

# INTERIM FINANCIAL REPORT

For the period ended June 30, 2018



## INTERIM MANAGEMENT REPORT

### Business performance in the first half of 2018

#### Consolidated sales revenues

Westag & Getalit AG generated consolidated revenues of € 118.1 million in the first half of 2018, which was slightly above the previous year's € 117.8 million. While domestic revenues declined during the period, exports showed a positive trend, with revenues in the Group's foreign markets growing by 11.3% to € 29.5 million (previous year: € 26.5 million). Consequently, the export share climbed from 22.5% to 25.0%.

Sales revenues in € '000	January 1 to June 30, 2018	January 1 to June 30, 2017	Change in %
Doors/Frames	62,593	63,617	-1.6
Surfaces/Elements	52,610	50,175	4.9
Central Division	2,922	3,977	-26.5
<b>Total</b>	<b>118,125</b>	<b>117,769</b>	<b>0.3</b>

Sales revenues in the Doors/Frames Division totalled € 62.6 million in the first six months of 2018 (previous year: € 63.6 million). The Surfaces/Elements Division generated revenues of € 52.6 million (previous year: € 50.2 million). Revenues of the Central Division declined from € 4.0 million to € 2.9 million in the reporting period.

#### Consolidated earnings

Earnings in € '000	January 1 to June 30, 2018	January 1 to June 30, 2017	Change in %
Earnings before income taxes	3,263	4,476	-27.1
Net profit for the period	2,284	3,133	-27.1
Net profit for the period per ordinary share in €	0.40	0.56	-28.6
Net profit for the period per preference share in €	0.46	0.62	-25.8

Consolidated earnings before taxes in the amount of € 3.3 million (previous year: € 4.5 million) were adversely influenced by several factors. At the operational level, increased material prices and higher forwarding expenses resulting from a shortage of freight capacities resulted in lower profit contributions from our own products in the past months. Moreover, a scheduled major overhaul of the cogeneration unit revealed that an unexpectedly comprehensive repair of the generator is required. This means that the Group's income statement is adversely affected by a shortfall of revenues and by much higher maintenance expenses than originally planned. To a minor extent, the result of the second quarter was adversely affected by consulting expenses that became necessary in conjunction with the public takeover bid for the company's shares announced on June 11, 2018. Consequently, the Group's net profit for the period also declined to € 2.3 million (previous year: € 3.1 million). Net profit per share amounted to € 0.40 for the ordinary shares (previous year: € 0.56) and to € 0.46 for the preference shares (previous year: € 0.62).

**Employees**

As at June 30, 2018 Westag & Getalit AG's headcount amounted to 1,296 (previous year: 1,293).

**Capital expenditures**

The company still plans to invest roughly € 16 million in 2018, with the main focus placed on expanding the capacity of the Doors/Frames Division. This will result, in particular, from the completion of the multi-year investment in the frames finishing line at the end of 2018. The additionally planned investments in the Surfaces/Elements Division are aimed at optimising operational processes and the existing technical equipment to keep the two plants at a high technological level.

**Forecast, opportunity and risk report****Outlook**

Based on a continued positive market environment and the ongoing expansion of the distribution activities in the Surfaces/Elements Division, we expect total sales revenues for 2018 to increase moderately. In the long term, the company primarily aims to grow its domestic revenues again. The fact that the product portfolios are precisely tailored to the individual markets makes us optimistic that the company will be able to further expand its export activities assuming a benign economic environment. In this context, the company will benefit, among other things, from the increased production capacity that will be available in the Doors/Frames Division starting 2019.

According to current knowledge, the major overhaul of the cogeneration unit will last until the end of September, i.e. much longer than originally planned due to the necessary repair of the generator. This will lead to declining revenues and increased repair costs also in the third quarter of 2018. This and the above-described earnings trend in the year to date have prompted us to adjust the forecast, according to which earnings for the full year 2018 are now expected to be lower than in the previous year.

Rheda-Wiedenbrück, August 2018

Westag & Getalit AG

The Management Board

## CONSOLIDATED BALANCE SHEET

<b>Assets</b> (in € '000)	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Intangible assets	1,115	1,327
Property, plant and equipment	75,493	75,482
Financial assets	3,079	3,092
Deferred taxes	3,645	3,614
<b>Non-current assets</b>	<b>83,332</b>	<b>83,515</b>
Inventories	39,953	36,505
Receivables and other assets	34,253	29,603
Cash and cash equivalents	14,038	16,926
<b>Current assets</b>	<b>88,244</b>	<b>83,034</b>
<b>Total assets</b>	<b>171,576</b>	<b>166,549</b>
<b>Liabilities</b> (in € '000)	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Subscribed capital	14,644	14,644
Capital reserve	24,399	24,399
Revenue reserves	62,011	62,011
Accumulated profit	10,023	7,739
<b>Equity capital</b>	<b>111,077</b>	<b>108,793</b>
Provisions for pensions and similar obligations	26,973	26,934
Other non-current provisions	1,477	1,355
<b>Non-current liabilities</b>	<b>28,450</b>	<b>28,289</b>
Trade payables	11,013	9,207
Other current liabilities	20,427	19,672
Current provisions	609	588
<b>Current liabilities</b>	<b>32,049</b>	<b>29,467</b>
<b>Total assets</b>	<b>171,576</b>	<b>166,549</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST SIX MONTHS OF THE YEAR

(in € '000)	January 1 to June 30, 2018	January 1 to June 30, 2017
<b>Sales revenues</b>	<b>118,125</b>	<b>117,769</b>
Changes in inventories of finished goods and work in progress	2,529	2,226
Other own work capitalised	246	87
	<b>120,900</b>	<b>120,082</b>
Other operating income	833	332
Cost of materials	60,028	58,662
Personnel expenses	37,757	37,529
Depreciation of intangible fixed assets and property, plant and equipment	5,138	4,932
Other operating expenses	15,707	14,998
Other taxes	152	152
<b>Operating result</b>	<b>2,951</b>	<b>4,141</b>
Financial result	312	335
<b>Earnings before income taxes</b>	<b>3,263</b>	<b>4,476</b>
Taxes on income	979	1,343
<b>Consolidated net profit for the period</b>	<b>2,284</b>	<b>3,133</b>
Income components recognised in equity	0	0
<b>Consolidated comprehensive income</b>	<b>2,284</b>	<b>3,133</b>
Net profit for the period per ordinary share (diluted and basic)	0.40	0.56
Net profit for the period per preference share (diluted and basic)	0.46	0.62
Average number of shares (diluted and basic)	5,354,934	5,362,413

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER OF 2018

in € '000	April 1 to June 30, 2018	April 1 to June 30, 2017
<b>Sales revenues</b>	<b>57,232</b>	<b>58,047</b>
Changes in inventories of finished goods and work in progress	1,069	106
Other own work capitalised	78	42
	<b>58,379</b>	<b>58,195</b>
Other operating income	708	213
Cost of materials	29,310	28,264
Personnel expenses	18,340	18,133
Depreciation of intangible fixed assets and property, plant and equipment	2,539	2,379
Other operating expenses	8,101	7,518
Other taxes	85	76
<b>Operating result</b>	<b>712</b>	<b>2,038</b>
Financial result	153	168
<b>Earnings before income taxes</b>	<b>865</b>	<b>2,206</b>
Taxes on income	260	597
<b>Consolidated net profit for the period</b>	<b>605</b>	<b>1,609</b>
Income components recognised in equity	0	0
<b>Consolidated comprehensive income</b>	<b>605</b>	<b>1,609</b>
Net profit for the period per ordinary share (diluted and basic)	0.11	0.30
Net profit for the period per preference share (diluted and basic)	0.11	0.30
Average number of shares (diluted and basic)	5,354,934	5,355,674

## CONSOLIDATED CASH FLOW STATEMENT

in € '000	January 1 to June 30, 2018	January 1 to June 30, 2017
<b>Operating result</b>	<b>2,951</b>	<b>4,141</b>
Income tax payments	-1,640	-2,071
Depreciation and amortisation of fixed assets	5,138	4,932
Result from asset retirements	-13	-23
Change in current assets	-7,490	-9,168
Change in debt capital	2,799	3,589
<b>Cash flow from operating activities</b>	<b>1,745</b>	<b>1,400</b>
Investments in property, plant and equipment and intangible assets	-5,024	-4,558
Change in time deposits	1,000	810
Income from associated companies	304	333
Income from asset retirements	65	30
<b>Cash flow from investment activities</b>	<b>-3,655</b>	<b>-3,385</b>
Interest income	22	25
Interest expenses	0	-547
Dividend payments	0	-5,183
<b>Cash flow from financing activities</b>	<b>22</b>	<b>-5,705</b>
<b>Change in cash and cash equivalents</b>	<b>-1,888</b>	<b>-7,690</b>
Cash and cash equivalents as of January 1	14,926	19,081
Cash and cash equivalents as of June 30	13,038	11,391

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € '000	Subscribed capital	Capital reserve	Revenue reserves	Accumulated profit	Equity capital
<b>January 1, 2017</b>	<b>14,644</b>	<b>24,399</b>	<b>61,511</b>	<b>7,676</b>	<b>108,230</b>
Change in other reserves					0
Purchase of own shares				-547	-547
Changes not recognised in profit/loss					0
Dividend payments				-5,183	-5,183
Consolidated net profit for the period				3,133	3,133
<b>June 30, 2017</b>	<b>14,644</b>	<b>24,399</b>	<b>61,511</b>	<b>5,079</b>	<b>105,633</b>
<b>January 1, 2018</b>	<b>14,644</b>	<b>24,399</b>	<b>62,011</b>	<b>7,739</b>	<b>108,793</b>
Change in other reserves					0
Purchase of own shares					0
Changes not recognised in profit/loss					0
Dividend payments					0
Consolidated net profit for the period				2,284	2,284
<b>June 30, 2018</b>	<b>14,644</b>	<b>24,399</b>	<b>62,011</b>	<b>10,023</b>	<b>111,077</b>

## SEGMENT REPORT FOR THE FIRST HALF OF 2018

The Group is divided into the Surfaces/Elements Division, the Doors/Frames Division and the Central Division, which provides general services and supplies energy. The divisions form the basis for the internal reports used by management to steer the Group (management approach). Services provided between the divisions are charged at transfer prices. Miscellaneous income and expense items essentially comprise other operating income, the cost of materials, personnel expenses and other operating expenses.

### SEGMENT EARNINGS

in € '000	Surfaces/ Elements	Doors/ Frames	Central Division	Total
<b>January 1 to June 30, 2018</b>				
Sales revenues with external parties	52,610	62,593	2,922	118,125
Sales revenues with other segments	1,032	-9,552	8,520	0
<b>Sales revenues</b>	<b>53,642</b>	<b>53,041</b>	<b>11,442</b>	<b>118,125</b>
Depreciation and amortisation of fixed assets	-1,684	-2,305	-1,149	-5,138
Income from associated companies	290	0	0	290
Net interest income	0	0	22	22
Miscellaneous income and expense items	-50,744	-48,977	-10,315	-110,036
<b>EBT</b>	<b>1,504</b>	<b>1,759</b>	<b>0</b>	<b>3,263</b>
Taxes on income	451	528	0	979
<b>Net profit for the period</b>	<b>1,053</b>	<b>1,231</b>	<b>0</b>	<b>2,284</b>

in € '000	Surfaces/ Elements	Doors/ Frames	Central Division	Total
<b>January 1 to June 30, 2016</b>				
Sales revenues with external parties	50,175	63,617	3,977	117,769
Sales revenues with other segments	1,389	-8,948	7,559	0
<b>Sales revenues</b>	<b>51,564</b>	<b>54,669</b>	<b>11,536</b>	<b>117,769</b>
Depreciation and amortisation of fixed assets	-1,664	-2,118	-1,150	-4,932
Income from associated companies	296	0	0	296
Net interest income	0	0	39	39
Miscellaneous income and expense items	-48,780	-49,491	-10,425	-108,696
<b>EBT</b>	<b>1,416</b>	<b>3,060</b>	<b>0</b>	<b>4,476</b>
Taxes on income	425	918	0	1,343
<b>Net profit for the period</b>	<b>991</b>	<b>2,142</b>	<b>0</b>	<b>3,133</b>



Segment assets include all operating assets used by a segment, in particular non-current assets, inventories, receivables as well as cash and cash equivalents. Segment liabilities comprise all operating liabilities and consist primarily of liabilities and provisions. Segment investments include all investments in non-current operating assets.

#### SEGMENT ASSETS/SEGMENT LIABILITIES

in € '000	Surfaces/ Elements	Doors/ Frames	Central Division	Total
<b>June 30, 2018</b>				
Segment assets	68,936	74,935	27,705	171,576
thereof shares in associated companies	3,079	0	0	3,079
Segment liabilities	23,868	18,205	18,426	60,499
Net assets	45,068	56,730	9,279	111,077
Segment investments	630	3,441	953	5,024

in € '000	Surfaces/ Elements	Doors/ Frames	Central Division	Total
<b>December 31, 2017</b>				
Segment assets	66,561	73,957	26,031	166,549
thereof shares in associated companies	3,092	0	0	3,092
Segment liabilities	22,621	19,015	16,120	57,756
Net assets	43,940	54,942	9,911	108,793
Segment investments	2,242	8,875	2,727	13,844

## NOTES TO THE FINANCIAL STATEMENTS

### Accounting principles

With regard to its scope, the interim financial report of Westag & Getalit AG for the period ended June 30, 2018 was prepared on the basis of section 51a BörsO for the Frankfurt Stock Exchange in accordance with applicable International Financial Reporting Standards (IFRS). The same accounting and valuation methods as for the consolidated financial statements for the year ended December 31, 2017 were used.

The business activities of the Russian sales company OOO Westag & Getalit, Moscow, were discontinued at the beginning of 2018. The directly resulting expenses have already been included in the 2017 consolidated financial statements. The result for the first half of 2018 includes the loss of this company of € 31 thousand (prior year: € 125 thousand).

### Cash flow statement

The cash flows in the cash flow statement were determined using the indirect method. Cash and cash equivalents shown in the consolidated cash flow statement comprise all cash and cash equivalents except for term deposits with a term of more than three months in the amount of € 1,000 thousand (June 30, 2017: € 4 thousand).

### Cash and cash equivalents

Cash and cash equivalents carried in the balance sheet include no securities.

### Composition of subscribed capital

The subscribed capital of € 14,643,200 is composed of 2,860,000 no-par ordinary shares and 2,860,000 non-voting no-par preference shares with a total value of € 7,321,600 per share type.

### Purchase commitments

As of June 30, 2017, purchase commitments towards our suppliers amounted to € 4,396 thousand, compared to € 6,226 thousand on June 30, 2017.

### Earnings per share

Earnings per share as defined in IAS 33 are calculated for both ordinary and preference shares by dividing the net profit for the period attributable to the respective share type by the average number of shares of the respective type. Accordingly, earnings are divided into the different share types taking into account the higher dividend for the preference shares. Diluted earnings per share are equivalent to earnings per share.

### Own shares

As of June 30, 2018, the company held 365,066 own shares. All own shares held by the company are preference shares.

### Related party disclosures (IAS 24)

No changes occurred with regard to the related party disclosures in the 2017 Annual Report. Sales revenues with associated companies amounted to € 421 thousand in the first half of 2018 (previous year: € 308 thousand).

<b>Post balance sheet events</b>	No events that require reporting occurred after June 30, 2018.
<b>Review</b>	The interim financial report has been neither audited in accordance with section 317 HGB nor reviewed by the auditors.
<b>Responsibility statement</b>	<p>To the best of our knowledge, and in accordance with the applicable interim reporting principles, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining course of the fiscal year.</p> <p>Rheda-Wiedenbrück, August 2018</p> <p>Westag &amp; Getalit AG</p> <p>The Management Board</p>

## FINANCIAL CALENDAR\*

August 31, 2018	Annual General Meeting (AGM) of Shareholders in Rheda-Wiedenbrück
November 09, 2018	Publication of the quarterly statement for the period ended September 30, 2018
March 29, 2019	Publication of the 2018 Financial Report on our website
May 09, 2019	Publication of the quarterly statement for the period ended March 31, 2019
June 18, 2019	Annual General Meeting (AGM) of Shareholders in Rheda-Wiedenbrück

\* For updates refer to: [www.westag-getalit.com/finanzkalender](http://www.westag-getalit.com/finanzkalender)

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Surfaces/Elements



Doors/Frames