHINA REMAINED THE WORLD'S NUMBER ONE FOR NEW CAR REGISTRATIONS

With growth of 17.8% as compared to the previous year, in 2016 China retained its ranking as the world's leading nation for new vehicle registrations with a total of some 23.7 million. In December 2016 alone, the numbers of newly registered cars rose by 11% to 2.6 million. One reason for this boom in the Chinese car trade was the tax relief on vehicles with a small cubic capacity, which was introduced in October 2015. Moreover, the reintroduction of a higher rate of purchase tax at the turn of 2017 also resulted in an anticipatory effect in the fourth quarter of 2016.

USA WITH ONLY SLIGHT GROWTH, BUT ANOTHER SALES RECORD

In 2016, the US light vehicle market (cars and light trucks) grew by just 0.4% and therefore with a total of 17.5 million, new registrations increased only slightly over the preceding year. However, this figure nevertheless represented a new, all-time record and with almost 10.6 million units, sales of light trucks were a good 7% up on those in 2015. Therefore, the trend towards light trucks continued, as opposed to car segment sales, which fell by 9%. Furthermore, after six years of growth, the 2016 truck market suffered a sharp decline of 11%.

THE EU CAR MARKET SHOWS STRONG GROWTH OF 6.8%

In absolute terms, the number of new registrations in Western Europe during 2016 again lagged behind those of the USA in third place. Nonetheless, new car registrations in the EU rose by 6.8% to over 14.6 million units (2015: 13.7 million). All the EU states registered growth with the exception of the Netherlands, which demonstrated a notable minus of 14.7%. The reason for this fall was the withdrawal of tax incentives on company cars at the beginning of 2016, which in 2015 resulted in a sharp rise in demand of 16.0%. In the five main EU markets, which together provided over three-quarters of the new registrations in 2016 (75.3%), Italy had growth of 15.8% and Spain 10.9%, thus repeating the double-digit rates of the previous year. France followed with 5.1%, Germany with 4.5% and the UK with 2.3% (2015: 6.3%). In 2016, the latter represented Europe's second largest car market with approximately 2.7 million new registrations, while Germany remained the number one European car market with approximately 3.4 million newly registered vehicles. Demand in various other European states was also strong in 2016, as exemplified by Hungary, which with a plus of 25.1% showed the largest relative growth. Poland came second with 17.2% and the Czech Republic third with 12.5%.

EUROPEAN REGISTRATIONS OF VEHICLES WITH ALTERNATIVE DRIVE SYSTEMS REMAIN MODERATE

E-mobility and vehicles with alternative drive systems became an omnipresent media topic during 2016. However, the actual sales figures failed to replicate the ambitious forecasts. In the European Union 609,629 vehicles with alternative drive systems (alternative fuel vehicles – AFV) were newly registered (2015: 585,790), a figure that corresponded with growth of 4.1% in comparative yearly terms. This growth related primarily to hybrid systems and the differences between individual countries and the diverse drive technologies were partially considerable. Italy is the number one country in Europe with regard to newly registered e-cars, vehicles with hybrid engines and cars fuelled by propanol, ethanol or natural gas and it alone was responsible for roughly a third of all fresh registrations (185,000). However, as opposed to the high level of the preceding year, this number represented a fall of 12.1%. The UK was second in the rankings with around 89,000 cars (+22.2% growth) although in terms of absolute figures this did not amount to half of the Italian total. France occupied third place with 82,000 cars (+1.1%) and Germany was fourth with some 66,000 new registrations (+17.1 %). With growth of 39.6%, new registrations in non-EU Norway were only around 3,500 below the German figure, in spite of it having a far smaller population.

If the various drive technologies are considered, the EU states 2016 showed a development pattern in which purely battery operated vehicles (BEV – Battery Electric Vehicles) achieved growth of 7.0% and hybrid system (HEV – Hybrid Electric Vehicles) registrations rose by a sizeable 27.3%. By contrast, the market share of AFVs not employing electric power, but instead propanol, ethanol or natural gas, was clearly down by 19.7%.

COMMERCIAL VEHICLES GAIN GROUND - CHINA AND WESTERN EUROPE STRONG, NORTH AMERICA AND BRAZIL DOWN

In terms of an international comparison, the People's Republic of China is also the number one with regard to commercial vehicle sales figures. In 2016, roughly a third of all new heavy truck sales worldwide (roughly 2.9 million) took place in China, where registrations rose by 28% to 962,000 units. To a large extent this growth resulted from the anticipatory effect caused by the introduction of the new China National Standard V for exhaust gases, as evidenced by a 72% increase in market sales in November and a further 38% in December. As a consequence, it is probable that in 2017 the Chinese commercial vehicle market will only show moderate growth. Conversely, the Americas demonstrated a completely different picture, as following six years of growth, in 2016 the US truck market had to accept a fall of 11%. The Brazilian truck market continued to deteriorate sharply with a 31% downturn in heavy truck sales.

New registrations of commercial vehicles in the EU rose for the fourth year in succession. In the course of 2016, sales climbed by 11.6% to more than 2.3 million units (2015: 2.1 million), whereby all the weight classes demonstrated double-digit growth. The sharpest rise was in Italy, which with an increase of around 50% registered more than four times the average EU growth rate. In the five EU states, which in 2016 constituted over 72% of the commercial vehicle market, as already mentioned Italy saw growth of 49.9%, while Spain witnessed 11.3%, France 8.3%, Germany 7.0% and the UK 1.2%. Light trucks with weights up to 3.5t constitute the most important segment in the EU and with sales of 1.9 million units this showed growth of 11.9%. All in all, the transport market profited from the prospering online mail order business. Some 365,000 medium-weight trucks (3.5 to 16t) were registered, which represented an increase of 11.0%. New registrations of heavy trucks with weights in excess of 16t increased the most, rising by 12.3% in 2016 to a total of around 292,000 units in absolute terms. The sales of buses in the over 3.5t category also rose by 2.3% to over 40,000 units.

Sources: German Automotive Industry Association (VDA), European Automobile Manufacturers Association (ACEA), automobilwoche.de

2. GROUP BUSINESS DEVELOPMENT AND STATUS

SALES REVENUES

In the 2016 financial year, POLYTEC GROUP sales revenues increased by 3.8% over the preceding year to stand at EUR 650.4 million (2015: 625.5 million).

SALES BY MARKET AREA

	Unit	2016	2015	2014
Passenger cars	EUR m	425.4	420.1	315.7
Commercial vehicles	EUR m	147.4	148.1	123.1
Non-automotive	EUR m	77.6	58.3	52.5
POLYTEC GROUP	**EUR m**	**650.4**	**626.5**	**491.3**

As compared to the previous year, sales revenues in the passenger market area, which with 65.0% forms the strongest sales area within the POLYTEC GROUP, rose slightly by around 1.3% to EUR 425.4 million (2015: EUR 420.1 million). On the basis of POLYTEC's consolidated sales revenues, relative growth resulted from the customers Daimler Car (+1.0 percentage points), the Ford Group (+0.6 percentage points) and other automotive clients (+0.5 percentage points). As compared to the preceding year, in 2016 sales revenues from the customer VW Car, which amongst the car clientele contributes the largest share of POLYTEC consolidated sales revenues (26.2%), showed a marginal fall of 1.3 percentage points.

Sales in the commercial vehicle market area (23.0%) were down on those of 2015, dipping by around 0.5% from EUR 148. 1 million to EUR 147.4 million. While sales to the customer Volvo Truck remained at the level of the previous year, in 2016 those of Daimler Truck (–1.0 percentage points) and John Deere (–0.7 percentage points) showed a downward trend. Sales increases were achieved with the customers VW Truck (+0.5 percentage points) and DAF Truck (+0.3 percentage points).

The non-automotive market area continued to demonstrate clearly positive development with a notable 33.1% increase in sales over the preceding year from EUR 58.3 million to EUR 77.6 million, a sum that already represented a contribution of 12.0% to POLYTEC's total consolidated sales revenues. The main reason for this growth were the sales revenues derived from the production of transport boxes for the customer IFCO at the Ebensee plant, where since the middle of 2016 all fourteen new production lines have been in full operation.

SALES BY CATEGORY

	Unit	2016	2015	2014
Parts and other sales	EUR m	594.5	556.4	421.1
Tooling and other engineering sales	EUR m	55.9	70.1	70.2
POLYTEC GROUP	**EUR m**	**650.4**	**626.5**	**491.3**

Tooling and other engineering sales revenues are subject to cyclical fluctuations and as compared to the previous year, in 2016 these fell sharply by EUR 14.2 million. Conversely, owing to increases in the serial production area and positive development in the non-automotive segment, parts and other sales revenue rose by EUR 38.1 million to EUR 594.5 million.

SALES BY REGION

	Unit	2016	2015	2014
Austria	EUR m	17.4	15.5	18.0
Germany	EUR m	365.9	342.9	301.0
Rest of EU	EUR m	226.3	220.3	141.5
Other countries	EUR m	40.8	47.8	30.8
POLYTEC GROUP	**EUR m**	**650.4**	**626.5**	**491.3**

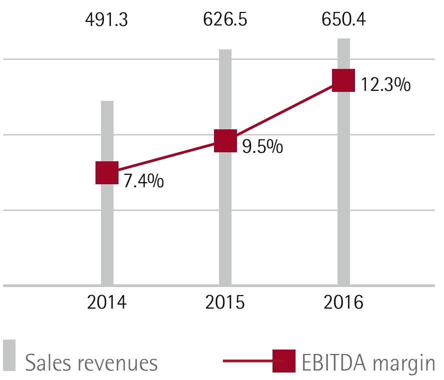
In particular, the fall in sales in the Other countries category can be traced to the consequences of political developments in Turkey, where the POLYTEC GROUP operates a composites plant in Aksaray.

EARNINGS DEVELOPMENT

GROUP EARNINGS FIGURES

	Unit	2016	2015	2014
Sales revenues	EUR m	650.4	626.5	491.3
EBITDA	EUR m	80.1	59.7	36.5
EBITDA margin (EBITDA/sales)	%	12.3	9.5	7.4
EBIT	EUR m	52.4	36.6	20.6
EBIT margin (EBIT/sales)	%	8.1	5.8	4.2
Result after income tax	EUR m	37.0	24.2	14.2
Average capital employed	EUR m	274.8	219.1	150.3
ROCE before tax (EBIT/capital employed)	%	19.1	16.7	13.7
Earnings per share	EUR	1.65	1.08	0.62
Dividend per share (proposal to the AGM)	EUR	0.40	0.30	0.25

SALES AND EBITDA MARGIN DEVELOPMENT



EBITDA

The POLYTEC GROUP EBITDA reported for the 2016 financial year totalled EUR 80.1 million and with an increase in excess of EUR 20 million was therefore well above the level of the previous year (EUR 59.7 million). The EBITDA margin rose from 9.5% to 12.3% and thus entered the double-digit range. Group-wide optimisation and the intensive digitisation of production sequences, as well as the development in sales in the small series car production, all had a positive effect on EBITDA.

MATERIAL EXPENSES

In the 2016 financial year, material expenses declined by EUR 2.1 million from EUR 307.8 million to EUR 305.7 million. As compared to the previous year, the material to sales ratio also fell, dropping by 2.1 percentage points to 47.0% (2015: 49.1%).

PERSONNEL EXPENSES

In 2016, the group's personnel expenses rose by EUR 1.7 million from EUR 209.9 million to EUR 211.6 million. The personnel ratio (personnel expense/sales revenues) fell slightly by one percentage point over the preceding year to stand at 32.5%. This was the result of the restructuring in the personnel area, which took place at various plants during 2015.

AMORTISATION AND DEPRECIATION

Owing to increased investments in tangible assets, particularly in the non-automotive market area, in 2016 depreciation rose by around EUR 4.6 million to EUR 27.7 million.

EBIT

The results showed a marked improvement in 2016 with group EBIT rising by EUR 15.8 million, or 43.3%, to EUR 52.4 million. As compared to the preceding year, the EBIT margin was up by 2.3 percentage points at 8.1%.

FINANCIAL AND GROUP RESULT

At minus EUR 4.3 million, the financial result remained at the level of the preceding year. Taking into account deferrals, the POLYTEC GROUP tax ratio (income tax/result before income tax) in the 2016 financial year amounted to 23.0% and as compared to the previous year was therefore 1.9 percentage points lower. Group net profit improved by EUR 12.6 million as compared to the preceding year to stand at EUR 36.3 million (2015: EUR 23.7 million). This corresponds with earnings per share of EUR 1.65 (2015: EUR 1.08).

ASSET AND FINANCIAL STATUS

INVESTMENTS

	Unit	2016	2015	2014
Investments in tangible assets	EUR m	33.2	134.4	31.2

During the 2016 financial year, additions to tangible assets amounted to EUR 33.2 million (2015: EUR 134.4 million). This marked reduction as compared to the preceding year was primarily the result of the completed purchase of the real estate portfolio of Huemer Holding GmbH in the first quarter of 2015. In particular, 2016 saw new investments at the Ebensee location (Austria). Moreover, production plant and infrastructure improvements were implemented through intensified digitisation measures at several locations and additional, ongoing retentive investments were also carried out.

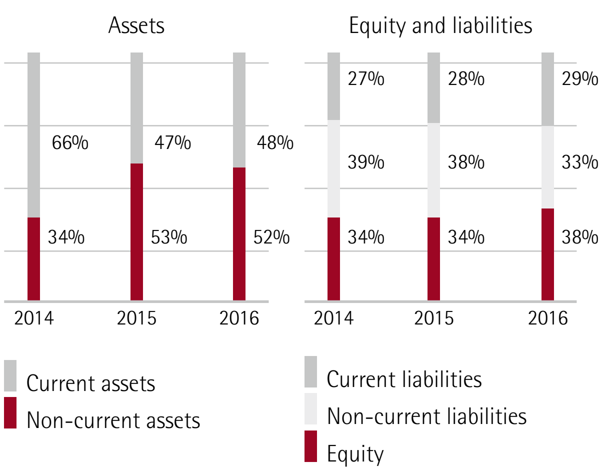
GROUP KEY BALANCE SHEET AND FINANCIAL FIGURES

	Unit	31.12.2016	31.12.2015	31.12.2014
Equity	EUR m	189.9	162.9	144.3
Equity ratio (equity/ balance sheet total)	%	37.9	33.6	34.0
Balance sheet total	EUR m	501.4	485.1	424.0
Net working capital (NWC)[1]	EUR m	40.1	50.5	56.2
Net working capital as a % of sales (NWC/sales)	%	6.2	8.1	11.4

[1] Net working capital = current assets less current liabilities

The group's balance sheet total in 2016 was EUR 16.3 million higher at EUR 501.4 million. On 31 December 2016, the equity ratio was 4.3 percentage points up on that of the 2015 balance sheet date at 37.9%. Owing to active management, net working capital amounted to EUR 40.1 million, which was EUR 10.4 million down on the 2015 figure. As at the balance sheet date of 31 December 2016, the POLYTEC GROUP held 334,041 treasury shares (corresponds with 1.5% of share capital) with a stock market value on the closing date of over EUR 3.4 million (2015: EUR 2.6 million) and an acquisition value of EUR 1.9 million. No treasury shares were purchased or sold by the company during the 2016 financial year.

BALANCE SHEET STRUCTURE OF THE POLYTEC GROUP (IN %)



	Unit	2016	2015	2014
Net debt (+)/ -assets (–)	EUR m	69.9	99.1	11.8
Net debt (+)/ -assets (–) to EBITDA	–	0.87	1.66	0.32
Gearing (net debt (+)/-assets (–) to equity)	–	0.37	0.61	0.08

As opposed to the 31 December 2015 balance sheet date, owing to high cash flow, net debt was EUR 29.2 million lower at EUR 69.9 million. Both the key indicator of net debt to EBITDA (which reflects the fictive duration of debt repayment) and gearing showed a marked improvement.

CASH FLOW OF THE POLYTEC GROUP

	Unit	2016	2015	2014
Cash flow from operating activities	EUR m	70.7	51.3	20.8
Cash flow from investing activities	EUR m	-28.8	-69.2	-37.7
Cash flow from financing activities	EUR m	-20.0	-36.4	94.5
Change in cash and cash equivalents	EUR m	21.9	-54.3	77.6

In the 2016 financial year, the cash flow from operating activities increased by EUR 19.4 million to stand at EUR 70.7 million. The cash flow from investing activities in the 2016 financial year declined by EUR 40.4 million to minus EUR 28.8 million. This fall as compared to 2015 was primarily the result of the exceptionally high investment volume derived from the purchase of the real estate portfolio in the first quarter of 2015. The cash flow from financing activities amounted to minus EUR 20.0 million (2015: minus EUR 36.4 million), while cash and cash equivalents rose by EUR 21.9 million to EUR 79.5 million.

3. NON-FINANCIAL PERFORMANCE INDICATORS

ENVIRONMENTAL PROTECTION

As an automotive industry subsupplier, the POLYTEC GROUP provides significant solutions for the optimisation of new vehicle generations. Moreover, owing to its innovative capacity and flexibility, during the past thirty years POLYTEC has established a notable branch reputation. By means of comprehensive research and development work, POLYTEC is able to continually provide improvements to the products of its customers, which ultimately have a positive environmental effect. For example, the dead weight of vehicles is lowered through material substitution and in the case of some components, as compared to steel, weight reductions of as much as 60% are possible. This leads to lower fuel consumption and hence a cut in CO_2 emissions.

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

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

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

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

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

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

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

SELECTED EXAMPLES OF IMPLEMENTED ENVIRONMENTAL PROTECTION MEASURES:

A combi-cycle power plant generates electricity and heat: In mid-2014, a natural gas-fired combined heat and electrical power plant was put into operation at the Altenstadt location. Since commissioning, the plant has supplied roughly 1.6 million kWh of electrical power annually, of which the plant uses 1.3 million, while the remainder is fed into the public grid. The experiences gained during the first three years of operation have been positive and studies regarding the in-house generation of electricity at other POLYTEC plants are in progress.

Internal use of waste heat from production: A ventilation system installed at the Kraichtal-Gochsheim location employs waste heat from production in order to preheat intake air for the painting cabins. In 2016, the system ran at full capacity and supplied around 1.3 million kWh of recycled energy. This measure alone resulted in a cut of roughly 11% in the plant's consumption of natural gas.

Heat exchanger using groundwater for production cooling: At the Ebensee plant, the start-up of fourteen fully automated lines for the production of IFCO logistics boxes led to a sharp rise in the cooling requirement. Water is available in large quantities in Ebensee and therefore instead of employing conventional, energy-intensive air conditioning, or cooling towers, POLYTEC installed a system that utilises groundwater as a coolant. Water is extracted from the ground and conducted through a heat exchanger in which the temperature level of the cooling medium is lowered. Subsequently, the groundwater is returned to its source at a slightly higher temperature. Using this system, the cooling performance for the Ebensee plant has been raised by 70% and the related long-term energy requirement minimised.

Tool cleaning using residue-free dry ice: The cleaning of complex tooling is a laborious and costly process that can frequently result in the use of environmentally hazardous cleaning agents. Therefore, since October 2016 the Lohne plant has been using safe dry ice for this purpose. With the help of a cleaning device, dry ice pellets with a temperature of around minus 80 °C are accelerated to a speed of 300 m/sec and targeted on the surfaces to be cleaned. The ice-cold pellets cause a thermal shock and contaminants such as oil, wax or silicone are peeled away. The dry ice, which is favourably priced and easy to obtain, then evaporates residue-free.

EMPLOYEES

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

	Unit	2016	2015	2014
Austria	FTE	553	579	554
Germany	FTE	2,220	2,321	2,304
Rest of EU	FTE	1,504	1,180	562
Other countries	FTE	172	167	161
POLYTEC GROUP	**FTE**	**4,449**	**4,247**	**3,581**
Sales per employee	EUR k	146	147	137

In terms of an annual comparison, average group workforce numbers (including leasing personnel) rose by 4.8% to 4,449. The number of employees in high-wage countries fell, but increased in best-cost countries. The reason for this shift was, among others, the acquisition of POLYTEC Komló Kft. in southern Hungary, where around 200 people are employed (please see details in the group notes). The average leasing personnel quota totalled 8.9% and was therefore 0.3 percentage points up on the yearly average for 2015. Sales per employee (including leasing personnel) amounted to EUR 146 k and therefore remained at roughly the level of the previous year. On the 2016 balance sheet date, the POLYTEC GROUP workforce (excluding leasing personnel) numbered 4,009 and was thus 81 persons larger than in the preceding year. The percentage of women in the group (excluding leasing personnel) as at 31 December 2016 stood at 18.9%, which was one percentage point higher than on the 2015 balance sheet date.

In the corporate human resources area, the POLYTEC GROUP has adapted its recruiting processes to the fresh challenges posed by the age of social media with the aim of presenting itself as an attractive employer. The implemented measures have proved to be successful and in 2016 were acknowledged with the presentation of the Career publishing house's "Best Recruiters" seal in silver. This award was based on the most extensive recruiting study in the German-speaking region, which again examined in detail the practices of the 1,500 largest employers in Austria, Germany and Switzerland. Career websites, social media activities and the quality as well as the information content of job advertisements were all assessed, and as compared to previous years, POLYTEC demonstrated marked improvements in all the areas analyzed.

The POLYTEC GROUP promotes the ongoing further training and development of its employees. For example, the POLYTEC Leadership Academy (PLA) has been created in order to evaluate and expand upon the important and sensitive topic of personnel management. Since 2015, 120 managerial employees have successfully completed a modular qualification programme and in 2016, the PLA placed a special emphasis on the training of managers from the production area. The trainees were divided into peer groups in line with the management tiers and these also determined the teaching content, which was targeted on the respective, concrete demands and problems. Apart from the dissemination of managerial skills, the PLA creates a platform for networking within the POLYTEC GROUP and an extensive exchange of ideas. Coaching also continues even after the official end of Academy training, in order to ensure that attendees are able to continually develop further and also receive support with regard to complex issues.

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

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

4. REPORT ON EXPECTED GROUP DEVELOPMENT AND RISKS

DEVELOPMENT OUTLOOK IN THE AUTOMOTIVE INDUSTRY

Automobile associations foresee further growth in the three largest automotive markets during 2017. The German Automotive Industry Association (VDA) anticipates that in the course of the year car sales in the USA and in Western Europe will show stable development. Analysts also expect a continuation of healthy growth in China, but estimate that this will be considerably below the level of that of 2016. There are also hopes for initial signs of a recovery in Russia. As far as commercial vehicles are concerned, in 2017 the global market should at least remain at, or slightly surpass the level of the preceding year. The sales figures for vehicles with alternative drives are also keenly awaited and finally, the possible political and economic repercussions of the Brexit vote, the new presidency in the USA and national developments also provide sufficient room for speculation.

GROUP RESULT OUTLOOK

Based on the assumption of a stable economic situation and positive business development among all its major customers, the POLYTEC GROUP executive management foresees slight growth in both the group sales and operating results in the 2017 financial year.

5. RISK REPORTING AND FINANCIAL INSTRUMENTS

The VW exhaust gas affair, which became known publically in September 2015, triggered shockwaves in both the automotive industry and the stock markets, which saw partially sharp price corrections to the shares of manufacturers and subsuppliers. The VW Group has long been the POLYTEC GROUP's biggest customer in terms of sales and during the 2016 financial year it was difficult to determine if and to which extent the exhaust gas affair would affect the group's operative business. The POLYTEC GROUP management monitored developments constantly, regularly assessed the risk situation and issued statements regarding the related risks and uncertainties in its interim reports.

Prior to 31 December 2016 and beyond to 31 March 2017, no significant impact upon the operative business of the POLYTEC GROUP was recognisable, which could be traced back to the VW exhaust gas affair, the Brexit decision, or the national and international developments related to the new US presidency. Whether or not in future other risks and uncertainties may exert an influence on the development of the POLYTEC GROUP's sales and income cannot be fully estimated at present.

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

6. RESEARCH AND DEVELOPMENT REPORT

In 2016 the POLYTEC GROUP employed some EUR 10.1 million for research and development, an amount that was slightly larger than the EUR 9.8 million of the previous year. In line with the group strategy of continually developing innovative technologies and applications, the POLYTEC GROUP's R&D departments work intensively on new and further technical developments in the automotive and non-automotive sectors with the objective of achieving continuous improvements in both group competitiveness and profitability.

Apart from the integration of an increasing number of functions in plastic parts and the ongoing expansion of the possibilities for the substitution of metals, the development of new materials and processes aimed at making plastic parts still lighter and more stable represents one of the POLYTEC GROUP's core activities. In this connection, the group not only supplies products and systems, but also works actively on the development of new solutions as a technological partner to its customers.

For example, in October 2016, POLYTEC innovativeness was honoured with the prestigious SPE Automotive Award in the category Power Train, which was conferred upon the group for its development of a compact oil pan with integrated functions for the six-cylinder, boxer engine of the Porsche 911 Carrera. The special challenge posed by this development project emanated from the extremely limited space available in the engine bay. Nonetheless, the POLYTEC design team succeeded in integrating an air-oil separator, a partition box and oil lines into a space-saving, three-part, oil pan module. Furthermore, apart from a marked reduction in weight as compared to the predecessor module, improved acoustic characteristics were also achieved.

In combination with the latest production know-how, an enormous diversity of materials and processes ranging from injection moulding and various fibre compounds to polyurethane applications enables the POLYTEC GROUP to supply its customers with tailor-made solutions that offer top quality at an attractive price-performance ratio. However, the complexity of this enormous design scope also demands considered, lean and coordinated procedures. Therefore, at the individual locations, all the development procedures that had developed over time and were frequently implemented to an extremely variable degree, were subjected to a comprehensive analysis and placed on an entirely new footing. The resultant, uniform, inter-group POLYTEC development process (PEP) is oriented towards a target figure flow, which guarantees the required flexibility for projects from a variety of customers. The major advantages of the new PEP derive from structured working and the related reduction in error propensity, which are coupled to simultaneous increase in cost-efficiency and a corresponding cut in time expenditure. The required procedural transparency is secured by means of system integration and digitisation of the operating data collection.

The ongoing further development of the POLYTEC product portfolio creates a decisive competitive advantage and apart from the permanent task of part and module weight reduction through the substitution of metal by plastic, emission reduction is the focal point of development work. The POLYTEC GROUP's R&D team disposes over comprehensive know-how and long-term expertise.

Amongst other activities, staff at the Lohne plant's innovation centre develop and optimise air and vapour filters. For this purpose, the testing area has been markedly enlarged and brought up to the state of the art through investments in a modern air filter test stand, a pulsation testing unit and modifications to the acoustics chamber.

The air filter test stand now facilitates parametric studies for the optimum design of filters and housings, as well as dust checks, which define the dust absorption capacity of individual products. In addition, the test stand enables the determination of component characteristics such as the level of pressure loss.

The pulsation testing unit establishes the durability of components conducting air flow. This is achieved by subjecting the component to alternating over- and underpressure, and for example, this method enables the scrutiny of suction systems for weak points and the perfection of welding process configurations. The findings thus obtained then flow into the optimisation of new modules as essential basic data.

In order to further enhance acoustic solutions, the acoustics chamber at the Lohne plant was subjected to a complete renovation and was then recommissioned at the beginning of 2016. In the chamber, noise absorbers virtually eradicate reflections and under these ideal conditions, a ring of numerous microphones carries out noise measurements that are practically interference-free. An acoustic camera then converts the data into images, which allow the engineers to read off precisely the points at which a component "swallows" sound and where it is permeable. This also permits detailed statements regarding the noise insulation characteristics of the tested materials and on this platform, the further optimisation of material composition and more efficient component design.

One extremely important material for POLYTEC is sheet moulding compound (SMC) and the group numbers among Europe's technological leaders with regard to its production and processing. The semis consist of duroplastic reactive resins and glass fibres and are employed for the production of fibre-plastic compounds, which are used in cars and commercial vehicles, for example. The results consist of products with particularly high mechanical strength, temperature and media resistance in combination with excellent mould-filling behaviour and top class surface quality.

Within the POLYTEC GROUP, POLYTEC COMPOUNDS, which is located in Kraichtal-Gochsheim in Baden-Württemberg, Germany, acts as the group's development and production centre for SMC technology. The focus of material development is on new materials recipes, which for example offer high mechanical strength, Class A surfaces, lower emission values or usability for foodstuffs. Moreover, Kraichtal-Gochsheim also develops effective testing procedures for enhanced product quality, which can be employed during ongoing serial production and provide measurement results regarding numerous material characteristics in real time. As a consequence, direct interventions in the production process are possible and hence rapid reactions to any deviations. Such production system innovations make a significant overall contribution to the further consolidation of POLYTEC's position in the important SMC technology.

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

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

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

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

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

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

As at the balance sheet date of 31 December 2016, the share capital of POLYTEC HOLDING AG remained unchanged at EUR 22.3 million divided into 22,329,585 bearer shares. The group has no other types of shares. All shares have been admitted to trading in the prime market segment of the Vienna Stock Exchange.

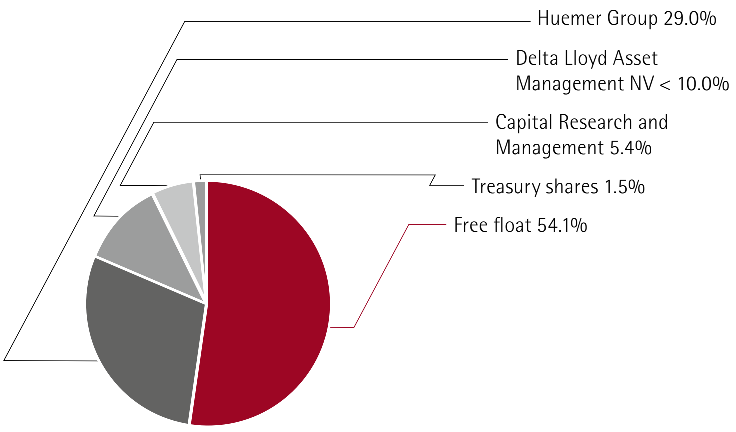
The following shareholders held share capital participations in excess of 10.0% on the balance sheet date of 31 December 2016:

The Huemer Group holds roughly 29.0% (16.0% Huemer Holding GmbH and 13.0% Huemer Invest GmbH) of POLYTEC HOLDING AG share capital. As compared to the 31 December 2015 balance sheet date, the holding in companies belonging to POLYTEC HOLDING AG that can be attributed to Friedrich Huemer, the POLYTEC GROUP CEO, remained unchanged.

Apart from the aforementioned, on the balance sheet date the Board of Directors knew of no shareholders with an interest in excess of 10% of share capital. No shareholder disposes over special control rights.

In mid-July 2016, the shareholder Delta Lloyd Asset Management NV, Amsterdam (Netherlands) notified POLYTEC HOLDING AG that on 15 July 2016 it fell short of a reporting threshold. On 15 July 2016, two of the funds administered by Delta Lloyd Asset Management (Delta Lloyd Europees Deelnemingen Fonds NV and Delta Lloyd L European Participation Fund) received a joint interest of 9.98%, or 2,228,808 shares in POLYTEC HOLDING AG. Apart from this notification, in the period under report from 1 January to 31 December 2016, POLYTEC HOLDING AG did not receive any voting right communications from shareholders pursuant to §91 of the Austrian Stock Exchange Act.

As at 31 December 2016, on the basis of the 22,329,585 issued shares, the shareholder structure of POLYTEC HOLDING AG had the following form:



TREASURY SHARES

During the 2016 financial year, the group did not purchase or sell any treasury shares. On the balance sheet date of 31 December 2016, POLYTEC HOLDING AG held 334,041 treasury shares, which represented roughly 1.5% of share capital. The current authorisation of the Board of Directors to purchase treasury shares, which is based on a resolution passed by the AGM on 14 May 2014, expired on 13 November 2016.

AUTHORISED CAPITAL

A resolution regarding the renewed creation of authorised capital (§169 of the Austrian Stock Corporation Act) within a maximum of three years following entry into the company register and thus by 24 August 2019, for the purpose of an increase in cash or non-cash capital up to an amount of EUR 6,698,875.00, with the possibility of the exclusion of the subscription rights of the shareholders, as well as the corresponding amendment of the Articles of Association, was approved by the required majority at the 16th Ordinary Annual General Meeting on 19 May 2016.

OTHER INFORMATION

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

Hörsching, 31 March 2017

The POLYTEC HOLDING AG Board of Directors

Friedrich Huemer, m. p.
Chairman – CEO
Markus Huemer, m. p.
Deputy Chairman – COO
Alice Godderidge, m. p.
Member of the Board – CSO
Peter Haidenek, m. p.
Member of the Board – CFO

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR 2016

compared with the figures from the previous year

in EUR k	Notes	2016	2015
Net sales	E. 1	650,403	626,454
Other operating income	E. 2	5,555	4,817
Changes in inventory of finished and unfinished goods		-1,778	1,559
Own work capitalised		2,185	1,650
Expenses for materials and services received	E. 3	-305,713	-307,810
Personnel expenses	E. 4	-211,567	-209,850[1)]
Other operating expenses	E. 5	-61,505	-58,079[1)]
Result from companies accounted for using the equity method	E. 6	2,544	992
Earnings before interest, taxes and depreciation (EBITDA)		**80,123**	**59,735**
Depreciation		-27,703	-23,150
Earnings before interest and taxes = operating result (EBIT)		**52,419**	**36,585**
Interest result		-4,037	-3,976
Other financial income		13	25
Other financial expenses		-294	-329
Financial result	E. 7	**-4,318**	**-4,281**
Earnings before tax		**48,102**	**32,304**
Taxes on income	E. 8	-11,084	-8,066
Earnings after tax		**37,018**	**24,239**
thereof result of non-controlling interests		-723	-520
thereof result of the parent company		**36,295**	**23,718**
Earnings per share in EUR	E. 22	1.65	1.08

1) Previous year adjusted: the expenses for leasing personnel disclosed under other operating expenses were reclassified as personnel expenses.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1.1.–31.12.2016

in EUR k	Notes	Group	Non-controlling interests	Total
Earnings after tax		**36,295**	**723**	**37,018**
Items that will not be reclassified (recycled) in future periods in the income statement				
Remeasurement of defined benefit obligation, net of tax		-1,208	0	-1,208
thereof related, deferred income taxes		365	0	365
	E. 24	**–843**	**0**	**–843**
Items that will not be reclassified (recycled) in future periods in the income statement				
Currency translations		-2,128	0	-2,128
		–2,128	**0**	**–2,128**
Other result		**–2,971**	**0**	**–2,971**
Total result after tax		**33,324**	**723**	**34,047**

1.1.–31.12.2015

in EUR k	Notes	Group	Non-controlling interests	Total
Earnings after tax		**23,718**	**520**	**24,239**
Items that will not be reclassified (recycled) in future periods in the income statement				
Remeasurement of defined benefit obligation, net of tax		-34	-34	-68
thereof related, deferred income taxes		29	9	38
	E. 24	**–5**	**–25**	**–30**
Items that will not be reclassified (recycled) in future periods in the income statement				
Currency translations		-79	0	-79
		–79	**0**	**–79**
Other result		**–84**	**–25**	**–109**
Total result for the period		**23,635**	**495**	**24,130**

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

compared with the figures from the previous year

ASSETS

in EUR k		Notes	31.12.2016	31.12.2015
A. Non-current assets				
I.	Intangible assets	E. 9	2,368	1,796
II.	Goodwill	E. 9	19,180	19,180
III.	Tangible assets	E. 10	224,192	217,054
IV.	Shares in equity-accounted companies	E. 11	0	936
V.	Other non-current assets		126	113
VI.	Other long-term receivables	E. 12	556	1,133
VII.	Deferred tax assets	E. 13	12,254	14,564
			258,678	**254,777**
B. Current assets				
I.	Inventories	E. 14	55,834	58,429
II.	Trade accounts receivable	E. 15	49,791	52,202
III.	Receivables from construction contracts	E. 16	35,862	34,623
IV.	Other current receivables	E. 17	17,196	14,232
V.	Income tax receivables		397	185
VI.	Current interest-bearing receivables	E. 18	4,149	13,009
VII.	Cash and cash equivalents	E. 19	79,540	57,683
			242,770	**230,362**
			501,448	**485,139**

EQUITY AND LIABILITIES

in EUR k	Notes	31.12.2016	31.12.2015
A. Shareholder's equity			
I. Share capital		22,330	22,330
II. Capital reserves		37,563	37,563
III. Treasury stock		-1,855	-1,855
IV. Retained earnings		133,913	104,217
V. Other reserves		-8,316	-5,346
		183,635	**156,910**
VI. Non-controlling interests		6,289	6,015
	E. 21	**189,924**	**162,925**
B. Non-current liabilities			
I. Non-current, interest-bearing liabilities	E. 23	128,837	141,698
II. Provision for deferred taxes	E. 13	917	919
III. Provisions for personnel	E. 24	27,789	26,115
IV. Other long-term liabilities	E. 25	10,198	15,998
		167,741	**184,730**
C. Current liabilities			
I. Current interest-bearing liabilities	E. 26	24,795	28,346
II. Liabilities on income taxes	E. 27	6,752	3,262
III. Trade accounts payable	E. 28	50,603	50,197
IV. Liabilities from construction contracts	E. 16	1,597	1,867
V. Other current liabilities	E. 29	25,832	25,171
VI. Current provisions	E. 30	34,204	28,642
		143,783	**137,484**
		501,448	**485,139**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2016

compared with the figures from the previous year

in EUR k		Notes	2016	2015
	Earnings before tax		**48,102**	**32,304**
-	Income taxes		-5,329	-2,730
+	Depreciation (appreciation) of fixed assets		27,703	23,150
-	Non-cash earnings from deconsolidation	E. 6/B. 1	-2,402	-1,266
+(-)	Result for companies accounted for at equity	E. 6	-142	0
+(-)	Other non-cash expenses and earnings	F. 1	-602	-1,957
+(-)	Increase (decrease) in non-current provisions for employees		828	-295
-(+)	Profit (loss) from asset disposals		-374	-151
=	**Consolidated cash flow from earnings**		**67,784**	**49,056**
-(+)	Increase (decrease) in inventories		3,424	-5,249
-(+)	Increase (decrease) in trade and other receivables		-2,598	4,596
+(-)	Increase (decrease) in trade and other payables		2,362	-108
+(-)	Increase (decrease) in current provisions		-297	2,974
=	**Consolidated cash flow from operating activities**		**70,675**	**51,269**
-	Investments in fixed assets	F. 1	-35,966	-68,461
-	Acquisition of subsidiaries, less acquired cash and cash equivalents	B. 1	-3,752	-3,463
-	Investments in financial assets		-13	0
+	Disposal of deconsolidated subsidiaries		0	856
+	Payments from the disposal of intangible and tangible assets		1,734	1,371
-(+)	Increase (decrease) interest-bearing receivables and other non-current receivables		9,222	522
=	**Consolidated cash flow from investing activities**		**-28,775**	**-69,175**

in EUR k	Notes	2016	2015
+ Inflows from loan financing		301	9,400
- Repayments of loan financing		-6,299	-5,122
- Repayments of real estate loans		-5,423	-33,481
- Outflows from financial leasing agreements		-2,079	-1,937
+(-) Changes in current financial liabilities		579	238
- Third party dividends		-7,049	-5,499
= Consolidated cash flow from financing activities		**-19,970**	**-36,401**
+(-) Consolidated cash flow from operating activities		70,675	51,269
+(-) Consolidated cash flow from investing activities		-28,776	-69,175
+(-) Consolidated cash flow from financing activities		-19,970	-36,401
= Changes in cash and cash equivalents		**21,930**	**-54,307**
+(-) Effect from currency translations		-74	39
+ Opening balance of cash and cash equivalents		57,683	111,951
= Closing balance of cash and cash equivalents		**79,540**	**57,683**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR k	Notes	Share capital	Capital reserves	Treasury stock
As of January 1, 2016		**22,330**	**37,563**	**-1,855**
Comprehensive income after tax		0	0	0
Other results after tax		0	0	0
Dividend		0	0	0
As of December 31, 2016	**E. 21**	**22,330**	**37,563**	**-1,855**

in EUR k	Notes	Share capital	Capital reserves	Treasury stock
As of January 1, 2015		**22,330**	**37,563**	**-1,855**
Comprehensive income after tax		0	0	0
Other results after tax		0	0	0
Dividend		0	0	0
As of December 31, 2015	**E. 21**	**22,330**	**37,563**	**-1,855**

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

Other reserves					
Retained earnings	Actuarial profit/loss	Reserves from currency translation	Shares of POLYTEC HOLDING AG stockholders	Non-controlling interests	Total
85,998	**-3,744**	**-1,518**	**138,774**	**5,520**	**144,294**
23,718	0	0	23,718	520	24,238
0	-5	-79	-84	-25	-109
-5,499	0	0	-5,499	0	-5,499
104,217	**-3,749**	**-1,597**	**156,909**	**6,015**	**162,925**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2016 FINANCIAL YEAR OF POLYTEC HOLDING AG, HÖRSCHING

A. GENERAL INFORMATION

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

The consolidated financial statements of POLYTEC HOLDING AG (hereinafter referred to as the "group" or "POLYTEC GROUP") for the 2016 financial year were prepared in accordance with the guidelines of the International Financial Reporting Standards (IFRS) and their interpretations in line with the EU standard practice. They also comply with the additional requirements of § 245a Para. 1 UGB (Austrian Commercial Code).

The consolidated financial statements were audited by Deloitte Oberösterreich Wirtschaftsprüfungs GmbH and released by the Board of Directors for transfer to the Supervisory Board on 31 March 2017. The Supervisory Board has the task of examining and stating its approval of the consolidated financial statements as at 31 December 2016. The Austrian Financial Reporting Enforcement Panel scrutinised random extracts from the consolidated financial statements for 2016 and no requirements for amendments resulted.

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

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

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

Standard	Interpretation	Published by IASB	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2016
IAS 1	Disclosure initiative	December 2014	1 January 2016	Yes
IAS 16, 41	Property, plant, equipment, agriculture: accounting requirements for bearer plants	June 2014	1 January 2016	Yes
IAS 16, 38	Property, plant and equipment, intangible assets: clarification of acceptable methods of depreciation and amortisation	May 2014	1 January 2016	Yes
IAS 19	Defined benefit plans: employee contributions	November 2013	1 February 2015	Yes
IAS 27	Consolidated and separate financial statements: equity method in separate financial statements	August 2014	1 January 2016	Yes
IFRS 10, 12, IAS 28	Investments in associates and joint ventures: application of consolidation exception	December 2014	1 January 2016	Yes
IFRS 11	Joint arrangements: accounting by entities that jointly control an arrangement	May 2014	1 January 2016	Yes
Various	Amendments to a series of IFRS, as a result of the 2010–2012 improvement process	December 2013	1 July 2014	Yes
Various	Amendments to a series of IFRS, as a result of the 2012–2014 improvement process	September 2014	1 January 2016	Yes

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

The International Accounting Standards Board (IASB) is working on a large number of projects, which will only affect financial years commencing on 1 January 2017. The following new, amended or supplemented standards and IFRIC interpretations that have already been published by the IASB, but for which application is not yet mandatory, have not been applied prematurely by the POLYTEC GROUP and are consequently irrelevant for these consolidated financial statements:

Standard	Interpretation	Published by IASB	Application mandatory according to IASB for financial years from	Adopted by the EU as at 31.12.2016
IAS 7	Disclosure initiative	January 2016	1 January 2017	No
IAS 12	Recognition of deferred tax assets for unrealised losses	January 2016	1 January 2017	No
IAS 40	Transfer of investment property: application of IAS 40 to property under construction or development for future use	December 2016	1 January 2018	No
IFRS 2	Classification and measurement of share-based payment transactions	June 2016	1 January 2018	No
IFRS 4	Application of IFRS 9 in combination with IFRS 4	September 2016	1 January 2018	No
IFRS 14	Regulatory deferral accounts	January 2014	1 January 2016	No
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2018	Yes
IFRIC 22	Payment of advance considerations in a foreign currency	December 2016	1 January 2018	No
IFRS 9	Financial instruments	July 2014	1 January 2018	Yes
IFRS 1, IFRS 12, IAS 128	Amendments to a series of IFRS, as a result of the 2012–2014 improvement process	December 2016	1 January 2017/ 1 January 2018	No
IFRS 16	Leasing	January 2016	1 January 2019	No
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	September 2014	n/a	No

IFRS 15 (Revenue from contracts with customers) prescribes a five-level model for the determination of the realised sales revenues from customer contracts. Pursuant to IFRS 15, sales revenues are to be reported to the amount of the consideration that a company can expect in exchange for the transfer of goods and services to a customer (or transaction price in accordance with IFRS 15). This standard will replace all the existing IFRS directives regarding revenue realisation. During the sale of goods and the provision of services within the scope of project business, contractually agreed performance, which is to be qualified as a separate performance obligation within the contract, may exert an influence upon the time-related receipt of revenues. The POLYTEC GROUP has already started to evaluate the impact upon its business. The analyses completed thus far have shown that the contracts concluded with customers can contain separate performance obligations and therefore revenue realisation similar to that employed under the percentage of completion method may occur. The implementation of IFRS 15 will also require modifications to the IT systems and in addition amendments to the balance sheet and far more extensive notes are anticipated. Initial application will result in the modification of internal processes, but material effects upon the consolidated financial statements are not expected.

The version of **IFRS 9 (Financial instruments)** issued in July 2014 replaces the existing directives contained in IAS 39 (Financial instruments: recognition and measurement). IFRS 9 incorporates amended guidelines regarding the classification and measurement of financial instruments, including the new general regulations for hedging transactions. In addition, as a result of IFRS 9, in the case of impairments an expected credit loss model replaces the incurred loss model. As a result, in future a provision must be made for the anticipated losses. IFRS 9 also takes over the guidelines for the recognition and derecognition of financial instruments from IAS 39. IFRS 9 is to be applied in the first reporting period of a financial year beginning on or after 1 January 2018. The POLYTEC GROUP is currently analyzing the effects of IFRS 9, but there should be no material impact upon the consolidated financial statements.

The key concept of the new **IFRS 16 (Leasing)** standard is that all the leasing relationships of the lessee and the related contractual rights and obligations be reported in the balance sheet. This requires the lessee to recognise a liability for the obligation to make future leasing payments for all leasing arrangements. At the same time, the lessee capitalises a usufruct right to the underlying asset, which basically corresponds with the present value of the future leasing payments plus directly attributable costs. In future, the differentiation between financial and operating leasing agreements stipulated to date under IAS 17 will no longer be required from the lessee. By contrast, for lessors, the regulations in the new standard are very similar to those contained in IAS 17. Leasing agreements will continue to be classified as financial or operating leasing relationships. Agreements under which all risks and opportunities derived from the property are largely transferred will be classified as financial leasing, whereas all other leasing agreements will be seen as operating leases. The criteria contained in IAS 17 will be adopted for classification pursuant to IFRS 16. The POLYTEC GROUP currently adjudges the potential effects of the application of IFRS 16 upon the consolidated financial statements as immaterial, owing to the fact that operating leasing agreements in the POLYTEC GROUP are only used as a financing variation to a limited extent.

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

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

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

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

B. PRINCIPLES OF CONSOLIDATION

1. SCOPE OF CONSOLIDATION

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

Control exists if the company has the power of decision over important activities, generates variable returns from the subsidiary and can influence these returns through such power of decision. Accordingly, in addition to the parent company, 10 (2015: 10) national and 37 (2015: 30) international subsidiaries were included, which are under the control of POLYTEC HOLDING AG. The 7 companies (2015: 6) which were excluded are also immaterial in total. The balance sheet date for all companies included in the consolidated financial statements was 31 December 2016.

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

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

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

Scope of consolidation	Equity consolidation	Full consolidation
As at 31.12.2015	**1**	**41**
Company acquisitions	0	1
Real estate purchases	0	1
Newly founded business entities	0	4
Change in consolidation methods	-1	1
As at 31.12.2016	**0**	**48**
thereof international companies	0	37

ACQUISITIONS 2015

POLYTEC Real Estate Group

On 2 March 2015 a contract was signed with Huemer Holding GmbH, Hörsching, regarding the purchase of all the shares in POLYTEC Immobilien Holding GmbH, Hörsching. POLYTEC Immobilien Holding GmbH is a real estate investment holding with national and international subsidiaries. For historical reasons, these subsidiaries own industrial real estate of exclusive importance to the POLYTEC GROUP at numerous locations both in Austria and other countries.

WIN Coatings GmbH
(now POLYTEC Industrielackierung Weiden GmbH)

A company purchase agreement from 23 February 2015 saw the acquisition of all the shares in WIN Coatings GmbH, Altenstadt, Germany, as well as the fixed assets required for company operations and the company premises of Nessmayr Holding GmbH, Altenstadt, Germany.

AdMould Werkzeugbau GmbH
(now POLYTEC Tooling GmbH & Co KG)

With effect from 1 July 2015, the POLYTEC GROUP took over AdMould Werkzeugbau GmbH, which is located in Thannhausen, Germany. As a result of this purchase, available toolmaking capacity, which among other purposes is employed for the production of injection-moulded automotive components, was expanded and the strategic growth of the POLYTEC GROUP further supported.

For further information, reference should be made to the consolidated financial statements for 2015.

No backdated adjustments were made in the course of these acquisitions in 2015 and therefore the valuations of the net worth purchased remain unchanged.

ACQUISITIONS 2016

Fortreal k.s. and SPELAG s.r.o.
(now POLYTEC ESTATES Bohemia k.s. and SPELAG s.r.o.)

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

The two companies do not form a business combination pursuant to IFRS 3. The property was already reported in the consolidated financial statements from 31 December 2015 as financial leasing and no further material assets or debts resulted from the transaction.

Owing to immateriality, the general partner company was not included in the scope of consolidation.

Ratipur Autofelszereles Kft. and Ratipur Holding Kft.
(now POLYTEC Komló Kft. and POLYTEC Hungary Kft.)

On 12 October 2016, POLYTEC HOLDING AG purchased the entire stocks of Ratipur Autofelszereles Kft., Komló, Hungary. Within the scope of a long-term partnership, the POLYTEC GROUP already possessed a 24% holding in Ratipur Kft. and the remaining 76% were acquired largely from the two CEOs of Ratipur Autofelszereles Kft. via the Ratipur Holding Kft. The POLYTEC GROUP has now purchased all Ratipur Holding Kft. shares (in future: POLYTEC Hungary Kft.) and therefore owing to complete control, Ratipur Autofelszereles Kft. and Ratipur Holding Kft., which were previously reported at equity, were fully consolidated with effect from 12 October 2016.

The company acquisition serves the development of new technologies and applications in line with the POLYTEC strategy of strengthening its market position in Europe.

First and foremost, the company will contribute to the extension of the value added chain. Ratipur's existing technological competence in the field of PUR foam is used primarily by POLYTEC for acoustic solutions in the engine bay and the manufacture of top quality products for vehicle individualisation. Moreover, owing to the company's location in southern Hungary, best-cost country advantages can also be exploited.

Ratipur Autofelszereles Kft. not only offers financial advantages, but also possesses potential with regard to capacity and expansion, which will enable the POLYTEC GROUP to remain on its growth course. Equally, the fulfilment of the company's full promise was only attainable by means of full integration into the POLYTEC GROUP and this has now become possible owing to the complete takeover of its shares.

The purchased company employs a workforce of around 200 and in the 2017 financial year will probably have sales revenues of around EUR 7.5 million and EBIT of approximately EUR 0.8 million. From a POLYTEC GROUP perspective, some 30% of sales revenues were internal.

On the date of acquisition, the purchase price breakdown based on the preliminary determination of fair value was as follows:

in EUR k	2016
Purchase price settled in cash	967
Net assets	3,368
Liabilities-side difference (badwill)	2,402

The preliminary recognised fair value of the net assets acquired on the date of acquisition was as follows:

in EUR k	Fair value at the date of acquisition
Non-current assets	
Intangible assets	77
Tangible assets	3,433
	3,509
Current assets	
Inventories	1,113
Trade and other receivables	1,454
Cash and cash equivalents	119
	2,686
Current liabilities	
Trade accounts payable	641
Non-current interest-bearing liabilities	576
Current provisions	41
Other current liabilities	1,569
	2,827
Net assets	**3,368**

None of the trade and other receivables was subject to value impairment and all the contractually established receivables are recoverable.

The net cash flow from the acquisition was structured as follows:

in EUR k	2016
Cash flow from investing activities	
Purchase price settled in cash	-42
Cash and cash equivalents	119
Net cash flow from the acquisition	**77**

NEW COMPANY FOUNDATIONS AND RESTRUCTURING IN 2016

POLYTEC Estates UK Ltd.

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

RESTRUCTURING OF GERMAN COMPANIES

The German companies were restructured towards the end of the 2016 financial year with the aim of combining their results and subsequently allowing for cash pooling across the business segments. For this purpose, on 16 December 2016, three empty limited companies were purchased and employed as transaction firms for the restructuring. One of the companies remains as the German holding company and will bear the name POLYTEC Germany GmbH. By contrast, it is probable that the two new subsidiaries will only exist temporarily and primarily fulfil risk management and financing functions. On 22 December 2016, one of these subsidiaries (PT Composites GmbH) purchased the entire shares of Polytec Composites Beteiligungs GmbH from PT Beteiligungs GmbH. On 22 December 2016, the other subsidiary (PT Plastics GmbH) purchased all the shares of POLYTEC HOLDING Deutschland GmbH from POLYTEC HOLDING AG.

2. METHODS OF CONSOLIDATION

FULL CONSOLIDATION

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

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

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

Non-controlling interests are disclosed in the consolidated financial statements under equity in accordance with IFRS 10.

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

EQUITY CONSOLIDATION

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

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

3. CURRENCY TRANSLATION

BUSINESS TRANSACTIONS IN FOREIGN CURRENCIES

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

Non-current financial receivables from international subsidiaries, the settlement of which is neither planned nor anticipated in the foreseeable future, are treated as part of the net investments in these companies. Differences emanating from the currency translation of these items are recognised through equity in the other result. Should the net investment be sold, these currency differences are transferred from equity to profit or loss.

TRANSLATION OF INDIVIDUAL FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

The following currency exchange rates were used:

	Average exchange rate		Exchange rate on the balance sheet date	
	2016	2015	31.12.2016	31.12.2015
CAD	1.4779	1.4231	1.4188	1.5116
GBP	0.7920	0.7240	0.8562	0.7340
CNY	7.2817	6.9444	7.3202	7.0621
TRY	3.2533	3.0285	3.7072	3.1766
HUF	312.5000	309.5867	309.8300	315.9800
USD	1.1077	1.1041	1.0541	1.0887
CZK	27.0270	27.2480	27.0210	27.0230

C. FAIR VALUE MEASUREMENT

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

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

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

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

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

Level 1:
Listed market prices for identical assets or liabilities in active markets.

Level 2:
Information other than listed market prices, which are directly (e.g. prices) or indirectly (e.g. extrapolated from prices) observable.

Level 3:
Information regarding assets and liabilities, which is not based on observable market data.

D. ACCOUNTING AND EVALUATION PRINCIPLES

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

1. INTANGIBLE ASSETS

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

Expenses for research are shown as expenses in the year of their occurrence. Development costs also generally represent periodic expenses. These are capitalised when certain conditions can be proved and cumulatively fulfilled. Among other aspects, it must be verifiable that development activities are very likely to result in the future accrual of funds, which not only cover standard costs, but also the related development expense. Capitalised development costs for customer orders are amortised from the beginning of the serial deliveries on a straight-line basis during the entire life of the model.

2. GOODWILL

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

3. FIXED ASSETS

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

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

	in %
Buildings and leasehold improvements	4.0–20.0
Technical equipment and machinery	6.7–50.0
Other fixtures, fittings and equipment	10.0–50.0

Interest on borrowed capital is not capitalised, as no substantial borrowing costs are incurred that are directly attributable to a qualifying asset.

4. INVENTORIES

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

5. TRADE ACCOUNTS RECEIVABLE

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

6. CONSTRUCTION CONTRACTS

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

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

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

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

7. OTHER RECEIVABLES

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

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

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, cheques, cash at banks and securities, which are used by the group for liquidity management. They are measured at current values, which are established on the basis of sufficiently solvent markets and can therefore be reliably determined.

9. IMPAIRMENT

Goodwill and other intangible assets with an indefinite useful life are subject to an annual impairment test, which is performed shortly before each balance sheet date, or to an indication-related impairment test. All other intangible and fixed assets are tested if indications of impairment exist.

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

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

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

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

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

10. OBLIGATIONS TO EMPLOYEES

PROVISIONS FOR SEVERANCE PAYMENTS

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

The provisions for severance payments are determined on the balance sheet date using the projected unit credit method, as well as by applying a discount rate of 1.50% (2015: 1.90%) and allowing for future remuneration increases of 2.00% (2015: 2.00%). A discount for employee turnover based on the years of service is included. The assumed uniform retirement age for men and women, taking into account certain temporary arrangements, is unchanged over the preceding year at 62. Service costs are divided over the entire period of service of employees from the date that they join the company until they reach the expected retirement age.

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

PENSION OBLIGATIONS

Pension obligations exist for certain German group company employees. These obligations are reported in accordance with IAS 19. For this purpose, the current value of the defined benefit obligation (DBO) is determined. The pension provisions are calculated using the projected unit credit method, whereby depending on the distribution of the obligations to entitlements and liquid pensions, and owing to the specific regulations of the individual pension funds, a discount rate of 1.70% (2015: 2.20%), as well as an increase of 2.00% (2015: 2.00%) is applied. The 2005G – Dr. Klaus Heubeck tables are used for the actuarial calculations.

At the two operative Dutch companies, the entitlements of active pension scheme members are dealt with in the form of a defined contribution pension plan. The pension entitlements of former employees and beneficiaries are calculated as a percentage of the annual remuneration during each year of employment. These benefits are handled via an insurance company and are indexed on an ongoing basis in line with the specifications of the branch pension fund. Companies are obliged to make future contributions should the earnings of the insurer prove insufficient to finance the promised increases in benefits. The resultant provision for pensions is calculated in accordance with the projected unit credit method using a discount rate of 1.70% (2015: 2.20%) and an increment of 2.00% (2015: 2.00%). The AG2014 mortality tables are employed for the actuarial calculations.

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

Three POLYTEC GROUP companies in Germany have outsourced their performance-related pension commitments to a mutual insurance society (pension fund), which is monitored by the Federal Financial Supervisory Authority (BaFin). The insurance fund covers old-age, partial invalidity and survivors' benefits. Other insurances were not concluded. The pension fund insures both active and former employees from 28 company groups, which in order to fulfil their benefit obligations share joint liability. The pension fund invests the paid contributions and secures the fulfilment of benefit commitments. As at 30 June 2016, the POLYTEC GROUP terminated all future contribution payments and will assume future pension payments through internal financing (future services). Previously vested benefits (past services) remain in the pension fund. Owing to insufficient information from the pension fund regarding the status of the pension obligation, in accordance with IAS 19.34ff, the POLYTEC GROUP reports these as contribution-oriented plans. On the date of its annual financial statements on 31 December 2015, the pension fund disclosed assets of EUR 435 million and obligations of EUR 431 million, and therefore equity of EUR 4 million. The POLYTEC GROUP holds a roughly 7% share of the net assets of the pension fund.

OTHER LONG-TERM OBLIGATIONS TO EMPLOYEES

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

11. TAXES

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

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

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

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

12. OTHER NON-CURRENT AND CURRENT LIABILITIES

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

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

13. PROVISIONS

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

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

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

14. FINANCIAL INSTRUMENTS

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

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

Financial assets are categorised as follows:
a. Financial assets measured at fair value through profit or loss
b. Financial assets held for trading
c. Loans and receivables
d. Available-for-sale financial assets

Financial liabilities are categorised as follows:
a. Financial liabilities measured at the residual carrying amount
b. Financial liabilities held for trading

Other possible categories pursuant to IAS 39 are not applied.

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

15. REALISATION OF INCOME AND EXPENSES

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

16. FINANCIAL RESULT

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

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

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

17. GROUP CASH FLOW STATEMENT

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

18. UNCERTAINTIES WITH REGARD TO ASSESSMENTS AND ASSUMPTIONS

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

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

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

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

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

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

The actuarial assessment of provisions for severance payments and pension contributions carried out by independent actuaries is based on a method that employs parameters such as the expected discount rate, increases in remuneration payments and pension contributions. In addition to the interest rate risk and the risk of a potential increase in remuneration payments and pension contributions, there is also a longevity risk. If the development of these relevant parameters differs significantly from the original expectations, this may have considerable effects upon the provisions and consequently upon the group's net expenses for severance payments and pension contributions. In order to present the impact of a change in the interest rate used to determine severance payment and pension obligations, a sensitivity analysis was carried out, which is explained in greater detail under E. 24 "Obligations to employees".

In view of existing and threatened contingent funding commitments to a pension fund, a provision of EUR 2,980 k (2015: EUR 0) was made in the "Other provisions" in the POLYTEC GROUP's consolidated financial statements. This amount was established on the basis of information provided by the management of the pension fund and relates to probable liquidity outflows prior to the restoration of the independent viability of the pension fund. The probable liquidity outflow derives from the restructuring plan drawn up by the pension fund management, which has been approved by the BaFin. Payments to the pension fund of some EUR 700 k are anticipated for the 2017 financial year.

19. REPORTING

As compared to the previous year, the reporting of assets and liabilities, expenses and income, equity items and the cash flow in the cash flow statement remained basically unaltered in the 2016 financial year.

However, reclassification was undertaken in the consolidated income statement in order to enhance its informative value. The expenses for leasing personnel were transferred from the item "Other operating expenses" to "Personnel expenses". Above all, disclosure as personnel expense is correct because during operating procedures no differentiation is made between company and leasing personnel in the POLYTEC GROUP's calculation and business analysis of the costs of manual labour (production wages). In addition, the effective employment of leasing personnel demands extensive human resource support and the use of suitable managerial instruments. Accordingly, disclosure in the consolidated income statement is in line with internal reporting. The figures for the preceding year were adjusted appropriately.

In addition, in order to enhance the clarity of the consolidated balance sheet, the item "Non-current interest-bearing receivables" has been included under "Other non-current receivables".

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

1. SALES REVENUES AND SEGMENT REPORTING

Until the consolidated financial statement for 2015, segment reporting took place on the basis of a differentiation between the "Plastics processing" and "Other" segments, whereby the latter was comprised largely by the business activities of the metal processing companies within the POLYTEC GROUP, real estate assets and POLYTEC HOLDING AG, which administers the group.

However, owing to the developments of past years and recent acquisitions (voestalpine Plastics Solutions, Ratipur Autofelszereles Kft. and Ratipur Holding Kft., etc.), group interdependence has increased further, especially in view of the desire to use synergetic potential to a greater extent by means of matrix organisation expansion. The product portfolio has also altered, as its contents are no longer defined by means of a certain technology, but rather through flexible and combined technology employment, whereby product technologies are coupled, improved or substituted. Furthermore, the individual companies and business segments all demonstrate similar business characteristics (industry, long-term result expectations, etc.) and above all serve the same market and clientele. The real estate group purchased in 2015 and the group management holding do not meet the preconditions of IFRS 8.6, as they do not carry out any entrepreneurial activities pursuant to IFRS 8.5.

For these reasons, during a comprehensive analysis of the reporting structure, it was concluded that the POLYTEC GROUP is a one-segment group and therefore segmented reporting would no longer correspond with its current managerial structure and strategy. Therefore, the obligatory operating segment reporting for a single segment in the 2016 financial year is limited to intersegmental disclosures in accordance with IFRS 8.31 ff.

As an automotive industry subsupplier, the group naturally depends upon a small number of major customers. In 2016 and 2015, two respective customer groups provided more than 10% of the Group's total sales. The VW Group accounted for EUR 229,541 k (2015: EUR 226,093 k) of total sales, while sales to the Daimler Group amounted to EUR 94,418 k (2015: EUR 90,916 k). All in all, three main customers provided roughly 56% of total sales in 2016 (2015: 58%). Due to the extensive range of models and marques of these major customers, which as a rule operate in both the passenger car and commercial vehicle sectors, in all three cases the customer-supplier relationship relates to each of the separately reported business areas, although to differing degrees.

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

in EUR k	2016	2015
Passenger cars	425,401	420,108
Commercial vehicles	147,419	148,067
Non-automotive	77,583	58,279
Total	**650,403**	**626,454**

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

in EUR k	External sales		Intangible assets, goodwill and fixed assets	
	2016	2015	2016	2015
Austria	17,363	15,531	88,253	83,668
Germany	365,925	342,868	87,236	93,114
Rest of EU	226,324	220,260	48,877	43,990
Rest of world	40,791	47,795	21,376	17,259
Group	**650,403**	**626,454**	**245,741**	**238,031**

Sales are divided according to categories as follows:

in EUR k	2016	2015
Part sales and other sales	594,480	556,344
Tooling and development sales	55,922	70,110
Total	**650,403**	**626,454**

2. OTHER OPERATING INCOME

in EUR k	2016	2015
Income from the sale of and additions to fixed assets excluding financial assets	313	141
Income from cost reimbursements	1,095	1,156
Release of badwill (IFRS 3)	0	351
Capital gains	0	164
Income from rents	711	690
Income from release of obsolete accruals no longer required	991	0
Other income	2,444	2,315
Total	**5,555**	**4,817**

3. EXPENSES FOR MATERIALS AND OTHER SERVICES RECEIVED

in EUR k	2016	2015
Material expenses	231,311	231,922
Expenses for services received	74,402	75,888
Total	**305,713**	**307,810**

4. PERSONNEL EXPENSES

in EUR k	2016	2015
Wages and salaries	152,583	152,261
Expenses for leasing personnel	18,906	17,893[1)]
Statutory social expenses	29,059	29,514
Expenses for severance payments and pensions	9,197	7,207
Other personnel expenses	1,822	2,976
Total	**211,567**	**209,850**

[1)] The expenses for leasing personnel were reclassified as "Personnel expenses" instead of "Other operating expenses". The figure for the previous year was adjusted accordingly.

The expenses for severance payments and pensions also include expenses for contribution-oriented plans. For the Austrian companies within the group, these expenses amounted to EUR 246 k in the year under review (2015: EUR 221 k).

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

	2016	2015
Average number of employees	4,449	4,247
As at 31 December	4,427	4,223

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

	2016	2015
Average number of employees	4,053	3,882
As at 31 December	4,009	3,928

The average numbers of POLYTEC HOLDING AG employees and of the Austrian subsidiaries of the POLYTEC GROUP were as follows:

	2016	2015
Blue-collar workers	334	340
White-collar employees	175	170
Total	**509**	**510**

5. OTHER OPERATING EXPENSES

in EUR k	2016	2015
Maintenance costs	17,161	15,932
Other operating costs	10,121	9,356
Other administrative costs	5,921	5,265
Outgoing freight	6,016	5,528
Rent for buildings	4,639	5,216
Other sales costs	4,735	4,914
Other rent and leasing costs	4,201	3,803
IT and communication costs	3,574	3,614
Legal and consulting fees	3,501	3,556
Taxes and fees other than income tax	770	652
Price losses	199	0
Risk provisions and damages	607	232
Losses on the disposal of fixed assets, excluding financial assets	60	10
Total	**61,505**	**58,079**[1]

[1] The expenses for leasing personnel were reclassified as "Personnel expenses" instead of "Other operating expenses". The figure for the previous year amounting to EUR 16,587 k was adjusted accordingly. Of this total, EUR 15,281 k related to expenses for leasing personnel and EUR 1,306 k to expenses for service contracts, which are disclosed under "Other administrative costs".

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

in EUR k	2016	2015
Annual financial audit	127	134
Other services	48	32
Total	**175**	**166**

6. RESULT FROM COMPANIES ACCOUNTED FOR AT EQUITY

in EUR k	2016	2015
Accumulated result from initial consolidation	0	696
Current result	142	296
Result from changes to consolidation methods	2,402	0
Total	**2,544**	**992**

7. FINANCIAL RESULT

in EUR k	2016	2015
Interest income and income from securities	684	1,337
Interest component defined benefit plans	-449	-609
Other interest expenses	-4,273	-4,705
Other financial income	13	25
Other financial expenses	-294	-329
Total	**-4,318**	**-4,281**

The interest component from defined benefit plans is a non-cash item. All other interest expenses or interest income are mostly cash items.

The net result according to valuation categories is as follows:

in EUR k	Operative result		Financial result				
31.12.2016	**Value adjustment**	**Currency translation**	**Interest**	**Income from other securities**	**Income from participa-tions**	**Result from derivatives**	**Net result**
Loans and receivables	-877	0	684	0	0	0	**-193**
Financial liabilities	0	257	-4,273	0	0	0	**-4,016**
Available-for-sale financial investments	0	0	0	0	0	0	**0**
Financial investments held to maturity	0	0	0	0	0	0	**0**
Fair value through profit and loss	0	0	0	0	0	-294	**-294**

in EUR k	Operative result		Financial result				
31.12.2015	Value adjustment	Currency translation	Interest	Income from other securities	Income from participa-tions	Result from derivatives	Net result
Loans and receivables	-471	0	1,337	0	0	0	**866**
Financial liabilities	0	-229	-4,619	0	0	0	**-4,848**
Available-for-sale financial investments	0	0	0	0	0	0	**0**
Financial investments held to maturity	0	0	0	0	0	0	**0**
Fair value through profit and loss	0	0	0	0	0	-329	**-329**

8. INCOME TAXES

in EUR k	2016	2015
Expenses for current income taxes	8,743	5,224
thereof aperiodic	1,163	-205
Changes in deferred income taxes	2,341	2,841
thereof aperiodic	-1,900	0
Total	**11,084**	**8,066**
thereof aperiodic	-737	-205

The income tax expense for the 2016 financial year amounting to EUR 11,084 k is EUR 942 k lower than the calculated income tax expense totalling EUR 12,025 k, which would have resulted from the application of a tax rate of 25% on the result before income tax of EUR 48,102 k.

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

in EUR k	2016	2015
Earnings before income tax	48,102	32,304
thereof 25% calculated income tax expense	12,025	8,076
Changes in value adjustments for deferred tax assets	800	0
Permanent differences and other changes	-1,104	378
Differences from the discrepancy between the local and consolidated tax rates	99	-183
Income tax expense for the reporting period	11,821	8,271
Aperiodic income tax expense	-737	-205
Disclosed income tax expense	**11,084**	**8,066**

9. INTANGIBLE ASSETS AND GOODWILL

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

in EUR k	R&D costs	Rights	Good-will	Total
Costs of acquisition				
As at 1.1.2015	**801**	**7,026**	**45,508**	**53,335**
Change in the scope of consolidation	0	5	0	5
Currency translation differences	0	0	0	0
Additions	0	999	0	999
Disposals	0	-81	0	-81
Transfers	0	14	0	14
As at 31.12.2015	**801**	**7,962**	**45,508**	**54,271**
As at 1.1.2016	**801**	**7,962**	**45,508**	**54,271**
Change in the scope of consolidation	0	75	0	75
Currency translation differences	0	6	0	6
Additions	0	1,156	0	1,156
Disposals	0	0	0	0
Transfers	0	207	0	207
As at 31.12.2016	**801**	**9,406**	**45,508**	**55,715**

in EUR k	R&D costs	Rights	Good-will	Total
Accumulated depreciation				
As at 1.1.2015	**801**	**5,595**	**26,328**	**32,724**
Change in the scope of consolidation	0	0	0	0
Currency translation differences	0	0	0	0
Scheduled amortisation	0	586	0	586
Impairments	0	0	0	0
Disposals	0	-15	0	-15
Transfers	0	0	0	0
Revaluations	0	0	0	0
As at 31.12.2015	**801**	**6,166**	**26,328**	**33,295**
As at 1.1.2016	**801**	**6,166**	**26,328**	**33,295**
Change in the scope of consolidation	0	0	0	0
Currency translation differences	0	7	0	7
Scheduled amortisation	0	865	0	865
Impairments	0	0	0	0
Disposals	0	0	0	0
Transfers	0	0	0	0
Revaluations	0	0	0	0
As at 31.12.2016	**801**	**7,038**	**26,328**	**34,167**
Carrying amount as at 31.12.2015	**0**	**1,796**	**19,180**	**20,976**
Carrying amount as at 31.12.2016	**0**	**2,368**	**19,180**	**21,548**

Additions result excluseively from acquisitions and not from internal development projects.

The research and development expenses of the group during the financial year amounted to approximately EUR 10,061 k (2015: EUR 9,803 k).

IMPAIRMENTS

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

GOODWILL

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

in EUR k	31.12.2016	31.12.2015
Hörsching plant	9,148	9,148
Bromyard plant	3,495	3,495
Other	6,537	6,537
Total	**19,180**	**19,180**

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

The impairment tests were based on the following assumptions:

in EUR k	31.12.2016	31.12.2015
Cash flow planning period	3 years	3 years
Long-term perpetuity growth rate	0%	0%
Discount rate (WACC) before taxes (EUR)	12.1%	11.6%
Discount rate (WACC) before taxes (GBP)	12.6%	11.8%

The estimates undertaken regarding the recoverable amount were deemed appropriate. However, changes to the assumptions or with regard to circumstances could necessitate corrections.

A sensitivity analysis showed that if planned free cash flow were to be reduced by 10% while other parameters remained unaltered, the carrying amounts of goodwill would still be covered and no impairment would be needed. The carrying amounts of goodwill would also be covered if the discount rate were to be increased by 1% and no impairments would be required.

10. TANGIBLE ASSETS

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

in EUR k	Land and buildings	Technical equipment and machinery	Fixtures, fittings and equipment	Advanced payments made and assets under construction	Total
Costs of acquisition					
As at 1.1.2015	**33,199**	**191,492**	**58,463**	**9,354**	**292,508**
Change in the scope of consolidation	3,683	1,597	174	0	5,455
Currency translation differences	207	678	114	-88	911
Additions	89,574	14,084	4,991	25,769	134,419
Disposals	-112	-825	-2,118	-689	-3,743
Transfers	-13	6,877	57	-6,907	14
As at 31.12.2015	**126,537**	**213,904**	**61,681**	**27,440**	**429,563**
As at 1.1.2016	**126,537**	**213,904**	**61,681**	**27,440**	**429,563**
Change in the scope of consolidation	2,745	632	0	56	3,433
Currency translation differences	-513	-1,317	-96	-193	-2,119
Additions	6,570	14,497	4,606	7,562	33,235
Disposals	-21	-3,580	-1,469	-109	-5,179
Transfers	10,185	13,108	1,055	-24,553	-205
As at 31.12.2016	**145,503**	**237,244**	**65,777**	**10,203**	**458,728**
Accumulated depreciation					
As at 1.1.2015	**13,983**	**133,467**	**44,338**	**0**	**191,788**
Change in the scope of consolidation	0	0	0	0	0
Currency translation differences	116	491	102	0	709
Scheduled amortisation	3,244	15,252	4,068	0	22,564
Disposals	0	-682	-1,871	0	-2,553
Transfers	0	33	-33	0	0
As at 31.12.2015	**17,342**	**148,561**	**46,605**	**0**	**212,508**
As at 1.1.2016	**17,342**	**148,561**	**46,605**	**0**	**212,508**
Currency translation differences	-185	-829	-90	0	-1,104
Scheduled amortisation	4,209	18,394	4,223	0	26,826
Disposals	-1	-2,463	-1,231	0	-3,695
Transfers	0	-171	171	0	0
As at 31.12.2016	**21,365**	**163,492**	**49,678**	**0**	**234,535**
Carrying amounts as at 31.12.2015	**109,195**	**65,343**	**15,077**	**27,440**	**217,054**
Carrying amounts as at 31.12.2016	**124,138**	**73,752**	**16,100**	**10,203**	**224,192**

"Land and buildings" contains a real property value of EUR 32,749 k (2015: EUR 29,348 k).

As at 31 December 2016, the obligations relating to unpaid orders for the delivery of fixed assets amounted to EUR 6,798 k (2015: EUR 11,555 k).

As at 31 December 2016, the future expenses from non-terminable operating leasing agreements amounted to EUR 13,382 k (2015: EUR 17,272 k) and are due as follows:

in EUR k	31.12.2016	31.12.2015
Within one year	5,095	5,238
Longer than one year and within five years	8,287	12,034
Longer than five years	0	0

In the 2016 financial year, the corresponding rental costs amounted to EUR 8,840k (2015: EUR 9,019 k).

Tangible assets include capitalised finance lease goods (financial leasing) with a carrying amount of EUR 3,227 k (2015: EUR 9,125 k). The most important financial leasing agreements relate to production plants. Following the expiry of the minimum lease period, purchase options are available for the vast majority of the financial leasing agreements.

Capitalised financial leasing goods result in leasing obligations towards third parties totalling EUR 3,251 k (2015: EUR 9,124 k). The reported leasing obligations (current values including redemption for residual value) are due as follows:

in EUR k	31.12.2016	31.12.2015
Within one year	1,539	5,875
Longer than one year and within five years	1,712	3,249
Longer than five years	0	0

Leasing payments (without redemption for residual value) corresponding to present values amount to EUR 2,533 k (2015: EUR 7,997 k) and are due as follows:

in EUR k	31.12.2016	31.12.2015
Within one year	1,462	5,475
Longer than one year and within five years	1,071	2,522
Longer than five years	0	0

As in the previous year, in the 2016 financial year no tangible asset impairments or write-ups were undertaken.

Tangible assets with a carrying value of EUR 96,334 k (2015: EUR 93,390 k) were mortgaged or pledged as a surety for bank liabilities totalling EUR 30,712 k (2015: EUR 31,157 k).

11. INVESTMENTS IN ENTITIES ACCOUNTED FOR AT EQUITY

The entity accounted for at equity is Ratipur Autofelszereles Kft., Komló, Hungary, and it showed the following development during the financial year:

in EUR k	2016	2015
Balance sheet recognition as at 1.1.	**936**	**0**
Reclassification	0	31
Accumulated result	0	696
Earnings after tax	**142**	**295**
Other result	0	-9
Total result	**142**	**286**
Dividends	-154	-78
Deconsolidation	-924	0
Balance sheet recognition as at 31.12.	**0**	**936**

in EUR k	
Equity as at 31.12.2015	**3,901**
thereof group investment quota (24%)	24%
Consolidation and other effects	0
Carrying value as at 31.12.2015 = pro rata net assets	**936**

Summarised financial information regarding Ratipur Autofelszereles Kft.:

in EUR k	2015
Non-current assets	3,852
Current assets	2,101
Cash and cash equivalents	312
Non-current debts	510
Current debts	1,854
Net assets	**3,901**

Sales	9,182
EBIT	1,412
Financial result	-35
Earnings before tax	1,377
Tax result	-145
Earnings after tax	**1,233**

12. OTHER NON-CURRENT RECEIVABLES

The other non-current receivables include the non-current segment of the capitalised minimum leasing payments derived from financial leasing arrangements. The current segment is disclosed under the "Other current receivables". These relate to tooling projects with customers that are classified as special leasing.

The present value of the minimum leasing payments from financial leasing shows the following maturities:

in EUR k	Minimum leasing payments from financial leasing	Discounts from financial leasing	Current value of minimum leasing payments
31.12.2016			
Within one year	432	-64	368
Longer than one year and within five years	654	-98	556
Total	**1,086**	**-162**	**924**
31.12.2015			
Within one year	500	-78	421
Longer than one year and within five years	1,087	-162	924
Total	**1,586**	**-241**	**1,346**

As at 31 December 2016, unrealised financial income amounted to EUR 162 k (2015: EUR 241 k).

The financial leasing arrangements have a residual term of between one and three years.

13. DEFERRED TAXES

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

in EUR k	31.12.2016		31.12.2015	
	Assets	Liabil-ities	Assets	Liabil-ities
Tangible assets	2,812	-1,189	1,341	-990
Provisions for severance payments	912	202	962	0
Provisions for pensions	2,772	0	2,377	24
Other provisions for personnel	128	17	113	-52
Tax losses carried forward	2,789	0	6,178	0
Leasing liabilities	849	0	1,425	0
Other provisions	4,239	-129	5,919	0
Other	-1,972	82	-3,605	72
Subtotal	**12,529**	**-1,017**	**14,710**	**-946**
Consolidation	-275	100	-146	27
Capitalisation/provision for deferred taxes	**12,254**	**-917**	**14,564**	**-919**

In 2016, group companies reported net deferred tax assets on temporary differences and loss carryforwards totalling EUR 12,529 k (2015: EUR 14,710 k). These were regarded as realisable, as on the basis of current medium-term planning it is assumed that these companies will generate taxable profits in future.

As at 31 December 2016, total group income tax loss carryforwards totalled EUR 22,038 k (2015: EUR 36,347 k) and showed the following structure:

in EUR k	31.12.2016	31.12.2015
Total	**22,038**	**36,347**
of which capitalised loss carry forwards	14,329	29,629
of which carry forwards applicable for an unlimited period	14,329	29,629
of which non-capitalised loss carry forwards	7,709	6,718

In 2015, insufficiently secured loss carry-forwards were recognised in the line "thereof non-capitalised loss-carryforwards". In order to clarify this disclosure, insufficiently secured loss carryforwards were not recognised in the total amount as at 31 December 2016. The presentation of the non-capitalised loss-carryforwards as at 31 December 2015 was adjusted accordingly. This adjustment had no effect on the assets and financial or profit position of the group.

No deferred tax assets were recognised for deductible tax loss carryforwards amounting to EUR 7,709 k (2015: EUR 6,718 k) and deductible temporary differences of EUR 0 k (2015: EUR 0 k), since owing to their loss history, their effectiveness as definitive tax relief is not yet sufficiently guaranteed. This equates to deferred tax assets of EUR 1,642 k (2015: EUR 1,038 k).

In accordance with IAS 12.39, no deferred taxes were created for temporary differences in connection with shares in subsidiaries amounting to EUR 23,643 k (2015: EUR 20,379 k), as it could be assumed on 31 December 2016 that the differences between the valuation of investments for tax purposes and the pro rata equity of subsidiaries included in the consolidated financial statements would remain tax free for the foreseeable future.

The deferred taxes contain deferred tax assets recognised in equity amounting to EUR 1,934 k (2015: EUR 1,569 k) and deferred tax liabilities recognised in equity amounting to EUR 0 k (2015: EUR 0 k).

14. INVENTORIES

Inventories are structured as follows:

in EUR k	31.12.2016	31.12.2015
Raw materials and supplies	27,329	27,245
Unfinished goods	15,219	17,804
Advance payments received	-1,323	-245
Finished goods and merchandise	14,413	13,499
Advance payments made	197	127
Total	**55,834**	**58,429**

The change (balance from formation and reversal) in the impairment losses on inventories recognised through profit and loss amounted to minus EUR 408 k in the year under review (2015: - EUR 301 k). Expenses for inventories are reported under material expenses. Inventories that were recognised as material expenses in the reporting period amounted to EUR 221,618 k (2015: EUR 216,856 k).

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

15. TRADE ACCOUNTS RECEIVABLE

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

in EUR k	2016	2015
As at 1.1.	**3,094**	**2,605**
Use	-299	-193
Release	-259	-286
Allocation	1,136	950
Foreign exchange rate differences	30	18
As at 31.12.	**3,702**	**3,094**

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

Within the scope of silent global assignments, accounts receivable with a carrying amount of EUR 8,923 k (2015: EUR 8,923 k) were transferred to banks as a surety for bank liabilities totalling EUR 8,923 k (2015: EUR 8,923 k).

FACTORING

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

As at 31 December 2016, the factoring agreements had a maximum usable nominal volume totalling EUR 64,400 k (2015: EUR 64,400 k). On the balance sheet date, receivables amounting to EUR 23,364 k (2015: EUR 22,929 k) had been sold and derecognised from the consolidated financial statements in accordance with IAS 39.

As at 31 December 2016, the non-advance amount of EUR 5,752 k (2015: EUR 2,307 k) was disclosed under "Other current assets" (financial). Fair value corresponds with the reported carrying value, due primarily to the fact that the residual periods to maturity of the affected receivables are short-term.

16. CONSTRUCTION CONTRACTS

in EUR k	2016	2015
Sales revenues from construction contracts	55,922	70,110

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

in EUR k	31.12.2016	31.12.2015
Costs incurred up to the reporting date and allocated profits (less reported losses)	85,990	72,309
Less: advance payments received	-51,724	-39,553
	34,266	32,756
Recognised as receivables or liabilities in the financial statements		
Receivables from recognised sales revenues from construction contracts where they exceed the advance payments received	35,862	34,623
Advance payments received for construction contracts where they exceed the recognised sales revenues	-1,597	-1,867
	34,266	32,756
Retentions included therein	0	0

17. OTHER CURRENT RECEIVABLES

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

18. CURRENT INTEREST-BEARING RECEIVABLES

The current interest-bearing receivables derive mainly from Boshoku Automotive and are the result of the sale of the interior systems business area. In the course of the 2016 financial year, outstanding receivables totalling EUR 9,079 k were settled. The receipt of payments for the residual sum is expected within the twelve months following the balance sheet date.

19. CASH AND CASH EQUIVALENTS

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

20. FINANCIAL ASSETS

In the valuation categories contained in IAS 39 as at 31 December 2016 and 31 December 2015 respectively, the carrying amount of financial assets disclosed at amortised cost represents a reasonable approximation of fair value. All the fair values of financial assets are allocated to Level 3 of the measurement hierarchy.

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

21. GROUP SHARE CAPITAL

On the balance sheet date POLYTEC HOLDING AG share capital amounted to EUR 22,330 k (2015: EUR 22,330 k) divided into 22,329,585 ordinary shares (2015: 22,329,585 ordinary shares) with a nominal value of EUR 1.00 each. The share capital is fully paid in.

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

	Shares	Treasury shares	Shares in circulation
31.12.2015	**22,329,585**	**-334,041**	**21,995,544**
Purchase of treasury shares	0	0	0
31.12.2016	**22,329,585**	**-334,041**	**21,995,544**

NON-CONTROLLING INTERESTS

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

in EUR k	31.12.2016	31.12.2015
Non-current assets	16,518	16,045
Current assets	7,709	6,690
Non-current liabilities	-577	-598
Current liabilities	-2,688	-2,086
Net assets	**20,962**	**20,051**
Share of equity/voting rights non-controlling interest	30%	30%
Carrying amount of interests without controlling interest	6,289	6,015
Pro rata profit of interests without controlling interest	723	520
Pro rata other result of interests without controlling interest	0	-25
Dividends on interests without controlling interest	450	0

in EUR k	2016	2015
Cash flow from operating activities	3,687	2,494
Cash flow from investing activities	-1,079	-704
Cash flow from financing activities	-2,444	-610

INFORMATION CONCERNING CAPITAL MANAGEMENT

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

POLYTEC HOLDING AG is subject to the statutory minimum capital requirements of Austrian corporation law. Statutory minimum capital requirements do not apply. Nonetheless, the group considers a solid equity base as a key element in insolvency prevention. The ratio between equity capital and total capital can be summarised as follows:

in EUR k	31.12.2016	31.12.2015
Total equity	189,924	162,925
Balance sheet total	501,448	485,139
Equity ratio	**37.9%**	**33.6%**

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

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

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

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

Gearing developed as follows:

in EUR k	31.12.2016	31.12.2015
Financial liabilities[1]	153,633	170,043
- Cash and cash equivalents	79,540	57,683
- Interest-bearing receivables	4,149	13,217
Net debt (–)/assets (+)	**-69,944**	**-99,143**
/ Equity carrying amount	189,924	162,925
Gearing	**0.37**	**0.61**

[1] Non-current and current interest-bearing liabilities

The fall in net financial liabilities was due primarily to an improvement in free cash flow in the 2016 financial year. In addition, the increase in equity derived from the net profit for the year, resulted in a reduction of the gearing ratio to a value of 0.37.

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

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

in EUR k	2016	2015
Average capital employed	274,841	219,097
EBIT	52,419	36,585
Return on capital employed (in %)	**19.1**	**16.7**

Consequently, as a result of improved EBIT, the ROCE target of at least 15% could again be achieved in this financial year. POLYTEC GROUP's dividend policy is oriented towards profitability, strategic growth perspectives and the group's capital requirements.

22. EARNINGS PER SHARE AND DIVIDENDS

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

	Unit	2016	2015
Net income after income taxes and after non-controlling interests	EUR k	36,295	23,718
Weighted average number of ordinary shares issued	Shares	22,329,585	22,329,585
Average number of treasury shares	Shares	334,041	334,041
Average number of shares in circulation	Shares	21,995,544	21,995,544
Earnings per share	EUR/share	1.65	1.08

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

In accordance with the provisions of the Austrian Stock Corporation Act, the separate financial statements of POLYTEC HOLDING AG prepared in accordance with the Austrian accounting regulations as at 31 December 2016 provide the basis for the payment of a dividend.

At the Ordinary Annual General Meeting held on 19 May 2016, a resolution was passed approving the payment of a dividend of EUR 0.30 per share for the 2015 financial year (dividend payment date: 27 May 2016).

The Board of Directors of POLYTEC HOLDING AG will propose to the Annual General Meeting the payment of a dividend of EUR 0.40 per share for the 2016 financial year.

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

23. NON-CURRENT INTEREST-BEARING LIABILITIES

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

in EUR k	31.12.2016	31.12.2015
Borrower's note loans	99,791	99,696
thereof with a residual term > 5 years	0	32,482
Bank loans	26,708	38,198
thereof with a residual term > 5 years	4,146	5,604
thereof with collateral securities	19,379	28,824
Other interest-bearing liabilities	626	554
thereof with a residual term > 5 years	0	0
Interest-bearing financial liabilities	**127,126**	**138,449**
Leasing liabilities	1,712	3,249
thereof with a residual term > 5 years	0	0
Total	**128,837**	**141,698**

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

in EUR k	2016		2015	
	Share %	Average nominal interest	Share %	Average nominal interest
EUR	97.9	1.90	98.8	1.90
GBP	1.8	2.15	1.2	2.15
HUF	0.3	1.96	0.0	0.00

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

In March 2017, the whole variable percentage of the promissory note loan amounting to EUR 36,500 k was repaid prematurely and refinanced with the issue of a new promissory note loan to the value of EUR 45,000 k. This was again issued in four installments with terms of 5 and 7 years and respective fixed and floating interest rates.

24. OBLIGATIONS TO EMPLOYEES

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

in EUR k	31.12.2016	31.12.2015
Provisions for severance payments	3,887	3,837
Provisions for pensions	20,698	19,187
Provisions for long-service payments	2,396	2,376
Other non-current provisions	808	716
Total	**27,789**	**26,115**

PROVISIONS FOR PENSIONS

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

in EUR k	2016			2015		
	Present value of pension obligations	Plan assets	Provision	Present value of pension obligations	Plan assets	Provision
As at 1.1.	**19,187**	**0**	**19,187**	**26,233**	**-6,379**	**19,854**
Service costs	760	0	760	133	0	133
Interest expense	393	0	393	488	-51	437
Pension payments	-875	0	-875	-1,694	403	-1,291
Actuarial gains and losses:						
due to demographic assumptions	0	0	0	3	0	3
due to financial assumptions	1,183	0	1,183	243	0	243
due to experience-based adjustments	50	0	50	31	0	31
Planned payments	0	0	0	-6,250	6,027	-223
As at 31.12.	**20,698**	**0**	**20,698**	**19,187**	**0**	**19,187**

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

The pension expenses for the 2016 financial year consist mainly of defined benefit pension plans, whereby service costs are disclosed in the personnel expenses under the item "Expenses for severance payments and pensions", while interest costs are reported in the financial result under the item "Interest component defined benefit plans". The actuarial result comprises gains and losses resulting from the changes to demographic and financial assumptions.

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

in EUR k	31.12.2016	31.12.2015
Service costs	760	133
Interest expenses	393	437
Total	**1,153**	**571**

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

in EUR k	2016	2015
Actuarial gains (+)/losses (-) as at 1.1.	**-3.148**	**-2.963**
Actuarial gains (+)/losses (-) in the financial year	-880	-185
Actuarial gains (+)/losses (-) as at 31.12.	**-4.028**	**-3.148**

A change in interest rates of 25 basis points would have led to an increase in pension obligations of EUR 711 k (2015: EUR 662 k), or to a decrease of EUR 733 k (2015: EUR 647 k).

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

PROVISIONS FOR SEVERANCE PAYMENTS

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

in EUR k	2016	2015
Present value of severance payments (DBO) as at 1.1.	**3,837**	**3,842**
Service costs	122	216
Interest expenses	71	86
Severance payments	-108	-67
Actuarial gains and losses:		
due to demographic assumptions	-66	-11
due to financial assumptions	91	152
due to experience-based adjustments	-61	-381
Present value of severance payments (DBO) as at 31.12.	**3,887**	**3,837**

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

Total severance costs in the 2016 financial year are divided between defined contributions and defined benefit plans, whereby the service costs included in personnel expenses are reported under the item "Expenses for severance payments and pensions" and the interest costs are reported in the financial result under the item "Interest component defined benefit plans". The actuarial result comprises the gains and losses resulting from changes to the demographic and financial assumptions.

The average duration of severance payment obligations amounts to between 6 and 13 years (2015: 4 to 13 years).

in EUR k	2016	2015
Defined contribution plans		
Expenses for defined contribution plans	**246**	**221**
Defined benefit plans		
Service costs	122	216
Interest expenses	71	86
Expenses for defined benefit plans	**193**	**302**
Severance costs	**439**	**523**

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

in EUR k	2016	2015
Actuarial gains (+)/losses (-) as at 1.1.	**-600**	**-780**
Actuarial gains (+)/losses (-) in the financial year	37	180
Actuarial gains (+)/losses (-) as at 31.12.	**-563**	**-600**

A change in interest rates of 25 basis points would have led to an increase in severance payment obligations of EUR 92 k (2015: EUR 96 k), or to a decrease of EUR 95 k (2015: EUR 100 k).

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

PROVISIONS FOR LONG-SERVICE PAYMENTS

The provisions for long-service payments developed as follows:

in EUR k	2016	2015
Present value of defined benefit obligations = **Provision for long-service payments**	**2,396**	**2,376**

Total expenses for long-service payments for the financial year amounted to EUR 20 k (2015: EUR 255 k).

25. OTHER NON-CURRENT PROVISIONS

This position incorporates provisions for unfavorable contracts from company acquisitions.

26. CURRENT INTEREST-BEARING LIABILITIES

in EUR k	31.12.2016	31.12.2015
Liabilities to banks	11,202	10,524
Bank loans with a residual term < 1 year	11,627	11,512
Deferred interest promissory note loans	428	435
Interest-bearing current financial liabilities	**23,257**	**22,473**
Leasing liabilities with a residual term < 1 year	1,539	5,872
Total	**24,795**	**28,346**

27. LIABILITIES FROM INCOME TAXES

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

in EUR k	2016	2015
As at 1.1. of the financial year	3,262	1,216
Change in the scope of consolidation	0	123
Currency translation differences	-28	10
Use for tax payments	-1,826	-835
Release	-5	-51
Addition in the financial year	5,349	2,799
As at 31.12. of the financial year	**6,752**	**3,262**

28. TRADE ACCOUNTS PAYABLE

in EUR k	31.12.2016	31.12.2015
Trade accounts payable	50,600	50,150
thereof to affiliated companies	0	0
Financial liabilities to suppliers	**50,600**	**50,150**
Prepayments received	2	47
Total	**50,603**	**50,197**

29. OTHER CURRENT LIABILITIES

in EUR k	31.12.2016	31.12.2015
Liabilities to employees	4,013	3,385
Other liabilities	8,281	9,933
Other current financial liabilities	**12,293**	**13,318**
Accrual for unclaimed leave	4,977	5,325
Other tax liabilities	4,072	4,166
Social security liabilities	1,750	1,975
Deferred charges	2,740	389
Total	**25,832**	**25,171**

30. CURRENT PROVISIONS

in EUR k	Balance as at 1.1.2016	Change in the scope of consoli-dation	Currency translation	Reclassifi-cation	Use	Release	Allocation	Balance as at 31.12.2016
Personnel-related accruals	8,236	0	5	0	7,582	430	6,063	6,292
Provisions for impending losses and risks	7,103	0	-9	6,208	5,785	451	863	7,929
Guarantees and warranties	2,113	0	0	-60	355	82	1,251	2,867
Other current provisions	11,190	40	4	-454	4,400	581	11,316	17,115
Total	**28,642**	**40**	**0**	**5,694**	**18,122**	**1,544**	**19,493**	**34,203**

in EUR k	Balance as at 1.1.2015	Change in the scope of consoli-dation	Currency translation	Reclassifi-cation	Use	Release	Allocation	Balance as at 31.12.2015
Personnel-related accruals	6,020	44	2	0	4,273	919	7,361	8.236
Provisions for impending losses and risks	8,850	896	4	0	3,038	28	419	7.103
Guarantees and warranties	1,169	20	0	0	97	112	1,134	2.113
Other current provisions	10,257	-37	40	-107	2,528	2,292	5,856	11.190
Total	**26,296**	**922**	**46**	**-107**	**9,936**	**3,350**	**14,771**	**28,642**

The reclassifications in the "Provision for impending losses and risks" amount to EUR 5,800 k and relate to a reclassification of other non-current provisions.

Among other sums, the other current provisions contain provisions for customer reclamations totalling EUR 6,323 k (2015: EUR 3,595 k), legal risks amounting to EUR 2,532 k (2015: EUR 0 k) and asset retirement obligations of EUR 1,212 k (2015: EUR 850 k).

The provisions are based on the most accurate estimate of the present value of the future outflow of economic benefit needed to meet obligations. The estimates may alter in future owing to fresh knowledge.

31. FINANCIAL LIABILITIES

In accordance with IAS 39, the financial liabilities comprise the non-current and current liabilities disclosed in the consolidated balance sheet, as well as interest-bearing current liabilities, trade accounts payable (without advance payments received) and other current financial liabilities. The interest-bearing liabilities contain liabilities from financial leasing relationships amounting to EUR 3,250 k (2015: EUR 9,124 k), which pursuant to IAS 39 are not allocated to the financial liabilities.

Except for derivative financial contracts, the financial liabilities are included in the "Financial liabilities measured at the residual carrying amount". The derivative financial instruments are classified as "Financial liabilities held for trading".

Apart from the derivative financial contracts (Level 2) totalling EUR 623 k (2015: EUR 328 k) disclosed under "Other current liabilities", all financial liabilities are allocated to the Level 3 measurement category.

The POLYTEC GROUP only determines the fair value for interest-bearing liabilities for disclosures in the notes to the consolidated financial statements. Fair value is established using recognised measurement methods based on the discounted cash flow method. The main input factor is the discount rate, which takes available market data (risk-free interest rates) into account. In the case of financial liabilities, the creditworthiness of the POLYTEC GROUP is considered. On the balance sheet date, the Level 3 non-current financial liabilities (excluding financial leasing) showed a fair value of EUR 130,523 k (2015: EUR 139,143 k), as compared to a carrying amount in the balance sheet of EUR 127,125 k (2015: EUR 138,449 k). On 31 December 2016, the current financial liabilities (excluding financial leasing) showed a fair value of EUR 24,702 k (2015: EUR 24,070 k), as opposed to a carrying amount in the balance sheet of EUR 23,256 k (2015: EUR 22,471 k). The fair value of the other Level 3 financial liabilities corresponds roughly with the carrying amount in the balance sheet.

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

F. CASH FLOW STATEMENT

NON-CASH BUSINESS TRANSACTIONS

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

In the course of the 2016 financial year, the POLYTEC GROUP purchased technical equipment, which was not disclosed in the cash flow, as on the balance sheet date it had not yet been (fully) paid for. Offsetting occurred through the payment of liabilities from equipment investments purchased in the previous year, which are therefore taken into account in the cash flow for this financial year. As a result, in the 2016 financial year, the cash flow from investing activities rose by EUR 1,663 k (2015: – EUR 2,775 k).

In the 2015 financial year, within the scope of financial leasing arrangements, the POLYTEC GROUP obtained technical and business equipment, as well as real estate to a value of EUR 4,270 k. There were no such non-cash investments during the 2016 financial year.

OTHER NON-CASH EXPENSES AND INCOME

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

INTEREST PAYMENTS

Interest inflows and outflows are allocated to the consolidated cash flow from business activities. They comprise the following amounts:

in EUR k	2016	2015
Interest inflows	530	892
Interest outflows	-4,263	-4,633
Total	**-3,732**	**-3,741**

G. OTHER INFORMATION

1. EVENTS AFTER THE BALANCE SHEET DATE

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

2. RISK REPORTING

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

Sales market risks: The automotive subsupplier industry constitutes a market that is seen as highly competitive and is also currently undergoing a consolidation process. Sales volumes are primarily dependent upon the acquisition of new orders, which are usually placed two to three years prior to serial production. During this order acquisition phase, suppliers face strong competition regarding the best conditions. Once serial production commences the supplier is also reliant upon the sales of the vehicle for which it may provide the components, but is unable to influence its success. Furthermore, OEMs subject suppliers to permanent benchmarking even after the start of serial production, which may result in price demands, or in an extreme case, the loss of an order. The POLYTEC GROUP seeks to keep its dependency upon individual delivery relationships to a minimum with the help of a balanced customer and order mix.

Procurement market risks: One substantial risk is represented by the fluctuations in raw material prices, which in the case of a plastics processor like the POLYTEC GROUP are due mainly to a long-term oil price shifts, but can also be caused by changes in refinery capacity. On the sourcing side, this risk is countered by means of long-term delivery agreements and on the sales side, by material fluctuation clauses in the disclosed calculations, to the extent that these are acceptable to the customer.

To a certain extent, negotiations involving raw materials and purchased parts take place directly between the POLYTEC GROUP's customers and the suppliers. Where prices are only agreed with the customer on an annual basis, changes in raw material prices are an important parameter for the annual price renegotiations. Furthermore, increased research and development activities are aimed at the use of new raw materials (natural fibres).

FINANCIAL RISKS, THEIR MANAGEMENT AND SENSITIVITY

Credit risk: Due to its customer structure with roughly 90% of total turnover being generated with OEMs or major systems suppliers, the POLYTEC GROUP is subject to the automotive industry credit risk. However, accounts receivable are monitored meticulously on a permanent basis and the payment of accounts receivable as agreed is secured. In the 2016 financial year, approximately 56%[1] (2015: 58%) of sales were obtained from the group's three major customers. This results in a certain accumulated credit risk, which, however, has been assessed by the management as being uncritical with regard to potential non-payments. Dependency upon only a few customers is a basic characteristic of the automotive subsupplier industry. Within this context, the customer is defined as a group of affiliated companies, which can also produce several automotive marques. In future, the management intends to seek greater diversification through the expansion of its customer base in the non-automotive business area.

The risk of default relating to cash and cash equivalents is deemed as low.

Despite a credit risk generally classified as low, the maximum theoretical risk of non-payment corresponds to the carrying amounts of the individual financial assets. In individual cases, credit insurance is used on the basis of the constant monitoring of accounts receivable. As at the reporting date, no material credit insurance agreements were in place. Therefore, the theoretical risk of non-payment amounts to the carrying value of loans and receivables totalling EUR 186,554 k (2015: EUR 172,181 k).

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

in EUR k			Overdue but not impaired In days			
31.12.2016	Total	Neither overdue nor impaired	Up to 60	60 to 120	120 to 360	Over 360
Trade accounts receivable	49,791	35,592	6,891	1,982	4,115	1,211
Other accounts receivable (excl. RAP)	17,212	16,897	116	23	129	47

in EUR k			Overdue but not impaired In days			
31.12.2015	Total	Neither overdue nor impaired	Up to 60	60 to 120	120 to 360	Over 360
Trade accounts receivable	52,201	36,954	12,102	750	1,055	1,340
Other accounts receivable (excl. RAP)	14,455	14,455	0	0	0	0

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

[1] Including MAN after being merged into the VW Group

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

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

in EUR k	Carrying value as at 31.12.2016	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	100,219	107,838	2,087	105,751	0
Bank loans and other interest-bearing liabilities	38,962	41,101	12,097	23,693	5,311
Bank borrowings on current account	11,201	11,283	11,283	0	0
Financial leasing	3,250	3,346	1,598	1,748	0
Trade accounts payable	50,600	50,600	50,600	0	0
Other financial liabilities	11,691	11,691	11,691	0	0
Total	**215,923**	**225,859**	**89,356**	**131,192**	**5,311**

in EUR k	Carrying value as at 31.12.2015	Total contractual cash flows	thereof within 1 year	thereof over 1 but less than 5 years	thereof more than 5 years
Promissory note loans	100,131	109,925	2,087	74,549	33,289
Bank loans and other interest-bearing liabilities	50,264	53,059	12,662	33,124	7,273
Bank borrowings on current account	10,523	10,607	10,607	0	0
Financial leasing	9,124	9,331	5,993	3,338	0
Trade accounts payable	50,150	50,150	50,150	0	0
Other financial liabilities	12,990	12,990	12,990	0	0
Total	**233,182**	**246,062**	**94,489**	**111,011**	**40,562**

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

Foreign exchange risk: The bulk of POLYTEC GROUP sales revenues are invoiced in euros and consequently the foreign exchange risk only affects the Group to a limited degree. Moreover, the purchase of preliminary work takes place partially in the same currency as sales, which results in natural hedging. The Group is subject to higher foreign exchange risks in those countries in which invoices are written in euros, but preliminary work must be purchased in local currency. For example, such risks apply to the Czech Koruna, the Hungarian Forint and the Turkish Lira. In many cases, these risks cannot be transferred to financial instruments, as they are mainly attributable to personnel costs.

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

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

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

in EUR k	31.12.2015		
	In euros	In foreign currency	Total
Trade accounts receivable	40,579	11,622	52,201
Receivables from construction contracts	28,825	5,798	34,623
Other receivables (excl. RAP)	12,530	1,926	14,456
Interest-bearing receivables	13,217	0	13,217
Cash and cash equivalents	56,103	1,580	57,683
Total	**151,254**	**20,926**	**172,180**

in EUR k	31.12.2015		
	In euros	In foreign currency	Total
Non-current interest-bearing liabilities	131,864	9,834	141,698
Current interest-bearing liabilities	24,826	3,520	28,346
Trade accounts payable (without advance payments)	43,833	6,317	50,150
Other current liabilities	11,679	1,639	13,318
Total	**212,202**	**21,310**	**233,512**

The distribution shows that the risk to which the group is subject due to exchange rate fluctuations is very low, as both financial assets held in foreign currency totalling 14.3% (2015: 12.2%) and the corresponding liabilities totalling 6.9% (2015: 9.1%) account for only a minor part of the total volume. Furthermore, currency fluctuations would equally affect both assets and liabilities and therefore display compensatory effects.

An increase in exchange rates with respect to non-inter-group trade accounts payable and liabilities of +/–10% would have no material effect upon the results or equity.

Interest rate change risk: The interest rate change risk is counteracted by the POLYTEC GROUP through a portfolio of variable and fixed forms of financing that corresponds with the long-term interest rate opinion. Long-term financing activities are predominantly subject to variable interest rates.

During the 2016 financial year, derivatives were used for interest hedging and the following table shows the fair values, the nominal amounts and the residual periods of the outstanding derivatives at the end of the reporting period:

31.12.2016				Residual period		
in EUR k	Fair value pos.	Fair value neg.	Nominal	< 1 year	1–5 years	> 5 years
Receive floating pay fixed swaps	0	623	37,571	1,071	36,500	0
Interest caps	0	0	2,500	2,500	0	0
Total	**0**	**623**	**40,071**	**3,571**	**36,500**	**0**

31.12.2015				Residual period		
in EUR k	Fair value pos.	Fair value neg.	Nominal	< 1 year	1–5 years	> 5 years
Receive floating pay fixed swaps	0	327	39,000	0	30,500	8,500
Interest caps	0	0	2,500	0	2,500	0
Total	**0**	**327**	**41,500**	**0**	**33,000**	**8,500**

The current values stated in the table above correspond with the current values at the end of the reporting period. They were determined via current market parameters on the balance sheet date.

The interest swaps are offset quarterly. The variable interest rate of the interest swaps is based on the 6-month Euribor. The difference between fixed and variable interest is offset net.

Interest-bearing liabilities show the following structure on the balance sheet date:

in EUR k	31.12.2016	31.12.2015
Bonds to banks	100,219	100,131
thereof with fixed interest	63,677	63,618
thereof with variable interest	36,543	36,513
Liabilities to banks	49,526	60,227
thereof with fixed interest	29,686	37,003
thereof with variable interest	19,841	23,224
Financial leasing	3,250	9,124
thereof with fixed interest	3,250	9,124
thereof with variable interest	0	0
Other interest-bearing liabilities	636	560
thereof with fixed interest	636	560
thereof with variable interest	0	0
Total	**153,632**	**170,043**
thereof with fixed interest	97,249	110,306
thereof with variable interest	56,384	59,737

The bulk of the liabilities bearing variable interest are dependent upon the 6-month Euribor. An increase (decrease) in this reference interest rate of 100 basis points would result in an increase (decrease) of the interest expense by some EUR 564 k (2015: EUR 595 k).

Interest-bearing receivables and current cash and cash equivalents contain variable interest-bearing financial assets totalling EUR 79,821 k (2015: EUR 50,629 k). An increase (decrease) in the 3-month Euribor of 100 basis points would increase (decrease) interest income by approximately EUR 798 k (2015: EUR 506 k).

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

Other risks: Various legal actions and claims, among others in connection with the divestment of the interior systems business area, are pending against the POLYTEC GROUP. Although the outcome of these proceedings and claims cannot be predicted with certainty, the Board of Directors is of the opinion that either singly or in total, the results of these issues will not have a materially adverse effect on the company's liquidity situation, results or financial position. Notwithstanding this cautious estimation, other forms of residual risks remain.

No other material risks and obligations exist that have not been appropriately mentioned in these consolidated financial statements or the notes.

3. RELATED PARTIES

Apart from the members of the Board of Directors and the Supervisory Board, related parties pursuant to IAS 24 include IMC Verwaltungsgesellschaft mbH, Hörsching and its affiliated companies. The family of the CEO of the POLYTEC GROUP, Friedrich Huemer, is the sole owner of the shares in the said companies and Friedrich Huemer is the managing director with sole power of representation of the said companies.

As at the 31 December 2016 balance sheet date, the company was informed about the following shares of voting rights, which are subject to notification pursuant to § 91 of the Austrian Stock Exchange Act:

Huemer Group: 29.0%
Delta Lloyd Asset Management NV: < 10.0%
Capital Research and Management: 5.5%

The remaining shares are in free float.

On 8 July 2016, POLYTEC Immobilien GmbH purchased a property in Hörsching, which is directly adjacent to the group's head office and the Hörsching plant, from FH Immobilien GmbH, a company belonging to Friedrich Huemer (CEO), at the standard market price of EUR 2,740 k. The land will be available to the POLYTEC GROUP for future plant enlargements on an unrestricted basis.

OTHER BUSINESS RELATIONSHIPS

A work contract exists between the POLYTEC GROUP and IMC Verwaltungsgesellschaft mbH, Hörsching regarding a member of the Board of Directors of the POLYTEC HOLDING AG, Hörsching.

GLOBE AIR AG, Hörsching, provided transport services to employees of the POLYTEC GROUP in the business year under review.

One member of the Supervisory Board also sits on the executive board of a bank with which the group has a business relationship in the form of deposits and loan transactions.

As in the previous year, all the transactions carried out during the year under review were completed at arm's length. As in the previous year, no provisions for doubtful debts in connection with transactions with related parties were made in the current year, no provisions were made in 2016 or 2015 for doubtful or unrecoverable debts.

4. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Total remuneration of the members of the Board of Directors in the 2016 financial year amounted to EUR 2,541 k (2015: EUR 2,498 k). EUR 2,541 k (2015: EUR 2,498 k) are attributable to short-term benefits, EUR 0 k (2015: EUR 314 k) of which relate to the remuneration of a former Board member. As in the preceding year, no payments were made after the termination of the working relationship in the 2016 financial year.

As yet unpaid variable salary components affecting the 2016 business year are reported in the current personnel provisions.

There are no stock option plans or similar shareholding-based remunerations pursuant to IFRS 2.

Total expenses for the emoluments to Supervisory Board members in the 2016 financial year amounted to EUR 99 k (2015: EUR 99 k).

There are no loans or advance payments relating to current or former members of company bodies. No former members of the governing bodies of the company receive any kind of salary from the group or one of its affiliated companies.

5. POLYTEC HOLDING AG GOVERNING BODIES

During the year under review and at the time of the preparation of the consolidated financial statements, the **members of the Board of Directors** were as follows:

Friedrich Huemer, Wallern
(Chairman of the Board of Directors)
Markus Huemer, Buchkirchen
(Deputy Chairman of the Board of Directors)
Alice Godderidge, Piberbach
(Member of the Board of Directors)
Peter Haidenek, Velden a. W.
(Member of the Board of Directors)

During the year under review and at the time of the preparation of the consolidated financial statements, the **members of the Supervisory Board** were as follows:

Fred Duswald, Thalheim
(Chairman of the Supervisory Board)
Manfred Helmut Trauth, Knittelsheim, Germany
(Deputy Chairman of the Supervisory Board)
Robert Büchelhofer, Starnberg, Germany
(Member of the Supervisory Board)
Viktoria Kickinger, Vienna
(Member of the Supervisory Board)
Reinhard Schwendtbauer, Leonding
(Member of the Supervisory Board)

6. GROUP COMPANIES

Company	Company address	Country	Shareholder	2016 Direct and indirect holding %	2016 Type of consoli-dation[1]	2015 Direct and indirect holding %	2015 Type of consoli-dation[1]
POLYTEC Invest GmbH i.L.	Lohne	GER	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Anlagenfinanzierung GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC CAR STYLING Hörsching GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Car Styling Bromyard Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC FOHA CORPORATION	Markham	CAN	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Foha Inc.	Warren	USA	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Car Styling Schoten N.V.	Schoten	BEL	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Netherlands Holding B.V.	Roosendaal	NED	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Composites NL B.V.	Roosendaal	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Plastics NL B.V.	Putte	NED	Polytec Netherlands Holding B.V.	100.0	KV	100.0	KV
Polytec Hungary Kft.	Komló	HUN	POLYTEC Holding AG	100.0	KV		
Polytec Komló Kft.	Komló	HUN	POLYTEC Hungary Kft.	100.0	KV	24.0	KE
POLYTEC Germany GmbH	Lohne	GER	POLYTEC Holding AG	100,0	KV		
PT Plastics GmbH	Lohne	GER	POLYTEC Germany GmbH	100,0	KV		
PT Composites GmbH	Gochsheim	GER	POLYTEC Germany GmbH	100,0	KV		
Polytec Holding Deutschland GmbH	Lohne	GER	PT Plastics GmbH	100.0	KV	100.0	KV
Polytec Automotive GmbH & Co KG [2]	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Automotive Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Deutschland Verwaltungs GmbH	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KO	100.0	KO
Polytec Plastics Germany GmbH & Co KG [2]	Lohne	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
Polytec Plastics Idstein GmbH & Co KG [2]	Idstein	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
POLYTEC Plastics Ebensee GmbH	Ebensee	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
Polytec Interior Zaragoza S.L. i.L.	Zaragoza	ESP	POLYTEC Holding AG	100.0	KO	100.0	KO
POLYTEC Tooling GmbH & Co KG	Thannhausen	GER	Polytec Holding Deutschland GmbH	100.0	KV	100.0	KV
POLYTEC AUTO PARTS Tianjin Co., Ltd	Tianjin	CHN	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Beteiligungs GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
POLYTEC Composites Beteiligungs GmbH	Gochsheim	GER	PT Composites GmbH	100.0	KV	100.0	KV
POLYTEC Composites Verwaltungs GmbH	Gochsheim	GER	PT Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Germany GmbH & Co KG [2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds GmbH & Co. KG [2]	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Compounds Verwaltungs GmbH	Gochsheim	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Industrielackierungen GmbH & Co. KG [2]	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Industrielackierungen Verwaltungs GmbH	Rastatt	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KO	100.0	KO
POLYTEC Composites Slovakia s.r.o.	Sladkovicovo	SVK	PT Beteiligungs GmbH	100.0	KV	100.0	KV
PT Plastik Ürünleri Sanayi ve Ticaret A.S.	Aksaray	TUR	PT Beteiligungs GmbH	100.0	KV	100.0	KV
Polytec Composites Bohemia s.r.o.	Chodová Planá	CZE	PT Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Composites Weiden GmbH	Weiden	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
INAPAL PLASTICOS, S.A.	Leca do Balio	POR	POLYTEC Composites Germany GmbH & Co KG	2.0	KOE	2.0	KOE
Ljungby Komposit AB	Ljungby	SWE	PT Beteiligungs GmbH	25.0	KOE	25.0	KOE

				2016		2015	
Company	Company address	Country	Shareholder	Direct and indirect holding %	Type of consoli-dation[1)]	Direct and indirect holding %	Type of consoli-dation[1)]
POLYTEC Industrielackierung Weiden GmbH	Waldnaab	GER	POLYTEC Composites Beteiligungs GmbH	100.0	KV	100.0	KV
POLYTEC Industrial Plastics GmbH	Bochum	GER	POLYTEC Holding AG	70.0	KV	70.0	KV
POLYTEC Elastoform GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC EMC Engineering GmbH	Marchtrenk	AUT	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC THELEN GmbH	Bochum	GER	POLYTEC Industrial Plastics GmbH	70.0	KV	70.0	KV
POLYTEC Immobilien Holding GmbH	Hörsching	AUT	POLYTEC Holding AG	100.0	KV	100.0	KV
PT Immobilien GmbH	Hörsching	AUT	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Immobilien GmbH	Hörsching	AUT	PT Immobilien GmbH	94.5	KV	94.5	KV
POLYTEC Composites Immobilien GmbH	Kraichtal	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
PPI Immobilien GmbH	Ebensee	AUT	POLYTEC Immobilien Holding GmbH	95.0	KV	95.0	KV
POLYTEC Immobilien Deutschland GmbH	Lohne	GER	POLYTEC Immobilien Holding GmbH	94.5	KV	94.5	KV
POLYTEC Real Estate Gayrimenkul Limited Sirteki	Aksaray	TUR	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Slovakia s.r.o.	Sladkovicovo	SVK	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
POLYTEC Estates Belgium N.V.	Schoten	BEL	POLYTEC Immobilien Holding GmbH	100.0	KV	100.0	KV
SPELAG s.r.o.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KO		
POLYTEC ESTATES Bohemia k.s.	Chodová Planá	CZE	POLYTEC Immobilien Holding GmbH	100.0	KV		
POLYTEC ESTATES UK Ltd.	Bromyard	GBR	POLYTEC Holding AG	100.0	KV		

1) KV = full consolidated companies
KE = companies consolidated at equity
KO = companies excluded due to lack of materiality
KOE = no at equity valuation due to immateriality
2) Pursuant to §24 of the German Commercial Code, the companies are released from an obligation to prepare, audit and publish annual financial statements and a management report in accordance with the current regulations applicable to corporations.

Hörsching, 31 March 2017

The Board of Directors of POLYTEC HOLDING AG

Friedrich Huemer m. p.
Chairman – CEO

Markus Huemer m. p.
Deputy Chairman – COO

Alice Godderidge m. p.
Member of the Board – CSO

Peter Haidenek m. p.
Member of the Board – CFO

STATEMENT OF ALL LEGAL REPRESENTATIVES

PURSUANT TO § 82 PARA. 4 PT. 3 AUSTRIAN STOCK CORPORATION ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the Group Management Report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the Management Report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Hörsching, 31 March 2017

The Board of Directors of POLYTEC HOLDING AG

Friedrich Huemer m. p.
Chairman of the Board of Directors – CEO
Responsibilities: M&A, Investment Management, Corporate Strategy, Corporate Communications, HR, Legal Affairs

Markus Huemer m. p.
Deputy Chairman of the Board of Directors – COO
Responsibilities: Business Development, Plants, Production, Purchasing

Alice Godderidge m. p.
Member of the Board of Directors – CSO
Responsibilities: Sales and Engineering (Sales, Marketing and Development)

Peter Haidenek m. p.
Member of the Board of Directors – CFO
Responsibilities: Finance, IT, Controlling, Accounting, Investor Relations, Internal Audit

AUDITORS' REPORT

(This is a translation of the original german version for information purposes without liability; the german version prevails.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of POLYTEC Holding AG, Hörsching, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB.

BASIS FOR OPINION

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those 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 laws and regulations applicable in Austria, and we have fulfilled our other professional 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Valuation of construction contracts

Description and Issue
Revenue under IAS 11 was TEUR 55,922 in 2016. Receivables from construction contracts are TEUR 35,862 as of December 31, 2016; liabilities from construction contracts are TEUR 1,597 as of December 31, 2016. If the result of a construction contract can be estimated reliably based on total revenue of the contract, on the stage of completion and on total costs of the contract, revenue recognition is done based on the percentage of completion method. The estimate of the result by management incorporates expectations on future contract costs and on contract risks. The estimates, therefore, include uncertainties.

Uncertainties with regard to assessments and assumptions are disclosed at note D. 18 of the consolidated financial statements. Disclosures regarding construction contracts are included in note E. 16 of the consolidated financial statements.

Our Response
Our procedures included a sample-based evaluation of order values as well as of contract costs, which incurred until the balance sheet date. In addition, we evaluated the reasonableness of the estimates of order value, stage of completion and total contract costs and contract risks for a sample of construction contracts on the basis of actual project information and of inquiries of project managers.

Valuation of deferred taxes

Description and Issue
Deferred tax assets are TEUR 12.254 as of December 31, 2016. An amount of TEUR 2.789 results from tax loss carryforwards. Deferred tax assets are recognised if it is likely that there will be future taxable income to utilise the temporary differences and the tax loss carryforwards respectively. The amount of recognised deferred tax assets is to a significant extent based on management's expectations regarding developments in the future, which include uncertainties.

Uncertainties with regard to assessments and assumptions are disclosed at note D. 18 of the consolidated financial statements. Disclosures regarding deferred taxes are included in note E. 13 of the consolidated financial statements.

Our Response
Our procedures included the evaluation of the calculation of deferred taxes in compliance with applicable tax regulations and the assessment of the appropriateness of management's expectations regarding developments in the future based on the mid-term plan approved by the supervisory board.

OTHER INFORMATION

Management is responsible for the other information. The other information contain all information in the annual report and the annual financial report but does not include the consolidated financial statements, the management report and our auditor's report thereon. The annual report and the annual financial report are expected to be made available 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 will 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under section 245a UGB, and for such internal control as management determines is 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 Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will 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 consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the management has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

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 the directors' 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 auditors' 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 give a true and fair view.

We 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 consolidated 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.

REPORT ON THE AUDIT OF THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

OPINION

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to section 243a UGB and is consistent with the consolidated financial statements.

STATEMENT

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

ENGAGEMENT PARTNER

The engagement partner responsible for the audit is Ulrich Dollinger.

Linz, March 31, 2017

Deloitte Oberösterreich Wirtschaftsprüfungs GmbH

Mag. Ulrich Dollinger	Mag. Nikolaus Schaffer
Certified Public Accountant	Certified Public Accountant

SERVICE

CORPORATE CALENDAR 2017

6 April 2017	Thursday	Publication of the financial statements and annual report for 2016
8 May 2017	Monday	Publication of the interim report for Q1 2017
12 May 2017	Friday	Record date AGM
22 May 2017	Monday	17th Ordinary Annual General Meeting for the 2016 financial year, Hörsching, 10:00 a.m.
29 May 2017	Monday	Ex-dividend day
30 May 2017	Tuesday	Dividend cut-off date (record date)
31 May 2017	Wednesday	Dividend pay-out day
10 August 2017	Thursday	Publication of the report for HY1 2017
7 November 2017	Tuesday	Publication of the interim report for Q3 2017

INVESTOR RELATIONS

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NOTE

This annual report has been prepared with the greatest possible care and every effort has been made to ensure the accuracy of the data that it contains. Nevertheless, rounding, typographical and printing errors cannot be excluded. The use of automatic calculating devices can result in rounding-related differences during the addition of rounded amounts and percentages. This annual report contains assessments and assertions relating to the future made on the basis of all the information currently available. Such future-related statements are usually introduced with terms such as "expect", "estimate", "plan", "anticipate", etc. We would draw your attention to the fact that various factors could cause actual conditions and results to deviate from the expectations outlined in this report. This annual report is published in German and English. The English translation serves information purposes and the original German text is the sole legally binding version. The financial statements and annual report for 2016 were published on 6 April 2017 and are available for downloading on the POLYTEC HOLDING AG website at www.polytec-group.com.

Editorial closing date: 31 March 2017

IMPRINT

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GLOSSARY

Company and technology	
Blow Moulding	A process for the production of hollow, thermoplastic parts (lightweight construction technology)
Carbon SMC	SMC with cut carbon fibres
CAD	Computer-aided design
CAM	Computer-aided manufacturing
CAQ	Computer-aided quality control
CEO	Chief Executive Officer
CF	Carbon fibre
CFO	Chief Finance Officer
COO	Chief Operations Officer
CSO	Chief Sales Officer
ECM	Enterprise control management
ERP	Enterprise resource planning
GIT	Gas internal pressure technology
GMT	Glass mat thermoplastics
HR	Human Resources
ISO 14001	International Standard for environmental management
ISO 50001	International Standard for systematic energy management
JIS	Just-in-sequence: Parts arrive at a production line right in time as scheduled before they get assembled
JIT	Just-in-time: Parts arrive at the production line right in time
LFT	Long fibre reinforced thermoplastics: Increased toughness for parts
LWRT	Low weight reinforced thermoplastics: Glass-reinforced thermoplastic mixed-fibre fleeces for lightweight construction that absorb noise excellently.
MES	Manufacturing execution system
OEM	Original equipment manufacturer
One-shot process	Production in one single step
Organosheets	Fibre-reinforced composites (either with glass fibres or carbon fibres)
PA	Polyamide: Thermoplastic material with high strength, stiffness and toughness
PISA	POLYTEC In-moulded Sound Absorber
PIT	Projectile injection technology
PLA	POLYTEC Leadership Academy
PP	Polypropylene: Thermoplastic material
PPS	POLYTEC Performance System: Lean Management Programme of POLYTEC GROUP
PUR	Polyurethane: Material used by business units CAR STYLING and INDUSTRIAL
PUR RRIM	Polyurethane Reinforced Reaction Injection Moulding
SMC	Sheet moulding compound: Ready to mould glass-fibre reinforced polyester material primarily used in compression moulding
VICS	Variable In-moulded Composite Sandwich
WIT	Water injection technology

Financials	
CAD	Canadian Dollar
Capital employed	Capital employed includes non-current assets required for operations (intangible assets, goodwill, tangible assets, participations in companies accounted for at equity and other non-current receivables) less other non-current provisions and net current assets (non-interest bearing current assets less non-interest bearing current liabilities).
CNY	Chinese Renminbi Yuan
CZK	Czech Koruna
Deferred taxes	Balance sheet item to show fiscal valuation differences. In the case of temporary discrepancies between the group balance sheet and the fiscal balance sheet, both deferred tax assets and deferred tax liabilities are recognised in order to report the tax expenses in accordance with the group financial result.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBIT margin	Earnings before interest and EBIT/sales, in %
Equity ratio	Equity/balance sheet total, in %
EUR k	Euro thousands
EUR m	Euro millions
Free cash flow	Cash flow from operating activities less cash flow from investing activities
FTE	Full-time equivalents of employees
GBP	Great Britain Pound
Gearing	Net debt/equity
HUF	Hungarian Forint
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards, including International Accounting Standards (IAS)
IPO	Initial Public Offering
ISIN AT0000A00XX9	International Securities Identification Number of POLYTEC share
Market capitalisation	Value of Enterprise: number of issued shares multiplied with certain share price
Net financial liabilities/assets	Non-interest bearing current assets, less non-interest bearing current liabilities
Net current assets	Current assets (excluding cash, cash equivalents and interest-bearing receivables) less current liabilities (excluding financial liabilities)
OEM	Original Equipment Manufacturer
OTC	"Over-the-Counter" market, transactions with shares outside exchange, directly dealt between parties
ROCE	Return on Capital Employed (EBIT/average capital employed)
TRY	Turk Lira
USD	United States Dollar

POLYTEC GROUP

www.polytec-group.com

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INNOVATION