



Wittur International Holding GmbH
as the Issuer of
€225,000,000 8.50% Senior Notes due 2023

Financial results of Wittur International Holding GmbH
for the six months ended June 30, 2017

Dated August 28, 2017

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SUMMARY OVERVIEW OF RESULTS

Consolidation level

The following report and supporting financial statements for the six months ended June 30, 2017, are based on Wittur International Holding GmbH's (former Paternoster III Group) consolidated accounts including the Sematic companies' IFRS accounts.

Wittur Group Standalone (former Paternoster III Group) is Wittur International Holding GmbH together with its subsidiaries excluding the Sematic companies.

Prior year figures include Sematic financials from April 1, 2016, the date of the acquisition, onwards, except where specified separately.

Results Summary

Wittur Group

Wittur Group recorded consolidated revenues of €387.6 million for the first six months of 2017, which represents a solid increase of 20.8% over the prior year period (6M 2016: EUR 320.8 million). The growth is attributable to the inclusion of Sematic, which was acquired in April 2016, as well as strong performance in the operating business. Underlying pro forma revenue growth at constant currency (assuming that the Sematic acquisition had occurred on January 1, 2016, and excluding FX impact) was 10.8%.

Wittur's European business contributed 54.0% or EUR 209.5 million to Group revenue in the first six months of 2017, recording 31.2% growth over prior year's figure of EUR 159.6 million. Good performance in Spain and Italy, amongst others, as well as the inclusion of Sematic were the main drivers of this increase. Asian operations generated EUR 141.7 million or 36.6% of revenue in the period under review, up 5.5% over the previous year's figure of EUR 134.3 million with favourable growth in Asia Pacific and a broadly flat top line development in China. The Rest of World region showed a revenue increase of 35.3% to EUR 36.4 million in the first six months 2017 (6M 2016: EUR 26.9 million), supported by the Middle East and the inclusion of Sematic, which showed very good growth in North America.

Earnings before interest, taxes, depreciation and amortization before exceptional items (EBITDA Adjusted) of the Wittur Group increased by 18.0% to EUR 53.4 million in the period under review (prior year: EUR 45.3 million). This development was mainly influenced by the underlying revenue growth, the EBITDA contribution of Sematic, and the generation of synergies following the acquisition. The EBITDA Adjusted margin was 13.8%.

Net cash flow before financing activities in the first six months of 2017 of Wittur Group was EUR 39.7 million. As a result, Wittur Group's net financial debt improved from EUR 649.7 million on December 31, 2016, to EUR 636.1 million on June 30, 2017. The corresponding leverage ratio, calculated as net financial debt to LTM EBITDA Adjusted, was 6.1x.

Combined Pro Forma Group (including Sematic Group for the first six months in 2016)

Revenue of Combined Pro Forma Group amounts to €387.6 million for the first six months of 2017 compared to €354.5 million in 2016 (+9.3%). The Sematic entities contributed with a strong performance in Asia and Rest of World and a somewhat softer business development in the European region compared to the prior year period. Underlying pro forma revenue growth at constant currency was 10.8%.

EBITDA Adjusted of the Combined Pro Forma Group grew by €4.4 million (+9.0%), from €49.0 million in the first six months of 2016 to €53.4 million in the first six months of 2017. The Wittur entities as well as the Sematic entities showed good improvement compared to prior year due to productivity gains, purchase savings and improved structure costs.

Outlook

Management continues to expect that consolidated Wittur Group revenue and EBITDA Adjusted for 2017 will exceed 2016 combined pro forma Wittur Group levels (including Sematic from January 1, 2016).

Other Financial and Operating Data

Other Financial Data

	Period ended June 30,	
	2017	2016*
	in € million	
	(unaudited unless otherwise stated)	
<u>Profit and Loss</u>		
Revenues	387.6	320.8
thereof Europe	209.5	159.6
thereof Asia	141.7	134.3
thereof Rest of World	36.4	26.9
EBITDA ⁽¹⁾	30.8	35.2
EBITDA Adjusted ⁽¹⁾	53.4	45.3
EBITDA Adjusted margin ⁽²⁾	13.8%	14.1%
Gross profit ⁽³⁾	96.6	85.1
Gross profit margin ⁽³⁾	24.9%	26.5%
<u>Cash Flow</u>		
Net cash flow for capital expenditures ⁽⁴⁾	5.4	6.9
Net cash flow before financing activities excl. acquisitions ⁽⁵⁾	39.7	33.8
Cash Conversion ⁽⁶⁾	90.0%	84.7%
<u>Credit Data</u>		
Net senior financial debt ⁽⁷⁾	411.1	408.1
Net financial debt ⁽⁸⁾	636.1	633.1
Cash interest expense (Pro Forma) ⁽⁹⁾	46.4	46.1
Combined LTM EBITDA Adjusted (Pro Forma) ⁽¹⁰⁾	104.9	107.8
Ratio of net senior financial debt to LTM EBITDA Adjusted (Pro Forma)	3.92x	3.79x
Ratio of net financial debt to LTM EBITDA Adjusted (Pro Forma)	6.06x	5.87x
Ratio of LTM EBITDA Adjusted to cash interest expense (Pro Forma)	2.26x	2.34x

	Period ended June 30,	
	2017	2016*
	in € million	
	(unaudited unless otherwise stated)	
Net result for the period for continuing operations	(2.3)	(8.1)
Finance expense	30.3	23,6
Finance income	(18.2)	(2,1)
Income taxes	0.7	2,3
Share of profit of equity-accounted investees	(0.5)	0,0
EBIT	10.1	15.6
Depreciation and amortization	20.7	19.6
EBITDA	30.8	35.2
Project costs ^(A)	17.9	2.0
Reorganization costs ^(B)	2.9	0.4
Transaction costs ^(C)	1.5	5.3
Other costs ^(D)	0.4	2.4
EBITDA Adjusted	53.4	45.3

(A) Project costs in 2017 include mainly one-off costs incurred in conjunction with the ERP roll-out in Europe. Besides, costs for a strategy project as well as one-off costs related to finance advisory projects are included.

(B) Reorganization costs in 2017 include termination benefits related to restructurings of Wittur's Executive Management team as well as costs incurred for the relocation of the complete systems business from Spain to the new hub in Germany. Furthermore, restructuring costs for operations in Italy as well as recruitment fees for the CFO search are included.

(C) Transaction costs in 2017 relate to due diligence costs as well as subsequent costs for the Sematic acquisition.

(D) Other costs relate to other miscellaneous extraordinary expenses not included in the categories above.

* Prior year figures include Sematic numbers as of April 1, 2016.

- (1) We define EBITDA as the consolidated net result for the period adding back finance expense, finance income, income taxes and depreciation and amortization. We define EBITDA Adjusted as EBITDA as adjusted to reflect the extraordinary income and expenses described below. We believe that these EBITDA-based measures are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. These EBITDA-based measures are not indicators of performance recognized under IFRS or German GAAP. These EBITDA-based measures are not necessarily comparable to the performance figures published by other companies. You should exercise caution in comparing these EBITDA-based measures as reported by us to EBITDA-based measures of other companies. For more information, see "Presentation of Financial and Other Information—Non-GAAP Financial Measures". The following table is a reconciliation of net result for the period to EBITDA and EBITDA Adjusted, in each case as defined by us, for the periods presented.
- (2) EBITDA Adjusted margin represents, in any period, EBITDA Adjusted for such period, divided by revenues for such period.
- (3) Gross profit margin represents a quotient equal to (i) revenues for such period, minus costs of goods sold for such period excluding depreciation, divided by (ii) revenues for such period. Numbers for 2016 adjusted, please refer to "Accounting Policies in the Notes to our consolidated financial statements contained elsewhere herein.
- (4) Net cash flow for capital expenditures represent the cash out for the purchase of property, plant & equipment, capitalized development costs and other intangible assets for such period.
- (5) Net cash flow before financing activities as presented in the cash flow statement included in this quarterly bond report, excluding effects from acquisitions.
- (6) Cash conversion represents a quotient equal to (i) EBITDA Adjusted, minus net cash flow for capital expenditures, divided by (ii) EBITDA Adjusted.
- (7) Net senior financial debt represents the gross financial debt of the Wittur Group that is senior indebtedness (including structurally senior indebtedness of subsidiaries that are not Guarantors), minus cash and cash equivalents.

Senior secured Term Loan B	449.0
Non-current liabilities to banks	0.1
Non-current finance lease liabilities	3.1
Revolving Credit Facility	0.0
Ancillary Credit Facility	0.0
Current liabilities to banks	22.5
Current finance lease liabilities	0.5
	475.2
Less cash in Bank	-64.1
Net Senior Financial debt	411.1

- (8) Net financial debt represents the gross financial debt of the Wittur Group minus cash and cash equivalents.

High Yield Bond	225.0
Senior secured Term Loan B	449.0
Non-current liabilities to banks	0.1
Non-current finance lease liabilities	3.1
Revolving Credit Facility	0.0
Ancillary Credit Facility	0.0
Current liabilities to banks	22.5
Current finance lease liabilities	0.5
	<u>700.2</u>
Less cash in Bank	<u>-64.1</u>
Net Financial debt	<u>636.1</u>

- (9) Pro forma cash interest expense represents the estimated interest expense on the net financial debt as of June 30, 2017, of the Wittur Group on a pro forma basis for the twelve months ended June 30, 2017.
- (10) Combined LTM EBITDA Adjusted for the twelve months ended June 30, 2017 is on actual basis. Combined LTM EBITDA Adjusted for the twelve months ended June 30, 2016 is on a pro forma basis including Sematic Group and including synergies of €9.3 million, expected to be realized within the next twelve months.

Other Operating Data

	Period ended June 30,	
	2017	2016
	<i>in € million</i>	
	<i>(unaudited unless otherwise stated)</i>	
Number of doors sold (<i>units</i>), including door mechanisms ⁽¹⁾	955,892	833,914
Number of employees (<i>heads</i>) ⁽²⁾	4,394	4,125
Order intake (<i>in € million</i>) ^{(1),(3)}	410.7	336.9

- (1) Prior year figures include Sematic numbers as of April 1, 2016.

- (2) Employee figures are headcount figures. Employee figures are based on the number of own permanent employees at period-end for all periods presented.

- (3) Order intake is all purchase orders legally concluded during the period under review.

Subsequent Events

No relevant events occurred between June 30, 2017, and August 28, 2017, that would require adjustments to the amounts recognised in these consolidated financial statements or would need to be disclosed under this heading.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations of the financial year 2017 are based on the unaudited condensed consolidated interim financial statements as of June 30, 2017, which are all reproduced elsewhere in this report for the six months ended June 30, 2017, as well as on the accounting records and internal management accounts of Wittur Group. The unaudited condensed consolidated financial statements as of June 30, 2017, were prepared in accordance with IFRS.

Some of the statements contained below relate to future revenues, costs, capital expenditures, acquisitions and financial condition and include forward-looking statements. Because such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties can be found in "Forward-Looking Statements". In addition, investing in the Notes involves risks. Such risks are discussed in "Risk Factors". See also "Presentation of Financial and Other Information".

Our geographic regions

We divide our operations into the three regions Europe, Asia and Rest of World. These regions describe the geographic region in which we manufacture our products, but do not necessarily correspond to their end-market.

Explanation of Key Line Item

For a description of the key line items in our IFRS financial statements, refer to Wittur Group 2016 Annual Bond Report.

Results of Operations

The following table provides an overview of our results of operations for the six months ended June 30, 2017 and 2016.

Period ended June 30,			
	2017	2016	Change in %
	<i>in € million</i>		
	<i>unaudited</i>	<i>unaudited</i>	
Revenues	387.6	320.8	20.8%
Cost of sales⁽¹⁾	(291.0)	(235.7)	23.4%
Gross profit	96.6	85.1	13.6%
Selling expenses ⁽¹⁾	(14.8)	(12.8)	15.8%
Research & development expenses ⁽¹⁾	(4.3)	(4.0)	9.3%
Administrative expenses ⁽¹⁾	(69.4)	(54.0)	28.4%
Other income ⁽¹⁾	5.2	5.0	4.7%
Other expenses ⁽¹⁾	(3.2)	(3.6)	-11.6%
Earnings before interest and taxes (EBIT)	10.1	15.6	-35.4%
Finance expense	(30.3)	(23.6)	28.7%
Finance income	18.2	2.1	759.4%
Share of profit (at-equity investees)	0.5	0.0	0.0%
Earnings before income taxes (EBT)	(1.6)	(5.8)	-73.0%
Income taxes	(0.7)	(2.3)	-70.1%
Net result for the period	(2.3)	(8.1)	-72.2%

(1) Numbers for 2016 adjusted, please refer to Section 2 ‘Accounting Policies’ in the Notes to the consolidated financial statements.

Revenues

Revenues increased by €66.8 million or 20.8% from €320.8 million in the six months ended June 30, 2016, to €387.6 million in the six months ended June 30, 2017. This increase was mainly driven by increasing sales to our MNC and Independent customers in Europe and in the Rest of World. Asia increased as well, but on a lower level.

Revenues by regions

Period ended June 30,				
2017			2016	
	<i>in € million</i>	<i>% of revenue</i>	<i>in € million</i>	<i>% of revenue</i>
Europe	209.5	54.0	159.6	49.8
Asia	141.7	36.6	134.3	41.9
Rest of the World	36.4	9.4	26.9	8.3
Revenue	387.6	100.0	320.8	100.0

Europe

Wittur's European business contributed 54.0% or €209.5 million to Group revenue in the first six months of 2017, up 31.2% over prior year's figure of €159.6 million. The main drivers were a good performance in Spain and Italy, amongst others, as well as the inclusion of Sematic.

In the first six months of 2017, we could successfully grow the business with our MNC customers. Across Europe, revenue from the new Augusta EVO door is contributing to this good development of our MNC business.

Underlying pro forma revenue growth at constant currency (assuming that the Sematic acquisition occurred on January 1, 2016, and excluding FX impact) was 12.5%.

Asia

Asian operations generated €141.7 million or 36.6% of revenue in the period under review, recording 5.5% growth over the previous year's figure of €134.3 million with strong performance in Asia Pacific and a broadly flat top line development in China. The major portion of our revenue in the Asia region was generated through sales to our MNC customers.

Underlying pro forma revenue growth at constant currency (assuming that the Sematic acquisition occurred on January 1, 2016, and excluding FX impact) was 3.9%.

Rest of World

The Rest of World region showed a revenue increase of 35.3% to €36.4 million in the first six months 2017 (2016: €26.9 million), supported by the Middle East as well as the inclusion of Sematic, which showed very good growth in North America. The Russian market remained rather weak.

In our Rest of World region we could successfully grow business in particular with our Independent customers. The majority of our revenue in our Rest of World region is generated through sales to Independents.

Underlying pro forma revenue growth at constant currency (assuming that the Sematic acquisition occurred on January 1, 2016, and excluding FX impact) was 32.5%.

Cost of Sales

Cost of sales increased by €55.2 million (+23.4%) to €291.0 million in the six months ended June 30, 2017, from €235.7 million in the six months ended June 30, 2016. Besides the inclusion of Sematic business operations, this increase is mainly based on higher direct material costs due to higher steel prices as well as higher labor costs compared to the prior year period.

Gross Profit

Gross profit increased by €11.6 million (+13.6%) to €96.6 million in the six months ended June 30, 2017, from €85.1 million in the six months ended June 30, 2016. Gross profit margin slightly decreased from 26.5% to 24.9% mainly driven by the continued price pressure in China in combination with higher raw material prices, which could not be fully compensated by the favorable development in the other regions.

Selling Expenses

Selling expenses increased by €2.0 million (+15.8%) to €14.8 million in the six months ended June 30, 2017, from €12.8 million in the first six month of 2016. The increase is mainly a result of the inclusion of the Sematic entities in 2017, especially with regards to increased personnel expenses.

Research & Development Expenses

Research and development (R&D) expenses increased by €0.3 million (+9.3%) to €4.3 million in the first six months of 2017, from €4.0 million in the six months ended June 30, 2016. R&D expenses before capitalization of development costs amount to 1.3% (2016: 1.8%) of our revenues.

Administrative Expenses

Administrative expenses increased by €15.4 million (+28.4%) to €69.4 million in six months ended June 30, 2017, compared to €54.0 million in the same period in 2016. Besides the inclusion of Sematic, this increase is mainly driven by higher extraordinary costs related to the ERP roll-out in Europe as well as one-off costs incurred to reorganize our business operations.

Other Income

Other income increased to €5.2 million (+4.7%) in the six months ended June 30, 2017, compared to €5.0 million in the first six months of 2016. This increase is a result of higher income from waste disposal (+€0.8 million), partially offset by lower foreign exchange gains compared to prior year, particularly in Brazil (-€0.5 million).

Other Expenses

Other expenses decreased by €0.4 million (-11.6%) to €3.2 million in the first six months of 2017 compared to the same period of 2016, due to lower foreign exchange losses, particularly in China (- €0.4 million)

EBIT

EBIT declined by €5.5 million (-35.4%) to €10.1 million in the six months ended June 30, 2017. This development was mainly influenced by the increased extraordinary and one-off expenses compared to prior year. Excluding such extraordinary effects, our operating performance in the first half of 2017 was strong with increased profitability.

Finance Expense

Finance expenses increased by €6.8 million (+28.7%) to €30.3 million in the six months ended June 30, 2017, from €23.6 million in the six months ended June 30, 2016. This development is mainly driven by increased interest payments as result of the additional Term Loan B, which was raised to finance the Sematic acquisition, and was partially offset by lower borrowing rating and consultancy costs compared to prior year.

Finance Income

Finance income increased by €16.1 million to €18.2 million in the six months ended June 30, 2017, from €2.1 million in the six months ended June 30, 2016. The increase is mainly a result of the fair value measurement of the embedded derivative for the High Yield Bond (+ €16.0 million).

Share of profit (at-equity investees)

In the course of the Sematic acquisition, Wittur Group acquired minority interests in New Lift Steuerungsbaue GmbH, Germany, and Computec S.r.l., Italy. These interests are accounted for as associated companies by applying the at equity method. The Group's share of total comprehensive income amounts to €0.5 million in the six months ended June 30, 2017.

Income Taxes

The income taxes represent the application of a forecasted group tax rate to the recorded result of the group in accordance with IAS 34.

Net Result for the Period

Net result for the period improved by €5.9 million to €2.3 million net loss in the six months ended June 30, 2017, compared to €8.1 million net loss in the six months ended June 30, 2016. This increase was as a result of the factors described above.

Working Capital

We define working capital as the sum of inventories, trade receivables and other current assets, less trade payables and other current liabilities. The following table provides an overview of our working capital as of December 31, 2016 and June 30, 2017:

	As of June 30,	As of December 31,
	2017	2016
	<i>in € million</i>	
	<i>unaudited</i>	<i>unaudited</i>
Inventories	68.5	59.1
Trade and other receivables	138.6	137.4
Trade payables	(143.4)	(108.8)
Other working capital items	(27.4)	(29.7)
Working capital	36.3	57.9

Our effective management of working capital levels, particularly through sharing best practices among different jurisdictions, and the large proportion of our revenues derived from globally operating MNCs, has allowed the Group to maintain working capital requirements below 10% of LTM revenues (2016: LTM pro-forma revenues).

Cash Flow

The following table sets forth consolidated cash flow data for the six months ended June 30, 2017 and 2016. Prior year cash flow includes Sematic entities as of April 1, 2016.

	Jan 1 - June 30, 2017	Jan 1 - June 30, 2016
	<i>in € million</i>	
	<i>unaudited</i>	<i>unaudited</i>
Operating Activities		
EBITDA	30.8	35.2
Change in working capital	21.4	13.1
Change in provisions and other liabilities	-1.1	-0.2
Change in other assets	0.0	-0.2
Income taxes paid	-6.5	-7.5
Other non-cash items	0.2	0.0
Cash Flow from Operating Activities	44.6	40.5
Investing Activities		
Acquisition of business, net of cash acquired	0.0	-120.6
Dividends received from associated companies	0.3	0.0
Purchase of property, plant and equipment	-4.1	-3.7
Purchase of software	-0.4	-0.7
Purchase of other intangible assets	-0.8	-2.6
Disposal of assets	0.1	0.2
Cash Flow from Investing Activities	-4.9	-127.4
Cash Flow before Debt Service	39.7	-86.9
Financing Activities		
Interest paid	-22.9	-19.1
Transaction fees, rating & other financing costs	-0.7	-9.5
Proceeds/(Repayment) of Paternoster Term Loan B	39.0	180.0
Proceeds/(Repayment) of other Senior Facilities	-28.7	40.7
Proceeds/(Repayment) of other borrowings	3.2	-80.6
Sale/(Purchase) of other investments	-1.0	-3.2
Cash Flow from Financing Activities	-11.2	108.4
Change in cash and cash equivalents	28.5	21.6
FX differences	-1.8	1.9
Cash and cash equivalents at beginning of period	37.4	24.4
Cash and cash equivalents at end of period	64.1	47.8

Capital Expenditures

To support our business strategy and development plans and to further expand our business operations in new markets, we regularly incur capital expenditures. In the six months ended June 30, 2017 and 2016, we incurred capital expenditures of €5.2 million, or 1.3% of revenue, and €6.9 million, or 2.2% of revenue, respectively.

The following table presents our capital expenditures by period. Expansion capital expenditures mainly relate to establishing production facilities in new markets, expanding production of our existing facilities and ramp-up costs for the production of new products. Maintenance capital expenditures mainly relate to maintaining our existing operations and replacing existing property, plant & equipment.

	Period ended June 30,	
	2017	2016
	in € million	
	unaudited	unaudited
Expansion capital expenditures	2.9	5.6
Maintenance capital expenditures	2.2	1.3
Capital expenditures	5.2	6.9

In the first six months 2017, the major portion of expansion capital expenditures was invested in Europe, followed by expansion investments in our operations in Asia. Our maintenance capital expenditures in 2017 incurred mainly in Europe and are typically concentrated at the end of a given year.

For the year ending December 31, 2017, our management expects to incur capital expenditures for the consolidated Wittur Group of approximately €13 million. Major projects in the year ending December 31, 2017 include automation projects within many of our major sites. Capacity extensions and technology improvements are specifically planned in China and India, further investments will be done in upgrades to our assembly, packaging and shipping areas. We anticipate capital expenditures in future periods to amount to more or less 2% of revenue, which we believe will be sufficient to support the ongoing growth of our business.

Contractual Obligations and Contingent Liabilities

The following contractual obligations and principal payments identify what we are obliged to pay as at June 30, 2017, after giving effect to the Transactions. Also see “Financial Risk Management” in the Notes to our 2016 consolidated financial statements.

in € million	Payments due by period (unaudited)			
	Total	Less than 1 year	1 to 5 years	More than 5 years
High Yield Bond	330.7	19.1	76.5	235.0
Term Loan B	578.8	27.3	551.4	0.0
Trade and other payables	186.5	186.5	0.0	0.0
Other financial liabilities	37.0	33.1	2.1	1.8
Sub-Total	1,132.9	266.1	630.0	236.8
Derivative financial instruments	(0.1)	(0.1)	0.0	0.0
Total	1,132.8	265.9	630.0	236.8

Pension Obligations

We offer various types of retirement benefits to certain of our employees worldwide, either directly or by contributing to independently administered funds. In particular, we have defined benefit pension plans in Austria, Italy, China, Turkey and Germany. As at June 30, 2017, we had defined benefit obligations including jubilee obligations in an amount of €12.8 million.

Payments required to be made under these pension plans were historically funded from operating cash flow, and we anticipate continuing doing so going forward.

Qualitative Disclosure on Market Risk

We are exposed to a number of financial risks arising in the ordinary course of business, such as credit risks, foreign exchange risks and interest rate risks. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of the following types of risk: foreign currency exchange rate risk and interest rate risk. Financial instruments exposed to market risk include interest-bearing loans and derivative financial instruments. See “*Financial risk management*” in the Notes to our 2016 consolidated financial statements.

Accounting Policies

Since 2017, exchange gains and losses resulting from the translation of financial instruments are reported as finance income and expenses, whereas these gains and losses were accounted for as other income and expenses until 2016. If this accounting policy had already been applied in 2016, operating profit in 2016 (defined as either EBITDA or EBIT) would have been higher by KEUR 466.

For changes in accounting policies also refer to the section “Accounting Policies” in the Notes to our consolidated financial statements contained elsewhere herein.

FORWARD-LOOKING STATEMENTS

This interim financial report contains certain forward looking statements, such as statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements which are not statements of historical fact.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based upon potentially inaccurate assumptions that could cause results to differ materially from those expected or implied by the forward-looking statements.

The statements outlined in “*Forward-Looking Statements*” in the 2016 Annual Bond Report continue to apply to any forward-looking statements contained in this financial report.

CURRENCY PRESENTATION AND DEFINITIONS

In this Financial Report for the six months ended June 30, 2017, all references to “Euro”, “EUR” or “€” are to the single currency of the participating member states of the Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time and all references to “U.S. dollars”, “US\$” and “\$” are to the lawful currency of the United States of America.

Definitions

All definitions outlined “*Currency Presentation and Definitions*” in the 2016 Annual Bond Report continue to apply in this Financial Report for the six months ended June 30, 2017.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial information

Unless otherwise indicated, the financial information as at and for the periods ended June 30, 2017 and 2016 presented in this Financial Report for the six months ended June 30, 2017 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). In this Financial Report for the six months ended June 30, 2017, the terms “financial statements” and “financial information” refer to the financial statements and the financial information of Wittur Group and its subsidiaries. This Financial Report as at June 30, 2017, contains unaudited IFRS condensed consolidated financial statements of Wittur Group as at and for the six months ended June 30, 2016 and 2017 (“Unaudited IFRS condensed consolidated interim financial statements”), prepared in accordance with IFRS.

Financial information presented in this Financial Report for the six months ended June 30, 2017, refers to Wittur Group and its subsidiaries; accordingly, all references to “we”, “us”, “our” or the “Group” in respect of historical financial information in this Financial Report for the six months ended June 30, 2017, are related to Wittur Group and its subsidiaries on a consolidated basis including Sematic entities.

Non-GAAP financial measures

This Financial Report for the six months ended June 30, 2017, contains non-GAAP financial measures and ratios (the “**non-GAAP measures**”), including EBITDA, EBITDA Adjusted, Cash Conversion, Gross profit, Working capital and leverage and interest coverage ratios that are not required by, or presented in accordance with, IFRS or other generally accepted accounting principles.

For definitions of these terms and further disclosure on non-GAAP financial measures see “*Presentation of financial and other information*” in our Annual Bond Report 2016. If not stated otherwise explicitly, there are no changes to definitions of non-GAAP financial measures in this Financial Report for the six months ended June 30, 2017, from the 2016 Annual Bond Report.

As adjusted financial information

We present in this report certain “as adjusted” financial information for the Issuer on an “as adjusted” basis to reflect information for profit and loss figures for the six months ended June 30, 2016. Such financial information is based on pro forma numbers to ensure comparability of the operational business and KPI’s in the actual period with the first six months of the prior year. Pro forma numbers are based on Wittur Group standalone numbers including Sematic numbers, assuming that the acquisition occurred on January 1, 2016. Sematic figures are Italian GAAP from January 1, 2016, to March 31, 2016, and were not adjusted to IFRS. This pro forma financial information has been prepared for illustrative purposes only and differs from Wittur Group’s actual financial information in accordance with IFRS for the six months ended June 30, 2016.

The “as adjusted” financial information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, other SEC requirements, IFRS, German GAAP or other generally accepted accounting principles. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Although this pro forma financial information is based on IFRS you should not consider such items as an alternative to the historical financial position or results or other indicators of our position or performance based on IFRS measures. The pro forma financial information, as provided in this report, may not be comparable to similarly titled measures as presented by other companies due to differences in the financial information.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this Financial Report for the six months ended June 30, 2017, including (i) number of doors sold (units), including mechanisms, (ii) number of employees (heads) and (iii) order intake at the end of the period, are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

Rounding

The totals presented in this report were calculated on the basis of precise figures and rounded to millions. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided. Rounding may result in minor variations in the calculation of percentages.

PRESENTATION OF INDUSTRY AND MARKET DATA

For further information regarding industry and market data see “*Presentation of Industry and Market Data*” in our 2016 Annual Bond Report.

RISK FACTORS

The risks and uncertainties we describe in our 2016 Annual Bond Report are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations and our ability to fulfill our obligations under the Notes and Guarantees. If any of the possible events described in our 2016 Annual Bond Report were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

Due to our worldwide business operations, we are exposed to numerous potential risks. In order to achieve targets and maximize value, management’s role is to continually identify these risks and minimize potential exposure to these risks.

Wittur Group management continuously reviews both internal and external risks in all business areas and subsidiaries, evaluates them with respect to exposure and probability of occurrence and ensures, where appropriate, that amounts are reflected in the financial statements to cover such exposure.

A detailed risk report describing the most relevant risks is included in our 2016 Annual Bond Report (see “*Risk Factors*”).

PRO FORMA PROFIT AND LOSS STATEMENT

Wittur Group including Sematic entities, assuming that the acquisition occurred on January 1, 2016.
Sematic figures are Italian GAAP from January 1, 2016 to March 31, 2016.

	Period ended June 30,		Change absolute	Change relative
	2017	2016		
	<i>in € million</i> <i>unaudited</i>	<i>unaudited</i> <i>pro forma</i>	<i>in € million</i>	<i>in %</i>
Revenues	387.6	354.5	33.1	9.3%
Cost of sales	(291.0)	(259.6)	-31.3	12.1%
Gross profit	96.6	94.9	1.8	1.9%
Selling expenses	(14.8)	(15.2)	0.4	-2.8%
Research & development expenses	(4.3)	(4.5)	0.2	-4.4%
Administrative expenses	(69.4)	(63.5)	-5.9	9.2%
Other income	5.2	5.3	-0.1	-2.5%
Other expenses	(3.2)	(4.0)	0.8	-19.6%
Earnings before interest and taxes (EBIT)	10.1	12.9	-2.8	-21.7%
Finance expense	(30.3)	(26.2)	-4.1	15.8%
Finance income	18.2	2.6	15.6	599.1%
Share of profit of equity-accounted investees	0.5	0.2	0.3	160.2%
Earnings before income taxes (EBT)	(1.6)	(10.5)	9.0	-85.0%
Income taxes	(0.7)	(1.9)	1.2	-63.5%
Net result for the period	(2.3)	(12.4)	10.2	-81.8%

Reconciliation to Pro Forma EBITDA Adjusted:

	Period ended June 30,	
	2017	2016
	<i>in € million</i> <i>unaudited</i>	<i>unaudited</i> <i>pro forma</i>
EBIT	10.1	12.9
Depreciation and amortization	20.7	25.8
EBITDA	30.8	38.7
One-off and extraordinary items	22.6	10.3
EBITDA Adjusted	53.4	49.0

UNAUDITED IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF
JUNE 30, 2017

**Unaudited IFRS condensed
consolidated interim financial statements
of**

**Wittur International Holding GmbH
Sulzemoos, Germany**

for the six months ended June 30, 2017

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the six months ended June 30, 2017:

KEUR	Note	Jan. 1 – June 30, 2017	Jan. 1 – June 30, 2016
Revenues	(7)	387.616	320.822
Cost of sales ¹⁾		-290.979	-235.744
Gross profit		96.637	85.078
Selling expenses ¹⁾		-14.798	-12.779
Research & development expenses ¹⁾		-4.337	-3.966
Administrative expenses ¹⁾		-69.394	-54.041
Other income ¹⁾		5.195	4.959
Other expenses ¹⁾		-3.221	-3.643
Earnings before interest and taxes (EBIT)		10.081	15.608
Finance expense		-30.321	-23.568
Finance income	(8.1)	18.176	2.115
Share of profit of equity accounted investees		489	-
Earnings before income taxes (EBT)		-1.576	-5.845
Income taxes		-687	-2.299
NET RESULT FOR THE PERIOD		-2.263	-8.144
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-3.351	-3.591
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses		-	-
Income tax relating to the components of OCI		-	-
Other comprehensive income, net of tax		-3.351	-3.591
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-5.614	-11.735

1) Prior year numbers adjusted. Please refer to Note 2 'Accounting Policies'.

For the second quarter ended June 30, 2017:

KEUR	Note	Q2 2017	Q2 2016
Revenues	(7)	211.923	194.663
Cost of sales ¹⁾		-156.849	-140.716
Gross profit		55.074	53.947
Selling expenses ¹⁾		-7.493	-7.267
Research & development expenses ¹⁾		-2.134	-2.384
Administrative expenses ¹⁾		-39.273	-32.836
Other income ¹⁾		2.215	2.992
Other expenses ¹⁾		-1.397	-2.160
Earnings before interest and taxes (EBIT)		6.992	12.291
Finance expense		-16.421	-17.123
Finance income		8.010	992
Share of profit of equity accounted investees		164	-
Earnings before income taxes (EBT)		-1.255	-3.839
Income taxes		-496	-2.143
NET RESULT FOR THE PERIOD		-1.751	-5.982
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-3.459	-1.238
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses		-	-
Income tax relating to the components of OCI		-	-
Other comprehensive income, net of tax		-3.459	-1.238
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-5.209	-7.220

1) Prior year numbers adjusted. Please refer to Note 2 'Accounting Policies'.

Consolidated balance sheet

ASSETS

KEUR	Note	June 30, 2017	Dec. 31, 2016
Intangible assets		610.369	623.866
Property, plant and equipment		122.477	128.177
Investment properties		3.268	1.773
Other non-current financial assets	(8.1)	29.723	13.129
Equity-accounted investees		13.074	12.885
Other non-current assets		331	356
Deferred tax assets		10.780	11.487
Non-current assets		790.023	791.672
Inventories		68.491	59.058
Trade receivables		138.650	137.403
Other current assets		15.669	13.161
Income tax receivables		3.600	3.586
Cash and cash equivalents		64.106	37.410
Current assets		290.517	250.618
Total assets		1.080.539	1.042.291

EQUITY AND LIABILITIES

KEUR	Note	June 30, 2017	Dec. 31, 2016
Subscribed capital		25	25
Capital Reserve		222.565	222.565
Retained earnings		-169.796	-43.112
Net result for the period		-2.263	-126.684
Other components of equity		-16.905	-13.554
Total equity		33.627	39.240
Non-current interest-bearing loans and borrowings	(8.1)	665.721	626.626
Provisions for pensions and other long-term employee benefits		12.828	13.453
Other non-current provisions		9.553	8.593
Other non-current financial liabilities		3.215	3.670
Deferred tax liabilities		131.487	131.348
Non-current liabilities		822.804	783.690
Current interest-bearing loans and borrowings	(8.1)	22.509	48.187
Trade and other payables		186.506	151.696
Other current provisions		2.833	5.277
Other current financial liabilities		10.488	7.962
Income tax liabilities		1.772	6.238
Current liabilities		224.109	219.361
Total equity and liabilities		1.080.539	1.042.291

Consolidated statement of cash flows

KEUR	Jan. 1 – June 30, 2017	Jan. 1 – June 30, 2016
Operating activities		
Earnings before interest and taxes (EBIT)	10.081	15.608
Depreciation and amortisation	20.710	19.570
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	30.791	35.178
Change in working capital	21.381	13.094
Change in provisions and other liabilities	-1.146	-161
Change in other assets	-30	-176
Income taxes paid	-6.546	-7.470
Other non-cash items	153	42
Net cash flow from operating activities	44.605	40.507
Investing activities		
Acquisition of business, net of cash acquired	-	-120.636
Dividends received from associated companies	300	-
Purchase of property, plant and equipment	-4.142	-3.665
Purchase of software	-438	-708
Purchase of other intangible assets	-775	-2.555
Disposal of assets	137	178
Net cash flow used in investing activities	-4.919	-127.386
Net cash flow before financing activities	39.686	-86.879
Financing activities		
Interest paid	-22.855	-19.075
Transaction fees, rating & other financing costs	-738	-9.451
Proceeds/(Repayment) of Paternoster Term Loan B	39.000	180.000
Proceeds/(Repayment) of other Senior Facilities	-28.734	40.726
Proceeds/(Repayment) of other borrowings	3.192	-80.565
Purchase / sale of other investments	-1.027	-3.203
Net cash flow used in financing activities	-11.161	108.433
Change in cash and cash equivalents	28.525	21.554
Effects currency translation	-1.828	1.904
Cash and cash equivalents at beginning of period	37.410	24.373
Cash and cash equivalents at the end of period	64.106	47.831

Consolidated statement of changes in equity

KEUR	Attributable to owners of the parent					Total equity
	Subscribed capital	Retained earnings	Capital reserve	Currency translation	Valuation of pensions	
Balance as of Jan. 1, 2016	25	-43.112	194.640	-5.654	-90	145.809
Net result for the period	-	-8.144	-	-	-	-8.144
Other comprehensive income	-	-	-	-3.591	-	-3.591
Total comprehensive income	-	-8.144	-	-3.591	-	-11.735
Contribution in kind	-	-	27.925	-	-	27.925
Balance as of June 30, 2016	25	-51.256	222.565	-9.245	-90	161.999
Balance as of Jan. 1, 2017	25	-169.796	222.565	-13.077	-477	39.240
Net result for the period	-	-2.263	-	-	-	-2.263
Other comprehensive income	-	-	-	-3.351	-	-3.351
Total comprehensive income	-	-2.263	-	-3.351	-	-5.614
Balance as of June 30, 2017	25	-172.059	222.565	-16.428	-477	33.627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

1.1 Reporting entity

Wittur International Holding GmbH (former Paternoster Holding III GmbH) (herein referred to as the “Company”) is a limited liability company domiciled in Sulzemoos, Germany. The address of the Company’s registered office is Rohrbachstraße 26, 85259 Sulzemoos, Germany. The consolidated interim financial statements of the Company as of and for the period ended June 30, 2017, comprise the Company and its subsidiaries including the former Sematic Group companies as of the acquisition date April 1, 2016 (together referred to as “Wittur Group”, “Wittur” or the “Group”, and individually as “Group entities”).

Wittur Group is a leading independent solution provider for components, modules and systems for the elevator industry. The Group is a development partner and supplier to the major international elevator companies, as well as small and medium-sized manufacturers. Its range of products mainly comprises the development and manufacture of doors, slings and frames, safety devices, cars, drives as well as complete elevator packages. Wittur does not install elevators and does not offer maintenance services for elevators.

1.2 Basis of preparation

The consolidated interim financial statements have been prepared in accordance and in conformity with IAS 34 “Interim financial reporting”. These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which were prepared in accordance and conformity with all International Financial Reporting Standards (IFRS) and the publications of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU as of December 31, 2016.

The consolidated interim financial statements were approved and released for publication by the Executive Board of the Company on August 28, 2017.

These consolidated interim financial statements cover the six months period from January 1, 2017, to June 30, 2017. The comparison period is January 1, 2016, to June 30, 2016.

These condensed consolidated interim financial statements have not been audited.

2. Accounting policies

Since 2017, foreign exchange gains and losses resulting from the translation of financial instruments into an entity’s functional currency are reported as finance income and expenses, whereas these gains and losses were accounted for as other income and expenses until 2016. If this accounting policy had already been applied in 2016, earnings before interest and taxes (EBIT) in 2016 would have been higher by KEUR 466. Prior year numbers were not adjusted in this interim report.

Furthermore, the following reclassifications of income and expenses were made in 2017 with no impact on prior year’s EBIT:

- IT costs are reported as administrative expenses, whereas until 2016, these costs were allocated to different functional areas.
- Income from waste disposal is reported as other income, whereas until 2016, it was offset with cost of sales.
- Foreign exchange gains and losses related to operating activities are reported on a gross basis as other income and other expenses, whereas until 2016, these were offset against each other.

These changes in accounting were made to enhance the reliability of information contained in these financial statements.

Besides this, Wittur Group has applied the same accounting principles in preparation of these interim financial statements as in the financial statements for the business year 2016.

The consolidated financial statements are presented in Euro, which is the functional currency of the parent company. Unless otherwise noted, all amounts are rounded to the nearest thousands of Euro (KEUR). Totals in tables were calculated using precise figures and rounded to KEUR.

The exchange rates of certain significant currencies versus the Euro changed as follows:

1 EUR =

Currency	ISO Code	Rate at closing date		Average exchange rate	
		June 30, 2017	Dec. 31, 2016	Jan. 1 – June 30, 2017	Jan. 1 – June 30, 2016
Chinese Yuan Renminbi	CNY	7,74	7,32	7,44	7,29
Hungarian Forinth	HUF	308,97	309,83	309,47	312,70
Indian Rupee	INR	73,75	71,59	71,12	74,98
Turkish Lira	TRY	4,01	3,71	3,94	3,26
U.S. Dollar	USD	1,14	1,05	1,08	1,12

3. Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the business year ended December 31, 2016.

4. Changes in the composition of the Group

These consolidated interim financial statements include, besides Wittur International Holding GmbH (former Paternoster Holding III GmbH) as the parent company, 36 fully consolidated subsidiaries.

In the second quarter of 2017, the process of liquidating Sematic Singapore Pte Ltd, Singapore was completed. Furthermore, Sematic Asansör San. ve Tic. Ltd. Sti. Istanbul, Turkey was merged into Wittur Asansör San. ve Tic. A.S. Istanbul, Turkey.

5. Significant events and transactions

Change in Management

As of June 2, 2017, Patrik Wohlhauser resigned as CEO and Dr. Gerrit Marx assumed his responsibilities as interim CEO with immediate effect.

Furthermore, Christoph Kaml was appointed as the new CFO of Wittur Group. He will take over his new responsibilities effective from September 4, 2017.

6. Seasonality or cyclicity of interim operations

The financial results presented in these interim financial statements of the Group are not materially affected by seasonal or cyclical events.

7. Segment reporting

The Group produces and sells elevator components such as doors, slings and frames, safety devices, cars, drives as well as complete elevator packages. Wittur's products are used in new installations and modernizations. They are integrated in elevator systems for people, cargo and in special applications such as cruise ships.

Due to Wittur's business model and governance structure, the Group is considered as one operating segment.

In addition to segment information, other selected information is published on a voluntary basis.

Sales by geographical regions

KEUR	Jan. 1 – June 30, 2017	Jan. 1 – June 30, 2016
Europe	209.491	159.619
Asia	141.710	134.288
Rest of World	36.416	26.915
Revenues	387.616	320.822

8. Consolidated balance sheet

8.1 Interest bearing loans and borrowings

Non-current interest bearing loans and borrowings

KEUR	June 30, 2017	Dec. 31, 2016
Term Loan B	435.967	396.503
High Yield Bond	229.645	229.958
Non-current bank loans	109	165
Non-current interest-bearing loans and borrowings	665.721	626.626

Current interest bearing loans and borrowings

KEUR	June 30, 2017	Dec. 31, 2016
Current bank loans	22.509	19.453
Revolving Credit Facility	-	25.000
Ancillary Credit Facility	-	3.734
Current interest-bearing loans and borrowings	22.509	48.187

In March 2017, the Term Loan B was extended by KEUR 39.000 and the proceeds were used to refinance borrowings under the revolving credit facility.

The fair value of the bond repurchase option, which is recorded under non-current financial assets, increased to KEUR 27.186 (December 31, 2016: KEUR 11.714). The resulting financial gain of KEUR 15.472 was recorded under other financial income.

9 Additional disclosures on financial instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments. The disclosures have to be made in accordance with the characteristics of the financial instruments. At Wittur, the breakdown is provided by balance sheet items:

KEUR	Category in accordance with IAS 39	Amounts recognised in balance sheet according to IAS 39				Disclosure of Fair value		
		Amortised cost	Fair value measurement Level 1	Fair value measurement Level 2	Fair value measurement Level 3	Fair value measurement Level 1	Fair value measurement Level 2	Fair value measurement Level 3
Financial assets								
Non-current assets								
Other non-current assets								
Other receivables	LaR	82		-		-	82	
Other non-current financial assets								
Bond repurchase option	FAFV	-		27.186		-	-	
Investments	AfS	-		2.249		-	-	
Loans	LaR	209					209	
Guarantees and deposits	LaR	79		-		-	79	
Financial liabilities								
Non-current liabilities								
Interest-bearing loans and borrowings	FLAC	665.721		-		-	700.556	
Other financial liabilities								
Other financial liabilities	FLAC	157		-		-	157	
Current liabilities								
Other financial liabilities								
Foreign currency derivatives	FLFV	-		169		-	-	

KEUR	Category in accordance with IAS 39	Amounts recognised in balance sheet according to IAS 39				Disclosure of Fair value		
		Amortised cost	Fair value measurement Level 1	Fair value measurement Level 2	Fair value measurement Level 3	Fair value measurement Level 1	Fair value measurement Level 2	Fair value measurement Level 3
Financial assets								
Non-current assets								
Other non-current assets								
Other receivables	LaR	88		-		-	88	
Other non-current financial assets								
Bond repurchase option	FAFV	-		11.714		-	-	
Investments	AfS			1.207		-	-	
Loans	LaR	9					9	
Guarantees and deposits	LaR	199		-		-	199	
Financial liabilities								
Non-current liabilities								
Interest-bearing loans and borrowings	FLAC	626.626		-		-	603.088	
Other financial liabilities								
Foreign currency derivatives	FLFV	-		172		-	-	
Other financial liabilities	FLAC	194		-		-	193	

For financial instruments with current maturities including cash and cash equivalents, accounts receivable and payable as well as other receivables and payables it is assumed that their carrying amounts approximate their fair values.

The fair values of non-current financial instruments are calculated as the present values of the estimated future cash flows using market interest rates for discounting.

The fair values of non-current financial liabilities with variable interest rates are estimated to be equal to their carrying amounts since the interest rates agreed and those available on the market do not significantly differ.

The fair value of interest rate caps is calculated using the applicable option pricing formulas. The fair value of forward foreign exchange contracts is determined using a net present value calculation based on quoted forward exchange rates at the balance sheet date.

The fair value of the Bond repurchase option is measured as follows:

- The benefit of exercising the repurchase option depends on the interest rate conditions Wittur Group would receive for an alternative financing. The refinancing rate is the market rate plus a specific risk premium. This is compared to the implied yield of the loan, which is determined by the floating interest rate element. As a result, it is then economical to exercise the option, when the rate of the alternative financing is below the implied yield of the loan at the exercise date. Thus, the fair value of the derivative depends also mainly on this factor and its expected volatility.
- To determine the economic benefit of exercising the option, the yield and the default rate are simulated using a Hull and White single-factor model (1990). The input parameters of the valuation model are the yield and credit spread volatilities, the yield curve and benchmark credit default swap (CDS) rates at the respective valuation dates.

The following overview provides the fair value measurement hierarchy of the Group's non-current assets and liabilities:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means ("market-corroborated inputs").
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

In the period until June 30, 2017, there are no fair values derived according to the fair value hierarchy Level 1. The fair value of derivative instruments represents the Level 2. It is measured based on price information derived from active markets and commonly used valuation methods provided by issuing banks.

As of June 30, 2017, the fair values for the High Yield Bond and the Term Loan B were calculated. The nominal amount is KEUR 225.000 (2016: KEUR 225.000) for the High Yield Bond and KEUR 449.000 (2016: KEUR 410.000) for the Term Loan B. The fair value is measured based on observable market data. The fair value of the High Yield Bond amounts to KEUR 235.331 (2016: KEUR 217.418) and the fair value of the Term Loan B amounts to KEUR 465.117 (2016: KEUR 385.524).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers between Level 1, Level 2 and Level 3 during 2017.

For each financial position which is not measured at fair value in the statement of financial position but for which a fair value is disclosed, the fair value is categorised within Level 2.

10 Events after the balance sheet date

No events occurred between June 30, 2017, and August 28, 2017, which would require adjustments to the amounts recognized in these consolidated financial statements or would need to be disclosed under this heading.

Sulzemoos, August 28, 2017

Dr. Gerrit Marx