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EANS-News: Semperit AG Holding / Revenue increase in the first nine months of 2017, operating earnings situation remains weak

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Quarterly Report

Vienna, Austria -

- * Revenue in Q1-3 2017 increased by 3.5% year-on-year to EUR 670.0 million
- * Earnings in Q1-3 2017 slightly below previous year: positive one-off effects from joint venture transaction were up against various negative one-off effects
- * Measures taken in Q3 - highlights:
 - Expansion step at Semperflex in Czech Republic
 - Social plan signed for Sempertrans production site in France
 - Start of analysis and strategy process
- * Outlook remains suspended

The publicly listed Semperit Group continued to achieve a revenue increase in the first nine months of 2017, earnings are slightly below the previous year's number. In the third quarter 2017 the revenue figure stays nearly at its current level, EBIT was negative in Q3 because of one-off effects. However, the new Management Board has introduced further measures to achieve a sustainably efficient cost structure and therefore profitable growth due to the weak earnings situation. In the Sempermed segment, the severe cost-cutting programme led to productivity increases despite temporary interruptions of the production process. At the same time, further restructuring expenses amounting to EUR 4.8 million were recorded in the Sempermed segment in France (in addition to EUR 6.8 million in Q2 2017) in Q3 2017 as well as expenses of EUR 5.1 million relating to the tax audit in Austria.

"The reported loss in the third quarter largely results from one-off effects, however these results are by no means satisfying," says the Chairman of the Management Board, Martin Füllenbach, and names the tasks that will be the focus in the coming quarters: "A competitive cost structure, an increased level of cost awareness in the entire company and at the same time the realignment of the future portfolio. This may certainly be considered a challenging contrast." Füllenbach lists the shutdown of the Sempertrans factory in France and the introduction of the World Class Manufacturing Model as already well-advanced measures. "We will consistently pursue this path," says the CEO.

In the first nine months of 2017, Semperit achieved a revenue increase of 3.5% to EUR 670.0 million in a year-on-year comparison, which is primarily based on an increase in sales volumes in all segments except Sempertrans. Reported EBITDA totalled EUR 97.8 million, which corresponds to an increase of 35.4% year-on-year. Reported EBIT showed a 1.1% decrease to EUR 46.1 million. This is basically due to one-off effects such as a impairment of EUR 26.0 million in the Sempermed segment (in Q2 2017), expenses for restructuring the Sempertrans production site in France totalling EUR 11.6 million, a value adjustment of EUR 4.0 million for already capitalised IT costs which cannot be utilised in the future (in Q2 2017), as well as the expenses of EUR 5.1 million recorded in Q3 2017 relating to the tax audit in Austria (particularly the denial of the refund for the energy tax). The resulting cash flow decreased by 26.5% to EUR 32.7 million while the earnings per share fell by 79.0% to EUR 0.24.

Operational EBIT without the positive one-off effect from the joint venture transaction (EUR 84.8 million in Q1 2017) and the negative effect of the

impairment, the restructuring expenses as well as the IT value adjustment and the expenses from the tax audit was EUR 7.9 million - a significant decrease by 81.2% compared with the previous year. Semperflex and Semperform achieved positive EBIT contributions again. Operational earnings at Sempermed improved slightly but remained negative, while Sempertrans continued to be negatively impacted by margin pressure in Q3 2017. The adjusted earnings per share were minus EUR 0.66 (Q1-3 2016: EUR 0.95).

The Semperit Group utilised the cash inflow from the joint venture transaction in March 2017 to significantly reduce the debt burden and to finance the approved investment programme (CAPEX). Net debt declined from EUR 230.6 million at the end of 2016 to EUR 149.6 million as of 30 September 2017, which results in a low net debt/EBITDA ratio of 1.45x (end of 2016: 2.96x).

The equity ratio remained solid at 34.9% (end of 2016: 31.8%). Cash and cash equivalents were EUR 176.3 million (end of 2016: EUR 190.2 million) after the cash inflow from the joint venture transaction.

INDUSTRIAL SECTOR

Development of the segments in the Industrial Sector (Semperflex, Sempertrans and Semperform) was subject to different dynamics. However, sales figures increased in all segments except Sempertrans. Revenue increased by 5.3% to EUR 409.8 million. Profitability was significantly impaired due to unfavourable developments in raw material prices as well as passing price changes on to customers with a delay. Year-on-year, EBITDA fell by 56.8% to EUR 31.0 million while EBIT decreased by 71.1% to EUR 16.5 million. EBIT was particularly burdened by expenses for restructuring Sempertrans in France amounting to EUR 11.6 million as well as expenses of EUR 3.0 million - recognised on a pro rata basis in the Industrial Sector - relating to the tax audit for Austria in the third quarter.

MEDICAL SECTOR

The development of the Medical Sector (Sempermed segment) continued to be characterised by a competitive market environment with price pressure. Against this background, revenue increased by 0.7% to EUR 260.2 million primarily due to price increases. Expansion and optimisation of capacities in the Malaysia factory are well under way despite temporary interruptions of the production process, while at the same time cost-cutting measures were taken in production, marketing and sales. Comparing the end of September 2017 with the end of September 2016, the number of employees at segment level dropped significantly by slightly more than 400 persons (-13.0%).

Reported EBITDA and EBIT increased to EUR 79.4 million and EUR 44.7 million respectively in Q1-Q3 2017. Without consideration of the positive contribution from the joint venture transaction in Q1 2017, the impairment in Q2 2017 and expenses of EUR 2.0 million (recognised on a pro rata basis in the Medical Sector) relating to the tax audit in Austria, operational EBITDA decreased to EUR 3.3 million (Q1-Q3 2016: EUR 5.2 million) and operational EBIT to minus EUR 5.4 million (Q1-Q3 2016: EUR -5.5 million).

RESULTS OF THE THIRD QUARTER

The Semperit Group recorded revenue of EUR 208.4 million in the third quarter of 2017 - it remained almost unchanged compared to the prior-year quarter. All segments in the Industrial Sector (+7.6%) increased their revenues while there was a decrease (-11.0%) in the Medical Sector (Sempermed).

Other operating expenses increased significantly due to accruing restructuring expenses for the Sempertrans production site in Argenteuil, France, and the expenses recorded relating to the tax audit in Austria (particularly energy tax rebate) among other things.

Therefore, EBITDA decreased significantly to EUR 0.5 million. EBIT for the third quarter of 2017 amounted to minus EUR 8.2 million. Adjusted for the negative one-off effects, EBIT totals EUR 1.7 million. Earnings after tax amounted to minus EUR 16.4 million, while earnings per share were minus EUR 0.79. The adjusted earnings after tax were minus EUR 5.6 million

OUTLOOK 2017

The adjusted EBIT (without positive and negative one-off effects) for the 2017 financial year will therefore be significantly below the adjusted EBIT of 2016 (EUR 41 million after deduction of the earnings contribution from the Thai SSC/ Siam Sempermed Corporation Ltd. at that time).

Continuous and potentially new measures to increase profitability and to strengthen the balance sheet structure remain right at the top of the Management Board's agenda. Further significant one-off charges in addition to the measures already taken and still being analysed can therefore not be excluded in the coming quarters. Due to the above-mentioned developments, the outlook remains suspended for the coming quarters.

Semperit continues to focus on organic growth. Investments in the expansion of capacities will be continued. Total capital expenditures (CAPEX) of around EUR 80 million (2016: EUR 65 million) have been planned for 2017.

About Semperit

The publicly listed company Semperit AG Holding is an internationally-oriented group that develops, produces, and sells in more than 100 countries highly specialised rubber products for the medical and industrial sectors: examination and surgical gloves, hydraulic and industrial hoses, conveyor belts, escalator handrails, construction profiles, cable car rings, and products for railway superstructures. The headquarters of this long-standing Austrian company, which was founded in 1824, are located in Vienna. The Semperit Group employs around 6,500 people worldwide, including about 3,500 in Asia and more than 800 in Austria (Vienna and production site in Wimpassing, Lower Austria). The Group has 22 manufacturing facilities worldwide and numerous sales offices in Europe, Asia, Australia and America. In 2016 the group generated revenue of EUR 852 million and an EBITDA of EUR 78 Million.

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