Group Management Report
Economic environment

In its growth forecast published in January 2021, the International Monetary Fund (IMF) estimated the global growth decline to be –3.5 percent in 2020. This forecast is 0.9 percentage points higher than the previous one and reflects stronger-than-expected dynamics in the second half of 2020. The global growth forecast for 2021 has improved slightly (by 0.3 percentage points) compared to October 2020 despite the advancing global corona pandemic (SARS-CoV-2): according to current estimates, global economic growth is estimated to be 5.5% in 2021 (2020: –3.5%), instead of 5.2% forecast in October 2020. For 2021, the forecast for the euro zone is 4.2% (so far 5.2%) after –7.2% in 2020. Growth expectations for the euro zone in 2021 are thus 1.0 percentage points lower than the positive global economic outlook published by the IMF in October 2020. The growth forecasts for the three major economies of the euro zone, Germany, France and Italy, have also deteriorated: for Germany by –0.7, for France by –0.5 and for Italy by –2.2 percentage points.[1]

In its review of 2020 published in January 2021, the Institute for Economic Research (ifo) reports particularly strong effects on current account balances, especially in China and the USA. However, the German current account surplus also fell by 0.2 percentage points in relation to annual economic output.[2] The extent to which the further course of the pandemic – particularly in Europe – will influence the forecasts and expectations for 2021 cannot yet be estimated.

One of the greatest burdens on global economic development in 2020 was undoubtedly the global economic crisis triggered by the corona pandemic, which overshadowed other economic factors such as trade conflicts (USA, China). Currently, there is hope for a slow recovery course, but its development heavily depends on the progress and spread of the corona vaccines. The effects of the pandemic on the Semperit Group are explained in more detail in the chapter "Corona".

Development in the raw materials markets

The markets for rubber (natural and synthetic rubber), carbon black, wires as well as a variety of chemicals with various markets are very important for the rubber industry. The development of these markets in the natural rubber field is influenced, among other things, by weather conditions, while the fields of synthetic rubber and carbon black are impacted by supplier behaviour and costs for basic raw materials, which are affected by the price of crude oil. Demand is partially influenced by the main buyers of rubber products, the tyre and automotive industry.

In the course of 2020, the prices on the relevant raw material exchanges for natural rubber and natural latex in Asia initially fell sharply until the beginning of the second quarter due to reduced demand caused by the pandemic. Until the middle of the fourth quarter, there was a very dynamic recovery rally, caused by a strong increase in demand, particularly from China and the global tyre industry. This development was even more pronounced for natural latex due to the extremely strong demand for latex gloves. In the further course of the year, there was a slight correction so that at the end of the year natural rubber prices were roughly at the same level as at the end of the previous year. However, natural latex prices still closed significantly (+30%) above the corresponding value of 2019.

[1] https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
[2] Impact of the coronavirus on global current account balances | publication | ifo Institute (January 2021)

The prices for butadiene, an essential basic raw material for the production of synthetic rubber and synthetic latex, showed an even stronger upward trend until the beginning of December 2020 in both Europe (+100% contract prices and even more than +1,900% spot prices) and in Asia (+350%) since the initial decline and low point in the course of the second quarter. After the peak at the beginning of December, prices were corrected in both Asia and Europe. As a result, the prices for butadiene, which is particularly relevant as a basic raw material in the Semperflex, Sempertrans and Sempermed segments, were still significantly higher at the end of 2020 than in the second quarter and at roughly the same level as in the same period of the previous year.

The prices for nitrile latex have increased the most in the course of 2020 due to strong demand and limited supply. The price development of "Heavy Fuel Oil (HFO)" is a relevant price indicator for the filler carbon black, which is relevant for all four segments of the Industrial Sector. After a clear downward movement until the end of April, these prices also recovered very strongly until the end of the year (+230% compared to the low point in the second quarter), which has led to significantly higher carbon black prices in the course of the second half of the year.

The prices for wire rod, a preliminary product for wires, which are mainly used in the Semperflex and Sempertrans segments, left the lows in April 2020 behind and are now in a consolidation phase after the strong upward trend in 2020. Global stimulus programmes are fuelling the demand for steel products, which has led to a price increase of up to 100% for raw products such as iron ore (import prices from China) over the last eight months.

Corona

The corona pandemic (SARS-CoV-2) has globally impacted the economic development. However, the effects of corona on the Semperit Group were counteracted in the Medical and Industrial Sectors. In order to manage the corona crisis in the best possible way, the Semperit Group initiated appropriate measures at an early stage.

Comprehensive and best possible measures have been introduced to increase health protection for all employees. Since then, production employees have been carrying out their work under stricter safety precautions, including strict distance rules, additional hygiene requirements and temperature measurements. In addition, a crisis management system was set up at the plant and group levels, which is responsible for the preparation and implementation of all measures and also serves as an interface to official bodies and authorities at national and international levels. At the office locations or for administrative activities, such as at the Vienna headquarters, the employees were initially switched to remote working between mid-March and the second half of May. A gradual resumption of office operations – in two separate teams – was implemented from the second half of May 2020. However, due to the renewed sharp increase in the number of infections, all people who are not involved in the operational production processes have been switched back to remote working since the end of September. A gradual resumption of office operations in Vienna – in two separate teams – will be implemented, depending on the further infection situation, from May 2021 at the earliest. The measures taken from the very beginning to prevent the spread of corona were effective throughout the year. Only towards the end of the year, corona clusters in Odry (Czech Republic) and Bełchatów (Poland) were reported as a result of the increased number of infections, but they were quickly brought under control. By the end of 2020, a total of 215 people had tested positive for corona. By the beginning of March 2021, the number of all persons who had tested positive so far rose to 332; unfortunately, two employees died with a corona infection.

With regard to the general demand situation, the first uncertainties in the Industrial Sector became noticeable at the end of March. In the second quarter there were different market reactions in the segments: initially, on the one hand, safety stocks were built up, on the other hand, plant closings or order reductions were also observed on the customer side. Overall demand continued to decrease in the third quarter. In the fourth quarter, the first signs of a slight recovery could finally be seen. In the Medical Sector, on the other hand, there was a sustained increase in demand for examination gloves and, as a consequence, market prices in 2020. The price level at the end of the year was significantly above the level when the corona pandemic broke out: the market price in the average product mix had roughly tripled by the end of the year.

The provision of the raw materials required for production was guaranteed by alternative raw material suppliers. There were no significant impairments. In the Medical Sector, the increased market dynamics made it increasingly challenging to reliably secure the required quantities of raw materials resulting in quantity shifts within the supplier portfolio.

The management implemented operational countermeasures in the first quarter to deal with the corona crisis. On the one hand, these aim at a correspondingly flexible adjustment of production to the uncertain market demand; on the other hand, they place an even stricter focus on an adequate cost level, even if some of the cost reductions are only possible for the duration of the crisis.

The restructuring and transformation process initiated by the Semperit Group at the beginning of 2018, which has led to significant improvements at various levels, was further accelerated by the corona crisis. In this context, the focus on cost-cutting measures was sharpened again.

In addition, there were support measures by local governments and authorities. Governments around the world have reacted to the corona crisis. Essentially, in the countries where the Semperit Group is operating, measures have been implemented that aim to relieve personnel costs accordingly. In Austria, for example, the short-time work allowance was used for a total of only 216 employees. The number of temporary workers in the Czech Republic, Poland and Germany was also reduced in line with capacity utilisation. Furthermore, similar models or measures to increase the flexibility of working time were partially used in Germany, Poland, the Czech Republic, France and Great Britain. On the other hand, significant government measures aim at deferring tax liabilities and levy debts for periods of varying length in order to support companies in distress in the event of liquidity problems. Only a few of these measures have a monetary impact on the results of the Semperit Group. Even though the support measures were used to a limited extent, Semperit has realised the significant savings potential and the decisive countermeasures on its own.

The outbreak of the corona pandemic in a phase of global economic slowdown made it necessary as early as at the end of the first half of 2020 to examine all segments of the Semperit Group for the existence of visible indications of a value change of segment assets. This examination resulted in a reversal of impairment for the Sempermed segment and impairment losses for the Sempertrans segment in the first half of 2020.

The previously successful development of the Sempertrans segment was slowed down by the outbreak of the corona pandemic and the timing of its implementation was affected in the long term. On the one hand, the demand for mining industry products fell as a result of the recessive developments in downstream industries (above all the automotive and construction industries). On the other hand, severe restrictions or even interruptions in mining activities reduced supply. The competitive and price pressure on the market as well as a probably moderate market growth therefore resulted in an impairment loss of EUR 20.0 million in the first half of 2020. Based on the average exchange rate for 2020, this resulted in an impairment loss of EUR 19.8 million (for more details, see notes 3.2).

At the same time, the current value in use of the Sempermed segment was determined. In the corona pandemic, market dynamics are characterised by a considerable excess demand and a true price rally, while the previous buyer's market for examination and protective gloves has become a seller's market. The increase in operational efficiency resulting from successful restructuring measures also has a positive effect. As a result, a reversal of impairment of EUR 88.8 million had to be recognised in the first half of the year. Converted at the average forward exchange rates for 2020, this resulted in income from the impairment reversal of EUR 86.2 million (for more details, see notes 3.2).

On balance, the corona effects and the evaluations of the Sempertrans and Sempermed segments had a clearly positive impact on the annual result. In this context, the corresponding positive outlook for EBITDA and EBIT was communicated in an ad hoc announcement on 3 July 2020. Since this upward trend was maintained, the outlook was further increased on 25 September and, in a next step, on 6 November, and was also published in an ad hoc announcement. Assuming that the availability of raw materials and containers is not disturbed, it is expected based on current figures that the result for 2020 could be significantly exceeded in 2021.

The development of inventories was influenced by various effects over the course of the year: on the one hand, there was an effort on the part of customers to build up the necessary safety stocks for expected times of crisis; on the other hand, smaller quantities were purchased as a result of the corona-related uncertainties. In addition, there was the negative effect of scarce container availability and significantly increased global transport times towards the end of the year, which ultimately led to an increase in inventories in the Sempermed segment. However, the management continues to place a strong focus on adequate control and management of working capital, even though the special circumstances and necessary safety precautions currently partially counteract the efforts.

The corona effects had no negative impact on the company's liquidity in 2020. Cash and cash equivalents increased by around 3% compared to the end of 2019. Net debt even fell to approximately 30% compared to the end of the year. With regard to maintaining the stable financial position, the management has placed a strong focus on securing liquidity while at the same time optimising financing expenses.

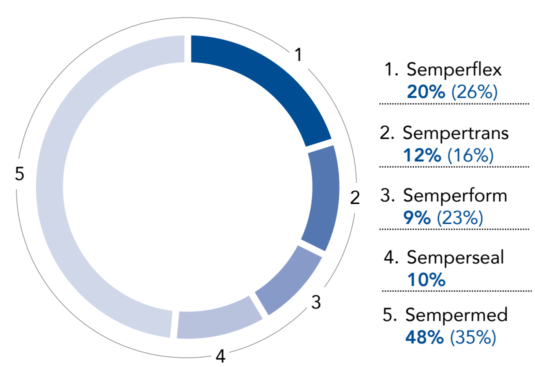
The situation is continuously being monitored very closely. The international developments, particularly the increase in infections figures since autumn, make it clear that the corona crisis is far from over – also in view of the slow start of the vaccination campaign. On the contrary, it will rather be with us in the months to come. The Semperit Group is therefore doing everything in its power to continue the measures, which have been successful to date in dealing with the crisis, and, if necessary, to implement further prepared measures immediately – be it to protect the health of employees or to ensure the profitability of the company. Ongoing monitoring is intended to ensure the ability to respond immediately and flexibly.

Revenue and earnings development

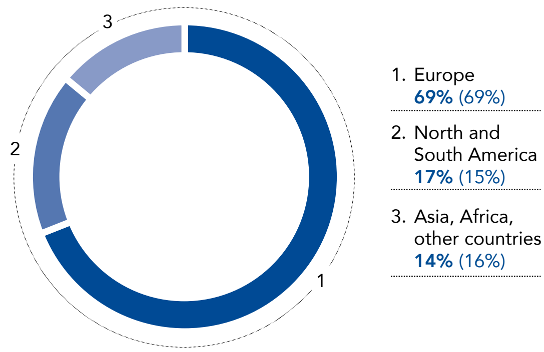
In 2020, the Semperit Group recorded an increase in revenue by 10.4% to EUR 927.6 million compared to the previous year. While revenue in the Industrial Sector fell by 12.6%, the Medical Sector recorded an increase of 53.1% (for details on the development of the Sectors and segments, see page 45). In addition to the economic downturn that already started in 2019, the Industrial Sector – above all the Semperflex segment – was shaped particularly by the negative impact of the corona crisis. The increase in revenue in the Medical Sector, i.e., the Sempermed segment, is based on the one hand on the increase in volumes sold, which were achieved in particular through improved capacity utilisation and higher production volumes, and on the other hand on the extraordinarily high demand for gloves as a result of the corona pandemic and the associated continuous increase in market prices.

In 2020, the Industrial Sector accounted for 52% and the Medical Sector for 48% of the Semperit Group's revenue; this represents a shift compared to the same period of the previous year, when the ratio was 65% to 35%.

Revenue split by segments 2020 (2019)



Revenue split by region 2020 (2019)



In 2020, inventories rose by EUR 6.1 million due to the scarce availability of containers and a significantly increased global transport times, which ultimately led to an increase in inventories in the Sempermed segment; in 2019, inventories were reduced by EUR 15.1 million.

Other operating income amounted to EUR 7.2 million in 2020 and includes a manageable amount of government support measures, such as the corona short-time work allowance of EUR 2.3 million. By comparison, the figure for other operating income in 2019 totalled EUR 8.0 million and included, among other things, income of EUR 1.3 million from the sale of tangible assets at the Sempertrans production site in China, which was closed in 2018, as well as insurance compensation for the fires in Roha (India) and Wimpassing (Austria).

In 2020, the cost of materials decreased by EUR 34.3 million or 7.4% to EUR 431.4 million. The change was mainly due to lower raw material prices, particularly in the Industrial Sector in the first half of the year. At the same time, quantity deviations were recorded – reducing expenses in the Industrial Sector and increasing in the Medical Sector.

Personnel expenses rose in 2020 to EUR 209.8 million (+6.6%), just as the number of employees (FTE) increased slightly (+0.6%). The reasons for this were, on the one hand, the general increase in salary levels, higher bonuses for the successful year 2020, as well as overlapping periods of office as a result of changes in the Executive Board and the allocation of long-term performance bonuses due to the improved company performance. In addition, provisions for recruitment fee payments in Malaysia amounting to EUR 3.9 million were formed. The reduction in temporary workers in the Czech Republic, Poland and Germany due to lower capacity utilisation had the opposite effect.

At EUR 95.3 million, other operating expenses were lower than the previous year's figure of EUR 106.3 million, which also contained a positive effect from the reversal of a provision (EUR 4.0 million) for tax proceedings relating to levies in Brazil. The positive development was achieved particularly due to the significantly lower legal and advisory expenses as well as lower travel activities.

EBITDA more than tripled from EUR 67.8 million in 2019 to EUR 208.6 million in 2020. In particular, the good result in the Medical Sector after increases in market prices, higher volumes due to increased production volumes and higher demand, which could be met thanks to successful restructuring steps, had a positive effect. At the same time, the industrial segments proved to be very resilient after the successful restructuring of recent years and were only EUR 10.8 million below the previous year's result, while the sector's EBITDA margin was even kept constant. Accordingly, the Semperit Group's EBITDA margin more than doubled from 8.1% to 22.5%. Compared to EBITDA adjusted for the reversal of provisions (EUR 4.0 million) in 2019 of EUR 63.8 million, EBITDA in 2020 was even significantly more than three times the previous year's level.

The outbreak of the corona pandemic in a phase of global economic slowdown made it necessary at the end of the second quarter to review all segments of the Semperit Group for the existence of visible indications of a change in the value of segment assets. This review resulted in a reversal of impairment for the Sempermed segment and impairment losses for the Sempertrans segment, which were already recorded in the first half of 2020. The average exchange rates for 2020 result in an impairment loss of EUR 19.8 million and an impairment reversal of EUR 86.2 million. For more details, see notes 3.2.

Depreciation increased to EUR 37.3 million (+8.2%) in 2020. This is affected by the change in the depreciation basis due to the impairment in the Sempermed segment in the third quarter of 2019, the reversal of impairment in the second quarter of 2020 and the impairment loss in the Sempertrans segment in the second quarter of 2020, as well as a change in the estimate of the economic useful life of the long-term segment assets for Sempermed in 2020 (for details, see notes 3.2).

EBIT improved to EUR 237.8 million in 2020 compared to EUR –16.5 million in 2019. The EBIT margin rose from –2.0% to 25.6%. The adjusted EBIT was EUR 171.4 million, more than five times higher than the level of the previous year (2019: EUR 28.2 million). At 18.5%, the adjusted EBIT margin was also more than five times the value of the comparable period.

Key figures Semperit Group

in EUR million	2020[1)]	Change	2019[2)]
Revenue	927.6	10.4%	840.6
EBITDA adjusted	208.6	>100%	63.8
EBITDA margin adjusted	22.5%	+14.9 PP	7.6%
EBITDA	208.6	>100%	67.8
EBITDA margin	22.5%	+14.4 PP	8.1%
EBIT adjusted	171.4	>100%	28.2
EBIT margin adjusted	18.5%	+15.1 PP	3.4%
EBIT	237.8	>100%	–16.5
EBIT margin	25.6%	+27.6 PP	–2.0%
Earnings after tax adjusted	121.9	>100%	–0.2
Earnings after tax	194.6	>100%	–44.9
Additions to tangible and intangible assets	28.5	–9.2%	31.4
Employees (at balance sheet date)	6,943	0.6%	6,902

1) 2020 adjusted for the positive one-off effect from the reversal of impairment in the Sempermed segment (EBIT effect: EUR +86.2 million; earnings after tax effect: EUR +88.8 million) and for the negative one-off effect of the impairment in the Sempertrans segment (EBIT effect EUR –19.8 million; earnings after taxes effect: EUR –16.1 million)
2) 2019 adjusted for the positive one-off effect from the reversal of a provision for the tax proceedings on levies in Brazil (EBITDA, EBIT and earnings after taxes: EUR 4.0 million), as well as the negative effect of the impairment loss at Sempermed (EBIT and earnings after tax: EUR –48.8 million) for the segment

The financial result totalled EUR –8.6 million in 2020 after EUR –13.2 million in 2019. Financing expenses (primarily interest expenses for loans and credits) amounted to EUR 5.4 million in 2020 and were therefore below the value of the comparison period in the amount of EUR 8.3 million – particularly due to the repayment of Schuldschein loans.

At EUR 0.7 million, the other financial result was positive in 2020; in 2019 the value was negative at EUR –1.7 million. This item includes primarily the balance from foreign exchange gains and losses (net foreign exchange result). The negative net foreign currency result is mainly due to the decline in the exchange rate of Czech crown and Polish zloty in March 2020. This led to unrealised foreign currency losses from the foreign currency valuation of intra-group loan financing; at the same time, however, some gains from foreign currency effects from the valuation of the USD Schuldschein loan were recorded.

Income tax expenses rose by EUR 19.3 million to EUR 34.6 million in 2020 (2019: EUR 15.3 million). The increase in tax expenses in 2020 results primarily from the exceptional economic development and the resulting improvement in earnings in the Sempermed segment. Current income tax expense increased from EUR 11.0 million to EUR 36.5 million. The development of deferred taxes had the opposite effect. As a result of the development in the Sempermed segment, loss carryforwards and unused tax credits became recoverable. Deferred tax effects also arose from the impairment of the Sempertrans segment. In total, there is a positive effect of EUR 1.9 million in 2020.

In total, earnings after taxes in 2020 amounted to EUR 194.6 million compared to EUR –44.9 million in the previous year. Earnings per share were EUR 9.06 in 2020 after EUR –2.50 in 2019. Adjusted for the one-off effects, earnings after taxes were EUR 121.9 million.

Dividend and treasury shares

The dividend policy of the Semperit Group basically aims at a distribution of around 50% of earnings after taxes – assuming continued successful performance and that no unusual circumstances occur. However, the group is currently undergoing a profound transformation into an industrial rubber specialist, albeit somewhat delayed by the pandemic. For this purpose, one or more comprehensive company acquisitions are also intended, for which the corresponding financial strength will be required. It is therefore possible to deviate from a pay-out ratio at around 50% for the duration of this strategic transformation in order to be financially robust for potential company acquisitions. This strategic realignment is in the best interest of all shareholders. In addition, the dividend potential is ultimately limited by the retained earnings in the individual financial statements of Semperit AG Holding.

Under these premises, the Executive Board will propose a dividend of EUR 1.50 per share at the Annual General Meeting. A total of EUR 30.8 million will be distributed. At a share price of EUR 24.30 at the end of 2020, this results in a dividend yield of 6.2%. No dividend was distributed in the previous year.

As of 31 December 2020, and 31 December 2019, Semperit AG Holding does not hold any treasury shares.

Assets and financial position

As of 31 December 2020, the balance sheet total increased by 8.9% to EUR 764.4 million compared with 31 December 2019 (2019: EUR 701.8 million).

On the assets side, in addition to higher inventories, the increase in tangible assets is particularly reflected. The increase in tangible assets is particularly due to the reversal of impairment in the Sempermed segment, despite the opposite effect of the impairment in the Sempertrans segment.

On the liabilities side, equity basically increased as a result of the good annual results. Most of all, the reduction of financial liabilities due to the repayment of Schuldschein loans and the voluntary repayment of the hybrid capital of EUR 20.0 million in the third quarter of 2020 and a further EUR 80.0 million in the fourth quarter of 2020 had the opposite effect.

Trade working capital increased from EUR 155.2 million to EUR 162.8 million since the end of 2019. As a result of the higher revenue level, it was below the value at the end of 2019 (18.5%) at 17.5% of revenue. Higher trade receivables (+5.0%) and the increase in inventories (+15.5%) are contrasted by an increase in trade payables (+26.3%).

As of 31 December 2020, cash and cash equivalents were EUR 145.0 million, slightly above the level at the end of 2019 at EUR 141.4 million. The increase resulted – despite repayments of Schuldschein loans and parts of the hybrid capital – from the higher profitability, especially in the Sempermed segment.

As of 31 December 2020, the equity (excluding non-controlling interests) of the Semperit Group rose by EUR 58.8 million to EUR 332.3 million above the value at the end of 2019 at EUR 273.4 million. This is due to the increase in earnings in 2020. The repayment of the hybrid capital amounting to EUR 100.0 million in 2020 had the opposite effect. Furthermore, in order to optimise financing expenses, it was decided to cancel the outstanding, undrawn part of the hybrid capital amounting to EUR 20 million in July 2020. The currency translation reserve changed mainly due to the development of the US dollar, the Czech crown, the Polish zloty and the Malaysian ringgit in relation to the EUR.

As of 31 December 2020, the equity ratio was 43.5% (31 December 2019: 39.0%).

The return on equity for 2020 was 58.0% (2019 financial year: –16.3%). This is calculated from earnings after taxes of EUR 194.6 million (2019: EUR –44.9 million) based on the equity of EUR 332.3 million attributable to the shareholders of Semperit AG Holding (2019: EUR 273.4 million).

Debt capital remained almost unchanged and amounted to EUR 429.8 million in 2020 (2019: EUR 427.7 million); current liabilities increased by EUR 94.2 million, while non-current liabilities decreased by EUR 92.0 million. The changes related to the shift in maturities for financial liabilities, the repayment of Schuldschein loans, as well as the increase in trade payables and the significant rise in liabilities from current income taxes.

Financial liabilities were EUR 167.1 million as of 31 December 2020 after EUR 214.8 million at the end of 2019, particularly as a result of the early repayment of Schuldschein loans at the beginning of the year and the scheduled repayment with a nominal amount of EUR 35.0 million. Excluding cash and cash equivalents of EUR 145.0 million (year-end 2019: EUR 141.4 million) this resulted in net debt of EUR 22.1 million as of 31 December 2020 (net debt at the end of 2019: EUR 73.5 million). The key figure net debt/EBITDA as of 31 December 2020 was 0.1 (year-end 2019: 1.1).

Provisions including social capital increased to EUR 76.6 million (2019: EUR 67.4 million), primarily due to the allocation of performance bonuses due to the improved performance. Other liabilities (other liabilities, current taxes on income and other financial liabilities) increased to EUR 91.1 million after EUR 65.3 million at the end of 2019, particularly due to higher liabilities from current taxes as a result of the good result.

The existing and completely unused underlying agreement was renegotiated at the beginning of the year. Significant conditions were newly agreed; the volume (and therefore commitment fees) was reduced from EUR 150 million to EUR 75 million. As a supplementary, potentially liquidity-strengthening measure, a credit line of EUR 15.0 million was concluded in August 2020 under favourable conditions as part of the Kontrollbank refinancing framework of Österreichische Kontrollbank AG (OeKB); however, the credit line has not yet been used.

Hybrid capital

In December 2017, the Executive Board of Semperit AG Holding signed an agreement regarding a hybrid capital line amounting to up to EUR 150 million with B&C Holding GmbH. In October 2020, the receivables from the hybrid capital line were transferred to B&C Holding Österreich GmbH. The majority shareholder of Semperit AG Holding, B&C KB Holding GmbH, is a 100% subsidiary of B&C Holding Österreich GmbH. Under IFRS accounting rules, hybrid capital has to be classified as equity. In March 2018, EUR 130.0 million were drawn from the hybrid capital.

The undrawn line amounting to EUR 20.0 million was cancelled in August 2020. Furthermore, the voluntary repayment of the hybrid capital was resolved in the year under review. As a result, EUR 20.0 million were repaid in the third quarter of 2020 and EUR 80.0 million in the fourth quarter. The outstanding hybrid capital amounting to EUR 30.0 million will be repaid in April 2021 at the latest.

In 2020, EUR 7.8 million of "interest" (payment of hybrid coupons) was paid for the hybrid capital, compared to the end of September 2019, when "interest" of EUR 10.5 million was paid for the period from March 2018 to September 2019. For further details, see notes 5.2 on hybrid capital.

Cash flow

Due to the good operating results, the gross cash flow in 2020 amounted to EUR 193.7 million after EUR 46.7 million in 2019.

The cash flow from operating activities amounted to EUR 192.9 million in 2020 (2019: EUR 90.2 million), which was mainly due to higher profitability.

The cash flow from investing activities was EUR –16.7 million in 2020 and therefore in absolute terms below the previous year's value of EUR –29.4 million. This was primarily due to reduced investment activities with a focus on maintenance investments. In addition, assets (land and buildings in China, individual assets in Dalheim/Germany) and shareholdings in Synergy Health Allershausen GmbH in Germany were sold. Therefore, the free cash flow was positive at EUR 176.2 million and almost three times as high as in the previous year (2019: EUR 60.8 million).

Cash flow from financing activities of EUR –161.3 million in 2020 was below the value of 2019 at EUR –43.4 million. The value in 2020 was primarily impacted by the repayment of two tranches of hybrid capital, the repayment of Schuldschein loans and of short-term bank loans. Lower interest payments had a relieving effect.

Investments

At EUR 26.4 million, cash-relevant investments in tangible and intangible assets in 2020 were below the previous year's level at EUR 31.9 million. The focus was mainly on capacity-maintaining investments and only to a lesser extent on expansion investments. The largest investments were made in Germany (EUR 7.2 million), Austria (EUR 5.8 million), Poland (EUR 4.5 million), Malaysia (EUR 3.7 million), and the Czech Republic (EUR 1.8 million). A large part of the investment in the German plants is related to machine deliveries for the future expansion of the Semperseal segment in the USA.

Related-party transactions with companies and individuals

With regard to the related-party transactions with companies and individuals please refer to the Notes to the Consolidated Financial Statements.

Additional information

Branch offices

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

Corporate Governance

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

Performance of sectors and segments

Industrial Sector

Since the beginning of 2020, the results of the Industrial Sector have been reported in the new structure: the sector consists of four segments (Semperflex, Sempertrans, Semperseal and Semperform) after the former Semperform segment was divided up into two separate segments: Semperseal, which deals with sealing profiles and elastomer sheets, and Semperform, where the business units handrails, cable car rings, ski foils and engineered solutions (SES) are still combined. As expected, the Industrial Sector – above all Semperflex – was hit on the one hand by the economic downturn, which was discernible since 2019, and on the other hand by the effects of corona.

However, the precautions taken by the management had a positive effect. The measures of the ongoing restructuring and transformation programme launched in early 2018 ensured that the segments were on a resilient foundation when the pandemic broke out, while the crisis even further accelerated the transformation measures planned for 2020. The ongoing analysis also supported a rapid response of the management. Increased customer proximity, strict cost management and other rapidly implemented countermeasures to counteract the crisis partially compensated for the negative effects. Nevertheless, the sector's revenue declined by 12.6% from EUR 547.2 million to EUR 478.4 million.

The Industrial Sector was already prepared for the economic slowdown in 2020. Although EBITDA also decreased by 12.4% to EUR 76.6 million due to the revenue decline, the EBITDA margin was nevertheless kept constant in 2020 (16.0% in 2020 compared to 16.0% in 2019). Triggered by tense market developments, an impairment of non-current assets had to be made in the Sempertrans segment at the end of the first half of the year (for more details, see notes 3.1). As a result, the Sector's EBIT fell disproportionately by 46.7% to EUR 32.4 million and the EBIT margin from 11.1% to 6.8% in 2020. In contrast, adjusted EBIT at EUR 52.2 million was –14.2% below the previous year's level, consistent with the development of revenue and EBITDA, while the adjusted EBIT margin of 10.9% was almost at the previous year's level (2019: 11.1%).

Key figures Industrial Sector

in EUR million	2020[1)]	Change	2019
Revenue	478.4	–12.6%	547.2
EBITDA adjusted	76.6	–12.4%	87.5
EBITDA margin adjusted	16.0%	+0.0 PP	16.0%
EBITDA	76.6	–12.4%	87.5
EBITDA margin	16.0%	+0.0 PP	16.0%
EBIT adjusted	52.2	–14.2%	60.9
EBIT margin adjusted	10.9%	–0.2 PP	11.1%
EBIT	32.4	–46.7%	60.9
EBIT margin	6.8%	–4.3 PP	11.1%
Additions to tangible and intangible assets	22.5	–1.1%	22.7
Employees (at balance sheet date)	3,465	–3.8%	3,601

1) 2020: adjusted for the negative one-off effect of the impairment in the Sempertrans segment (2020 EBIT effect: EUR -19.8 million)

Semperflex segment

The general declining market development due to the increasing economic slowdown since 2019 together with the negative effects of the corona crisis characterised the result of the Semperflex segment in 2020. A first effect of the corona crisis was noticeable due to the significant delay in in the inbound supply chain and the ten-day shutdown in China after Chinese New Year. Subsequently, the reduced market demand was also reflected in a low order intake and also in the order book below the level of 2019. This applies to hydraulic hoses as well as industrial hoses. Capacity utilisation was lower than in the previous year due to lower demand. The order situation improved again towards the end of the year. This was driven by the increased optimism of Semperflex customers and their slightly higher demand compared to previous quarters. Global supply share gains further nourished the order book.

The decline in revenue compared to the development during the year was somewhat reduced by a slight relief in the fourth quarter. For the whole year, the full recovery of the Chinese domestic market and innovative launches of new industrial hoses helped to keep the decline in revenue lower compared to the overall market. Revenue was thus 14.7% lower than in 2019. Thanks to the increased efficiency resulting from the restructuring measures of recent years and the countermeasures with regard to fixed costs, which were implemented from the beginning of the year, the decline in EBITDA was more moderate at –12.6%. In 2020, EBITDA was EUR 41.9 million (2019: EUR 47.9 million). The EBITDA margin thus improved slightly, especially towards the end of the year, despite the decline in revenue and rising costs, and reached 22.1% in 2020. Similarly, EBIT was –14.1% below the previous year's level, while the EBIT margin was kept constant.

Key figures Semperflex

in EUR million	2020	Change	2019
Revenue	189.9	–14.7%	222.7
EBITDA	41.9	–12.6%	47.9
EBITDA margin	22.1%	+0.5 PP	21.5%
EBIT	30.9	–14.1%	36.0
EBIT margin	16.3%	+0.1 PP	16.2%
Additions to tangible and intangible assets	5.1	–50.0%	10.2
Employees (at balance sheet date)	1,571	–6.0%	1,672

Sempertrans segment

The development of the Sempertrans segment was characterised on the one hand by the noticeable downturn in the economy since the end of 2019, and on the other hand by the uncertainty caused by the corona crisis from the second quarter of 2020. At the end of March, the plant in India had to be closed for around 30 working days due to the nationwide closure requirement in the context of the corona measures.

Global mining was affected by local lockdowns, particularly as of the second quarter. Therefore, the planned expansion projects were either reduced in volume or postponed. After a slight recovery at the beginning of the year, the order book level consequently declined notably reaching a low during summer. Another slight recovery was recorded towards the end of the year. Due to the tense market situation, an impairment requirement was identified in the Sempertrans segment at the end of the second quarter, amounting to EUR 19.8 million at the end of 2020 (for more details, see notes 3.2).

The decline in revenue in 2020 was therefore –15.6% due to lower demand compared to 2019.

The reported figures of 2019 also included a profit of EUR 1.3 million from the sale of tangible assets from the production site in China that was closed in 2018. This also increased profitability in the same period of the previous year. The EBITDA margin declined to 7.7% in 2020 (10.1% in 2019). As a result of the impairment, a negative EBIT was reported; the EBIT margin was thus –13.2% in 2020 (6.7% in 2019). Adjusted EBIT was positive, but the adjusted EBIT margin at 4.3%. was below the comparative value of 6.7%.

Key figures Sempertrans

in EUR million	2020[1)]	Change	2019
Revenue	113.1	–15.6%	134.0
EBITDA adjusted	8.7	–35.6%	13.5
EBITDA margin adjusted	7.7%	–2.4 PP	10.1%
EBITDA	8.7	–35.6%	13.5
EBITDA margin	7.7%	–2.4 PP	10.1%
EBIT adjusted	4.9	–45.1%	8.9
EBIT margin adjusted	4.3%	–2.3 PP	6.7%
EBIT	–14.9	>100%	8.9
EBIT margin	–13.2%	–19.8 PP	6.7%
Additions to tangible and intangible assets	4.6	–2.7%	4.7
Employees (at balance sheet date)	917	–2.3%	939

1) Adjusted for the negative one-off effect of the impairment in the Sempertrans segment (2020 EBIT effect: EUR –19.8 million)

Semperseal segment

The new Semperseal segment, which has been managed separately since the beginning of 2020, recorded a decline in revenue compared to 2019. Compared to the downturn in 2019, there was a slight economic recovery in the first quarter of 2020; however, the onset of the corona crisis led to significantly weaker demand in the construction and industrial markets. Supported by extremely reliable supplies to customers, slight gains in market share were recorded. On average, the order situation was below the previous year’s level. Short-term higher incoming orders to secure stocks for customers decreased again in the course of the second quarter as a result of uncertainties caused by the corona crisis. In the third quarter, however, Semperseal saw a recovery in the economic situation, which continued in the fourth quarter. At the same time, the countermeasures implemented since the beginning of the pandemic as well as the general increase in efficiency following the comprehensive restructuring measures of recent years slightly weakened the negative effects of corona. Following the successful restructuring measures, the signing of the contract at the end of 2020 also marked the first small acquisition step in the strategic industrial rubber focus: M&R Dichtungstechnik GmbH operates in the development, production and trade of elastomeric sealing elements, especially for highly individualised object facades. Through the acquisition of M&R, customers can be offered a broader product range in the future and the expansion of the business with individual facades can be accelerated.

Compared with 2019, there was a decline in revenue (–5.9%). EBITDA slightly increased above the previous year’s level as a result of the operational improvements and the increased focus on industrial markets. Profitability therefore also improved slightly: the EBITDA margin was 11.8% (2019: 10.5%), while the EBIT margin was 5.5% (2019: 4.0%).

The first steps towards regional cultivation of the North American markets have brought so far positive market reactions. Business in the USA, Russia and China developed very positively. In the USA, the existing business was expanded, and new customers were acquired, while in Russia the Arti brand was launched in the middle of the year to serve the local window industry; in China a Semperit sealing system was successfully introduced. As part of the increased focus on sustainable product innovations, Green Evo Star was introduced to the market in the area of flat gaskets, which reduces our carbon footprint by 35% and contains 70% biologically renewable ingredients.

Key figures Semperseal[1)]

in EUR million	2020	Change	2019
Revenue	93.6	–5.9%	99.5
EBITDA	11.0	5.6%	10.4
EBITDA margin	11.8%	+1.3 PP	10.5%
EBIT	5.1	28.4%	4.0
EBIT margin	5.5%	+1.5 PP	4.0%
Additions to tangible and intangible assets	9.2	97.3%	4.7
Employees (at balance sheet date)	457	–2.5%	469

[1)] The business units Profiles and Rubber Sheeting were separated from the Semperform segment and are operated as a segment of their own under the name Semperseal as of 1 January 2020. Comparative values for 2019 were adjusted accordingly.

Semperform segment

The Semperform segment recorded a decline in demand across its entire portfolio, but particularly in the Special Applications division. This can be attributed to the significantly lower economic activity in the tourism industry (approx. 30% lower) since the outbreak of the pandemic in February 2020, and affects Semperit's business with cable car rings and ski foils. This continues in lower revenue in 2020 compared to the previous year, although the decrease was smaller than in the overall market. The European markets of the Engineered Solutions business unit stabilised again in the second half of the year following the resumption of operations on the customer side in the summer, which also indicates a V-shaped recovery curve. The Asian (especially Chinese) market for handrails recovered well earlier in the year and remained at a healthy level, while the European and US handrail markets are below the level of 2019. The numerous and prolonged corona lockdowns have significantly slowed down customer activity in these regions. Visibility with regard to the upcoming development of escalator producers and maintenance services will remain unclear in the short and medium term as long as passenger traffic at airports, train stations and in shopping centres is severely decimated.

Compared to the same period of the previous year, revenue was 10.3% lower. The cost level for raw materials reached its low point in the middle of the year and has since recorded a significant increase. Thanks to profitability-enhancing measures, such as a better portfolio mix, value-based pricing, lower SG&A expenses and corona countermeasures already implemented accordingly since spring, the EBITDA and EBIT margins were not under pressure despite lower volumes: the EBITDA margin was 18.3% (2019: 17.1%), the EBIT margin 13.8% (2019: 13.1%).

Key figures Semperform

in EUR million	2020[1]	Change	2019
Revenue	81.8	–10.3%	91.1
EBITDA	15.0	–3.9%	15.6
EBITDA margin	18.3%	+1.2 PP	17.1%
EBIT	11.3	–5.8%	12.0
EBIT margin	13.8%	+0.6 PP	13.1%
Additions to tangible and intangible assets	3.6	12.9%	3.2
Employees (at balance sheet date)	520	–0.3%	521

[1] The business units Profiles and Rubber Sheeting were separated from the Semperform segment and are operated as a segment of their own under the name Semperseal as of 1 January 2020.

Medical Sector: Sempermed segment

The development of the Sempermed segment in 2020 was characterised by two key factors. On the one hand, operational efficiency and production volumes were sustainably increased as a result of the successful restructuring measures of recent years – despite the challenging market environment on the procurement side. All production sites in Austria, Hungary and Malaysia achieved historical records. On the other hand, as a result of the corona pandemic, a significant increase in demand for examination and protective gloves as well as for surgical gloves and a market-driven rise in price levels, especially since the second quarter, were recorded. This resulted in a 53.1% increase in revenue compared to the previous year.

Triggered in the second quarter of 2020 by the changed market situation compared to previous years, a reversal of impairment loss amounting to EUR 86.2 million was recorded for 2020 (for more details, see notes 3.2).

In addition to the positive effects of corona on the medical business, the measures of the restructuring and transformation process showed their lasting positive effects not only in the increased production volume and the increase in revenue, but also in productivity, production costs and profitability: in 2020, EBITDA was at EUR 150.4 million after EUR 5.5 million in 2019, which also includes a positive one-off effect of EUR 4.0 million from the reversal of a provision for tax proceedings on levies in Brazil. As a result of the additional positive effect of the reversal of impairment losses, EBIT amounted to EUR 224.9 million after EUR –50.2 million in 2019, when, in contrast, an impairment of EUR 48.8 million had to be recorded. The EBIT adjusted for the reversal of impairment also improved significantly to EUR 138.7 million compared to the adjusted EBIT of the same period of the previous year (EUR –5.5 million).

Key figures Sempermed

in EUR million	2020[1]	Change	2019[2]
Revenue	449.2	53.1%	293.3
EBITDA adjusted	150.4	>100%	1.4
EBITDA margin adjusted	33.5%	+33.0 PP	0.5%
EBITDA	150.4	>100%	5.5
EBITDA margin	33.5%	+31.6 PP	1.9%
EBIT adjusted	138.7	>100%	–5.5
EBIT margin adjusted	30.9%	+32.8 PP	–1.9%
EBIT	224.9	>100%	–50.2
EBIT margin	50.1%	+67.2 PP	–17.1%
Additions to tangible and intangible assets	5.0	–37.9%	8.0
Employees (at balance sheet date)	3,337	5.4%	3,165

[1] 2020: adjusted for the positive one-off effect of the reversal of impairment in the Sempermed segment (2020 EBIT effect: EUR +86.2 million)
[2] 2019 adjusted for the positive one-off effect from the reversal of a provision for the tax procedure on levies in Brazil (EBITDA, EBIT: EUR 4.0 million), as well as the negative effect of the impairments for the Sempermed segment (EBIT: –48 .8 million EUR)

Sustainability

The Semperit Group published its fourth separate sustainability report for the reporting year 2020. The report provides an overview of the various activities, developments and key figures in the context of the main topics and is structured according to the following areas: Environment, Social and Governance (ESG). In addition to topics such as energy, greenhouse gas emissions, material use, health & safety, and compliance & anti-corruption, the report contains general information on the organisation of sustainability in the Group, more detailed information on the handling of CoViD-19, and additional climate-relevant information according to TCFD – Task Force on Climate-related Financial Disclosures. The sustainability reports of the Semperit Group can be accessed online on the Semperit website: www.semperitgroup.com/en/ir/reports-and-presentations/sustainability-reports/.

Employees

The headcount as of 31 December 2020 was 6,943 (FTE, full-time equivalents) and 0.6% above the level as of 31 December 2019 (6,902). In the Industrial Sector, the number of employees decreased in all segments, while in the Medical Sector the number of employees slightly increased. When looking at segments, around 48% of all employees are employed in the Sempermed segment (2019: 46%). Around 23% work in the Semperflex segment, 13% in the Sempertrans segment and 7% each in the now separate segments Semperform and Semperseal (as of 31 December 2019: Semperflex 24%, Sempertrans 14%, Semperform 8% und Semperseal 7%).

Research and development

The Research & Development team (R&D team) of the Semperit Group is continuously working on the development of innovative materials and products as well as on the improvement of manufacturing processes. Topics such as resource and energy efficiency, consideration of the life cycle perspective as well as health and environmental compatibility in product application are always top priorities in research and development work. In 2020, expenses in research and development remained almost unchanged and amounted to around EUR 14.7 million (EUR 15.5 million in 2019) and therefore around 1.6% of revenue (1.8% in 2019).

The Group-wide implemented innovation management is the core of all R&D activities and covers the systematic identification of potentials, the selection of suitable ideas, the risk analysis with regard to the effects of products on human beings and environment as well as a successful project management.

The R&D team is divided into a central and several decentralised areas. The central area, which is partially located in the R&D Center in Wimpassing, deals with fundamental projects in addition to material development and central process development as well as the control function of Group-wide activities. The decentralised part at segment level focuses on product and process optimisation – often in close cooperation with customers – and is formed by the product and process development teams of the various business units.

In addition to the headquarters in Wimpassing, Semperit operates seven further research sites. Furthermore, most production sites are accompanied by on-site laboratories that on the one hand carry out the daily quality assurance processes and on the other hand are also involved in R&D activities. In addition to integrated and structured processes, communication between the various departments as well as with important stakeholders such as customers and university research institutes is paramount.

Supervisory and Executive Board matters

At the 131st Annual General Meeting on 22 July 2020, Patrick Prügger and Peter Edelmann (already with effect from 24 April 2020) resigned from the Supervisory Board at their own request. Petra Preining's Supervisory Board mandate expired on 22 July 2020. At the Annual General Meeting on 22 July 2020, Herbert Ortner and Claus Möhlenkamp were newly elected while Petra Preining was re-elected to the Supervisory Board of Semperit AG Holding. Walter Koppensteiner, who has been a member of the Supervisory Board since 2012, was confirmed as Chairman of the Supervisory Board.

Since 1 January 2020, Kristian Brok has been a member of the Executive Board as Chief Operating Officer (COO); his mandate will end on 31 December 2023. The mandate of the Chief Financial Officer (CFO) Frank Gumbinger was terminated at his own request on 19 March 2020; the mandate had originally been extended until 30 June 2022. Petra Preining was appointed interim successor with effect from 20 March to 11 October 2020; meanwhile, her supervisory board mandate was suspended. On 3 June 2020, the Supervisory Board of Semperit AG Holding appointed Gabriele Schallegger as new CFO as of 12 October 2020. Her term of office will end on 31 October 2023. The Executive Board mandate of Felix Fremerey was terminated at his own request as of 14 August 2020; originally, the term of office would have ended on 30 November 2020.

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

The share capital of Semperit AG Holding amounted to EUR 21,358,996.53 as at 31 December 2020 and consisted of 20,573,434 non-par-value ordinary shares, each carrying equal rights in every respect.

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

B & C KB Holding GmbH directly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2020 and is the majority shareholder of Semperit AG Holding. The private foundation B & C Privatstiftung is the highest controlling legal entity. B & C Holding Österreich GmbH is an indirect majority shareholder, who prepares and publishes consolidated financial statements including the Semperit Group.

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

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

The Executive Board consists of up to five people. Members of the Executive Board are appointed by the Supervisory Board for a maximum period of five years. Reappointments, for a maximum of five years, are permissible.

The following applies with respect to the appointment and revocation of Supervisory Board members pursuant to the Articles of Association: unless a shorter term of office is specified, Supervisory Board members are elected until the end of the Annual General Meeting resolving upon the ratification of the actions of the Management and Supervisory Boards for the fourth year after the election, not including the financial year in which the election took place. However, at least two members of the Supervisory Board shall resign each year at the end of the Ordinary Annual General Meeting. Members of the Supervisory Board who have resigned from the Supervisory Board since the last Annual General Meeting or have resigned from office with effect from the end of the respective Annual General Meeting shall be counted towards this figure.

Apart from that, the members having to vacate their position are determined as follows: firstly, those members have to leave, whose term of office expires. If this does not apply to at least as many members that, taken together with other members who have left since the last Annual General Meeting or have resigned from office at the end of the respective Annual General Meeting, two members may be determined, those members shall leave, who have been in office for the longest period of their term of office. In cases in which this procedure yields a number of members eligible for departure that is greater than required, the selection among them will be undertaken through the drawing of lots. This procedure is also used to decide in cases in which the above rules do not suffice to determine which members will depart. Those departing are immediately eligible for re-election.

If an elected member of the Supervisory Board retires from the Supervisory Board during his term of office, a substitute election shall only be held immediately if the number of elected Supervisory Board members falls below three. Substitute elections shall be held for the remaining term of office of the retiring Supervisory Board member unless the Annual General Meeting decides otherwise at the time of election. If a member is elected to the Supervisory Board by an Extraordinary Annual General Meeting, the first year in office is considered to be completed upon the close of the next Ordinary Annual General Meeting.

Each member of the Supervisory Board may resign from office by giving written notice to the Chairman of the Supervisory Board without giving reasons, subject to a four-week period of notice.

Resolutions of the Annual General Meeting require a simple majority of the votes cast, unless mandatory law requires a larger majority. In cases where a majority of capital is required, it shall pass resolutions by a simple majority of the share capital represented at the passing of the resolution, unless mandatory law requires a larger majority of capital.

The Executive Board is authorised by the Annual General Meeting on 25 April 2018, with the consent of the Supervisory Board, to increase the nominal capital of the Company within five years from the registration of the amendments to the articles of incorporation with the commercial register – if necessary in several tranches – by up to EUR 10,679,497.23 by way of issuing up to 10,286,716 new no-par value shares in bearer or registered form against cash and/or payment in kind and to determine the share type, the issue price and the terms and conditions of the issue. The Executive Board is also authorised, with the consent of the Supervisory Board, to issue convertible bonds. This may combine a conversion or subscription right or a conversion or subscription obligation for up to 10,286,716 no-par-value shares of the Company. The share capital is conditionally increased according to section 159 (2) (1) of the Austrian Stock Corporation Act by up to EUR 10,679,497.23 by issuing up to 10,286,716 new no-par value shares.

The Annual General Meeting on 22 July 2020 authorised the Executive Board with the consent of the Supervisory Board, to repurchase and, if applicable, retire own shares up to the legally permitted maximum of 10% of the share capital for a period of 30 months from the adoption of the resolution in the Annual General Meeting in accordance with Section 65 (1) (8) of the AktG. At the same Annual General Meeting, the Executive Board was authorised, pursuant to Section 65 (1b) of the AktG and with the consent of the Supervisory Board, to decide on a different method of selling shares than via the stock exchange or through a public offer and on a possible exclusion of the pre-emption rights (subscription right) of shareholders. There is currently no share buyback programme and the company does not hold any treasury shares.

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

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

Risk management

Basic principles of enterprise risk management

The risk policy of the Semperit Group reflects the effort to achieve competitive advantages, thus increasing the Semperit Group's company value in the long term. In addition to meeting legal requirements (compliance) and occupational safety, the aim is to increase risk awareness. The knowledge gained as a result should be incorporated into operational work and strategic company development.

The Semperit Group manages risks by reducing, avoiding or transferring them. The Group-wide risk management of the Semperit Group is an integral part of planning and implementing the Semperit Group's business strategies, with the Executive Board defining the risk policy. In accordance with the organisation and the accountability structure, all Semperit companies are obliged to follow and implement the defined risk management process. Enterprise Risk Management is organised in the Group Risk Management & Assurance department.

Enterprise risk management process

The Semperit Group uses coordinated internal control and risk management systems, which support the Semperit Group in identifying and reducing material risks and negative surprises that threaten the continued existence of the company at an early stage. In this context, the greatest importance is attached to group-wide processes and developments which serve to assess potential risks as long as possible before major business decisions are made. The internal reporting system allows monitoring such risks in business development in greater detail.

The Semperit Group's risk management is based on a comprehensive enterprise risk management approach (ERM approach), which is integrated into corporate organisation. The ERM approach is based on a globally recognised framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the "Enterprise Risk Management – Integrated Framework" (2017). The ERM process aims at an early identification, assessment and control of risks which could have a significant influence on achieving strategic, operational, financial and social risks as well as risks related to governance, compliance, occupational safety, health and environment (HSEQ) goals of the company.

Along a structured process combining elements of both the bottom-up and the top-down approach, risks are identified and evaluated. In the reporting period within the framework of the ERM approach, the risk assessment usually amounts to one and five years, according to medium-term planning. Transition to a five-year risk assessment period started in 2019.

The ERM is based on a net principle, according to which only the risks remaining after (control) measures have been conducted are addressed. If potential negative deviations have already been accounted for in planning, in medium-term planning or in the consolidated financial statements, these risks are no longer shown. The progress made in implementing risk-reducing measures is monitored on a regular basis. Internal risk reporting is broken down to the individual companies.

The Group Risk Management & Assurance department is responsible for the central coordination, moderation and monitoring of the structured risk management process for the entire group. Relevant risks are prioritised from different perspectives and in a further step assessed with regard to their potential impact and their probability of occurrence. The bottom-up identification and prioritisation process is supported by (remote) workshops with the management of the respective Semperit companies. This bottom-up element ensures that potential new risks are brought up for discussion at the management level and are then incorporated into the reporting, if relevant. These risks are discussed and coordinated with the segment management (top down). Individual reporting follows immediately after the respective risk update in the respective Semperit companies. A comprehensive risk report of the individual risks and an aggregation are submitted to the Audit Committee and the Supervisory Board at least once per year. The regular reporting process is supplemented by an ad hoc reporting process in order to call attention to critical topics in due time.

Integrated risk management must identify, evaluate and manage internal and external trends and effects in the field of ESG (Environment, Social and Governance). In order to address current and future issues, Semperit conducts an annual ESG Risk & Opportunity Assessment. In a comprehensive process that is temporarily independent of the classic risk process, the main risks are developed and evaluated together with the Group Risk Management.

Organisation of risk management and responsibilities

To monitor the ERM process and to drive the integration and standardisation of existing controlling activities in accordance with legal and operational requirements, the Executive Board has established the Risk Management Board. This Board consists of the CEO, CFO and Group Risk Management & Assurance. If required, the COO is called in. In addition, the top risks are monitored quarterly in the Executive Board.

The Group Risk Management & Assurance department is supported in the process by the individual corporate companies. The update on the measures is provided by the persons responsible for the risks and measures. Insurable risks are covered by insurance policies, as far as this makes economic sense (see also "Insurable risks").

The relevant legal framework and principles applicable to risk management are set forth in the Risk Management Guideline.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. audited and confirmed the functionality of the risk management system of the Semperit Group for the year 2020 in the reporting year 2021 in accordance with C-Rule 83 of the Austrian Code of Corporate Governance.

Risk report

The global economic development with its strong regional variations continuously confronts Semperit as a group with international activities with new challenges. The Semperit Group operates in countries with different economic framework conditions. Moreover, these countries are in different phases of political, constitutional and social development. The success of the Semperit Group's two sectors and/or the five operating segments depends on the overall economic environment to a varying degree based on their strategic orientation. In addition, the global corona pandemic shaped 2020 through increased uncertainty and presented the Semperit Group with new challenges.

The global presence and the segments of the Semperit Group, which depend on various market factors, represent diversification and thus spread of risks.

Selected individual risks are explained below. In addition to the risks listed here, further strategic, operational, financial, social as well as external risks related to governance, compliance, occupational safety, health and environment (HSEQ) and other external risks possibly exist, which are currently unknown to the Semperit Group or which the Semperit Group is not aware of at present. If one or several known or unknown risks occur, this may have significant adverse effects on the business, asset, financial and earnings position as well as the reputation of the Semperit Group.

Strategic risks

Transformation, restructuring and governance risks

After three years of successful restructuring, transformation and cost reduction initiatives, evaluation of the Semperit Group's portfolio and adjustments in the manufacturing footprint, key milestones such as margin increases, and efficiency improvements were achieved in 2020. Particularly in 2020, which was characterised by corona, the industrial segments proved to be very resilient after the successful restructuring of recent years. Higher volumes in the Medical Sector due to increased production quantities and higher demand with better margins, which could be met thanks to successful restructuring steps, also had a positive effect.

However, as the modernisation of some parts of the management information system and implementation of some structures and standardised processes has not yet been fully completed this could lead to risks in corporate management. This risk is being countered by pushing ahead with projects for transformation in financing on the one hand and by various projects to harmonise processes across the value chain and to standardise IT systems on the other hand.

There is a risk that the transformation and governance decisions made take more time and are associated with higher costs so that their actual benefit is lower than originally estimated, that they take effect later than assumed or they have no effect at all. In any case, the Semperit Group's profitability is influenced by savings actually achieved and the ability of the Semperit Group to implement the ongoing projects on a sustained basis.

Technology development

The markets in which the Semperit Group operates are not only becoming increasingly sensitive to sustainability but are also subject to other significant changes resulting from the introduction of innovative and disruptive technologies. In the area of digitalisation (Industry 4.0), there are risks of the substitution of existing products and new business models. In addition, there is a risk that competitors are able to launch their products and solutions in the market earlier than the Semperit Group due to faster time-to-market strategies. The development of results significantly depends on the ability to anticipate changes in the markets, to adjust accordingly and to cut the manufacturing costs of the products. The innovation projects launched in connection with the introduction of new products and technologies are associated with substantial investments of financial resources and are not always successful. It could lead to a negative influence on the earnings situation when investments do not lead to the expected success or are not met with the expected market acceptance. Existing patents and other intellectual property rights of the Semperit Group cannot completely prevent competitors from developing and selling products that are very similar to Semperit products. Furthermore, not all trade secrets are patentable. In order to ensure appropriate secrecy, confidentiality instructions are agreed in service contracts or non-competition clauses.

Customer needs and market trends

There is an inherent risk for the Semperit Group that market trends are not identified in due time or that the company is not flexible enough to adjust its products, production and services to market changes in time. This may lead to a non-competitive cost position and a significant negative effect on the business, asset, financial and earnings position of the Semperit Group. For example, due to the changed framework conditions caused by the corona pandemic, visibility with regard to demand from customers in Semperit's Industrial Sector has become lower and thus riskier.

Operational risks

Organisational risks

The organisation of the Semperit Group in the form of a matrix organisation partially includes the risk of process overlaps, inflexibility and inefficiency, which is inherent in matrix organisations. Decision-making procedures in response to market-related or critical developments potentially bear the risk of time delays or other inefficiencies. The control systems and the measurement of key figures against internal and external benchmarks are subject to ongoing further development. As transparency is consequently limited, wrong decisions could be made. In addition, there is a potential risk of losing existing competitive advantages or not being able to generate new ones.

Investment and divestment risks

The Semperit Group invests in existing sites, for example through the construction of new buildings, purchasing new machines and replacement investments. In addition, there is the possibility that acquisitions of new companies or divestments (sale, closure) of existing parts of the company are carried out. In the course of such investments and divestments there are among other things transaction risks and risks of misjudgements and of accrued legacy issues of any kind.

The announcement of the separation from the Sempermed segment causes a high degree of uncertainty among the staff, which could lead to increased fluctuation, reduced productivity and loss of know-how.

Value chain risks

The value chain of the Semperit Group covers virtually all stages from research and development, through supply chain management and production to marketing and sales. In particular, bottlenecks in raw material supply may arise along the value chain; likewise, production disruptions, scrap, quality defects in products/packaging/storage/delivery may occur and lead to additional costs and delivery bottlenecks and/or delays. Moreover, this may result in reputational damage and loss of orders as well as potential product liability, occupational safety, compliance and environmental risks, which may have a negative effect on the asset, financial and earnings position of the Semperit Group.

The earnings position of the Semperit Group depends on the reliable and effective management of the supply chain for raw materials and mixes as well as on ensuring the appropriate cost-optimised logistical framework conditions, such as transport facilities. Capacity limitations and supply shortages – also in the face of the corona pandemic – could lead to delays and additional costs. The Semperit Group is fully dependent on external suppliers with regard to raw material and energy supply, and partially depends on them for the supply of mixes. This reduces the indirect possibilities of influencing productivity, quality assurance, delivery dates and costs, and increases the risk of not being able to react in due time and adequately to changing situations. The corona pandemic can have a negative impact on the supply chain and lead to interruptions as the Semperit Group regularly sources raw materials from different regions around the world. Active management of the supplier portfolio and globally oriented and coordinated Group-wide purchasing and supply chain management counteract these risks.

Supply shortages and delays can damage the business activities of the Semperit Group to a significant extent. Unexpected price increases for raw materials and components, for example due to market shortages, could also have a negative effect on the asset, financial and earnings position of the Semperit Group. Furthermore, the Semperit Group could be confronted with the risk of delays and disruptions of the supply chain as a result of disasters, especially if the Semperit Group does not manage to open up alternative sources of supply for various countries and regions. If the Semperit Group is not able to gain sufficient security along the supply chain, its reputation could also be adversely affected.

Procurement risks

The Semperit Group purchases large amounts of raw materials such as rubber, (natural and synthetic rubber), chemicals, bulking agents and both textile and steel reinforcing materials as well as energy (gas, electricity) for manufacturing its products. These raw materials are subject to high price volatility. Price increases can be passed on to the customer only partially or with delay – depending on the respective market situation. Therefore, an increase in raw material prices may have a negative impact on earnings. In some areas, there are also monopolistic and oligopolistic supply situations for raw material and chemical suppliers as well as energy and water providers, which leads to only limited options for negotiations for the Semperit Group.

The management of appropriate safety stocks, multiple sourcing (i.e., reducing dependence on individual suppliers), the conclusion of long-term contracts and price escalation clauses with suppliers counteract these risks. Semperit's presence in Asia, the world's most important region for the extraction of natural rubber, ensures proximity to producers along the entire value chain.

Furthermore, the Sempermed segment is to a certain extent dependent on the supply of finished products by third parties, which can be volatile and requires flexible shifts in volumes within the supplier portfolio.

A supply shortage of (individual) raw materials or finished products, or restrictions on imports, or a failure of an important supplier may lead to a massive production loss and to a strongly negative impact on the asset, financial and earnings position of the Semperit Group.

Production and utilisation risks

Within the Semperit machine park, there are (partly outdated) facilities which are essential for production and for which there are no adequate replacements. An essential failure of one of these machines would lead to a (partial) loss of production and negative effects on the asset, financial and earnings position of the Semperit Group.

The risk of failure of the production facilities is counteracted by regular inspections, including preventive maintenance and servicing. Disruptions can also be caused particularly by natural hazards that are beyond the control of the Semperit Group. As far as possible, such risks are reduced to an economically reasonable extent through technical preventive measures and insurance.

Quality problems may arise in Semperit products, which are caused by raw materials with quality problems or result from the development or production of these products. Despite all efforts, the risk of operational downtimes, accidents, underutilisation and overload of production sites, and limited availability of production, movement and storage areas cannot be ruled out. Such risks may lead to delayed deliveries and, subsequently, potentially to a loss of customers, with possible negative effects on the asset, financial and earnings position of the Semperit Group.

Information technology (IT) and data protection risks

The majority of production and control systems as well as services are dependent on a functioning and error-free IT landscape. The failure of essential servers and production scheduling units, ERP systems, non-availability and unauthorised access to IT networks (cyber-crime) may lead to an irrecoverable loss of production volumes, a negative impact on quality or delivery delays and thus be detrimental for the Semperit Group. Like other multi-national companies, the Semperit Group is also subject to the risk of cyber-attacks. Such attacks can potentially lead to the disclosure, falsification, espionage or loss of information, abuses of information systems or product faults, production losses and supply shortages, with negative effects on the reputation and competitiveness as well as the asset, earnings and financial position of the Semperit Group. Measures to increase cyber security have been defined and are subject to continuous development.

Additional risks are posed by IT systems developed in-house and a wide variety of different systems in use requiring a large number of manual interventions or depending on specific persons, which could have a negative effect on data quality and processes. The traceability of goods produced may not be given due to faulty and non-existent systems.

Handling sensitive/confidential data inappropriately or not in compliance with legal requirements (particularly GDPR) may also represent a risk.

Personnel risks

The Semperit Group continuously needs highly qualified employees. The competition for qualified employees continues to be intensive in regions where the company operates. Some Semperit sites are located in regions with persistently low unemployment and constant high demand for qualified skilled workers. The Semperit Group's future business performance will be largely determined by the recruitment of adequately qualified professional and managerial staff at the individual locations, their integration, further development and long-term retention. The departure of key personnel must be covered by internal successors who have been trained in due time. Should this not be possible, it may lead to a risk of a deterioration of the business, asset, liabilities, financial, and earnings position of the Semperit Group.

Labour shortages or restrictions on the admission of guest workers or outsourcing, state minimum wage regimes, strikes or outflow/unauthorised disclosure of know-how may lead to an impairment of production and to limitations in other business areas, thus also burdening productivity and the business, asset, financial and earnings position. The risk of a staff shortage due to high absences caused by illness during the corona pandemic is countered with substitutions, flexibilisation and preventive measures using shift models for attendances and remote working – as is also the case in other situations of long-term staff absences.

External criminal actions

Fraud attacks (e.g., e-mail fraud, fake president fraud, etc.) generally represent a major risk for companies. Non-identification of such attacks or the failure of internal control systems cannot entirely be ruled out and can thus contribute to a deterioration of the business, asset, financial and earnings position. The IKS system and ongoing training are designed to counteract this risk.

Financial risks

As required by IFRS 7.31, the financial risks are described in detail in the notes under chapter 11 (Risk management). A summary and interpretation are provided below.

Capital, financial and liquidity risks (capital management)

Capital risk is the risk of capital tied in investments. Liquidity risk (also known as refinancing risk) refers to the risk of being unable to raise the necessary cash for possible payments or only at increased refinancing costs. Financing risk refers to the risk that financing instruments are not available or not available to the required extent and thus threaten to cause payment difficulties or even insolvency.

The objective of capital management in the Semperit Group is to ensure the continuation of the company, to enable growth-oriented organic and non-organic investment activities and a dividend policy based on this goal.

The risk from capital management can be divided into market and corporate risks.

Market risks to which the Semperit Group is exposed include political and economic developments that negatively influence the financial markets all over the world. These may be, for example, more restrictive regulations of the finance sector or policies of central banks, the limited availability of financial resources, changes of the credit ranking and legal capacity of banks and other funders, changes of interest rates or restrictions on the use of financial instruments, which affect the company's scope of action regarding the taking up of financing operations or which impair the financing costs and deposit conditions.

Furthermore, the Semperit Group is subject to corporate risks in capital management. For example, a deterioration of its own creditworthiness may lead to higher expenses for borrowings, or no further financing granted by creditors. An increase in credit risk premiums may also result in a negative change of the market values of financial assets due to uncertainty and risk aversion on the financial markets. In the context of loan contracts and Schuldschein loans, there are customary clauses (“Covenants criteria”), which, if not met, could lead to a termination by investors. In addition, there are agreements with joint venture partners which could have a potential influence on liquid funds, i.e. the return of funds to the parent company.

The risks from capital management may have a significant negative impact on the business, asset, financial and earnings situation of the company.

Foreign currency risks

Foreign currency risks can generally be divided in transaction and translation risks. A transaction risk exists in the case of receivables or payables in a foreign currency, whose value may change due to exchange rate fluctuations. Translation risk is the risk that arises when consolidating foreign investments whose functional currency is not the euro. Due to international trade relations and existing subsidiaries all over the world, the Semperit Group is exposed to both risks.

Transaction risks exist in all subsidiaries that, for example, purchase raw materials in a currency other than the functional currency or sell products in a currency other than the functional one. The main currencies in this context are US dollar, Czech koruna, Polish zloty, Chinese renminbi and Malaysian ringgit. In the notes under chapter 11 “Risk management/Currency risk management” there is a listing of revenue by the major currencies as well as those currency pairs that exist versus the euro and the US dollar which pose a significant currency risk. Translation risks exist in the Semperit Group wherever a consolidation of annual financial statements takes place in different currencies.

Furthermore, in some countries there are capital controls that limit the Semperit Group in its freedom of action. Some national banks, for example, have restrictions on trade in currencies and hedging instruments.

The risks from foreign currency risk management may have a significant negative impact on the business, asset, financial and earnings situation of the Semperit Group.

Interest rate risks

Interest rate risks arise from the change in interest rates, both for variable and fixed interest financing, in the form of interest change risks or cash value risks.

The external financings of the Semperit Group are partly variable and partly fixed interest rates. With an increase in variable interest rates, this leads to higher interest expenses. The Semperit Group is exposed to the cash value risk when fixed market interests decline. Individual risk positions are hedged using derivative financial instruments. For details see the notes under chapter 11 Risk management/Management of interest rate risks.

The interest rate risks may have a significantly negative influence on the business, asset, financial and earnings position of the company.

Default risks of customers and banks

The Semperit Group is exposed to the default risk with regard to receivables from customers. If the credit rating of Semperit customers deteriorates, the default risk increases. Credit risks and the risk of payment default are managed through standardised credit checks, defined credit limits and credit insurance. Where credit insurance is not effective, there is an increased risk of bad debt losses depending on the customer’s credit rating. The default of a key business partner could have a negative impact on the results and the liquidity of the Semperit Group. Due to a higher counterparty risk caused by the corona pandemic, the costs for hedging credit risks could be increased.

There are also default risks relating to the Semperit Group's bank deposits. These deposits are partially or not secured by deposit protection funds. There is an investment guideline, which limits the amount of liquid assets that may be held per bank and defines the financial instruments in which the excess liquidity may be invested. In case of bankruptcy of individual banks or another bank and/or financial crisis, the Semperit Group might not, only partially or only with some delay be able to access this liquidity or credit lines.

The risks from the default of customers and banks can have a significantly negative influence on the business, asset, financial and earnings position of the company.

Tax risks

The group companies of the Semperit Group are subject to local tax legislation in the respective countries and have to pay profit taxes as well as other (local) taxes and fees. Changes in tax legislation and regulations in these jurisdictions could lead to higher tax expenses. The constant change and, in some cases, tightening of tax regulations increases the demands on tax compliance to comply with and monitor these regulations. Inadequate controls in business processes or lack of documentation can lead to the violation of regulations in national and international tax law and result in negative findings in tax audits.

A negative influence on tax receivables and liabilities of the Semperit Group as well as on deferred tax assets and liabilities is also possible. Unused tax loss carryforwards could be subject to tax audits and be questioned in part. Moreover, uncertainties in the tax environment of some regions could limit the possibilities of enforcing our own rights. The Semperit Group and its local companies are subject to regular tax audits by financial authorities which may entail negative findings.

If one or several of the above-mentioned events occur, a negative effect on the business, asset, financial and earnings position has to be assumed.

Compliance risks

The constant tightening of international codes of conduct and laws increases the requirements for compliance and monitoring of these regulations. Inadequate controls in business processes or insufficient documentation can lead to the violation of applicable rules and jeopardise the company's reputation and economic success through compliance violations. Among other things, the Semperit Group counters this risk with a new Group-wide Code of Conduct and continuous training for all employees worldwide in order to further increase awareness of non-compliance. The implemented whistle-blowing system can also make a valuable contribution in this regard by pointing out concerns and abuses regarding unethical or illegal behaviour.

Regulatory risks and potential sanctions

The Semperit Group has business activities with customers and suppliers in countries such as Russia, Ukraine or China, which are subject to export and import control regulations or other forms of trade restrictions (for example through the USA and the EU). New or extended sanctions in countries in which the Semperit Group has business operations could lead to restrictions of the raw material supply and also the existing business activities in these countries, or indirectly in other countries. In addition, the Semperit Group could be subject to claims or other measures by customers due to the termination of their business in countries, which are subject to sanctions.

For business activities in emerging countries, there are risks such as unrest, health risks, cultural differences, for example regarding employment relationships and business practices, volatility of the gross domestic product, economic and governmental instability and legal uncertainty, possible nationalisation of private assets as well as imposition of currency restrictions and stricter environmental requirements.

Risks arising from cartel and corruption allegations

Current and future proceedings against the Semperit Group regarding corruption and cartel allegations as well as other violations of laws could lead to monetary fines under criminal or civil law as well as to penalties, sanctions, court orders regarding future behaviour, disgorgement of profits, to the exclusion from directly or indirectly participating in certain business transactions, to the loss of trade licences or other restrictions and legal consequences. Part of the Semperit Group's business activities is accounted for by state-owned companies. Pending and possible future investigations into corruption or cartel allegations or allegations regarding other legal violations could have a long-term impact on the Semperit Group's business, including even an exclusion from public and private-sector orders. Moreover, such investigations could also lead to the cancellation of existing contracts and loss of orders and customers, and proceedings against the Semperit Group could be initiated.

Developments in ongoing or potential future investigations, such as the reaction to requests by the authorities and cooperation with the authorities, could distract the attention and resources of the management from other business matters.

One subsidiary is currently involved in unfair competition proceedings. The case is currently at a stage at which the outcome cannot be estimated with a sufficient degree of probability. The case is being heard before the authorities in consultation with local specialists. The subsidiary is cooperating with the competent authorities and is providing all the necessary assistance. For the anticipated costs and the appropriate risk, an appropriate provision has been made according to the assessment of the Semperit Group.

Risks related to legal proceedings

The Semperit Group is, and will be in the future, confronted with different legal disputes and proceedings as part of its ordinary business activities. As a consequence of such litigation, the payments of damages, punitive damages, meeting other claims as well as criminal or civil sanctions, fines or disgorgements may be imposed on the Semperit Group. In addition, this may in individual cases result in the formal or informal exclusion from tendering procedures, or withdrawal or loss of business licences or permits. Moreover, further proceedings may be initiated, and existing proceedings could be extended. Asserted claims from litigation are generally subject to interest payments.

In some of these legal disputes, negative decisions can be made against the Semperit Group, which may have significant effects on the business, asset, financial and earnings position of the company.

The Asian markets are of major importance for the Semperit Group. These legal systems are subject to regular changes, which could have negative effects on the business, asset, financial and earnings position of the Semperit Group.

Occupational safety, health and environmental risks (HSEQ)

Present or future occupational safety-related, health-related and environmental or other state regulations, or changes of such regulations, could require adjustments of the operating activities of the Semperit Group or lead to a significant increase in operating costs, as is the case under the general conditions of the corona pandemic. Moreover, there are risks regarding a possible occupational safety-related, environmental and health-related incident, also when handling hazardous substances, as well as non-compliance with environmental, health- or occupational safety-related regulations, which could subsequently lead to severe accidents, staff absences, reputation loss and legal consequences. Environmental damage could result in losses for the Semperit Group, which exceed the insured amount or are not covered by insurance, and such losses could have a negative impact on the business, asset, financial and earnings position. Personnel safety and health are focal points of the corporate strategy with the aim of ensuring the protection of employees and further raising awareness of hazardous situations and continuously improving occupational safety. In the wake of the corona pandemic, additional disinfection measures were taken, and distance regulations in all locations implemented. Furthermore, the possibility of remote working was created and subsequently promoted where necessary.

Compliance risks regarding Corporate Social Responsibility (CSR)

There is a risk of violating existing CSR regulations of the local jurisdictions and NGOs (non-governmental organisations) in the respective countries, of which the company is currently not aware. In addition to burdens on the company's business, asset, financial and earnings position, this could also result in reputational damage and loss of customers (for detailed risk description also see Sustainability Report). To counter these risks, the Semperit Group regularly has itself audited by external Business Social Compliance Initiative (BSCI) auditors. In addition, the Semperit Group is a member of EcoVadis to further improve its CSR performance with regard to the environment, labour and human rights, ethics and sustainable procurement. The Semperit Group is also a member of TfS, an initiative of leading chemical companies to improve sustainability in the supply chain with the goal of ensuring the improvement of environmental and social standards at its suppliers.

Insurable risks

The existing insurance cover does not protect the Semperit Group from possible reputational damage or the occurrence of elementary events such as fire or natural disasters.

Fire, elementary events and natural disasters hold significant loss potential for the Semperit Group, which may not be fully covered despite the insurance programme in place. In addition, the company may suffer, among other things, losses from legal disputes that exceed the insured amounts or are not covered by insurance.

Finally, it cannot be guaranteed that the Semperit Group will also receive adequate insurance cover on economically reasonable conditions in the future.

Market risks

Competitive environment

The global markets for the Semperit Group's products are highly competitive in terms of pricing, product and service quality, production technology, product development and introduction times, customer service and financing conditions, and shifts in market needs. The Semperit Group is confronted with strong competitors, partially also from emerging countries, which have a more favourable cost structure. Some industries in which the Semperit Group operates are undergoing consolidation, which could lead to increased competition and a change in the relative market position of the Semperit Group. Furthermore, it must be noted that suppliers are also increasingly becoming serious competitors for the Semperit Group. In order to further strengthen the competitiveness of the Semperit Group, projects to strengthen innovative power, reduce costs, improve efficiency, reduce waste and maintain sustainable energy management are being implemented within the Group.

Economic, political and geopolitical framework conditions

From the Semperit Group's perspective there is currently a high level of insecurity regarding the future development of the global economy. There is a risk that the global economic climate, particularly due to the global corona pandemic, will recover more slowly than expected and that the negative impact particularly in Asia, Europe and the USA will continue. A slowdown in economic growth in Asia or even a collapse of the real estate market, the banking sector or the stock market represent further significant risks. In the euro zone, too, the cooling of the economic climate might continue. Another risk results from the United Kingdom's leaving the EU (Brexit). This could increase business volatility and represent risks for the financial markets. The investment climate could suffer a slump due to political upheavals, further independence movements in countries of the European Union or because of sustainable successes of protectionist parties and policies that are hostile to business and the EU.

A further intensification of the trade conflicts between the USA and China as well as USA and Russia and the consequences of a dispute with Iran could have negative effects on the business performance of the Semperit Group.

A terrorist attack or a series of such attacks in large economies could impair the global economic activity and cause the business climate to collapse. Further risks include political tensions, for example in Syria, Turkey, Ukraine, Russia, Iran and Egypt.

If the Semperit Group is not able to further adjust its production and cost structures appropriately in the current economic development, there is a risk of a negative impact on the asset, financial and earnings position of the company. For example, the financing options of the customers could deteriorate. As a result, intended purchases of the company's products could be changed, delayed or dropped, or purchases or contracts that have been commenced could not be completed. Moreover, the margins on Semperit products could drop to a greater extent than the Semperit Group can currently foresee. In addition, contractual terms of payment could change to the disadvantage of Semperit, which could lead to negative effects on the company's financial position.

Internal Control System (ICS)

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

The following principles form the basis of the ICS:
- Recognition of potential operating risks and making losses visible that have already occurred
- Protection of property
- Improvement in operating effectiveness
- Ensuring the accuracy of accounting and reporting
- Compliance with internal regulations (limits of authority) and external laws and regulations
- Auditability by independent experts
- Ensuring adequate implementation and segregation of duties
- Ensuring the controls provided in the process

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

Essential characteristics of the internal control and risk management system with regard to the financial reporting process

The key points of the existing internal control system and the risk management system with regard to the (corporate) financial reporting process are summarised as follows:
- With regard to the financial reporting process, the functions of accounting are separated from other areas of responsibility such as treasury.
- The applied financial systems are protected against unauthorised access by appropriate IT facilities.
- With regard to applied financial systems, standard software is widely used.
- A guideline system (e.g., accounting guidelines, payment guidelines) has been implemented.
- Received or forwarded accounting data will be examined for completeness and correctness, e.g. by means of random samples, by the responsible persons.
- The dual-control-principle is applied in accounting-related processes.
- Accounting-related processes are examined on a random basis by internal audit.

Opportunities

In addition to monitoring the risks for the company, it is an essential part of the management's tasks to identify relevant opportunities in good time and to use them optimally for the company.

In the short to medium term – depending on the further course of the corona pandemic and the increased demand for protective equipment resulting from it, both in the Medical Sector and in other areas (e.g., in gastronomy and the hotel industry) – there are further opportunities for the Medical Sector of the Semperit Group. In the long term, the management sees great potential in the Industrial Sector as part of the strategic realignment of the Semperit Group and therefore in the transformation of the company into an industrial rubber specialist. The Industrial Sector is generally characterised by significantly higher profitability, a more successful performance and the possibility of technological differentiation in regional and application-related niches. The potential in the Industrial Sector will be better utilised in the future through a significant increase in customer proximity, a more market-oriented alignment of the entire organisation, increased focus on regions, especially America, as well as on industries. The goal is to be able to serve existing and future markets faster and more effectively.

In the short term, the current situation in the Medical Sector, caused by the corona crisis, results in earnings potential, as profitability in this special economic situation is significantly above normal levels. This earnings potential offers the opportunity to further strengthen the financial power of the Semperit Group and to better support future organic and inorganic growth.

Outlook

The recessive economic development since 2019 and the effects of the corona crisis led to opposing developments in the Industrial and Medical Sectors: In the medical protective gloves business, a significant increase in demand and a sharp rise in prices have been observed since the outbreak of the corona pandemic, while the industrial segments were negatively impacted by the effects of the corona pandemic.

The effects of the global pandemic are partially considered to be of limited sustainability: a permanently changed understanding of hygiene will be confronted with a significantly increasing intensity of competition and costs from 2022/2023 onwards. For this reason, the fundamental strategic decision of 28 January 2020, according to which Semperit will focus on the industrial rubber business in the future and separate from the medical business, is still valid, regardless of the developments observed in the wake of the corona crisis. However, the implementation of this decision is delayed because there is currently no reason to implement the separation from an economic point of view: the temporary goal is to benefit from the attractive profit contributions from the medical business as long and as comprehensively as possible. When determining the optimal time for the separation, the highest possible value maximisation is aimed for.

The Industrial Sector was hit by the global recession, whose effects have worsened in recent months due to the corona crisis. Towards the end of 2020, however, the first positive signs were already perceptible again. A noticeable recovery of the markets in the Industrial Sector is expected for 2021.

The continuing effects of the corona pandemic still have a positive impact on the demand and price of medical products. Even if the currently very slow vaccination campaigns are expanded on a broad scale in the foreseeable future, this development is expected to continue well into 2021. The management is therefore very confident that the pandemic-related positive effects in the medical business will continue.

At the same time, the Semperit management continues to monitor the situation very closely. The greatest threat is that a critical number of employees in key areas of the value chain at one location may not be available due to infection with the coronavirus. In the Industrial Sector, the greatest discernible risk comes from potential slumps in demand and a slower-than-expected recovery after the economic downturn. In the Medical Sector, the current positive development may be slowed down by the market entry of new competitors or the significant capacity expansion of existing competitors. Ensuring the availability of raw materials and maintaining the corresponding logistics conditions – especially container capacities – depends on external factors and is subject to permanent monitoring of the Semperit Group's purchasing organisation. Price developments are closely monitored, as market-driven price increases can sometimes not be passed on, or only with a time lag.

Following the successful completion of the restructuring measures, which have led to significant improvements at various levels over the past three years, the consistent continuation of the cost reduction programme newly initiated in 2020 is another focus of the management for the current financial year, which will release further earnings potential. In addition, there will be systematic continuous improvement in all areas of the company, which should further promote the competitiveness and sustainability of the Semperit Group.

Against this backdrop and assuming continued uninterrupted availability of raw materials and containers, it is expected based on current figures that the 2020 result could be significantly exceeded in the current year.

At the 2021 Annual General Meeting, the Executive Board will propose a dividend of EUR 1.50 per share for approval. In total, EUR 30.8 million will be distributed. In addition, the Executive Board of Semperit AG Holding plans to fully repay the outstanding hybrid capital of EUR 30.0 million provided by the core shareholder B & C Holding Österreich GmbH by April 2021 at the latest.

Note

This outlook is based on the assessments of the Executive Board as of 17 March 2021 and does not take into account the impact of potential acquisitions, divestments or other unforeseeable structural and economic changes during the remainder of 2021. These assessments are subject to both known and unknown risks and uncertainties, which may result in actual events and outcomes differing from the statements made here.

Vienna, 17 March 2021

The Executive Board

Dr Martin Füllenbach
CEO

Gabriele Schallegger
CFO

Kristian Brok
COO

Consolidated Financial Statements

Consolidated income statement

in EUR thousand	Note	2020	2019
Revenue	2.2	927,616	840,568
Changes in inventories		6,100	–15,121
Own work capitalised		3,519	2,603
Operating revenue		**937,236**	**828,050**
Other operating income	2.3	7,189	8,020
Cost of material and purchased services	2.4	–431,401	–465,653
Personnel expenses	2.5	–209,772	–196,696
Other operating expenses	2.6	–95,264	–106,346
Share of profits from associated companies	3.4	566	462
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2.1**	**208,554**	**67,837**
Depreciation and amortisation of tangible and intangible assets	3.1, 3.2	–37,258	–34,422
Impairment of tangible and intangible assets	3.1, 3.2	–19,848	–49,898
Reversal of impairment of tangible and intangible assets	3.1, 3.2	86,353	0
Earnings before interest and tax (EBIT)	**2.1**	**237,800**	**–16,483**
Finance income	2.7	429	946
Finance expenses	2.7	–5,412	–8,327
Profit / loss attributable to redeemable non-controlling interests	2.7	–4,377	–4,067
Other financial result	2.7	723	–1,712
Financial result		**–8,638**	**–13,160**
Earnings before tax		**229,163**	**–29,643**
Income taxes	2.8	–34,573	–15,277
Earnings after tax		**194,590**	**–44,920**
thereof attributable to the shareholders of Semperit AG Holding – from ordinary shares	2.9	186,364	–51,419
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	2.9	6,478	6,938
thereof attributable to non-controlling interests	2.9	1,747	–439
Earnings per share in EUR (diluted and undiluted)[1)]	**2.9**	**9.06**	**–2.50**

[1)] The earnings per share is solely attributable to the ordinary shareholders of Semperit AG Holding (excl. interest from hybrid capital).

Consolidated statement of comprehensive income

in EUR thousand	Note	2020	2019
Earnings after tax		**194,590**	**–44,920**
Other comprehensive income that will not be recognised through profit and loss in future periods		**–2,091**	**–1,902**
Remeasurements of defined benefit plans	7.1	–2,187	–2,073
thereof related to income tax	9	97	171
Other comprehensive income that will be recognised through profit and loss in future periods		**–24,210**	**1,345**
Valuation results from cashflow hedges	5.1	–97	491
thereof reclassification to profit / loss for the period		1,744	104
Currency translation differences	5.1	–24,281	979
thereof reclassification to profit / loss for the period		–88	0
thereof related to income tax	9	168	–124
Other comprehensive income		**–26,301**	**–557**
Comprehensive income		**168,289**	**–45,477**
thereof on earnings attributable to the shareholders of Semperit AG Holding – from ordinary shares		160,168	–51,967
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital		6,478	6,938
thereof on earnings attributable to non-controlling interests		1,642	–448

Consolidated cash flow statement

in EUR thousand	Note	2020	2019
Earnings before tax		229,163	–29,643
Depreciation, amortisation, impairment and reversal of impairment of tangible and intangible assets	3.1, 3.2	–29,247	84,320
Profit / loss from disposal of assets (including current and non-current financial assets)		–411	–1,148
Change in non-current provisions	7	977	–5,163
Share of profits from associated companies	3.4	–566	–462
Dividends received from associated companies	3.4	0	750
Profit / loss attributable to redeemable non-controlling interests	6.1	4,377	4,067
Net interest income (including income from securities)		5,061	7,526
Taxes paid on income	2.8	–14,255	–6,216
Other non-cash expense/income		–1,379	–7,288
Gross cashflow		**193,721**	**46,742**
Change in inventories	4.1	–26,994	34,531
Change in trade receivables	4.2	–9,391	9,829
Change in other receivables and assets	3.3, 6.5, 8.1	1,037	2,510
Change in trade payables	4.3	17,640	–2,826
Change in other liabilities and current provisions	6.3, 7, 8.2	16,846	–610
Cashflow from operating activities		**192,858**	**90,176**
Proceeds from sale of property, plant and equipments		5,572	1,530
Proceeds from the repayment of financial assets		563	0
Cash outflows for additions in tangible and intangible assets	2.10	–26,396	–31,870
Proceeds from sale of associated companies	3.4	3,250	0
Interest received		334	957
Cashflow from investing activities		**–16,678**	**–29,384**
Repayment of current and non-current financial liabilities	2.10, 6.2	–40,706	–20,969
Repayment of lease liabilities		–3,097	–2,668
Dividends to (redeemable) non-controlling shareholders of subsidiaries	5.3, 6.1	–3,892	–675
Acquisition of non-controlling interests	5.3	–3	–6
Repayments of hybrid capital	5.2	–100,000	0
Coupon payments on hybrid capital	2.9, 5.2	–7,802	–10,545
Interest paid		–5,786	–8,571
Cashflow from financing activities		**–161,285**	**–43,433**
Net increase / decrease in cash and cash equivalents		**14,896**	**17,359**
Currency translation differences		–11,281	2,448
Cash and cash equivalents at the beginning of the period		141,356	121,549
Cash and cash equivalents at the end of the period	**6.6**	**144,972**	**141,356**

Consolidated balance sheet

in EUR thousand	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	3.1	7,567	8,071
Property, plant and equipment	3.2	340,179	294,544
Investments in associated companies	3.4	0	2,375
Other financial assets	3.3	7,137	7,965
Other assets	8.1	3,121	4,350
Deferred taxes	9	5,500	3,212
		363,504	**320,517**
Current assets			
Inventories	4.1	141,124	122,157
Trade receivables	4.2	99,318	94,555
Other financial assets	3.3, 6.5	2,136	2,816
Other assets	8.1	12,469	13,654
Current tax receivables		113	1,017
Cash and cash equivalents	6.6	144,972	141,356
		400,132	**375,556**
Non-current assets held for sale	**3.4**	**764**	**5,709**
		400,896	**381,265**
ASSETS		**764,400**	**701,782**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.1	21,359	21,359
Capital reserves	5.1	21,503	21,503
Hybrid capital	5.2	30,000	130,000
Revenue reserves	5.1	294,886	111,865
Currency translation reserve	5.1	–35,483	–11,307
Equity attributable to the shareholders of Semperit AG Holding		**332,266**	**273,420**
Non-controlling interests	5.3	2,331	691
		334,597	**274,111**
Non-current provisions and liabilities			
Provisions	7	47,155	45,110
Liabilities from redeemable non-controlling interests	6.1	16,607	18,457
Financial liabilities	6.2	85,257	173,763
Trade payables	4.3	12	127
Other financial liabilities	6.3	3,517	7,073
Other liabilities		269	183
Deferred taxes	9	10,196	10,323
		163,013	**255,037**
Current provisions and liabilities			
Provisions	7	29,399	22,316
Liabilities from redeemable non-controlling interests	6.1	795	0
Financial liabilities	6.2	81,836	41,050
Trade payables	4.3	77,677	61,513
Other financial liabilities	6.3	15,807	15,161
Other liabilities		37,703	28,702
Current tax liabilities		23,572	3,892
		266,789	**172,634**
EQUITY AND LIABILITIES		**764,400**	**701,782**

Consolidated statement of the changes in equity

in EUR thousand	Note	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Currency translation reserve	Total	Non-controlling interests	Total equity
As at 01.01.2019		**21,359**	**21,503**	**130,000**	**168,925**	**–12,294**	**329,494**	**904**	**330,398**
Earnings after tax		0	0	0	–44,481	0	–44,481	–439	–44,920
Other comprehensive income		0	0	0	–1,536	988	–548	–9	–557
Comprehensive income		0	0	0	–46,017	988	–45,029	–448	–45,477
Dividend		0	0	0	0	0	0	–259	–259
Coupon payments on hybrid capital	2.9, 5.2	0	0	0	–10,545	0	–10,545	0	–10,545
Acquisition of non-controlling interests	5.3	0	0	0	–499	–1	–500	494	–6
As at 31.12.2019		**21,359**	**21,503**	**130,000**	**111,865**	**–11,307**	**273,421**	**691**	**274,111**
As at 01.01.2020		**21,359**	**21,503**	**130,000**	**111,865**	**–11,307**	**273,421**	**691**	**274,111**
Earnings after tax		0	0	0	192,843	0	192,843	1,747	194,590
Other comprehensive income		0	0	0	–2,020	–24,176	–26,196	–105	–26,301
Comprehensive income		0	0	0	190,822	–24,176	166,647	1,642	168,289
Coupon payments on hybrid capital	2.9, 5.2	0	0	0	–7,802	0	–7,802	0	–7,802
Repayments of hybrid capital	5.2	0	0	–100,000	0	0	–100,000	0	–100,000
Acquisition of non-controlling interests	5.3	0	0	0	0	0	0	–2	–2
As at 31.12.2020		**21,359**	**21,503**	**30,000**	**294,886**	**–35,483**	**332,266**	**2,331**	**334,597**

Notes to the consolidated statement

1. General

1.1. General information
Semperit Aktiengesellschaft Holding (hereinafter Semperit AG Holding), a joint stock company under Austrian law, is an international industrial corporation listed on the stock exchange. It is domiciled at Modecenterstrasse 22, 1031 Vienna, Austria and it develops, produces and sells highly specialised rubber products for the medical and industrial sectors. B&C KB Holding GmbH is the direct majority shareholder of Semperit AG Holding, and B&C Privatstiftung is the dominant legal entity. Business activities are divided into five business segments: Sempermed, Semperflex, Sempertrans, Semperform and Semperseal. Please see Chapter 2.1 for further information on the business segments.

1.2. Basic compilation principles
The consolidated financial statements as at 31 December 2020 were compiled in accordance with Section 245a of the Austrian Company Code (UGB) and the International Financial Reporting Standards (IFRS), which are binding within the European Union (EU). The financial year comprises the period from 1 January to 31 December. The consolidated financial statements were prepared on 17 March 2021 and approved for communication to the Supervisory Board.

The reporting currency is the euro, with figures rounded to the nearest thousand, unless expressly stated otherwise. Rounding differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

With the exception of valuations of certain financial instruments, as well as reserves and taxes carried forward, the consolidated financial statements were compiled on the basis of amortized acquisition or production costs. Securities as well as derivative financial instruments are measured at fair value. The three levels in the fair value hierarchy are defined as follows:

Level 1: measurement based on quoted prices on an active market for a specific financial instrument.

Level 2: measurement based on quoted market prices for similar instruments or on the basis of valuation models based exclusively on inputs that are observable on the market.

Level 3: measurement based on models with significant inputs that are not observable on the market.

In the 2020 financial year, there were no reclassifications of financial instruments between the individual levels.

The amount of provisions corresponds to the best possible estimate of expenses that are required to fulfil obligations as at the reporting date. Deferred taxes that are likely to be carried forward are calculated on the basis of the nominal amount, which consists of temporary differences between the IFRS and fiscal accounting principles based on the tax rate that is likely to be applied.

1.3. Principles of consolidation
The consolidated financial statements consist of the parent company's financial statement and the statements of its subsidiaries. The subsidiaries' statements shall be included in the consolidated financial statements at the date in which they are under the control of the parent and until the date when this control ends. Additionally, the consolidated financial statements include profit or loss components of companies that have been accounted for according to the equity method as from the date on which significant influence or joint control is being exerted and until the date on which such influence or such control ends.

The consolidation of capital occurs through the offsetting of the acquisition costs of the holding in the subsidiary and of the costs incurred on the interest of such subsidiary's equity. In the context of debt consolidation, receivables and liabilities shall be offset between the companies that are part of the fully consolidated group. Foreign currency differences are reported in the other financial results. Within the scope of expense and income elimination, all expenses and income from transactions within the group, such as trade receivables, group financing or the payment of dividends, shall be offset against one another. Foreign exchange differences are reported under cost of materials, other operating expenses or other financial result depending on the underlying transaction. Furthermore, interim results from trade receivables within the group shall be eliminated.

For further information on the scope of consolidation, please see Chapters 10.1 to 10.3.

Currency translation

Assets and liabilities, including goodwill from subsidiaries included in the consolidated financial statements, whose functional currency is not the euro, are converted at the exchange mid-rate as at the reporting date. Items included in the consolidated income statement and other comprehensive income are converted using the arithmetic mean of the mid-rate for that financial year. The reference rates of the European Central Bank (ECB) are in general used for the currency translation. The differences in currency resulting from the conversion of the subsidiaries' statements shall be recorded in the consolidated financial statements under other comprehensive income in the currency translation reserve; if such subsidiaries are sold or otherwise divested, these differences shall be reclassified under profit or loss.

Pursuant to IAS 21, some subsidiaries have mixed factors and indicators for the determination of their functional currency. In the case of the following subsidiaries, the management's judgemental decision as to their attributes leads to the use of a functional currency differing from that of the national currency:

- Semperit Investments Asia Pte Ltd., Singapore (USD)
- Semperit Industrial Products Singapore Pte Ltd., Singapore (USD)
- Sempermed Singapore Pte Ltd., Singapore (USD)
- Sempermed Kft., Sopron, Hungary (EUR)

In the case of Semperflex Optimit s.r.o., Czech Republic and Sempertrans Bełchatów sp. z o.o., Poland, the assessment of the (mixed) factors and indicators on the determination of the functional currency results in a decision to use the national currency as the functional currency.

1.4. Judgements and estimation uncertainties

Judgemental decisions

The accounting standards laid out by the IFRS allow users various implicit and explicit decision-making options. Therefore, the application of the accounting standards is subject to the management's unfettered discretion, which can have a significant impact on the amounts that appear in the statement. The following judgemental decisions taken by management have a significant impact on these consolidated financial statements:

- Hybrid capital (see Chapter 5.2): Differentiation between equity and borrowed capital (perpetual bond) and the resulting difference between interest and dividend payments

- Fully consolidated companies (see Chapter 10.2): Assessment of whether there is (no) control over a subsidiary
- Treatment of minority interests in subsidiaries with cancellation options (see Chapters 6.1 and 10.2)
- Determination of subsidiaries' functional currency (see Chapter 1.3)
- Term of lease agreements: assessment of whether there is sufficient certainty that renewal or termination options can be exercised; determination of any economic disadvantages resulting from early termination (see Chapter 3.2)

Significant estimates and assumptions

For the compilation of the consolidated financial statements, management is required to make estimates and assumptions about future developments that will have an impact on the following: inclusion and valuation of assets and liabilities reported in the balance sheet, information on other obligations as at the reporting date, and the declaration of income and expenses incurred during the financial year. The ultimately incurred amounts may deviate from the amounts reported on the basis of such estimates and assumptions. Estimates and underlying assumptions shall be evaluated regularly and adjusted as necessary.

The following estimates have been made, with additional disclosures on each estimate included under the item in question:

- Intangible assets: the annual goodwill impairment test (see Chapter 3.1)
- Intangible assets and property, plant and equipment: Determination of assets' useful life when such assets have a particular useful life (see Chapters 3.1 and 3.2)
- Intangible assets and property, plant and equipment: impairment test of assets as needed on a case-by-case basis in the Sempermed and Sempertrans segments (see Chapter 3.2)
- Deferred tax assets: availability of earnings to be taxed in future, against which tax loss carry-forwards and not yet used or tax credits can be offset (see Chapters 9 and 12.2)
- Tax uncertainties: recognition and measurement of current and deferred income taxes in cases where there is uncertainty regarding the amount of income taxes payable (eligible for reimbursement) (see Chapter 9)
- Inventories: determination of the net realisable values within the scope of the inventory valuation (see Chapter 4.1)
- Trade receivables: determination of valuation allowances (see Chapter 4.2)
- Personnel provisions: valuation of provisions for pensions, severance payments and long-service bonuses (see Chapters 7.1 and 7.2)
- Other provisions: significant assumptions regarding the probability of occurrence and its extent (see Chapter 7.2)
- Financial instruments: determination of the fair values for which no active market is available (see Chapter 6.4)
- Purchase price allocations: determination of fair values for assets and liabilities within the scope of business combinations (see Chapter 12.3)

1.5. New and amended accounting standards

The following new/amended standards and interpretations were applicable for the first time in the 2020 financial year:

		Endorsement	Mandatory application for the Semperit Group	Effects on the Semperit-Group
New standards and interpretations				
None				
Amended standards				
IFRS 3	Amendments to Business Combinations: Definition of a business	21 April 2020	1 January 2020	no
IAS 1/8	Amendments to the definition of materiality	29 November 2019	1 January 2020	no
Miscellaneous	Amendments to References to the Conceptual Framework in IFRS Standards	29 November 2019	1 January 2020	no
Miscellaneous	Amendments to IFRS 9, IAS 38 and IFRS 7: Interest Rate Benchmark Reform	15 January 2020	1 January 2020	no

The following new/amended standards and interpretations will have to be applied in future:

		Endorsement	Mandatory application for the Semperit Group	Effects on the Semperit-Group
New standards and interpretations				
IFRS 17	Insurance Contracts	open	1 January 2023	no
Amended standards				
IFRS 16	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	9 October 2020	1 January 2021	no
IFRS 4	Amendments to insurance contracts: postponement of the expiry date of the deferral approach of IFRS 9	15 December 2020	1 January 2021	no
Miscellaneous	Amendments to IFRS 9, IAS 39 and IFRS 7: reform of LIBOR and other reference interest rates (IBOR reform) – Phase 2	13 January 2021	1 January 2021	no
Miscellaneous	Amendments to IFRS 3, IAS 16 and IAS 37	open	1 January 2022	no
Miscellaneous	Annual improvements to IFRS, cycle 2018 – 2020	open	1 January 2022	no
IAS 1	Amendments to the presentation of the financial statement: classification of liabilities as current or non-current	open	1 January 2023	no
IAS 1	Amendments to the presentation of the financial statement: disclosure of accounting standards	open	1 January 2023	no
IAS 8	Amendments to accounting policies, amendments to accounting estimates and errors: definition of accounting estimates	open	1 January 2023	no

2. Performance

2.1. Segment reporting

In accordance with IFRS 8, segment reporting takes place in line with internal reporting to Semperit AG Holding's whole Managing Board as the responsible Chief Operating Decision Maker. It decides on the allocation of resources to the business segments.

The segments were determined on the basis of product groups. They are taxed separately and correspond to Semperit Group's business activities. As at 31 December 2020, the Semperit Group has five reportable segments for the first time, after the former segment Semperform was split into the two business segments Semperseal and Semperform on 1 January 2020. The previous year's segment reporting has been adjusted accordingly.

- **Sempermed:** The Sempermed segment produces gloves by means of dipping technology, sells and trades gloves worldwide. The product portfolio encompasses gloves for examinations and operations in the medical sector as well as protective gloves for the industrial, commercial and private sectors. The Semperit Group will focus on the industrial segments in the future as part of the strategic realignment. As a consequence, the Management Board and Supervisory Board decided on 28 January 2020 to divest itself of the Sempermed segment. However, the requirements for disclosure as a discontinued operation have not (yet) fulfilled as at either 31 December 2020 or 31 December 2019.

- **Semperflex:** The Semperflex segment develops, produces and sells low-pressure and high-pressure hoses worldwide. They are used in the construction and transport industries, in mines as well as in farming equipment. These hoses are made using either fabric (industrial hoses) or metal wiring (hydraulic hoses) for reinforcement.

- **Sempertrans**: The Sempertrans segment develops, produces and sells transport and conveyor belts worldwide. Transport and conveyor belts are used in mining, in the steel industry, the cement industry, in power plants as well as in civil engineering and the transport industry. In order to ensure that the respective industry's requirements are met in an optimal manner, the belts are reinforced with either textile or steel cord carcasses.

- **Semperform**: The segment develops, produces and sells escalator handrails, rubber sheaves and wheels for ropeways, vibration-dampening foils for skis and snowboards as well as customised injection moulding and extrusion parts with isolating or dampening functions.

- **Semperseal**: The Semperseal segment develops, produces and sells sealing profiles for the construction industry, other industrial applications as well as elastomer and wear-resistant sheeting.

The methods used to calculate the balance sheet and valuation figures for each segment are identical to those used for the Semperit Group's balance sheet and valuations. The segment result is its EBITDA. It is this result that is reported to the Management Board for the purposes of allocating resources and performance measurement. The trade working capital and additions to property, plant and equipment and intangible assets are reported to the Management Board as key indicators of the segment's assets.

Segmentation according to business areas

Segmentation according to business areas is in line with management and reporting policies within the Group.

2020 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperseal	Semperform	Corporate Center	Group Eliminations	Total
Revenue	449,179	189,887	113,139	93,631	81,780	0	0	927,616
Share of profits from associated companies	566	0	0	0	0	0	0	566
EBITDA	150,350	41,922	8,703	11,029	14,958	–18,410	0	208,554
EBIT	224,852	30,927	–14,885	5,140	11,267	–19,500	0	237,800
Depreciation and amortisation of tangible and intangible assets	–11,673	–11,174	–3,740	–5,890	–3,691	–1,090	0	–37,258
Impairments of tangible and intangible assets	0	0	–19,848	0	0	0	0	–19,848
Reversal of impairment of tangible and intangible assets	86,174	178	0	0	0	0	0	86,353
Trade Working Capital	80,385	42,723	15,954	12,599	13,574	–2,469	0	162,766
Additions to tangible and intangible assets[1]	4,995	5,085	4,596	9,240	3,576	983	0	28,475

[1] Excluding right-of-use assets according to IFRS 16

Impairment losses and their reversals are outlined in Chapters 3.1 and 3.2 respectively.

2019 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperseal	Semperform	Corporate Center	Group Eliminations	Total
Revenue	293,332	222,666	133,981	99,466	91,123	0	0	840,568
Share of profits from associated companies	462	0	0	0	0	0	0	462
EBITDA	5,471	47,946	13,507	10,449	15,559	–25,250	155	67,837
EBIT	–50,185	35,989	8,918	4,001	11,967	–27,328	155	–16,483
Depreciation and amortisation of tangible and intangible assets	–6,878	–11,957	–3,469	–6,448	–3,593	–2,078	0	–34,422
Impairments of tangible and intangible assets	–48,779	0	–1,119	0	0	0	0	–49,898
Trade Working Capital	57,211	43,981	29,198	11,713	16,806	–3,711	0	155,199
Additions to tangible and intangible assets[1]	8,048	10,173	4,723	4,682	3,168	561	0	31,355

[1] Exclusive rights-of-use in accordance with IFRS 16

The income and expenses of group companies involved in production and/or distribution in more than one segment are subdivided and allocated to the appropriate segments accordingly so that no further eliminations are necessary. The Corporate Center consists of Semperit AG Holding, which is not involved in operating activities, and those portions of a management company in China and a service company in Singapore that are allocated to the Corporate Center. Certain Corporate Center services are also provided by operating companies. Internal charges and allocations from the Corporate Center have already been attributed to the segments as much as possible.

The EBITDA that appears in the Total column corresponds to that of the Semperit Group's Consolidated income statement. For this reason, the reconciliation account for the earnings before income taxes can be found in the Consolidated income statement.

The trade working capital consists of inventories and trade receivables less current trade payables (see also Chapter 4).

Geographic Segmentation

The Group's business activities are conducted mainly in Europe, Asia and the Americas. In accordance with IFRS 8, the information on revenues is presented by customer location, and information on non-current assets and additions to property, plant and equipment and intangible assets is presented in line with the respective locations of the Semperit Group companies. Information on non-current assets does not include deferred tax assets, securities or investments in associated companies. Consolidating entries were made according to geographical region wherever possible. In the geographical segmentation, the United Kingdom (UK) was treated as part of the EU up until its exit from the EU at the end of the transitional period on 31 December 2020. Since 1 January 2021, the United Kingdom has ceased to belong to the EU's internal market and customs union.
The Semperit Group does not generate more than 10% of its revenues with any given external customer.

			2020			2019
in EUR thousand	Non-current assets	Additions to tangible and intangible assets[1)]	Revenue	Non-current assets	Additions to tangible and intangible assets[1)]	Revenue
Europe	241,710	22,511	636,341	262,664	20,788	579,548
thereof EU	241,710	22,511	562,384	262,664	20,788	523,924
thereof Austria	48,202	6,693	41,882	45,065	4,547	33,007
thereof EU excluding Austria	193,508	15,818	520,501	217,599	16,241	490,917
thereof rest of Europe	0	0	73,957	0	0	55,623
Asia	105,872	5,869	105,944	40,240	10,406	115,259
The Americas	3,722	89	161,814	5,441	159	129,885
Rest of the world	8	7	23,518	32	2	15,876
Group	**351,312**	**28,475**	**927,616**	**308,376**	**31,355**	**840,568**

[1)] Excluding right-of-use assets according to IFRS 16

2.2. Revenue

Revenues are recorded with the transaction prices of contractual obligations. Deductions are made for agreed rebates, bonuses, discounts and other similar revenue deductions as well as penalty fees and anticipated returns. These reductions in revenues are based on contractual agreements. All existing information and empirical values are taken into account in estimating the variable price components. The amount that is likely to be claimed based on the agreements or empirical values is generally accrued as a transaction price reduction; these estimates are updated regularly.

A refund liability is set up for potential returns and repayments to be expected, and this is based on contracts or empirical values from the last three years. Refund assets are recorded using the original carrying amount minus anticipated costs of receipt of the products; they are recognised in inventories.

The agreed transaction price is generally billed upon distribution. Revenue from deliveries is recognised in accordance with the Incoterm agreed for the delivery of the goods upon transfer of economic control to the customer. The payment terms normally granted are between 14 and 90 days.

For practical reasons, the revenue was not adjusted to the effects of a significant financing component if the period of time between fulfilment of the contractual obligation and payment by the customer is a maximum of one year. As in the previous year, no revenues were generated in the 2020 financial year from contracts containing a significant financing component and the period of time between fulfilment of the contractual obligation and payment by the customer is longer than one year.

Some contracts involve multiple component contracts that also include additional performance obligations such as services in addition to the sale of certain products. In accordance with IFRS 15, the consideration is split over the components in line with the relative individual transaction prices.

Contractually agreed guarantees that are an individual and definable contractual obligation will be recorded in profit and loss pro rata for the duration of the guarantee period upon delegation of the power of disposition over the product that was sold.

The costs of contract fulfilment consist of tool costs. The tools are capitalised in accordance with the provisions of IAS 16 property, plant and equipment and depreciated over a useful life of one to ten years. These tools are matched by contract liabilities that are recorded in the revenue, spread over the useful life of the tools.

The costs of contract initiation are capitalised in cases where the contractual terms exceed 12 months, provided that these costs are material. As in the previous year, there were also no cases where this was applied in the 2020 financial year.

Revenue from contracts with customers is broken down by segment and geographical region as follows:

in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-seal	Semper-form	Group
2020						
Western Europe	237,569	100,602	35,814	73,379	49,556	496,919
Eastern Europe	58,467	41,612	18,274	13,068	8,002	139,422
North America	84,993	23,572	17,981	6,385	3,373	136,303
Asia	40,374	21,124	24,328	787	19,331	105,944
Central and South America	14,748	1,412	8,174	13	1,162	25,510
Australia	10,423	395	4,320	0	40	15,178
Africa	2,605	1,171	4,247	0	316	8,339
Revenue	**449,179**	**189,887**	**113,139**	**93,631**	**81,780**	**927,616**

in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-seal	Semper-form	Group
2019						
Western Europe	153,272	120,715	32,671	79,726	55,695	442,079
Eastern Europe	35,139	46,997	32,540	13,788	9,004	137,469
North America	58,294	29,553	13,464	5,609	3,977	110,897
Asia	29,444	21,020	43,788	214	20,793	115,259
Central and South America	10,763	2,856	4,138	130	1,101	18,988
Australia	3,855	264	1,709	0	91	5,919
Africa	2,565	1,260	5,671	0	462	9,958
Revenue	**293,332**	**222,666**	**133,981**	**99,467**	**91,123**	**840,568**

2.3. Other operating income

in EUR thousand	2020	2019
Insurance claims	429	2,899
Income from the sale of property, plant and equipment	409	1,364
Sale of by-products and waste materials	383	473
Rental income	225	234
Research grants	827	704
Other	4,917	2,346
Total	**7,189**	**8,020**

The remaining other operating income in the period under review includes government grants in the amount of EUR 2,344 thousand that the Semperit Group received in the form of support payments (e.g. grants for short-time working, subsidies from career support schemes for disadvantaged people, etc.) in the 2020 financial year in the wake of the coronavirus crisis. The grants were made in Austria, Poland, Singapore, Malaysia, UK, France and Germany.

Income from the sale of property, plant and equipment in the comparable period included income in the amount of EUR 1,288 thousand from the sale of property, plant and equipment from the production site of Sempertrans Best (ShanDong) Belting Co. Ltd. (SBB), which was closed in 2018.

2.4. Cost of material and purchased services

in EUR thousand	2020	2019
Cost of materials	363,172	398,084
Energy expenses	52,210	51,169
Production-related maintenance costs	8,309	9,511
Purchased services	7,710	6,889
Total	**431,401**	**465,653**

2.5. Personnel expenses

in EUR thousand	2020	2019
Wages	76,911	76,348
Salaries	88,519	79,846
Severance payments	1,778	1,502
Retirement benefit expenses	1,138	1,227
Statutory social security expenses and other compulsory wage-related payments	32,642	32,151
Other social security expenses	8,784	5,622
Total	**209,772**	**196,696**

In the 2020 financial year, research and development expenses amounted to approximately EUR 14,700 thousand (previous year: EUR 15,520 thousand); these are attributable in particular to personnel expenses. The personnel expenses also include the costs for temporary staff. The average number of external personnel in the 2020 financial year was 263 employees (previous year: 584). Please refer to Chapter 12.1 for further information on the remuneration of members of the Management Board.

In Austria, the average number of employees was 874 (previous year: 896). The average number of employees in the Semperit Group is broken down as follows:

in full-time equivalent	2020	2019
Blue-collar workers	5,292	5,251
White-collar workers	1,679	1,716
Total	**6,972**	**6,967**

2.6. Other operating expenses

in EUR thousand	2020	2019
Outgoing freight	31,081	31,529
Maintenance and services	12,674	10,709
Legal, consulting and auditing fees	11,183	20,575
Insurance premiums	4,864	4,515
Software licence expenses	3,568	3,049
Complaint costs	3,272	2,863
Commission and advertising expenses	3,267	4,737
Travel expenses	2,430	7,379
Waste disposal	2,178	2,081
Rental and lease expenses	2,121	2,274
Energy costs not for production	1,952	2,321
Other taxes	1,938	–1,093
Office equipment	1,149	1,117
Communications	1,027	1,243
Fees, subscriptions and donations	953	1,197
Bank expenses	527	492
Training and education expenditures	512	1,469
Valuation allowance	370	257
Other	10,196	9,628
Total	**95,264**	**106,346**

In the 2019 financial year, the consulting fees included, in particular, costs for strategic projects in connection with the fundamental strategic decision to separate from the medical sector and the 'SemperGrowth200' growth strategy.

Income from other taxes in the 2019 financial year resulted from the release of a provision for tax proceedings relating to transaction taxes in Brazil for the assessment years 2008 to 2010.

Due to the coronavirus crisis in the 2020 financial year, the activity volume of sales representatives decreased, resulting in a drop in commission and advertising expenses. The coronavirus crisis also resulted in a reduction in travel and trip expenses.

The following fees were recorded as expenses for the services rendered in the 2020 financial year by the auditor of the consolidated financial statements, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., as well as the companies forming part of the global Ernst & Young network:

in EUR thousand	2020	2019
Auditing of consolidated financial statements and thereto related audit opinion	912	877
there of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	342	334
Other valuation and certification services	87	249
Other services	22	101
Total	**1,022**	**1,227**

2.7. Financial results

in EUR thousand	2020	2019
Finance income		
Income from securities	78	40
Interest and related income	351	906
	429	**946**
Finance expenses		
Interest expense	–5,412	–8,327
	–5,412	**–8,327**
Other financial result		
Net foreign exchange result	3,392	1,605
Net result from the valuation categories FVPL and FV – Hedging instruments	–2,305	–2,973
Other	–364	–344
Total	**723**	**–1,712**
Profit / loss attributable to redeemable non-controlling interests	**–4,377**	**–4,067**
Financial result	**–8,638**	**–13,160**

Interest expenses include expenses from lease liabilities in the amount of EUR 206 thousand (previous year: EUR 251 thousand).

The net earnings from financial assets from the valuation category AC (at cost - amortised cost) are categorised as follows:

in EUR thousand	2020	2019
Interest and related income	351	906
Valuation allowance	–370	–257
Net foreign exchange result	556	–3,800
Net result from the valuation category AC (at cost)	**536**	**–3,152**

The valuation allowances for financial assets at amortised cost are recorded under other operating expenses (see Chapter 2.6). These also include releases of valuation allowances of financial assets previously recorded in profit or loss at amortised cost.

In the 2020 financial year, the financial instruments in the valuation category FVPL (fair value through profit and loss) consist of foreign exchange forward contracts for hedging parts of the operational business at Semperflex Asia Corp. Ltd. in Thailand and for hedging intercompany financing at Latex Manufacturing Sdn Bhd in Malaysia (see Chapter 11.5). The cash flow hedge concerns the hedging of a corporate *Schuldschein* loan in Polish zlotys (PLN). The net earnings from financial instruments in the valuation category FVPL and FV – hedging instruments are categorized as follows:

in EUR thousand	2020	2019
Income from forward exchange transactions	56	230
Expenses from currency forwards	–689	–3,626
Income/expenses arising from the measurement and disposial of securities	137	366
Net result from the valuation category FVPL (Fair Value through Profit and Loss)	**–496**	**–3,031**

in EUR thousand	2020	2019
Cashflow Hedges – reclassified from OCI including costs of hedging reserve	–1,744	–104
Cashflow Hedges – ineffective portion of changes in fair value	–65	162
Net result from the valuation category FV – Hedging Instrument	**–1,809**	**58**

The underlying transaction for the cash flow hedge (valuation of corporate *Schuldschein* loan in Polish zlotys) results in an income in the amount of EUR 1,841 thousand.

Of the interest expenses contained in the financial result, EUR 5,412 thousand (previous year: EUR 8,327 thousand) is attributable to liabilities measured at amortised cost AC (at cost – at amortised cost). In the liabilities from redeemable non-controlling interests, the portion of the earnings recorded in the consolidated income statement in the amount of EUR 4,377 thousand (previous year: EUR 4,067 thousand) represents the interest expense.

The net exchange result from financial liabilities at amortised cost amounts to EUR 2,813 thousand (previous year: EUR –5,180 thousand).

2.8. Income taxes

The tax expense stated for the financial year includes the current taxes calculated for the individual group companies from taxable income and the tax rate applicable in the respective country as well as deferred taxes.

in EUR thousand	2020	2019
Current tax expense (+) / tax income (–)		
for the current period	31,195	10,979
for previous periods	5,271	0
Sum of current tax expense (+) / tax income (–)	**36,466**	**10,979**
Deferred tax expense (+) / tax income (–)		
from the origination or reversal of temporary differences	12,160	537
from value adjustment of tax loss carry-forwards, tax credits and temporary differences	–21,332	18,964
other deferred tax effects	7,279	–15,203
Sum of deferred tax expense (+) / tax income (–)	**–1,893**	**4,298**
Total	**34,573**	**15,277**

The increase in tax expense in the 2020 financial year is mainly due to the special economic developments and the resulting improvement in the result of the Sempermed segment.

Tax uncertainties with regard to the utilisation of tax loss carry-forwards was taken into consideration with corresponding deductions. In the 2020 financial year, the expense is included in the taxes from previous periods.

The reversal of the impairment in the Sempermed segment led to a reassessment of the recognition of deferred tax assets. The 2020 financial year includes income from deferred tax assets in the amount of EUR 2,583 thousand, as it is now expected that future taxable income in the subsidiaries attributable to Sempermed will allow the realisation of the deferred tax assets.

The impairment loss in the Sempertrans segment created deductible temporary differences, the recognition of which was supported by forecasts showing sufficient future taxable income. The 2020 financial year includes income from deferred tax assets of EUR 3,666 thousand in the subsidiaries attributable to the Sempertrans segment, which results from the impairment on the non-current segment assets (see Chapter 3.2).

In the course of the corona pandemic, governments granted various forms of tax relief. These included the carry-back of loss carry-forwards, more generous arrangements for deducting tax on expenses, prioritising the payment of tax refunds and reimbursing/deferring tax prepayments. In terms of their amount, however, these tax relief measures were of minor significance for the Semperit Group.

The change in the valuation allowance of tax loss carry-forwards, tax credits and temporary differences mainly includes a reassessment of the recoverability of as yet unused tax losses carried forward and tax credits from previous periods.

Please see Chapter 9 for information on the accounting and valuation methods, reconciliation of earnings and details on deferred taxes.

2.9. Earnings per share

in EUR		2020	2019
Earnings after tax	in EUR	194,589,978	–44,920,340
Result from hybrid capital attributable to the shareholders of Semperit AG Holding	in EUR	–6,478,356	–6,937,561
Result attributable to non-controlling interests	in EUR	–1,747,184	439,197
Results attributable to ordinary shares	**in EUR**	**186,364,438**	**–51,418,704**
Average number of shares issued	**in units**	**20,573,434**	**20,573,434**
Earnings per share (diluted and undiluted)	**in EUR**	**9.06**	**–2.50**

There were no dilution effects to be taken into account as at 31 December 2019 or 31 December 2020.

The earnings from hybrid capital attributable to the shareholders of Semperit AG Holding relate to "interest" accrued on the hybrid capital. Semperit AG Holding does not have to pay any "interest" on the hybrid capital. However, interest payments on the hybrid capital that are treated as dividend payments in accordance with IFRS must be made in particular if dividends are paid to shareholders or if management decides to pay 'interest' irrespective of any dividend payment. 'Interest' in the amount of EUR 7,802 thousand (previous year: EUR 10,545 thousand) was paid in the 2020 financial year.

2.10. Consolidated cash flow statement

The operating cash flow is prepared using the indirect method. The valuation effects are shown under the other cashless expenses or income. In particular, these include the gains and losses from currency translation, the valuation of derivatives, as well as the change in the valuation allowance of inventories and receivables. The cash flow from investing and financing activities are based on direct determination. Interest received are stated in the cash flow from investing activities, while interest paid are stated in the cash flow from financing activities.

The additions stated in the changes to intangible assets and property, plant and equipment (see Chapters 3.1 and 3.2) totalling EUR 28,475 thousand (previous year: EUR 30,199 thousand) include expenses of EUR 6,979 thousand (previous year: EUR 4,957 thousand) which did not yet result in any cash payments in the 2020 financial year.

In addition, prepayments for fixed assets in the amount of EUR 561 thousand (previous year: EUR 618 thousand) were made in the 2020 financial year.

The focus was placed primarily on investments aimed at maintaining capacity, with only a small portion being invested in the expansion and improvement of capacities. The largest investments were made at the production sites in Germany (EUR 7,190 thousand; previous year: EUR 2,491 thousand), Austria (EUR 5,789 thousand; previous year: EUR 4,187 thousand), Poland (EUR 4,471 thousand; previous year: EUR 7,445 thousand), Malaysia (EUR 3,736 thousand; previous year: EUR 9,782 thousand) and Czech Republik (EUR 1,766 thousand; previous year: EUR 4,941 thousand). A major portion of the investments in the German plants consists of deliveries of machinery for the future site expansion of the Semperseal segment in the USA.

The cash flow from financing activities includes in the financial liabilities item payments in the amount of EUR 34,990 thousand following the repayment of corporate *Schuldschein* loans (previous year: EUR 18,970 thousand).

Liabilities from financing activities

in EUR thousand	Financial liabilities	Liabilities from redeemable non-controlling interests	Derivative financial liabilities	Lease liabilities	Total
As at 01.01.2019	**234,233**	**13,376**	**1,727**	**9,304**	**258,640**
Financing cash flows	–29,540	–415	0	–2,668	–32,623
Effect of changes in foreign exchange rates	1,479	1,402	0	13	2,894
Changes in fair values	0	0	176	0	176
Other changes	8,640	4,094	0	1,957	14,691
As at 31.12.2019	**214,813**	**18,457**	**1,903**	**8,606**	**243,779**
As at 01.01.2020	**214,813**	**18,457**	**1,903**	**8,606**	**243,779**
Financing cash flows	–46,286	–3,892	0	–3,303	–53,481
Effect of changes in foreign exchange rates	–6,930	–1,540	0	–149	–8,619
Changes in fair values	0	0	1,733	0	1,733
Other changes	5,497	4,377	0	849	10,723
As at 31.12.2020	**167,093**	**17,403**	**3,636**	**6,004**	**194,135**

Other changes include interest expenses, the share of annual income after tax of redeemable non-controlling interests as well as cashless additions and disposals from leases.

3. Non-current assets

3.1. Intangible assets

Acquired intangible assets

Acquired intangible assets are recognised at cost. These are subsequently subject to scheduled straight line depreciation and amortisation over the expected useful life. The assumed useful life is generally within a range of one to ten years. Assumptions and estimates are made when determining useful lives.

Internally generated intangible assets

Internally generated intangible assets are recognised at cost of production. With respect to scheduled depreciation and amortisation the statements made on acquired intangible assets apply analogously. The internally generated intangible assets essentially include software and to a minor extent research and development costs that are eligible for capitalisation. The assumed useful life is generally within a range of two to eight years.

Intangible assets acquired as part of business combinations

In the case of intangible assets acquired as part of a business combination and recognised separately from any goodwill, the fair value at the relevant date of acquisition represents the costs of acquisition. With respect to scheduled depreciation and amortisation the statements made on acquired intangible assets apply analogously.

Emissions certificates

Semperit Technische Produkte Gesellschaft m.b.H. and Semperflex Optimit s.r.o. are subject to the respective Emission Certificates Acts in Austria [EZG Emissionszertifikatsgesetz] and the Czech Republic, and are awarded emissions certificates free of charge from the public sector. The emissions certificates are recognised at a cost of acquisition of zero in the balance sheet (net method). As in the previous year, there were no sales in the 2020 financial year.

Goodwill

Goodwill is not subject to scheduled amortisation but is instead subject to an annually recoverability test, and additionally, if there are circumstances that indicate potential impairment, provided that there are no circumstances which permit the annual impairment test to be omitted in accordance with IAS 36.

Within the Semperit Group, the segments represent the lowest level (cash generating unit, CGU) at which goodwill is monitored for internal management purposes.

The goodwill stated is distributed across the cash generating units as follows:

Cash generating unit in EUR thousand	31.12.2020	31.12.2019
Segment Semperflex	1,677	1,677
Segment Sempertrans	0	71
Total	**1,677**	**1,749**

The goodwill of the Sempertrans segment was fully depreciated in the 2020 financial year (see Chapter 3.2).

The impairment test confirmed the recoverable amount of the goodwill in the Semperflex segment as at 30 September 2020. The recoverable amount was calculated as value in use. The increased forecasting uncertainty caused by the corona pandemic was managed by considering alternative planning scenarios. The planning scenarios essentially differ in their assumptions about the different assessment of market developments in the first year of ist planning period.

The main assumptions used when determining the recoverable amount of the Semperflex segment relate to the future development of the EBITDA margin in view of the ongoing business slowdown expected in 2021. In the detailed planning phase, the margin is expected to gradually improve in order to achieve an EBITDA margin in the range of 19.2% to 21.7% in the perpetual annuity phase (i.e. from the 2026 financial year onwards). The EBITDA margin in the 2026 financial year differs depending on the planning scenarios. The planning is based on the management's assumptions regarding market development, the market shares for the Semperflex segment, and on strategic product and customer initiatives. Planned measures aimed at improving earnings that require an increase in capacity or an improvement in infrastructure as well as those that have not yet been specified to a sufficient extent, were not taken into account in determining the value in use. Investments in property, plant and equipment have the effect of sustaining capacities; they approximate to the scheduled depreciation. The changes in trade working capital were planned depending on sales revenues.

The cash flows after the 2026 financial year were extrapolated based on a sustainable growth rate of 0.75% (previous year: 0.75%). The growth rate reflected the competition and the price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. A uniform group of comparison companies (peer group) was imputed with this for the industrial sector (Semperflex, Sempertrans, Semperseal and Semperform segments). The discount rate before tax determined for the Semperflex segment is 10.9% (previous year: 10.6%). The capitalisation interest rate after tax stands at 8.8% (previous year: 8.2%).

The impairment test confirmed the recoverability of goodwill for the Semperflex segment.

Aside from goodwill the Semperit Group did not have any intangible assets with an undetermined useful life.

Development of intangible assets

The change in intangible assets is as follows:

in EUR thousand	Software licences, industrial property rights and similar rights	Goodwill	Intangible assets in development	Total
Acquisition costs				
As at 01.01.2019	**49,383**	**43,932**	**1,413**	**94,729**
Currency translation differences	432	13	0	445
Additions	512	0	416	929
Disposals	–790	0	–1	–791
Transfers	377	0	–794	–417
As at 31.12.2019	**49,914**	**43,946**	**1,035**	**94,895**
Currency translation differences	–1,088	12	0	–1,076
Additions	394	0	951	1,345
Disposals	–44	0	0	–44
Transfers	194	–29	–139	25
As at 31.12.2020	**49,370**	**43,929**	**1,846**	**95,145**
Depreciation / write-ups / impairment				
As at 01.01.2019	**40,610**	**42,184**	**0**	**82,794**
Currency translation differences	411	13	0	425
Depreciation and amortisation	4,068	0	0	4,068
Impairment loss	168	0	153	322
Disposals	–790	0	0	–790
Transfers	6	0	0	6
As at 31.12.2019	**44,474**	**42,197**	**153**	**86,824**
Currency translation differences	–1,045	12	0	–1,032
Depreciation and amortisation	1,925	0	0	1,925
Impairment loss	172	71	0	244
Write-ups	–159	0	–153	–312
Disposals	–41	0	0	–41
Transfers	0	–29	0	–29
As at 31.12.2020	**45,326**	**42,252**	**0**	**87,578**
Carrying amount				
Carrying amount 01.01.2019	8,773	1,749	1,413	11,935
Carrying amount 31.12.2019	5,441	1,749	881	8,071
Carrying amount 31.12.2020	**4,043**	**1,677**	**1,846**	**7,567**

In the 2020 financial year, impairment losses on intangible assets in the Sempertrans segment amounted to a total of EUR 244 thousand (previous year: EUR 0 thousand) attributable to software, licences, industrial property rights and similar rights, as well as goodwill. In the 2020 financial year, the Sempermed segment included a reversal of impairment in the amount of EUR 312 thousand on intangible assets (previous year: impairment loss in the amount of EUR 322 thousand). See Chapter 3.2 for more information on the impairment losses in the Sempertrans segment and on the write-up in the Sempermed segment.

3.2.Property, plant and equipment

Property, plant and equipment is measured at acquisition or production costs less cumulative depreciation and impairment.

Depreciation is calculated by distributing the acquisition or production costs less their expected residual values in a straight line over the expected useful life. Assumptions and estimates were required in determining the useful lives; these assumptions and estimates are reviewed at each reporting date and adjusted if necessary.

In the Sempermed segment, the estimate of the useful lives changed as a result of the higher capacity utilisation and increased profitability of the production plants caused by the coronavirus pandemic. A useful life until the end of the 2025 financial year is now generally assumed; the effects of this changed accounting estimate were then projected.

The expected useful lives assumed for each category of property, plant and equipment (property, plant and equipment) are within the following ranges:

Property, plant and equipment excluding use of right assets	Useful life in years
Land	n/a
Technical plants and other operational buildings	2–50
Technical equipment, plant and machinery	1–30
Office furniture and equipment	2–25
Vehicles	3–10

The assumed useful lives of the right-of-use assets contained within the property, plant and equipment (property, plant and equipment) lie within the following ranges:

Right-of-use assets	Useful life in years
Land and buildings, including on land owned by third parties	2–9
Technical equipment, plant and machinery	3–5
Office furniture and equipment	3–8
Vehicles	1–7

Impairment loss and reversal of impairment

Following indications of impairment, property, plant and equipment is reviewed to see whether the carrying amount of the asset or the relevant cash generating unit exceeds the recoverable amount in accordance with IAS 36. Impairment is recognised accordingly if the carrying amount is above the recoverable amount.Evaluation of recoverability and determination of the recoverable amount are subject to essential estimates and assumptions. These relate in particular to assumptions regarding corporate planning, future inflation and growth rates as well as foreign currency exchange rates, the capital cost rate for discounting future cash flows, the expected economic development of each individual cash generating unit as well as the separate recoverable amounts for individual assets as the lower limit of any impairment.

Right-of-use assets and lease liabilities were taken into account in the impairment test in accordance with IFRS 16. The right-of-use assets are allocated to the carrying amount of the cash-generating unit. Representing the total value of the cash-generating unit, the recoverable amount comprises, firstly, the present value of the cash flows including rental payments discounted with capital costs without effects from lease accounting; and secondly the fair value of the lease liability.

The outbreak of the coronavirus pandemic during a global economic cooldown meant that as at 30 June 2020 all the Semperit Group's segments had to be examined for any signs that the value of the segment's assets had changed. This examination resulted in the need for a reversal of an impairment loss in the Sempermed segment and a need for an allocation of impairment losses in the Sempertrans segment.

Impairment need in the Sempertrans segment

The Sempertrans segment is active in the production and sale of transport and conveyor belts that are used, for example, in mining for coal, ores and rare-earth metals, in the steel and cement industry, in civil engineering and in the transport industry. Sempertrans reinforces its belts with either textile or steel cord carcasses in order to meet the respective industry's requirements. The market for transport and conveyor belts is divided into the replacement business on the one hand and new or expansion projects on the other. The fastest-growing regions for this market are in China, Asia Pacific, Africa and Latin America, with expected annual growth rates (pre-coronavirus) of between 3.8% and 5.0% by the 2025 financial year. In terms of specific applications, there is particular potential for growth in the mining sector, for exploitation of ores and rare earth metals, as well as in the metal industry and waste management (recycling). Sempertrans's business with the plants in Bełchatów in Poland and Roha in India, are used to be focused primarily on the Western European market and coal mining. The restructuring and transformation process at Sempertrans over the past few years has also included gaining market share in growth regions (excluding China) and in applications for transport and conveyor belts that are set for a promising future. The successful progress made along this strategic path of development was slowed by the outbreak of the coronavirus pandemic, which is also likely to have a lasting impact on the timelines for its completion. The demand for mining products decreased as a result of the slump in downstream industries (especially the automotive and construction sectors), while the suspension of and strict limitations on mining activities reduced supply. In the second quarter of 2020, between 5% and 20% of all the world's mines were closed temporarily, hitting the replacement business for transport and conveyor belts particularly hard – a development that largely also continued in the second half of 2020. The suspensions and general uncertainty over the future of the mining industry led to major EPCM projects in the sector being postponed all over the world. This led to a reduction in incoming orders in the first half of 2020 (second quarter of 2020) compared with the same period of the previous year of around 32% (around 49%). Monthly incoming orders remained below the average for the previous 12 months on a rolling basis until the end of the 2020 financial year. Sempertrans managed to defend its market share in the second half of 2020, but prevailing circumstances have made gaining market share and making inroads into new areas of application much tougher. The problem was further exacerbated by the fact that the Indian plant lost 30 working days due to a lockdown. In view of the high case numbers in India, further lockdowns impacting the plant's production cannot be ruled out. The working time models at both the Indian and Polish plants were adjusted in line with the fall in demand.

Against this background, Sempertrans management determined the recoverable amount for the segment's cash-generating unit as at 30 June 2020. The recoverable amount was determined as the value in use based on updated medium-term planning and using a discounted cash flow (DCF) model. The cash flows for the years after 2025 were extrapolated based on a sustainable growth rate of 0.75%. The growth rate reflects competitive and price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the capitalisation interest rate using the capital asset pricing model and based on updated input parameters. The capitalisation interest rate before tax determined for Sempertrans is 10.9% (previous year: 10.6%). The capitalisation interest rate after tax stands at 8.8% (previous year: 8.8%).

The planning takes account of the progress made along the strategic development path as well as the ongoing process of transformation, which has been stepped up further due to the impact of the corona pandemic. These plans are based on the assumptions made by the Sempertrans management regarding market development, the market share held and the strategic product and customer initiatives. Past discrepancies between planned and actual figures have been factored into the valuation model in the form of deductions. Measures designed to expand capacity and improve infrastructure were not included with the exception of necessary investments in occupational health and safety and environmental protection. Investments in property, plant and equipment serve exclusively to maintain capacity and are in line with the segment's industrial peer group (in terms of percentage of revenue). The changes in trade working capital were planned depending on sales based on a multi-year average and take account of improvements envisaged in working capital management.

The increased forecasting uncertainty caused by the corona pandemic was managed by considering alternative planning scenarios. All three planning scenarios are based on the assumption that mining activities will pick up again from the middle of 2021, although this will only have an impact on the demand for transport and conveyor belts from 2022 onwards. The planning scenarios differ essentially in the assumptions regarding revenue growth (expressed in the Compound Annual Growth Rate, CAGR) and development of the EBITDA margin until the perpetual annuity phase (i.e. from 2026 onwards):

Planning scenario	Weighting	CAGR revenue (basis: 2019)[1)]	CAGR revenue (basis: 2020)[1)]	EBITDA margin in 2026ff
Base Case	50%	3.00%	9.80%	11.60%
Downside Case	30%	2.00%	8.50%	9.10%
Upside Case	20%	3.90%	10.90%	13.70%

1) Sales revenues before discounts to account for historical differences between planned and actual figures

As at 30 June 2020, the total recoverable amount weighted across the scenarios for Sempertrans amounted to EUR 64,578 thousand and was therefore below the carrying amount of EUR 84,418 thousand (thereof trade working capital, not including trade payables related to investments in plant and equipment: EUR 25,807 thousand). The resulting impairment need of EUR 19,840 thousand as at 30 June 2020 was allocated to the material non-current segment assets and recorded in the functional currencies of the subsidiaries belonging to the Sempertrans segment following conversion at the closing rate as at 30 June 2020. This resulted in an impairment loss in the amount of EUR 20,004 thousand based on the average foreign exchange rates for the first half of 2020. As at 31 December 2020, there was an impairment expense of EUR 19,848 thousand (previous year: EUR 1,119 thousand) based on the average foreign exchange rates for the 2020 financial year, which was allocated to non-current segment assets as follows:

in EUR thousand	31.12.2020	31.12.2019
Goodwill	71	0
Other intangible assets	172	314
Property, plant and equipment	19,604	804
Impairment expense in the Sempertrans segment	**19,848**	**1,119**

There were no indications of any further change in the value of the segment assets as at 31 December 2020.

Reversal of impairment in the Semperflex segment
Due to limited operational use, a building of Semperflex Optimit s.r.o., Odry, Czechia, had been impaired in the past. In 2020 financial year, due to the expanded operation use of the building as a warehouse, there was a need for a reversal of impairment in the amount of EUR 178 thousand.

Reversal of impairment in the Sempermed segment
The Sempermed segment operates in the production of examination and surgical gloves for the medical sector and protective gloves for the industrial sector. In addition to global sales and distribution for its own goods produced in-house, Sempermed also sells gloves from other producers. There were some indications in the previous year that Sempermed's relative competitive position was deteriorating or had already deteriorated: The investment intensity of the main competitors increased beyond expectation due to capacity expansion and production automation; the market environment was moving at a very dynamic pace. Despite significant progress in improving the operating performance indicators in the second half of 2019, it was expected that overcapacities in the market and the resulting pressure on prices would have a significant and sustained negative impact on profitability compared with previous plans. Impairment loss was therefore recorded once again on the assets in the Sempermed segment in the third quarter of 2019. Against a backdrop of a dramatic intensification in the competitive environment and given the fact that the gap with the market leaders in terms of capacity is constantly widening, the Management Board and Supervisory Board took the decision to separate out the Sempermed segment effective 28 January 2020. Implementation of the separation has been put on the back burner for the time being due to the special economic conditions caused by the corona pandemic.

The previous buyer's market for examination and protective gloves has become a seller's market as a result of the corona pandemic and the resulting huge increase in the demand for protective equipment, both in the medical and in other sectors (e.g. in the catering and hotel industries). In June 2020, the Malaysian Rubber Glove Manufacturers Association (MARGMA) estimated a global need for gloves for the current year of approximately 330 billion units (+16% on the previous year). It stated that demand would exceed supply by around 5%. Order books for all glove manufacturers as at the half-year mark were already filled for a period of more than a year, and lead times have increased from 30–60 days to around 15 months. The average selling price (ASP) for gloves is essentially determined by market and competitor dynamics and fluctuations in input factor prices (in particular the price of raw materials). Market dynamics in the coronavirus pandemic are characterised by significant surplus demand and a genuine price rally. Sempermed is not a price leader on the market but does follow market price developments: With respect to new orders received for examination gloves, the ASP increased by around +37% between January and June 2020; extrapolated for the full year (i.e. January to December 2020) by around +176%. Order book volumes increased by around 280% between 31 December 2019 and 30 June 2020, until 31 December 2020 order book values have been sextupled. Operational Key Performance Indicators (KPIs) for Sempermed also reveal a very welcome trend: Overall Equipment Efficiency (OEE) in Malaysia is currently at around 90% (previous year: around 75%). Output for examination glove production is up around 20% (around 24%) on the same period in the previous year due to fewer unscheduled plant downtimes and shorter setup times in the first half of 2020 (the full year 2020); output is around 14% (around 13%) higher in surgical glove production (around 13% for the whole of 2020). The plants for examination glove production in Kamunting (Malaysia) and surgical glove production in Wimpassing (Austria) have not been affected so far by lockdowns due to the coronavirus pandemic.

Against this background, Sempermed management determined the recoverable amount for the segment's cash-generating unit as at 30 June 2020. The recoverable amount was determined as the value in use based on updated medium-term planning and using a discounted cash flow (DCF) model. It was assumed that the price rally due to the corona pandemic would come to an end from around the middle of 2021. From that point it is expected that any new production capacities of competitors will gradually come into service and supply will come close to demand. Prices are expected to fall as a result, with surplus supply also expected once again (although with a higher level of demand) along with a return to pre-corona price levels in the 2023 financial year. The assumption is that Sempermed's relative competitive situation will then in effect be worse compared with 31 December 2019. Against the background of the decision that still applies by the Management Board and Supervisory Board to separate out Sempermed, the valuation model is therefore designed as a finite model; the (shortened) detailed planning phase is no longer followed by a perpertual annuity phase. The liquidation values were derived from the balance sheet estimates as at 31 December 2019, which were essentially determined as separate fair values for the individual assets. The weighted average cost of capital (WACC) was determined as the capitalisation interest rate using the capital asset pricing model and based on updated input parameters. The value in use was calculated after income taxes with a discount rate after tax of 8.4% (previous year: 7.9%). If the value in use is reconciled to an equivalent calculation before income taxes, this results (arithmetically), mainly due to the profile of the cash flow relevant for valuation and the finite nature of the planning period, in a discount rate before tax of 24.5% (previous year: 17.7%).

The planning is based on production volumes which are around 24–30% higher than the output in 2019 financial year for examination gloves and around 11% higher for surgical gloves. There is an assumption that the trade in gloves from other producers will effectively come to a standstill (with the exception of vinyl gloves) and will only pick up speed again once competitors put new production capacities into service. Pricing assumptions follow market price expectations. Past discrepancies between planned and actual figures have been factored into the valuation model in the form of various other deductions. The risk of supply shortages for the raw material nitrile (nitrile butadiene rubber, NBR) has also been explicitly taken into account in planning for the cash flows relevant for valuation purposes. Measures designed to expand capacity and improve infrastructure were not included. Investments in property, plant and equipment are limited to the extent required to maintain capacity in the final planning period. The changes in trade working capital were planned depending on sales revenues and/or production costs.

The increased forecasting uncertainty caused by the coronavirus pandemic was managed by factoring alternative planning scenarios. All three planning scenarios are based on the market dynamics in the corona pandemic as described above. The planning scenarios essentially differ in their assumptions about the ASP for examination gloves: In the downside case weighted at 30% (upside case 20%), this amounts to 74.7% in the 2021 financial year and 88.9% in the 2022 financial year (111.9% and 113.4% respectively) of the ASP in the base case weighted at 50%.

As at 30 June 2020, the total recoverable amount weighted across the scenarios for Sempermed totalled around EUR 200,000 thousand and was therefore above the carrying amount of EUR 70,696 thousand (thereof trade working capital, not including trade payables related to investments in plant and equipment: EUR 54,771 thousand) and also above the amortised costs. The resulting reversal of impairment of EUR 86,870 thousand as at 30 June 2020 was allocated to the material non-current segment assets and recognised in the functional currencies of the subsidiaries belonging to the Sempermed segment following conversion at the closing rate as at 30 June 2020. Conversion using the average foreign exchange rates for the first half of 2020, the reversal of impairment amounted to EUR 88,834 thousand. As at 31 December 2020, the reversal of impairment of EUR 86,174 thousand (previous year: impairment loss expense in the amount of EUR –48,779 thousand) converted based on the average foreign exchange rates for the 2020 financial year, was allocated to the non-current segment assets as follows:

in EUR thousand	31.12.2020	31.12.2019
Other intangible assets	312	–322
Property, plant and equipment	85,862	–48,457
Income from reversal of impairment / expense from impairment in the Sempermed segment	**86,174**	**–48,779**

The market dynamics for examination and protective gloves will depend in particular on the duration and further intensity of the corona pandemic. The occurrence of virus mutations and the corresponding effectiveness and sufficient availability of vaccinations are continuing to worsen existing uncertainties regarding future market development. Even if the vaccination campaigns result in a rise in sales in the short term, experience from previous pandemics shows that the demand for gloves begins to return to normal once an effective vaccine is available for the virus or the spread of the virus decreases significantly. A certain base effect can be assumed, however, related to increase in demand as a result of increased health awareness. The supply of gloves will increase in any case due to new production capacities. In view of this factor and given that the production facilities are operating at capacity limits, Sempermed's management is currently assuming a shorter economic useful life for the non-current segment assets until the end of the 2025 financial year. The impact on the depreciation allowance and thus on the EBIT for the 2020 financial year amounted to around EUR 9,481 thousand. The assumption for subsequent years is an annual depreciation in the amount of around EUR 21,156 thousand; of this, taking into consideration the reversal of impairment in the 2020 financial year, around EUR 18,962 thousand is due to the change in the estimate of the useful life. On the one hand, this forecast amount will reduce gradually, as individual assets will be fully depreciated over the course of time; on the other hand, forecasting uncertainty naturally exists with regard to the future development of the foreign currency exchange rates.

According to the current valuation model, the recoverable amount of Sempermed shows a strongly declining trend, which in the coming financial year could result in a further adjustment to the carrying amount of the Sempermed segment assets. However, the actual amounts realised for Sempermed's segment assets may differ – ultimately depending on the mode of realisation – from the amounts recognised in the balance sheet, which are based on the current estimates of Sempermed's management and its assumptions about future market dynamics. Such estimates and assumptions about future market dynamics that are relevant for valuation should be checked regularly and valuations adjusted where appropriate. As at 31 December 2020 there were no indications for an impairment loss of the segment assets.

Development of property, pant and equipment

The change in property, plant and equipment is as follows:

in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Assets under construction	Total
Acquisition costs					
As at 01.01.2019	**200,035**	**544,714**	**79,843**	**29,239**	**853,832**
Currency translation differences	2,597	8,152	1,649	190	12,588
Additions	3,429	11,676	4,142	15,237	34,485
Disposals	–1,867	–17,583	–4,688	–76	–24,214
Reclassification to non-current assets held for sale	–10,316	0	0	0	–10,316
Transfers	8,719	23,097	746	–32,145	416
As at 31.12.2019	**202,597**	**570,056**	**81,692**	**12,445**	**866,790**
Currency translation differences	–7,420	–20,893	–3,120	–678	–32,111
Additions	1,970	7,641	4,061	16,569	30,241
Disposals	–3,041	–11,848	–1,636	–257	–16,783
Transfers	707	5,637	–80	–6,355	–91
As at 31.12.2020	**194,814**	**550,592**	**80,917**	**21,723**	**848,046**
Depreciation / write-ups / impairment					
As at 01.01.2019	**98,597**	**347,066**	**63,027**	**441**	**509,132**
Currency translation differences	1,340	5,664	1,390	4	8,398
Depreciation and amortisation	5,173	20,651	4,529	0	30,354
Impairment loss	11,861	31,757	5,310	649	49,576
Disposals	–129	–16,261	–4,265	0	–20,654
Reclassification to non-current assets held for sale	–4,554	0	0	0	–4,554
Transfers	305	3,047	–3,106	–252	–6
As at 31.12.2019	**112,594**	**391,925**	**66,885**	**842**	**572,246**
Currency translation differences	–3,745	–13,140	–2,509	–79	–19,473
Depreciation and amortisation	7,343	22,883	5,108	0	35,335
Impairment loss	3,843	13,210	285	2,265	19,603
Write-ups	–22,532	–54,903	–8,302	–304	–86,040
Disposals	–620	–11,623	–1,502	–22	–13,766
Transfers	0	898	–444	–491	–37
As at 31.12.2020	**96,883**	**349,251**	**59,521**	**2,211**	**507,867**
Carrying amount					
Carrying amount 01.01.2019	101,438	197,648	16,817	28,798	344,700
Carrying amount 31.12.2019	90,004	178,131	14,806	11,604	294,544
Carrying amount 31.12.2020	**97,931**	**201,341**	**21,395**	**19,512**	**340,179**

EUR 7,132 thousand of the carrying amount reported for land and buildings, including on land owned by third parties (previous year: EUR 5,956 thousand) is attributable to land (land value).

The effect of capitalised borrowing costs as part of the production costs of qualified assets was immaterial in the 2020 financial year as in the previous year.

No property, plant and equipment was pledged as securities for liabilities as at 31 December 2020 or 31 December 2019.

There were contractual obligations to purchase property, plant and equipment amounting to EUR 3.527 thousand as at 31 December 2020 (previous year: EUR 5.553 thousand).

Right-of-use assets

The Semperit Group is in particular a lessee with respect to right-of-use assets including land and buildings, office equipment and motor vehicles.

As a lessee for lease contracts with an obligation to capitalize, the Semperit Group records a lease liability as an other financial liability and a right-of-use asset as part of property, plant and equipment at the time that the lease item is made available. The lease liability bears interest and is repaid through annuity payments throughout the relevant term; the right-of-use asset is amortised using the straight-line method over the shorter of its useful life or the term of the lease.

The option of not applying the rules for lease accounting is exercised in respect of leases with a short term (i.e. up to 12 months), lease objects of low value (i.e. up to a reinstatment value of approximately EUR 5 thousand) and intangible assets. The Semperit Group therefore does not report any right-of-use assets or lease liabilities for these types of agreement; lease payments under these agreements are recognised as expenses on a straight-line basis over the term of the agreements.

The right-of-use assets from leases included in property, plant and equipment developed as follows in the 2020 financial year:

	Right-of-use assets			
in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Total
Acquisition costs				
As at 01.01.2019	**7,358**	**0**	**1,979**	**9,337**
Currency translation differences	19	2	6	26
Additions	2,741	203	1,115	4,059
Disposals	–1,741	0	–308	–2,048
Transfers	–29	0	0	–29
As at 31.12.2019	**8,349**	**204**	**2,791**	**11,345**
Currency translation differences	–250	–6	–28	–284
Additions	1,457	2	1,651	3,110
Disposals	–2,446	0	–497	–2,942
As at 31.12.2020	**7,111**	**201**	**3,917**	**11,229**
Depreciation / write-ups / impairment				
As at 01.01.2019	**0**	**0**	**0**	**0**
Currency translation differences	10	1	2	13
Depreciation and amortisation	1,871	82	804	2,756
Impairment loss	773	0	0	773
Disposals	–4	0	–21	–26
Transfers	–22	0	0	–22
As at 31.12.2019	**2,627**	**83**	**784**	**3,494**
Currency translation differences	–136	–2	–11	–149
Depreciation and amortisation	1,831	82	969	2,882
Impairment loss	89	0	95	184
Write-ups	–428	0	0	–428
Disposals	–68	0	–407	–475
As at 31.12.2020	**3,914**	**163**	**1,430**	**5,507**
Carrying amount				
Carrying amount 01.01.2019	7,358	0	1,979	9,337
Carrying amount 31.12.2019	5,722	122	2,007	7,850
Carrying amount 31.12.2020	**3,197**	**38**	**2,487**	**5,722**

As at 31 December 2020, right-of-use assets are recognised in property, plant and equipment in the amount of EUR 5,722 thousand (previous year: EUR 7,850 thousand) and lease liabilities are recognised in the current and non-current other financial liabilities in the amount of EUR 6,004 thousand (previous year: EUR 8,606 thousand). For the maturity analysis of the lease liabilities as at 31 December 2020 see Chapter 11.2.

The Semperit Group has entered into several lease agreements that include renewal and termination options. These options were negotiated by management in order to manage the portfolio of leased assets with flexibility and in line with the group's business requirements. Assessing whether the exercise of these renewal and termination options is sufficiently certain requires material judgemental decisions on the part of management. The following table shows the undiscounted potential future lease payments for periods after the exercise date of the renewal and termination options that are not included in the term of the lease agreement.

in EUR thousand	within the next 5 years	over 6 to 10 years	Total
Renewal options that are not expected to be exercised	3,996	2,094	6,090
Termination options that are expected to be exercised	1,303	1,916	3,219
Total potential future lease payments as at 31.12.2020	**5,299**	**4,010**	**9,309**

in EUR thousand	within the next 5 years	over 6 to 10 years	Total
Renewal options that are not expected to be exercised	927	741	1,668
Termination options that are expected to be exercised	1,296	2,141	3,436
Total potential future lease payments as at 31.12.2019	**2,223**	**2,882**	**5,105**

The following amounts from leases were recorded through profit or loss in the 2020 financial year:

in EUR thousand	2020	2019
Depreciation expense of right-of-use assets	2,882	2,756
Impairment of right-of-use assets	184	773
Interest expense for lease liabilities	206	251
Expense relating to short-term leases	496	523
Expense relating to leases of low-value assets	238	192
Reversal of impairment for right-of-use assets	–428	0
Total amount recognised in profit or loss	**3,578**	**4,495**

The cash outflows of the Semperit Group for lease agreements (including lease agreements with short terms and lease agreements of low value lease items) amounted to a total of EUR 4,006 thousand in the 2020 financial year (previous year: EUR 3,631 thousand).

3.3.Other financial assets (non-current)

The carrying amounts of the other non-current financial assets are as follows:

in EUR thousand	31.12.2020	31.12.2019
Financial assets recognised at fair value through profit or loss		
Shares in funds, shares, other securities	6,692	6,554
	6,692	**6,554**
Financial assets recognised at amortised cost		
Loans to associated companies	0	563
Receivables to employees	20	23
Other financial assets	425	825
	445	**1,411**
Total	**7,137**	**7,965**

The shares in funds relate to 97,500 shares (previous year: 97,500 shares) in PIA TopRent, a bond fund that is suitable for covering pension provisions and which overwhelmingly invests in fixed and variable interest government bonds in the eurozone.

The receivables from employees essentially include advance payments to employees.

Disclosures on financial instruments – non-current and current assets

The following table shows the carrying amounts of the individual financial assets classified in accordance with the valuation categories under IFRS 9.

in EUR thousand	Valuation category according IFRS 9[1)]	Level	Note	Carrying amount 31.12.2020	Carrying amount 31.12.2019
Trade receivables	AC	–	4.2	99,318	94,555
Other financial assets			3.3, 6.5		
Securities	FVPL	1		6,692	6,554
Loans to associated companies	AC	–		0	563
Derivative financial instruments	FVPL	2		560	52
Other financial assets	AC	–		2,021	3,611
Cash and cash equivalents			6.6	144,972	141,356

[1)]FVPL (Fair Value through Profit or Loss); AC (At cost)

The item other financial assets includes receivables from employees and other receivables (see Chapters 3.3 and 6.5).

Non-current financial assets measured at fair value

The recognition or derecognition of financial assets based on a standard market purchase or sale take place at the date of fulfilment. The fair values of securities are determined using publicly available prices.

The derivative financial instruments at fair value through profit or loss are foreign exchange forward contracts.

In addition to operational measures, individual derivative financial instruments, in particular foreign exchange forward contracts, are used to hedge foreign currency risks. These are measured at current market value. The market value corresponds with the value that the relevant group company would receive or would have to pay had the transaction been terminated at the reporting date. Positive fair values as at the reporting date are stated under the other financial assets and negative market values under the other financial liabilities. If the conditions are met for hedge accounting then this is applied in part. This is stated depending on whether this relates to a cash flow hedge or a fair value hedge (see Chapter 6.4).

Non-current financial assets not measured at fair value

The carrying amounts of all financial assets not measured at fair value correspond approximately with the fair value.

3.4. Non-current assets held for sale

The conveyor belt production at the Semperit Group plant in Taierzhuang, China, was shut down in the 2018 financial year. Liquidation of the associated production company, Sempertrans Best (ShanDong) Belting Co. Ltd. will be executed by the liquidation committee, which consists of representatives of the Semperit Group and the 16.1% minority shareholder, the state-affiliated Shandong Wang Chao Coal & Electricity Group Co. Ltd. The district government is ensuring the legality of the procedure. Machinery and technical equipment were successfully sold in the first quarter of 2019. Following the removal of the machinery and technical equipment, the land and buildings of the former production company were in a condition that enabled an immediate sale under normal and customary terms and conditions and were therefore stated as held for sale for the first time as at 30 June 2019. The impairment test related to the reclassification resulted in an impairment need in the amount of EUR 855 thousand which was reported in the EBIT of the Sempertrans segment. The land and buildings were auctioned off in the fourth quarter of 2019. The proceeds from the auction were in fact equal to the carrying amount. Ownership was transferred in the second quarter of 2020. The resulting reduction in the carrying amount was EUR 4,646 thousand.

Production activities were discontinued in the 2017 financial year at the French plant of Sempertrans France Belting Technology S.A.S. Options for selling the property including the buildings located upon it were examined from the 2018 financial year onwards, with offers explored from interested parties once the social plan and other legal requirements had been completed. On this basis, the Management Board approved the conclusion of a purchase option for a property developer in July 2019, which originally ran until October 2020 and is subject to several terms and conditions. A number of key contractual terms and conditions have been fulfilled since the agreement was entered into, which is why as at 31 December 2019 it was deemed highly probable that all conditions would be met and that the property would be sold. The purchase price due upon transfer of title is higher than the carrying amount of EUR 764 thousand. The disposal of the land and buildings is delayed due to an ongoing land register proceeding to clarify the subjection of a property to a servitude. The management is working under the assumption that the land and buildings will be sold in the 2021 financial year following the conclusion of the judicial proceedings.

Due to the planned integration of the German plant in Dalheim into the Hückelhoven/Baal plant, a decision was taken in July 2019 to sell the corresponding properties. In line with this, two properties with a combined carrying amount of EUR 347 thousand were stated as non-current assets held for sale for the first time as at 30 September 2019. The impairment test to be carried out in connection with the reclassification did not result in an impairment need. The sale of these properties took place in the second quarter of 2020. Proceeds from this sale amounted to EUR 169 thousand.

The non-current assets of the Semperit Group held for sale are as follows:

in EUR thousand

	Segment	Asset	31.12.2020	31.12.2019
Sempertrans Best (ShanDong) Belting Co. Ltd.,	Sempertrans	Land	0	1,235
Shandong, China		Buildings	0	3,368
Sempertrans France Belting Technology S.A.S.,	Sempertrans	Land	426	426
Argenteuil, France		Buildings	338	333
Semperit Profiles Leeser GmbH, Hückelhoven,	Semperform	Land	0	82
Germany		Buildings	0	265
Total			**764**	**5,709**

Disposal of investment in Synergy Health Allershausen GmbH

The Semperit Group sold the minority interest of 37.5% in Synergy Health Allershausen GmbH, which was accounted for using the equity method, effective as of 6 November 2020 with a profit of EUR 318 thousand.

The change in the investments in Synergy Health Allershausen GmbH is as follows:

in EUR thousand	2020	2019
As at 01.01.	**2,366**	**2,653**
Proportionate period result	566	462
Dividends	0	–750
Disposal	–2,932	0
As at 31.12.	**0**	**2,366**

The company's reporting date is 31 March. The update until 30 September 2020 is based on the company's internal reporting, which is reconciled for the consolidated financial statements of the Semperit Group. The income and expenses occurred from business relations with Synergy Health Allershausen GmbH were immaterial in the 2020 financial year and in the 2019 financial year.

4. Trade Working Capital

Trade working capital consists of inventories, trade receivables and current trade payables.

4.1. Inventories

Inventories must be measured at the lower value of acquisition or production costs and the net realisable value, whereby, in the course of determining the net sales values, in particular utilisation risks related to obsolete or surplus inventories are taken into account. Utilisation is determined using the moving average price method. Interim results from intercompany of inventories are eliminated unless they are of minor significance.

in EUR thousand	31.12.2020	31.12.2019
Raw materials and supplies	38,563	34,545
Work in progress	14,054	16,778
Finished goods and merchandise	85,301	70,503
Refund assets	29	41
Prepayments	3,178	290
Total	**141,124**	**122,157**

in EUR thousand	31.12.2020	31.12.2019
Inventories		
thereof at acquisition / production costs	87,426	66,889
thereof at their net realisable value	53,698	55,268
Total	**141,124**	**122,157**

When determining the net realisable values as part of the inventory measurement at the reporting date, specific customer contracts are used. If the contracts are not available, then existing list prices are used. Estimates are also required from the relevant segment management related to the recoverable prices and market developments. These are evaluated regularly and adjusted as necessary. The inventory valuation allowances recognised in expense amounted to EUR 1,305 thousand (previous year: EUR 1,992 thousand).

4.2. Trade receivables

The trade receivables, which essentially originate from revenues with customers of the Semperit Group, must be allocated to the AC (at cost) category in accordance with IFRS 9 and are therefore measured at cost less any expected defaults.

The trade receivables are made up of the following:

in EUR thousand	Gross	Allowances	Net 31.12.2020	Gross	Allowances	Net 31.12.2019
Receivables not yet due	86,577	–13	86,564	78,884	–58	78,827
Up to 30 days overdue	10,340	–5	10,335	10,921	–5	10,917
30 to 90 days overdue	1,564	0	1,564	2,453	–3	2,451
More than 90 days overdue	2,420	–1,564	856	4,949	–2,589	2,361
Total	**100,900**	**–1,583**	**99,318**	**97,208**	**–2,654**	**94,555**

The group assesses their creditworthiness based on internal valuation guidelines. When determining the extent of the impairment need, the Semperit Group assesses the defaults from the past four years by segment and country groups and uses this analysis to create an impairment matrix based on time lines. This impairment matrix was supplemented with future macroeconomic variables on the reporting date. Also taken into consideration in the calculation of the impairment matrix was the development of payment defaults for the financial years 2020 and 2021 as forecast by the credit insurer Euler Hermes SAS. The payment terms normally granted are between 14 and 90 days. The analysis of the past did not identify an elevated default risk for receivables that are past due by more than 90 days. As a result, the group does not deem an overdue period of more than 90 days to be an indicator that a loss event has occurred, which would imply an allocation to Stage 3 of the impairment model according to IFRS 9. Loss events are, for example, a significant downgrade of creditworthiness by credit rating agencies, the commissioning of collection services or the insolvency of the customer.

For a significant portion of the gross trade receivables (91.7%; previous year 90.1%) exists credit insurances, bank guarantees, secured terms of payment and bank acceptance drafts. The credit insurances include an excess if a loss occurs. The maximum impairment recognised for a credit loss is the insurance excess for these receivables.

Receivables not covered by credit insurance, or excesses for receivables covered by credit insurance, are impaired based on empirical values in accordance with the default risk categories in the impairment matrix (stage 2 of the impairment model in accordance with IFRS 9). Receivables allocated to stage 3 of the impairment model pursuant to IFRS 9 based on an individual assessment of the creditworthiness of the relevant customers are also written down to the expected recoverable amount.

The overdue receivables are essentially covered by credit insurance as all subsidiaries featuring substantial volumes of receivables hold credit insurance. With respect to the receivables not covered by credit insurance and to the excess for receivables covered by credit insurance there is no significant concentration of credit risk as the customers are widely dispersed.

The relevant default risk categories can be found in the following impairment matrix:

	31.12.2020			
	Not overdue	**1–30 days**	**31–90 days**	**>90 days**
Semperflex	0.00–0.16%	0.04–1.54%	0.22–7.9%	2.06–21.67%
Sempermed	0.00–0.24%	0.08–0.59%	0.18–2.55%	0.25–12.96%
Semperform	0.00–0.03%	0.02–0.42%	0.07–1.85%	0.24–8.27%
Sempertrans	0.01–0.07%	0.03–0.30%	0.05–0.47%	0.08–0.73%

	31.12.2019			
	Not overdue	**1–30 days**	**31–90 days**	**>90 days**
Semperflex	0.00–0.13%	0.03–1.11%	0.28–4.01%	0.90–11.17%
Sempermed	0.00–1.51%	0.03–5.26%	0.04–10.65%	0.09–20.72%
Semperform	0.00–0.02%	0.00–0.30%	0.02–1.33%	0.09–5.95%
Sempertrans	0.00–0.06%	0.00–0.24%	0.00–0.39%	0.00–0.65%

The ranges arise from the geographic regions where the revenues are generated. The impairment of trade receivables is generally recognised indirectly via impairment accounts. The impairment has changed as follows:

in EUR thousand	Lifetime expected credit loss based on portfolio valuation, value-adjusted (bucket 2)	Lifetime expected credit loss based on single valuation, value-adjusted (bucket 3)	Total
As at 01.01.2019	**301**	**4,042**	**4,344**
Release	–282	–1,288	–1,571
Currency translation difference	0	2	2
Written down due to irrecoverability	0	–411	–411
Additions	5	284	289
As at 31.12.2019	**24**	**2,629**	**2,654**
Release	–6	–481	–487
Currency translation difference	–1	–125	–126
Written down due to irrecoverability	0	–1,142	–1,142
Additions	9	674	683
As at 31.12.2020	**26**	**1,557**	**1,582**

Receivables determined to be unrecoverable are derecognised if the receivable loss has been determined conclusively, with valuation allowances formed beforehand being used. Trade receivables of EUR 148 thousand (previous year: EUR 10 thousand) which were not written down, were derecognised in the 2020 financial year.

4.3. Trade payables

The trade payables must be allocated to the AC (at cost) category in accordance with IFRS 9 and are therefore measured at cost.

The carrying amount of trade payables totalled EUR 77,689 thousand as at 31 December 2020 (previous year:EUR 61,640 thousand).

5. Equity

5.1. Share capital and reserves

Share capital

The share capital of Semperit AG Holding as at 31 December 2020 remained unchanged compared to the previous year at EUR 21,358,997. This is broken down into 20,573,434 fully paid-in no-par-value ordinary shares of which each has an equal participation in the share capital. Each share is entitled to a voting right and they are all entitled to receive a dividend.

The Management Board was authorised by the Annual General Meeting on 25 April 2018 with the agreement of the Supervisory Board to increase the share capital by 50% or up to 10,286,716 new no-par-value shares over the next five years following registration of the change to the Articles of Association on the Company Register, through cash and/or non-cash contributions. The Management Board was also authorised to issue convertible bonds with agreement from the Supervisory Board. This may be linked to a right of conversion or purchase or a mandatory conversion or purchase of up to 10,286,716 no-par-value shares (50% of the existing shares) in the company.

The Management Board was authorised by the Annual General Meeting on 22 July 2020 to buy back and if necessary to redeem the company's treasury shares up to the legally permissible amount of 10% of the share capital for a period of 30 months from the date that the resolution was passed in the Annual General Meeting pursuant to Section 65 (1) no. 8 of the Stock Corporation Act (AktG) with agreement from the Supervisory Board. At the same Annual General Meeting the Management Board was also authorised pursuant to Section 65 (1b) AktG and with agreement from the Supervisory Board to decide on a different type of sale than via the stock exchange or through a public offering, and to decide on an exclusion of the repurchase option (purchase right) on the part of shareholders. There is no share buyback programme in place at present, the company does not hold any treasury shares.

Capital reserves

The capital reserves essentially result from the amount generated beyond the proportional amount of the share capital following the issue of shares (share premium). As in the previous year the capital reserves also include EUR 21,503 thousand in appropriated reserves as at 31 December 2020. These may only be released to offset any balance sheet loss otherwise stated in the annual financial statements under corporate law of Semperit AG Holding, unless there are any free reserves available to cover such a loss.

Revenue reserves

The revenue reserves contain the retained results of the Semperit Group and the accumulated other comprehensive income (excluding currency translation differences). In the 2020 financial year, the valuation results from cashflow hedges totalled EUR –1,841 thousand (previous year: EUR 387 thousand). EUR 1,744 thousand (previous year: EUR 104 thousand) was reclassified to the consolidated income statement. Other comprehensive income that will be recognised through profit or loss in future periods was therefore EUR –97 thousand (previous year: EUR 491 thousand) under this heading.

The distribution of revenue reserves is as follows:

Revenue reserves

in EUR thousand	Retained earnings	Hedge reserve	IAS-19-reserve	Total
As at 01.01.2019	**180,354**	**–293**	**–11,136**	**168,925**
Earnings after tax	–44,481	0	0	–44,481
Other comprehensive income	0	366	–1,902	–1,536
Total recognised comprehensive income	–44,481	366	–1,902	–46,017
Coupon payments on hybrid capital	–10,545	0	0	–10,545
Acquisition of non-controlling interests	–499	0	0	–499
As at 31.12.2019	**124,830**	**73**	**–13,038**	**111,865**
As at 01.01.2020	**124,830**	**73**	**–13,038**	**111,865**
Earnings after tax	192,843	0	0	192,843
Other comprehensive income	143	–73	–2,091	–2,020
Total recognised comprehensive income	192,986	–73	–2,091	190,822
Coupon payments on hybrid capital	–7,802	0	0	–7,802
As at 31.12.2020	**310,015**	**0**	**–15,129**	**294,886**

The retained earnings include, inter alia, the statutory reserve of Semperit AG Holding in the amount of EUR 999 thousand (previous year: EUR 999 thousand), which may only be released to offset a balance sheet loss otherwise stated in the latter's annual financial statements under corporate law. The fact that free reserves are available to offset the loss is no obstacle to the release for the purposes of offsetting the loss.

The hedging reserve comprises the portion of the cumulative net changes in the fair value of the cross currency swap used to hedge payment flows (cash flow hedge) from the corporate *Schuldschein* loan in Polish zlotys (PLN) until the subsequent recognition of the hedged cash flows or underlying transactions through profit or loss.

The IAS 19 reserve includes the effects of remeasurements of defined benefit plans due to severance payments and pensions.

Currency translation reserve

The currency translation reserve records translation differences resulting from converting the subsidiaries' financial statements from their functional currency to euros until the subsidiaries in question are sold or disposed of by other means. In the 2020 financial year, the currency differences totalled EUR –24,192 thousand (previous year: EUR 979 thousand). Of this amount, EUR –88 thousand (previous year: EUR 0 thousand) was reclassified to the consolidated income statement. Other comprehensive income that will be recognised through profit or loss in future periods was therefore EUR –24,281 thousand (previous year: EUR 979 thousand) under this heading.

5.2. Hybrid capital

In December 2017, the Management Board of Semperit AG Holding concluded an agreement for a hybrid capital line of up to EUR 150,000 thousand with B&C Holding GmbH. In October 2020, the amount due from the hybrid capital line was transferred to B&C Holding Österreich GmbH. B&C KB Holding GmbH, the majority shareholder of Semperit AG Holding, is a fully consolidated subsidiary of B&C Holding Österreich GmbH. The agreed interest rate is 5.25% p.a. and the commitment fee is 1.75% p.a. The expense resulting from the commitment fee is reported under other financial result. The hybrid capital is a subordinated source of financing with an unlimited term on which the Semperit Group was originally able to draw in multiple tranches until 31 December 2018. The hybrid capital line was subsequently extended until 31 December 2020. The option to take up the additional EUR 20,000 thousand not yet drawn was relinquished by Semperit AG Holding, effective 20 July 2020. Under the agreement, the creditor does not have a redemption or conversion right. Semperit AG Holding reserves right to repay EUR 5,000 thousand or a multiple of that amount plus pro-rata 'interest' at the end of each quarter. In March 2018, EUR 130,000 thousand were drawn from the hybrid capital. Repayments in the amount of EUR 100,000 thousand were made in the 2020 financial year in August and December (previous year: EUR 0 thousand).

Due to the contractual terms and conditions, the hybrid capital is reported as equity capital in accordance with IAS 32. Since the hybrid capital is categorised as equity, corresponding payments are treated as distributions to shareholders. The payment of "interest" is e.g. triggered by dividend payments and is also recognised as such in equity once the resolution has been passed on the dividend. 'Interest' in the amount of EUR 7,802 thousand was paid in the 2020 financial year (previous year: EUR 10,545 thousand).

5.3. Non-controlling interests

The non-controlling interests and their corresponding share of earnings after tax, or comprehensive income respectively, in the 2020 financial year relate to Latexx Partners Berhad (group holding: 98.86%) and FormTech Engineering (M) Sdn Bhd (group holding: 69.88%). Dividends in the amount of EUR 0 thousand (previous year: EUR 259 thousand) were paid in the 2020 financial year to the non-controlling interests of FormTech Engineering (M) Sdn Bhd.

An additional 0.001% of the shares in Latexx Partners Berhad amounting to EUR 2 thousand (previous year: EUR 5 thousand) were acquired during the 2020 financial year for EUR 2 thousand. The group holding as at 31 December 2020 thereby amounted to 98.86% following the 98.86% as at 31 December 2019.

5.4. Dividends and treasury shares

The shareholders are entitled to a distribution of Semperit AG Holding's net profit for the year. For the financial year just finished, the Management Board proposes a dividend of EUR 1.50 per share, hence a total of EUR 30,860 thousand, which must still be decided upon by the Annual General Meeting and is therefore not yet accounted for as a liability in this financial statement. A net loss was also recorded in the annual financial statements of Semperit AG Holding in the previous year.

The Semperit Group does not hold any treasury shares as at 31 December 2020 or 31 December 2019.

6. Net debt

The net debt is made up of the liabilities from redeemable non-controlling interests, financial liabilities, other financial liabilities, other financial assets (current) and cash and cash equivalents.

6.1. Liabilities from redeemable non-controlling interests

Shares of subsidiaries' net assets held by non-controlling shareholders are recognised as liabilities from redeemable non-controlling interests if the respective shareholder has an unconditional termination right or a termination right linked to conditions whose fulfilment or non-fulfilment lies outside the control of the Semperit Group, or if the company in which the non-controlling shareholder owns an interest has a limited life span.

The liability is initially recognised at fair value. As IFRS do not provide any guidance on the subsequent measurement of such an obligation, the amount of the liability initially recognised is increased by the share in profit or reduced by the share in loss accruing at the measurement date in accordance with the option described in the statement issued by the Institute of Public Auditors in Germany (IDW RS HFA 45). In this connection, this share of profit or loss also includes the share in other comprehensive income. In addition, any amounts reported directly in equity are included in the measurement of the liability. Dividends distributed to non-controlling shareholders reduce the liabilities. The amounts recognised as part of the subsequent measurement are recognised in the consolidated income statement and constitute finance expenses. This is disclosed separately as results attributable to redeemable non-controlling interests.

The pro-rata cash flows relevant for valuations were derived from the latest medium-term forecasts for determining the fair value of the redeemable non-controlling interests of Semperflex Asia Corp. Ltd. (stage 3). The detailed planning period extends until the end of the 2025 financial year. The pro-rata cash flows relevant for valuations after the 2026 financial year were extrapolated based on a sustainable growth rate of 0.75%. The growth rate reflected the competition and the price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. The capitalisation interest rate after tax is 9.4% (previous year: 8.6%). The main assumptions used in determining the fair value relate in particular to the market-dependent future development of the EBITDA margin and the increased slowdown expected for business in the 2020 financial year.

The fair value of the redeemable non-controlling interests in Sempertrans Best (ShanDong) Belting Co. Ltd. (stage 3) was determined using an estimation of the expected pro-rata liquidation proceeds and approximates the pro-rata equity in the books.

Liabilities from redeemable non-controlling interests changed as follows:

in EUR thousand	2020	2019
Carrying amount 01.01.	18,457	13,376
Dividends	–3,892	–415
Share of annual income after tax	4,377	4,067
Currency translation differences	–1,540	1,402
Other changes	0	27
Carrying amount 31.12.	**17,403**	**18,457**
thereof Semperflex Asia Corp. Ltd., Thailand	16,607	17,591
thereof Sempertrans Best (ShanDong) Belting Co. Ltd., China	795	866
Fair Value 31.12.	**56,266**	**66,258**

6.2. Financial liabilities

The corporate *Schuldschein* loans as well as the liabilities to banks are initially recognised at their fair value net of transaction costs. They are then subsequently measured at amortised cost in accordance with the effective interest method.

They are derecognised if and when the underlying obligation is settled or terminated or has expired.

in EUR thousand	31.12.2020	Thereof non-current	Thereof current	31.12.2019	Thereof non-current	Thereof current
Corporate Schuldschein loan	167,062	85,257	81,805	208,830	172,689	36,142
Liabilities to banks	31	0	31	5,983	1,075	4,908
Total	**167,093**	**85,257**	**81,836**	**214,813**	**173,763**	**41,050**

Corporate *Schuldschein* loan

Between 2013 and 2016, Semperit AG Holding issued several corporate *Schuldschein* loans, some with fixed and some with variable interest rates, in EUR as well as in the foreign currencies US dollars (USD), Polish zlotys (PLN) and Czech korunas (CZK). The loans had a total volume of EUR 344,466 thousand. As at 31 December 2019, the open nominal value amounted to EUR 213,908 thousand. In the 2020 financial year, two fixed-interest tranches of a corporate Schuldschein loan were repaid prematurely at nominal values of EUR 3,000 thousand and EUR 4,000 thousand. A scheduled repayment of a fixed-interest tranche with a nominal value of EUR 27,500 thousand was also made.

The current tranches in EUR have terms of five, seven, ten and fifteen years, while those in foreign currencies have terms of three, five and seven years. The current total nominal value amounts to EUR 172,678 thousand (previous year: EUR 213,908 thousand), with around 49% attributable to euros and around 51% to the three foreign currencies.

At 31 December 2020, accrued interest amounting to EUR 1,027 thousand (previous year: EUR 1,160 thousand) was recognised under other financial liabilities. The differences between the carrying amounts excluding interest (clean price) and the nominal amounts are the transaction cost of the *Schuldschein* offerings, which are allocated over the terms of the corporate *Schuldschein* loan tranches in accordance with the effective interest rate method.

31.12.2020

	Final maturity	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	25.07.2023	3.65%	EUR thousand	5,000	1,522	1,498	24
Fixed-interest corporate bond	25.07.2022	1.77%	EUR thousand	37,000	34,235	33,972	263
Fixed-interest corporate bond	25.07.2025	2.41%	EUR thousand	31,000	31,275	30,948	327
Fixed-interest corporate bond	25.07.2030	3.09%	EUR thousand	7,000	7,078	6,983	95
Fixed-interest corporate bond	27.05.2023	3.65%	EUR thousand	5,000	5,080	5,000	80
Fixed-interest corporate bond	03.11.2023	1.29%	CZK thousand	180,000	6,856	6,842	14
Variable-interest corporate bond	04.11.2021	0.96%	CZK thousand	180,000	6,882	0	6,882
Variable-interest corporate bond	04.11.2021	1.70%	PLN thousand	118,000	25,936	0	25,936
Variable-interest corporate bond	04.11.2021	1.72%	USD thousand	59,000	48,199	0	48,199
Total					**167,062**	**85,243**	**81,819**

31.12.2019

	Final maturity	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	25.07.2020	3.07%	EUR thousand	27,500	27,858	0	27,858
Fixed-interest corporate bond	25.07.2023	3.65%	EUR thousand	7,000	7,124	0	7,124
Fixed-interest corporate bond	25.07.2023	3.65%	EUR thousand	5,000	1,498	1,498	0
Fixed-interest corporate bond	25.07.2022	1.77%	EUR thousand	37,000	34,217	33,955	262
Fixed-interest corporate bond	25.07.2025	2.41%	EUR thousand	31,000	31,263	30,937	325
Fixed-interest corporate bond	25.07.2030	3.09%	EUR thousand	7,000	7,076	6,982	94
Fixed-interest corporate bond	27.05.2023	3.65%	EUR thousand	5,000	5,080	5,000	80
Fixed-interest corporate bond	03.11.2023	1.29%	CZK thousand	180,000	7,094	7,080	14
Variable-interest corporate bond	04.11.2021	2.82%	CZK thousand	180,000	7,119	7,081	38
Variable-interest corporate bond	04.11.2021	3.24%	PLN thousand	118,000	27,762	27,692	70
Variable-interest corporate bond	04.11.2021	3.41%	USD thousand	59,000	52,739	52,464	275
Total					**208,830**	**172,689**	**36,142**

Liabilities to banks

In December 2014, a framework credit agreement for an initial EUR 250,000 thousand was concluded with a consortium of six banks. This framework credit agreement consisted of two tranches: Tranche A in the amount of EUR 100,000 thousand with a five-year term and Tranche B in the amount of EUR 150,000 thousand with a seven-year term (original term of five years with the option of two one-year extensions, both of which have already been exercised). Tranche A was exercised in the past and repaid prematurely; it is therefore no longer available.

Tranche B was renegotiated in March 2020. The term was extended by two years to 22 December 2023 and the volume adjusted to EUR 75,000 thousand. Furthermore, the credit agreement clauses were modified such that the financial covenants only have to be included if the credit line is utilised. The margins were adjusted to the current credit rating of the Semperit Group.

An amount of EUR 0 thousand (previous year: EUR 0 thousand) of the framework credit had been utilised as at the reporting date.

In August 2020, a credit line amounting to EUR 15,000 thousand was agreed as part of the Oesterreichische Kontrollbank AG (OeKB) refinancing framework. The credit line is available until further notice – and in any case until 30 June 2021. An amount of EUR 0 thousand of this credit line has been utilised as at the reporting date. As at the reporting date, the liabilities to banks consist only of accrued commitment fees for the framework credit agreement in the amount of EUR 31 thousand. As at 31 December 2019, the liabilities to banks were as follows:

						31.12.2019
	Effective interest rate	**Currency**	**Nominal value in local currency**	**Carrying amount in EUR thousand**	**Thereof non-current**	**Thereof current**
Fixed-interest liabilities to banks	4.10%	EUR thousand	2,000	1,195	1,075	120
Variable-interest liabilities to banks	0.00%	EUR thousand	0	7	0	7
	4.0 – 6.0%	MYR thousand	42.100	4.781	0	4.781
Total				**5,983**	**1,075**	**4,908**

6.3. Other financial liabilities

With the exception of derivatives, other financial liabilities are measured at amortised cost in accordance with the effective interest method. Liabilities from derivative financial instruments are measured at fair value through profit or loss (see Chapter 6.4 for information on determining fair values).

Liabilities to personnel (including bonuses and commission) are recorded at the cash value of the amount expected to be paid out insofar as they relate to services already rendered. However, discounting takes place only in case of a materiality of the interest effect.

in EUR thousand	**31.12.2020**	**Thereof non-current**	**Thereof current**	**31.12.2019**	**Thereof non-current**	**Thereof current**
Refund liabilities	1,263	0	1,263	1,242	0	1,242
Personnel liabilities	4,892	0	4,892	4,572	0	4,572
Derivatives	3,636	0	3,636	1,903	725	1,178
Accrued commissions	1,031	0	1,031	1,622	0	1,622
Lease liabilities	6,004	3,467	2,537	8,606	5,886	2,720
Remaining other financial liabilities	2,499	50	2,449	4,290	462	3,828
Total	**19,324**	**3,517**	**15,807**	**22,235**	**7,073**	**15,161**

6.4. Disclosures on financial instruments – liabilities

in EUR thousand	Valuation category according IFRS 9[1)]	Level	Note	Carrying amount 31.12.2020	Carrying amount 31.12.2019
Liabilities from redeemable non-controlling interests	AC	–	6.1	17,403	18,457
Corporate Schuldschein loan	AC	–	6.2	167,062	208,830
Liabilities to banks	AC	–	6.2	31	5,983
Trade payables	AC	–	4.3	77,689	61,640
Other financial liabilities			6.3, 6.5		
Derivative financial liabilities	FVPL	2		1,004	1,178
Derivative financial liabilities	FV – Hedging Instrument	2		2,632	725
Lease liabilities	AC	–		6,004	8,606
Remaining other financial liabilities	AC	–		9,685	11,726

1) FVPL (Fair Value through Profit or Loss); AC (At cost)

Liabilities measured at fair value

Derivative financial instruments are used in isolated cases to hedge against interest rate risks. Provided that the prospective effectiveness measurements as required by IFRS 9 are met and the hedging strategy is documented, the derivative financial instruments are either accounted for as cash flow hedges or as fair value hedges.

Derivatives designated as hedging instruments are accounted for at their current market value. With cash flow hedges, any unrealised gains or losses for the effective part (in accordance with the effectiveness measurement) are recognised in Other comprehensive income. The ineffective part is recognised through profit or loss for the period as other financial result. Once the hedged transaction is realised (e.g. payment of interest) the amount recognised in Other comprehensive income is reclassified into the Consolidated income statement. With fair value hedges, the earnings are recorded immediately through profit or loss in the other financial result within the consolidated income statement.

The financial instruments measured at fair value are derivative financial instruments. The derivative financial instruments (freestanding financial instruments) relate to foreign exchange forward contracts as at 31 December 2020. The derivative financial instrument held for hedging purposes is a cross currency swap for hedging a corporate *Schuldschein* loan in Polish zlotys (PLN).

The fair values of the foreign exchange forward contracts and cross currency swaps are determined using accepted actuarial valuation models. Future payment flows are simulated using the yield curves published on the reporting date. In addition, the carrying amount is adjusted to take into account the credit risk of the respective counterparty. When doing so, positive exposures are measured considering the default risk of the counterparty, while negative exposures are measured considering the Group's own default risk.

Liabilities not measured at fair value

The fair values correspond to the carrying amounts for all financial assets and liabilities, with the exception of those stated below and the liabilities from redeemable non-controlling interests (see Chapter 6.1). Actuarial valuation methods are used to determine the fair value of financial instruments for which no active market is available. The parameters relevant to valuation for determining fair value are based in part on forward-looking assumptions.

in EUR thousand	Valuation category according IFRS 9[1]	Fair Value 31.12.2020	Fair Value 31.12.2019	Level
Liabilities				
Corporate Schuldschein loan	AC	176,488	212,461	3

[1] AC (At cost)

The fair value of the corporate *Schuldschein* loan was determined by discounting the contractual payment streams with current interest rates. The comparable interest rates at the reporting date were derived from capital market yields with matching terms and then adjusted for current risk and liquidity costs that are observable on the market. These comparable interest rates were derived based on management's current assessment of the rating of the Semperit Group. The difference between the carrying amount and the fair value is the result of the material fall in the banks' refinancing costs (as part of the cost of corporate financing through banks) since the corporate *Schuldschein* loans were issued due to the measures taken by the European Central Bank (ECB), such as medium-term refinancing tenders for banks at a current interest rate of 0.00% p.a. and the ECB's quantitative easing measures, which led to a significant decrease in risk premiums. In addition, several clauses in the corporate *Schuldschein* loan contract, which differ from a standard loan, are worded positively in the Semperit Group's favour.

6.5. Other financial assets (current)

in EUR thousand	31.12.2020	31.12.2019
Financial assets recognised at fair value through profit or loss		
Derivatives	560	52
Financial assets recognised at amortised cost		
Receivables to employees	178	342
Accruals and deferrals	385	335
Other financial assets	1,013	2,086
	1,576	**2,763**
Total	**2,136**	**2,816**

The remaining other financial assets include restricted funds in the amount of EUR 156 thousand (previous year: EUR 208 thousand) and rent deposits in the amount of EUR 165 thousand.

For details of their fair values and other additional information, see Chapter 3.3. An impairment loss needs to be taken into consideration for financial assets measured at amortised cost (see Chapter 4.2). See Chapter 11 for derivatives held under a hedging relationship.

6.6. Cash and cash equivalents

in EUR thousand	31.12.2020	31.12.2019
Cash on hand	18	28
Cash deposits in banks	144,838	141,040
Short-term deposits	115	288
Total	**144,972**	**141,356**

The term to maturity of all short-term deposits at the time of the investment was less than three months.

7. Provisions

7.1. Retirement benefit expenses, provisions for pensions and severance payments

Retirement benefit plans – defined benefit plans

In the case of defined benefit plans, the cost of providing the benefit is calculated using the projected unit credit method; for this purpose, an actuarial assessment is carried out at each reporting date. All remeasurement of plan assets and obligations, especially actuarial gains and losses, are reported directly in equity under other comprehensive income in accordance with IAS 19.

The provision recognised in the balance sheet for defined benefit plans equals the present value of the benefits accruing to the employees at the reporting date, less the fair value of the plan assets required to settle the obligation at the reporting date.

Retirement benefit plans – defined contribution plans

Based on an existing pension statute of Semperit AG Holding and Semperit Technische Produkte Gesellschaft m.b.H., company pensions in the form of a fixed amount are granted to employees who joined the company before 1 January 1991, with the amount of this dependent on the relevant employee's number of years of service. The statute stipulates that only retired former employees or their surviving dependants are now entitled to these pensions. The obligations of this statute are not funded by plan assets.

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

Severance payment commitments

Depending on their length of service, most employees in Austria, France, India, Poland and Thailand are legally entitled to a one-off payment, particularly on retirement.

The benefits due on retirement are considered to be payments due following termination of the employment relationship in accordance with IAS 19. These obligations are not funded by plan assets.

Actuarial assumptions

The most important actuarial parameters for the defined benefit pension and severance plans are as follows. Interest rates were determined separately in the individual countries depending on the pension plan.

Discount rate p.a. in %	31.12.2020	31.12.2019
Austria – pensions	0.60% / 0.70%	0.80% / 0.90%
Austria – severance payments	0.60% / 0.70%	1.00%
Germany – pensions	0.60% / 0.70%	0.90% / 0.98%
Other countries – severance payments		
France	0.70% / 1.00%	1.00% – 1.20%
Poland	1.50%	2.00%
India	6.05%	7.10%
Thailand	0.36% – 2.99%	1.24% – 2.49%

Salary increases were determined in the individual countries by the relevant benefit plan and, if relevant, separately for blue-collar and white-collar workers.

Salary increases p.a. in %	31.12.2020	31.12.2019
Austria – pensions	0.00% / 1.75%	0.00% / 1.75%
Austria – severance payments	3.00%	3.00%
Germany – pensions	1.80 % / 3.40%	1.80% / 3.40%
Other countries – severance payments		
France	0.00% / 2.50%	2.00% / 2.50%
Poland	3.00%	2.00%
India	5.00% / 12.00%	5.00% / 12.00%
Thailand	3.00% / 4.00%	3.00% / 5.00%

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

Fluctuation deductions p.a. in %	31.12.2020	31.12.2019
Austria – pensions	0.00%	0.00%
Austria – severance payments	0.00% – 2.60%	0.00% – 2.60%
Germany – pensions	0.00%	0.00%
Other countries – severance payments		
France	0.00% – 7.00%	0.00% – 7.00%
Poland	0.00% – 5.90%	5.30%
India	0.00% / 2.00% / 8.00%	0.00% / 2.00% / 8.00%
Thailand	0.00% – 35.00%	0.00% – 35.00%

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

The following biometric calculation bases and assumptions were used to determine the present value of the obligations (defined benefit obligation – DBO):

- Austria: AVÖ (Austrian Actuarial Society) 2018-P ANG
- Germany: Heubeck 2018G
- France: TH 00–02 / TF 00–02
- Poland: Life Expectancy Table of Poland 2019 (previous year: Life Expectancy Table of Poland 2016)
- India: Indian Assured Lives Mortality (2012–2014)
- Thailand: Thailand TM017

The provisions for pension and severance payments comprise the following:

in EUR thousand	Total 31.12.2020	Thereof non-current	Thereof current	Total 31.12.2019	Thereof non-current	Thereof current
Provisions for pensions	17,718	16,186	1,532	17,751	16,225	1,526
Provisions for severance payments	19,728	18,785	943	19,174	18,010	1,164
Total	**37,446**	**34,971**	**2,476**	**36,925**	**34,235**	**2,690**

Provisions for pensions

in EUR thousand	31.12.2020	31.12.2019
Present value of funded defined benefit obligations	3,460	3,469
Fair value of the plan assets	–80	–345
Deficit	3,380	3,124
Present value of unfunded defined benefit obligations	14,338	14,626
Provisions for pensions as of 31.12.	**17,718**	**17,751**

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

in EUR thousand	2020	2019
Present value of the obligations (DBO) as at 01.01.	18,096	18,120
Current service costs	7	11
Interest expense	161	317
Total expenses for pensions	**168**	**328**
Remeasurements	1,146	1,302
Payments/Transfers	–1,612	–1,654
Present value of the obligations (DBO) as at 31.12.	**17,798**	**18,096**

Both the service costs and the interest expense are recorded as expenses for retirement benefits under personnel expenses in the consolidated income statement (see Chapter 2.5).

Plan assets measured at fair value consist of the following:

in EUR thousand	31.12.2020	31.12.2019
Cash funds	80	80
Other receivables	0	265
Fair value of the plan assets as at 31.12.	**80**	**345**

Plan assets changed as follows:

in EUR thousand	2020	2019
Fair value of the plan assets as at 01.01.	345	293
Remeasurements of plan assets	0	–12
Payments/Transfers	–265	65
Fair value of the plan assets as at 31.12.	**80**	**345**

Provisions for severance payments

in EUR thousand	2020	2019
Present value of the obligations (DBO) as at 01.01.	19,174	18,689
Current service costs	447	325
Past service costs	0	118
Interest expense	205	350
Total expenses for severance payments	**652**	**793**
Remeasurements	1,041	759
Payments	–1,061	–1,107
Currency translation differences	–78	41
Present value of the obligations (DBO) as at 31.12.	**19,728**	**19,174**

Remeasurements

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

in EUR thousand	2020	2019
Pensions		
Remeasurements of the obligation		
from changes to demographic assumptions	–2	–44
from changes to financial assumptions	–370	–1,466
Experience adjustments	–774	208
	–1,146	**–1,302**
Remeasurements of plan assets	0	–12
Pensions total	**–1,146**	**–1,314**
Severance payments		
Remeasurements of the obligation		
from changes to demographic assumptions	–4	565
from changes to financial assumptions	–638	–1,469
Experience adjustments	–400	145
Severance payments total	**–1,041**	**–759**
Total remeasurements	**–2,187**	**–2,073**

Sensitivity analysis

Sensitivity analyses were performed for pension and severance plans regarding the effect of significant actuarial assumptions. Sensitivities were determined based on the same actuarial assumptions used to value the provisions for pension and severance payments, with one parameter changing here. The remaining parameters remained unchanged. If the change of parameters results in a negative interest rate, then this is used for the calculation.

A change of one percentage point in each of these parameters has the following impact on the present value of pension obligations totalling EUR 17,798 thousand (previous year: EUR 18,096 thousand) and on the present value of severance payment liabilities amounting to EUR 19,728 thousand (previous year: EUR 19,174 thousand):

in EUR thousand	Change in parameter	Present value of obligation (DBO) 31.12.2020 increase in parameter	Present value of obligation (DBO) 31.12.2020 decrease in parameter	Present value of obligation (DBO) 31.12.2019 increase in parameter	Present value of obligation (DBO) 31.12.2019 decrease in parameter
Pensions					
Interest rate	+/– 1 percentage point	16,196	19,718	16,478	20,033
Increases in salaries	+/– 1 percentage point	19,285	16,883	19,548	17,214
Life expectancy	+/– 1 year	18,812	16,806	19,105	17,109
Severance payments					
Interest rate	+/– 1 percentage point	17,985	21,773	17,478	21,384
Increases in salaries	+/– 1 percentage point	21,765	17,923	21,233	17,563

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

Weighted average duration	31.12.2020	31.12.2019
Austria – pensions	9.8	9.1
Austria – severance payments	10.3	10.5
Germany – pensions	10.2	9.9
Other countries – severance payments		
France	16.3	13.9
Poland	10.5	10.5
India	7.7	8.4
Thailand	16.5	14.0

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

in EUR thousand	31.12.2020	31.12.2019
Severance payments		
under 1 year	943	1,164
1 to 5 years	3,812	3,413
6 to 10 years	6,249	6,056
over 10 years	14,164	15,002
Pensions		
under 1 year	1,532	1,526
1 to 5 years	5,920	5,799
6 to 10 years	4,230	4,142
over 10 years	7,998	7,290

Retirement benefit plans – defined contribution plans

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

Semperit AG Holding is required to contribute to a pension fund for all current members of the Management Board. An amount fixed by contract is paid into a pension fund (APK Pensionskasse AG) each year. In the 2020 financial year, the expense for these contributions amounted to EUR 132 thousand (previous year: EUR 88 thousand).

One former member of the Management Board and selected executives were granted pensions in the past that are covered by reinsurance policies with Generali Versicherung AG, with the pension entitlement matching the amount covered by the reinsurance. In the 2020 financial year, the expense for these contributions amounted to EUR 151 thousand (previous year: EUR 180 thousand).

Employees whose employment is subject to Austrian law and who entered into this employment relationship after 31 December 2002 are not entitled to severance payments from their employer. For these employees and all current members of the Management Board, contributions amounting to 1.53% (previous year: 1.53%) of their wages or salaries are paid into a staff pension fund. In the 2020 financial year, the expense for these contributions totalled EUR 706 thousand (previous year: EUR 643 thousand).

For employees in the USA, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2020 financial year, the expense for these contributions amounted to EUR 164 thousand (previous year: EUR 317 thousand).

For employees in Singapore, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2020 financial year, the expense for these contributions amounted to EUR 165 thousand (previous year: EUR 188 thousand).

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

7.2. Other provisions

Provisions are recognised at the present value of the expected settlement amount based on management's best possible estimate of the uncertain obligation, taking account of unavoidable risks and uncertainties associated with a large number of events and scenarios as well as future events, insofar as there exist sufficient objective and substantial indications of their occurrence. However, discounting takes place only in case of a materiality of the interest effect.

If it can be assumed that the amount required to settle the obligation will be completely or partially reimbursed by a third party, this reimbursement claim is recognised if and to the extent that it is virtually certain that such reimbursement will be received and the amount can be estimated reliably.

The timings of the expected payment flows from other provisions (except long-service bonuses) largely reflect the maturities outlined above.

The carrying amounts of the other provisions are as follows:

in EUR thousand	31.12.2020	Thereof non-current	Thereof current	31.12.2019	Thereof non-current	Thereof current
Long-service bonuses	4,587	4,195	392	4,517	4,232	285
Guarantees	7,302	1,236	6,066	6,753	1,291	5,462
Bonuses and other personnel provisions	19,123	2,585	16,538	12,936	216	12,720
Other	8,095	4,168	3,926	6,295	5,136	1,159
Total	**39,107**	**12,184**	**26,923**	**30,501**	**10,875**	**19,626**

The other provisions changed as follows:

in EUR thousand	01.01.2020	Currency differences	Release	Use	Additions	31.12.2020
Long-service bonuses	4,517	–2	0	–292	364	4,587
Guarantees	6,753	–212	–1,716	–954	3,432	7,302
Bonuses and other personnel provisions	12,936	–353	–80	–12,248	18,867	19,123
Other	6,295	–1,375	–66	–1,538	4,779	8,095
Total	**30,501**	**–1,942**	**–1,862**	**–15,032**	**27,442**	**39,107**

Long-service bonuses

Provisions for long-service bonuses are calculated using the projected unit credit method in accordance with IAS 19, based on an actuarial assessment. Revaluations (actuarial gains and losses) are reported in the consolidated income statement for the period as personnel expenses.

Provisions for long-service bonuses are established for employees in Austria, Germany and the Czech Republic, whose entitlement to them is based on collective bargaining agreements. They were valued based primarily on the same actuarial assumptions used to value the provisions for pension and severance payments.

At 31 December 2020 undiscounted payment flows for provisions for long service bonuses arise in the amount of EUR 386 thousand due within a year (previous year: EUR 287 thousand) and EUR 8,773 thousand (previous year: EUR 9,070 thousand) due in over a year.

The average weighted duration of the present value of the long-service bonus obligations is around 9 years (previous year: 11 years). Sensitivity analyses were performed regarding the effect of significant actuarial assumptions. These resulted in the following effects on the present value of the provisions for long-service bonuses:

		Present value of obligation (DBO) 31.12.2020		Present value of obligation (DBO) 31.12.2019	
in EUR thousand	Change in parameter	increase in parameter	decrease in parameter	increase in parameter	decrease in parameter
Interest rate	+/– 1 percentage point	4,195	5,054	4,132	4,974
Increases in salaries	+/– 1 percentage point	4,949	4,275	4,871	4,211

Guarantees

The provisions for guarantees are based largely on case-by-case assessments of the guarantee risks; guarantee provisions that are allocated on a portfolio basis derived from experience are of minor importance in the Semperit Group. Since guarantee claims may involve lengthy negotiations as well as legal disputes, it is not possible to accurately predict when payments will actually have to be made.

Bonuses and other personnel provisions

The provisions for bonuses of employees (corresponding to the Semperit Group Bonus Policy), managers (corresponding to a long-term incentive plan orientated around long-term performance bonuses for the Management Board) and Management Board members (corresponding to the remuneration policy) are recognised with the best-possible estimated settlement amounts. The estimated settlement amounts take into consideration the expected achievements of individual and group targets as well as the current results from the performance evaluation. Long-term performance bonuses are distributed over several periods and accumulated; the anticipated vesting of the claims determines the end of the accumulation period. Due to a lack of materiality, there is no discounting of the long-term performance bonuses. Local bonus agreements also exist for employees and management staff, for which provisions are also recognised on the basis of the individually estimated and anticipated achievement of targets.

Other provisions

The remaining other provisions include a provision for tax proceedings relating to transaction taxes in Brazil in respect of the assessment years 2008–2010 in the amount of EUR 2,450 thousand (previous year: EUR 3,380 thousand). The duty (PIS/COFINS) is levied on the import and resale of goods in Brazil.

With regard to the import PIS/COFINS, the Conselho de Administração de Recursos Fiscais (CARF) issued its final decision in favour of the Semperit Group on 12 November 2019. The corresponding provision in the amount of EUR 3,985 thousand was subsequently reversed in the previous year; proceedings were officially wound up in January 2020.

For the resale PIS/COFINS, a deposit was made in the 2017 financial year after unsuccessful appeals in the administrative proceedings for the further handling of the case in the courts. The provision in the amount of EUR 2,450 thousand (previous year: EUR 3,380 thousand) continues accompanying by a corresponding demand for a reimbursement of the deposit made with the civil court. The simultaneous decline of the provision and the demand for reimbursement is mainly due to the collapse in the exchange rate of the Brazilian real in the last financial year.

In addition, provisions were formed expected litigation costs in connection with the tax proceedings in Brazil in the amount of EUR 205 thousand (previous year: EUR 411 thousand). For the assessment years 2011 and 2012, management is assuming that the period of limitation has expired.

Following the introduction of a Zero Recruitment Fee Policy in Malaysia, a gradual repayment process was implemented for the recruitment fees paid by foreign blue collar workers to third-party providers. The provision required was amounted to EUR 2,835 thousand as at 31 December 2020 (previous year: EUR 0 thousand).

One subsidiary is involved in competition law proceedings. These lengthy proceedings are currently at a stage where the outcome is facing a high level of uncertainty. The case is being heard before the authorities in consultation with local specialists, and the subsidiary in question is cooperating with the competent authorities and providing all necessary assistance. For the anticipated costs and the associated risk, a provision in the most likely amount has been set aside in line with an assessment made by the Semperit Group. The amount is reviewed periodically in order to determine if it needs to be adjusted.

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

8. Other non-financial assets and liabilities

8.1. Other non-financial assets

in EUR thousand	31.12.2020	Thereof non-current	Thereof current	31.12.2019	Thereof non-current	Thereof current
Accrued expenses	5,080	19	5,060	4,617	127	4,490
Prepayments	1,055	426	630	1,527	521	1,006
Tax receivables	8,972	2,603	6,369	10,819	3,633	7,185
Other non-financial receivables	483	73	410	1,043	69	974
Total	**15,590**	**3,121**	**12,469**	**18,005**	**4,350**	**13,654**

8.2. Other non-financial liabilities

in EUR thousand	31.12.2020	Thereof non-current	Thereof current	31.12.2019	Thereof non-current	Thereof current
Liabilities from taxes and social security contributions	10,595	0	10,595	9,849	0	9,849
Contract liabilities	18,841	0	18,841	11,864	0	11,864
Unused holidays and overtime balances	7,090	224	6,866	5,447	132	5,315
All other liabilities	1,447	45	1,401	1,725	51	1,675
Total	**37,972**	**269**	**37,703**	**28,885**	**183**	**28,702**

Of the contract liabilities in the amount of EUR 18,841 thousand (previous year: EUR 11,864 thousand), EUR 15,423 thousand were incurred in the 2020 financial year (previous year: EUR 11,864 thousand). Of the previous year’s value of contract liabilities, EUR 5,621 thousand (previous year: EUR 4,848 thousand) was recognised as sales revenue.

9. Taxes

Tax reconciliation statement

The following table reconciles earnings before tax with the income tax expense reported in the consolidated income statement:

in EUR thousand	2020	2019
Earnings before tax	**229,163**	**–29,643**
Tax expense / income (–/+) at 25 %	**–57,291**	**7,411**
Tax rates in other countries	11,667	504
Share of profits from associated companies	141	116
Profit / loss attributable to redeemable non-controlling interests	–1,094	–1,017
Non-deductible expenses	–3,605	–3,539
Non-taxable income, tax exemptions and tax deductibles	553	358
Tax-deductible expenses for hybrid coupons	1,620	1,730
Reduction of current tax expenses on the basis of yet unused tax loss carryforwards and tax credits	6,027	1,383
Non-recognised deferred tax assets on new losses carryforwards and temporary differences in the financial year	–3,644	–19,186
Change of the value adjustment of deferred tax assets from temporary differences and losses carryforwards and tax credits arising from previous years	18,949	–1,161
Change to outside-basis-differences	–438	–3
Tax effects on valuations on holdings of fully consolidated companies	200	1,117
Withholding taxes	–2,120	–1,800
Tax arrears from previous periods	–5,271	–240
Other	–266	–950
Income taxes according to the consolidated income statement	**–34,573**	**–15,277**

in EUR thousand	2020	2019
Earnings before tax	229,163	–29,643
Profit / loss attributable to redeemable non-controlling interests	4,377	4,067
Total	**233,540**	**–25,576**
Income taxes according to the consolidated income statement	34,573	15,277
Effective tax rate in %	**14.8%**	**–59.7%**

Deferred taxes

Following temporary differences, deferred taxes in the consolidated balance sheet are categorised as follows:

in EUR thousand	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Intangible assets	1,299	32	1,297	19
Property, plant and equipment	279	19,795	11,194	12,681
Financial assets	12	126	24	93
Inventories	3,799	177	2,570	59
Receivables	249	1,499	258	9,385
Other assets	153	126	59	105
Provisions for personnel	5,936	0	5,847	0
Other provisions	3,142	10	1,532	17
Trade payables	526	17	160	636
Other liabilities	1,946	2,169	4,608	829
Temporary differences in connection with shares in subsidiaries (outside-basis-differences)	0	2,331	0	1,893
Tax loss carry-forwards and as yet unused tax credits	68,645	n/a	80,566	n/a
Total deferred tax assets and liabilities	**85,985**	**26,281**	**108,115**	**25,717**
Valuation allowance for deferred tax assets	–64,401	n/a	–89,508	n/a
Offset of deferred tax assets and tax liabilities	–16,085	–16,085	–15,394	–15,394
Net deferred tax assets	**5,500**		**3,212**	
Net deferred tax liabilities		**10,196**		**10,323**

The valuation allowance for deferred tax assets in the amount of EUR 64,401 thousand (previous year: EUR 89,508 thousand) includes the valuation allowance for deferred tax assets related to temporary differences in the amount of EUR 8,565 thousand (previous year: EUR 19,657 thousand) and the valuation allowance for deferred tax assets related to loss carry-forwards and unused tax credits in the amount of EUR 55,836 thousand (previous year: EUR 69,852 thousand). The valuation allowance also includes deferred tax assets that arose but were (still) not recognised in the relevant financial year.

The valuation allowances for deferred tax assets includes the temporary differences and loss carry-forwardsfrom the group of companies in accordance with Section 9 of the Austrian Corporation Tax Act (KStG), whose parent company is Semperit AG Holding. A total of EUR 33,575 thousand (previous year: EUR 31,158 thousand) is attributable to this group of companies. Due to the Austrian tax group's history of losses in the recent past, there are stringent IFRS requirements for a reliable tax planning. The recognition of deferred tax assets (not covered by deferred tax liabilities) on temporary differences and loss carry-forwards requires additional substantial evidence that, in the upcoming financial years, tax results will be generated that can be used for future tax relief. The deferred tax assets of the Austrian tax group are hence not eligible for recognition in view of the history of losses of the Austrian tax group in the recent past, the transitional and transformation phase in which the Semperit Group finds itself and in view of the uncertainties that exist primarily because of the economic framework conditions influenced by the corona pandemic.

Deferred tax assets and liabilities of the same taxable entity are offset if they relate to income taxes levied by the same taxation authority and the entity in question has a legally enforceable right to offset current tax liabilities against current reimbursement claims. The tax group formed in Austria in accordance with Section 9 of the Austrian Corporation Tax Act is deemed to constitute a taxable entity for this purpose. A corporation tax group exists in Germany between Semperit Profiles Deggendorf GmbH and Semperit Profiles Leeser GmbH.

Of the changes to the deferred taxes recorded on the balance sheet, EUR –1,893 thousand (previous year: EUR –4,298 thousand) is included in the tax expense and EUR 265 thousand (previous year: EUR –47 thousand) in the other comprehensive income.

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

in EUR thousand	2020	2019
Other comprehensive income that will not be recognised through profit and loss in future periods		
Deferred taxes related to remeasurements of defined benefit plans (IAS 19)	97	171
Other comprehensive income that will be recognised through profit and loss in future periods		
Deferred taxes related to cash flow hedges	24	–125
Currency translation differences related to deferred taxes	143	1
	168	**–124**
Total	**265**	**47**

Deferred taxes with a term of more than five years which resulted from the remeasurement of defined benefit plans were adjusted.

As at the reporting date, there are deductible temporary differences in the amount of EUR 33,740 thousand (previous year: EUR 80,790 thousand) as well as tax loss carry-forwards and unused tax losses in the amount of EUR 167,921 thousand (previous year: EUR 190,158 thousand), for which no deferred tax assets were recognised. Of these unused tax losses, EUR 24,915 thousand (previous year: EUR 15,643 thousand) expire within the next five years and EUR 29,466 thousand (previous year: EUR 34,344 thousand) in the next seven years. The major part of the remaining tax losses and deductible temporary differences can be carried forward without limit.

Deferred tax assets include those assets for tax jurisdictions in which tax losses were incurred in the current financial year or the previous year that exceed the deferred tax liabilities in the relevant group companies by a total of EUR 2,803 thousand (previous year: EUR 2,000 thousand). In 2020 financial year, deferred tax assets were recognised based on the fact that either there will be sufficient taxable profit in the coming years, or the losses can be carried back to past financial years.

Deferred tax liabilities of EUR 13,479 thousand (previous year: EUR 9,832 thousand) were not recognised for taxable temporary differences of EUR 58,687 thousand (previous year: EUR 56,938 thousand) in connection with interests in subsidiaries as the parent is able to control when the temporary difference is reserved, and it is likely that the temporary differences will be reversed in the foreseeable future. There are also deductible temporary differences in the amount of EUR 26,975 thousand (previous year: EUR 151,703 thousand) for which deferred tax assets of EUR 6,539 thousand (previous year: EUR 29,759 thousand) were not recognised as it is unlikely that the temporary differences will be released in the foreseeable future.

10. Structure of the company

10.1. Scope of consolidation

The subsidiaries, where control is exercised within the meaning of IFRS 10, are included in the scope of consolidation of Semperit AG Holding's consolidated financial statements. Associated companies with a significant influence are accounted for as investments in associated companies using the equity method.

The scope of consolidation of Semperit AG Holding developed in the 2020 financial year as follows:

	Fully consolidated companies	Associated companies
As at 01.01.2020	**44**	**1**
Disposal of investments	0	–1
First-time/Deconsolidations	–2	0
As at 31.12.2020	**42**	**0**

	Fully consolidated companies	Associated companies
As at 01.01.2019	**44**	**1**
Deconsolidation	0	0
As at 31.12.2019	**44**	**1**

The deconsolidations in the 2020 financial year relate to Total Glove Company Bhd, Kamunting, Malaysia. The company has been in liquidation since 19 November 2020 and was deconsolidated due to the resultant loss of control. The effects of the deconsolidation are immaterial and were recorded in the other operating income. Shanghai Sempermed Glove Sales Co Ltd, Shanghai, China, was also liquidated.

10.2. Fully consolidated companies

		31.12.2020				31.12.2019			
	Currency	Authorised share capital in ´000s	Direct holding in %	Group holding in %		Authorised share capital in ´000s	Direct holding in %	Group holding in %	
Europe									
Semperit Aktiengesellschaft Holding, Vienna, Austria	EUR	21,359				21,359			
Semperit Technische Produkte Gesellschaft m.b.H., Vienna, Austria	EUR	61,701	100.00	100.00		61,701	100.00	100.00	
Semperit Import & Services GmbH, Vienna, Austria	EUR	36	100.00	100.00		36	100.00	100.00	
Semperflex Rivalit GmbH, Waldböckelheim, Germany	EUR	1,281	100.00	100.00		1,281	100.00	100.00	
Semperit Profiles Deggendorf GmbH, Deggendorf, Germany	EUR	11,050	100.00	100.00		11,050	100.00	100.00	
Semperit Profiles Leeser GmbH, Hückelhoven, Germany	EUR	81	100.00	100.00		81	100.00	100.00	
Semperit Profiles Leeser Verwaltungs GmbH, Germany	EUR	25	100.00	100.00		25	100.00	100.00	
Semperit (France) S.A.R.L., Levallois Perret, France	EUR	495	100.00	100.00		495	100.00	100.00	
Sempertrans France Belting Technology S.A.S., Argenteuil, France	EUR	2,542	100.00	100.00		2,542	100.00	100.00	
Sempertrans Maintenance France Nord S.A.S., Argenteuil, France	EUR	176	100.00	100.00		176	100.00	100.00	
Semperit Industrial Products Ltd., Birmingham, Great Britain	GBP	150	100.00	100.00		150	100.00	100.00	
Sempertrans Bełchatów Sp. z o.o., Bełchatów, Poland	PLN	7,301	100.00	100.00		7,301	100.00	100.00	
Carlona Sp. z o.o., Warsaw, Poland	PLN	67,611	100.00	100.00		66,394	100.00	100.00	
Semperflex Optimit s.r.o., Odry, Czech Republic	CZK	470,318	100.00	100.00		470,318	100.00	100.00	
Semperflex A.H. s.r.o., Odry, Czech Republic	CZK	100	100.00	100.00		100	100.00	100.00	
Elastomer Technology Kmenta s.r.o., Husava, Czech Republic	CZK	2,848	87.50	87.50	1)+2)	2,848	87.50	87.50	1)
Sempermed Kft., Sopron, Hungary	EUR	3,680	100.00	100.00		3,680	100.00	100.00	
Semperform Kft., Sopron, Hungary	HUF	243,000	100.00	100.00		243,000	100.00	100.00	
Sempermed Magyarország Kft., Budapest, Hungary	HUF	3,000	100.00	100.00		3,000	100.00	100.00	
Sempertrans Conveyor Belt Solutions GmbH, Vienna, Austria	EUR	3,136	100.00	100.00		3,136	100.00	100.00	

	Currency	31.12.2020 Authorised share capital in ´000s	Direct holding in %	Group holding in %		31.12.2019 Authorised share capital in ´000s	Direct holding in %	Group holding in %	
The Americas									
Sempermed Brasil Promoção de Vendas Ltda., Piracicaba, Brazil	BRL	33,971	100.00	100.00		15,247	100.00	100.00	
Semperit Brasil Produtos Tècnicos Ltda., Sao Paulo, Brazil	BRL	641	100.00	100.00		641	100.00	100.00	
Sempermed USA Inc., Clearwater, Florida, USA	USD	4,000	100.00	100.00		4,000	100.00	100.00	
Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA	USD	1	100.00	100.00		1	100.00	100.00	
Sempertrans North America Investments Corp., Atlanta, USA	USD	15,200	100.00	100.00		9,000	100.00	100.00	
Sempertrans USA, LLC, Atlanta, USA	USD	13,304	100.00	100.00		7,100	100.00	100.00	
Semperit Productos Técnicos SpA, Santiago de Chile, Chile	CLP	46,000	100.00	100.00		46,000	100.00	100.00	
Asia									
Semperflex Shanghai Ltd., Shanghai, China	USD	15,000	100.00	100.00		15,000	100.00	100.00	
Semperit (Shanghai) Management Co. Ltd., Shanghai, China	USD	2,570	100.00	100.00		2,570	100.00	100.00	
Sempertrans Best (ShanDong) Belting Co. Ltd., Shandong, China	EUR	24,800	83.87	83.87	3)	24,800	83.87	83.87	3)
Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China	EUR	2,471	100.00	100.00		2,471	100.00	100.00	
Shanghai Sempermed Glove Sales Co Ltd., Shanghai, China	USD	0	0.00	0.00	4)	0	100.00	100.00	2)
Shanghai Changning Sempermed Glove Trading Co. Ltd., Shanghai, China	USD	2,305	100.00	100.00		2,305	100.00	100.00	
Sempertrans India Pte. Ltd., Roha, Maharashtra, India	INR	702,769	100.00	100.00		662,769	100.00	100.00	
FormTech Engineering (M) Sdn Bhd, Nilai, Malaysia	MYR	8,300	69.88	69.88		8,300	69.88	69.88	
Latexx Partners Berhad, Kamunting, Malaysia	MYR	256,150	98.86	98.86		256,150	98.86	98.86	
Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia	MYR	6,378	100.00	98.85		6,378	100.00	98.85	
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	223,421	100.00	98.85		223,421	100.00	98.85	
Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	5,000	100.00	98.85		5,000	100.00	98.85	
Total Glove Company Sdn Bhd, Kamunting, Malaysia	MYR	0	0.00	0.00	4)	4,575	100.00	100.00	
Semperit Engineering Technology Asia Sdn Bhd, Penang, Malaysia	MYR	600	100.00	100.00		600	100.00	100.00	
Semperit Industrial Products Singapore Pte Ltd., Singapore	USD	2,965	100.00	100.00		665	100.00	100.00	
Semperit Investments Asia Pte Ltd., Singapore	EUR	55,398	100.00	100.00		319,800	100.00	100.00	
Sempermed Singapore Pte Ltd., Singapore	USD	10,740	100.00	100.00		14,540	100.00	100.00	
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	THB	380,000	50.00	50.00	3)	380,000	50.00	50.00	3)

1) Not consolidated due to a lack of materiality.
2) In liquidation.
3) The interests of other shareholders are reported as redeemable non-controlling interests.
4) Deconsolidated.

With respect to Semperflex Asia Corp. Ltd. (SAC) the Semperit Group's capital investment and voting rights amount to 50%. The management of the Semperit Group has conducted and continues to conduct an ongoing analysis of its interest in SAC in order to determine whether control exists within the meaning of IFRS 10 and if full consolidation would therefore be justified. On the basis of past and current analyses, the management of the Semperit Group remained, as at 31 December 2020, of the opinion that SAC should be incorporated into the consolidated financial statements of the Semperit Group as a fully consolidated subsidiary. This judgemental decision is based on the underlying contractual agreements, the investigation of the relevant activities and the facts and circumstances relating to SAC. The following key points were evaluated:

- The deciding vote in place for the chairman of the Board of Directors who is appointed by the Semperit Group.
- The Semperit Group holds an option to purchase the remaining 50% interest of the Sri Trang Group, and this option may be exercised at a fixed purchase price between mid–2019 and mid–2021.
- Semperflex segment management exercises control over purchasing, production and sales management.
- Within the framework of the joint venture transaction in the 2017 financial year, two positions were established for local employees to implement the Semperit Group's right of control.
- As at the reporting date, there were no indications of the Sri Trang Group effectively restricting the Semperit Group's exercise of control.

No significant non-controlling interests exist for the Semperit Group (see Chapter 5.3). The non-controlling interests in Semperflex Asia Corp. Ltd. (SAC) and in Sempertrans Best (ShanDong) Belting Co. Ltd. (SBB) are reported as redeemable non-controlling interests in the liabilities from redeemable non-controlling interests (see Chapter 6.1).

11. Risk management

As a group with international operations, the Semperit Group is continuously confronted with new challenges resulting from global economic developments and its strong regional variations. The Semperit Group operates in countries with different economic framework conditions. In addition, these countries are going through different phases of political, constitutional and social development. The success of the Semperit Group's two sectors and five operating segments is dependent to varying degrees on the overall economic environment, on account of the differences in their strategic orientation. As a result, the Semperit Group is exposed to corresponding risks.

Due to its involvement in international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. Associated transaction risks exist at all group companies, e.g. for those that purchase raw materials in foreign currencies and/or sell products in a different currency. The main currencies in this context are the US dollar (USD), Chinese renminbi (CNY), Czech crown (CZK), Polish zloty (PLN) and Malaysian ringgit (MYR).

Derivative financial instruments are used in the Semperit Group to hedge against currency and interest rate risks. The risk management strategy aimed at hedging against currency and interest rate risks is applied to individual cases and specific projects in both the long-term and short-term areas. Cost/benefit/risk considerations play a crucial role here. In the long term, currency and interest rate risks from group financing are hedged in some cases using cross currency swaps, which as a general rule are accounted for as hedging transactions. The terms of the underlying transaction and hedging instruments essentially match this (critical terms match); the ineffectiveness of the hedging relationships is immaterial. In the short term, currency risks arising from e.g. expected customer, investment and dividend payments, are hedged in some cases using foreign exchange forward contracts that are accounted for as freestanding derivatives.

11.1. Capital risk management

The objectives of capital management are to ensure the company's ability to continue as a going concern, to enable growth-oriented organic and non-organic investment activities as necessary in accordance with the "SemperGrowth200" growth strategy, and allow for a compatible respective dividend policy. The financing structure, liquidity and finance risk positions are centrally controlled by the Semperit Group. Based on capital market principles, the long-term capital management additionally includes the decision regarding fixed or variable-interest borrowing and hybrid borrowing.

In connection with loan agreements, standard credit agreement clauses (financial covenants) exist that include termination by investors in case of non-compliance as well as a lowering of agency credit ratings for the Semperit Group, which could therefore result in a potential negative effect on the company's business, asset, financial and earnings position.

From a capital management perspective, the total capital of the Semperit Group consists of equity, including non-controlling interests in subsidiaries, the hybrid capital, the redeemable non-controlling interests and the net financial debt defined in the financial covenants. The net financial debt corresponds to the total of the financial and lease liabilities less cash and cash equivalents and shares in funds, shares and other securities.

The Semperit Group is not subject to any legal requirements with regard to minimum equity, minimum equity ratios or maximum levels of gearing; however, it is subject to certain credit agreement stipulations. These do relate to a minimum equity ratio and a maximum leverage ratio. The equity ratio corresponds to the share of equity in total capital in the consolidated balance sheet. The leverage ratio is the quotient arrived at from EBITDA and net financial debt. As at 31 December 2020 the equity ratio amounted to 43.8% (previous year: 39.1%) and the leverage ratio to 0.1 (previous year: 1.1). All relevant financial covenants were complied with both as at 31 December 2020 and as at 31 December 2019.

11.2. Liquidity risk management

Within the scope of liquidity risk management, the existing financial covenants are monitored and the options for drawing (from the framework credit agreement and the Kontrollbank refinancing framework) and reserve liquidity are made available in addition to the ongoing liquidity planning. A cash-pool was also introduced in euros in the 2020 financial year for material group companies.

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

						31.12.2020
in EUR thousand	**Total**	**Up to 1 month**	**2 to 3 months**	**4 to 12 months**	**1 to 5 years**	**Over 5 years**
Corporate Schuldschein loan	174,751	0	87	83,030	82,660	8,975
Liabilities to banks	31	0	31	0	0	0
Trade payables	77,689	42,999	30,959	3,719	12	0
Sales incentives and penalty fees	1,281	18	40	1,223	0	0
Derivatives	29,955	0	0	29,955	0	0
Lease liabilities	6,360	319	492	1,890	3,380	279
Other financial liabilities	8,462	5,208	693	2,511	50	0

The derivatives stated above mainly relate to undiscounted cash flows from the cross currency swap to hedge the corporate *Schuldschein* loan in Polish zlotys (PLN). Cash outflows are offset by incoming payments received from the cross currency swap amounting to EUR 26,249 thousand (4 to 12 months).

						31.12.2019
in EUR thousand	**Total**	**Up to 1 month**	**2 to 3 months**	**4 to 12 months**	**1 to 5 years**	**Over 5 years**
Corporate Schuldschein loan	216,850	0	0	33,047	143,759	40,045
Liabilities to banks	6,380	3,046	2,169	91	551	524
Trade payables	61,640	35,667	25,061	785	0	127
Sales incentives and penalty fees	1,242	5	38	1,199	0	0
Derivatives	29,355	0	0	524	28,832	0
Lease liabilities	9,182	243	513	2,128	5,111	1,186
Other financial liabilities	12,425	4,308	4,214	3,756	148	0

11.3. Default and credit risk management

Credit risks arise when goods are sold to customers on credit. The risk arises as soon as the Semperit Group no longer has access to the shipped goods; however, it begins even before production in the case of custom-made goods. Customers undergo credit checks, first of all by means of credit reports, and the receivables are also protected to a very high degree by credit insurance in order to mitigate the risks.

Every customer awarded credit must have an approved credit limit as per the Semperit Group's credit guidelines. If limits are exceeded or payments delayed, deliveries are halted and only resumed after specific conditions have been met and the resumption of deliveries has been approved by authorised individuals specified in Semperit Group directives. Customer credit risks are monitored constantly and the credit limits adjusted accordingly, even for those customers with the best credit ratings.

The default risk associated with non-insured receivables from customers can therefore be considered as minor, as customer creditworthiness is monitored continuously and the group's diversified customer structure implies that risk is not concentrated with individual customers. However, the default risk is assumed to increase significantly if there are negative effects on credit ratings due to the occurrence of bankruptcy or the start of insolvency proceedings. Default is assumed if recoverability is no longer seen as realistic and payment is therefore no longer expected. This resulted in write-offs of receivables in the amount of EUR 1,142 thousand in the 2020 financial year (previous year: EUR 91 thousand).

The Semperit Group can be exposed to default risks relating to its bank deposits in the event that individual banks experience difficulties or another banking and/or financial crisis occurs. Such deposits are not or only partially secured by deposit protection funds. An investment guideline is available that limits the amount of cash that may be held per bank and defines the financial instruments in which the excess liquidity may be invested. In addition, the Semperit Group conducts business activities in countries with capital controls or has restrictive agreements with joint venture partners or non-controlling shareholders. In countries with restricted cash transfers, Semperit tries to limit the amount kept locally to the minimum necessary for business operations. In general, the above-mentioned risks may have a negative effect on the company's asset, financial and earnings position in the event of restrictions being placed on the free availability of cash and cash equivalents, or on access to credit lines.

The default risk associated with financial assets is taken into account through impairment. The maximum default risk in the corresponding valuation categories amounts to as follows, determined on the basis of the risk of a total default of all debtors (without taking credit insurance into account):

in EUR thousand	**31.12.2020**	**31.12.2019**
Derivative financial instruments	560	52
Loans to associated companies	0	563
Other financial assets	2,021	3,611
Other financial assets – securities	6,692	6,554
Trade receivables	25,368	21,920
Cash and cash equivalents	144,972	141,356

11.4. Interest rate risk management

Operating resources, investments and acquisitions in the framework of the group's business operations are financed using debt that partially carry variable interest rates. Depending on the development of interest rates, hedging transactions could have a significant influence on the Group's business, asset, financial and earnings position.

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

Two cross currency swaps were concluded in the 2019 financial year to hedge the corporate *Schuldschein* loan issued in Polish zlotys (PLN). These cross currency swaps will be used to hedge all future cash flows, i.e. both interest and principal payments. The 3-year tranche of this corporate *Schuldschein* loan was repaid on schedule in the 2020 financial year. A cross currency swap was also terminated as planned as a result of the repayment. The remaining cross currency swap was classified as a cash flow hedge and recognised at fair value. The balance of the relevant hedge reserve amounted to EUR 0 thousand as at 31 December 2020 (previous year: EUR 97 thousand). The other comprehensive income for the 2020 financial year included valuation losses in the amount of EUR 1,841 thousand (previous year: EUR 387 thousand) and reclassifications to the other financial result in the consolidated income statement in the amount of EUR 1,744 thousand (previous year: EUR 104 thousand). The extent of the ineffectiveness recorded in the other financial result is immaterial.

Banks increasingly charged their customers negative interest on bank balances or short-term investments since the 2019 financial year, particularly in euros, or reduced the limits up to which no negative interest is charged. Management actively controls the negative interest rate risk by distributing bank balances within the limits and repaying any financial liabilities.

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

	31.12.2020		31.12.2019	
in EUR thousand	Fixed interest	Variable interest	Fixed interest	Variable interest
Financial assets	54,520	90,683	37,249	104,994
Financial liabilities	86,045	81,048	122,405	92,409
	140,565	**171,730**	**159,654**	**197,403**

The interest rate sensitivity analysis focuses on the risk arising from variable-interest financial instruments. It is assumed that the variable-interest assets and liabilities have been outstanding for a full year as at the reporting date. When performing this sensitivity analysis, an increase and a decrease in interest rates of 100 basis points are simulated. Negative interest rates are not considered for the purposes of this sensitivity analysis for interest rates <1%. The effects of the simulations on the financial result are shown below:

	31.12.2020			31.12.2019		
	Sensitivity to changes in interest rates by			Sensitivity to changes in interest rates by		
in EUR thousand	Balance	+100 basis points	–100 basis points	Balance	+100 basis points	–100 basis points
Variable-interest financial assets	90,683	907	–349	104,994	1,050	–38
Variable-interest financial liabilities	81,048	–810	810	92,409	–924	924
	171,730	**96**	**461**	**197,403**	**126**	**886**

11.5. Currency risk management

Due to its involvement in international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. Associated transaction risks exist at all group companies, e.g. for those that purchase raw materials in foreign currencies and/or sell products in a different currency. The main currencies in this context are the US dollar (USD), Czech koruna (CZK), Polish zloty (PLN), Chinese renminbi (CNY) and Malaysian ringgit (MYR).

The translation of foreign financial statements into the euro reporting currency results in currency translation differences (translation risk) amounting to EUR –24,281 thousand (previous year: EUR 979 thousand), which were recorded in other comprehensive income. EUR –105 thousand thereof is attributable to non-controlling interests (previous year: EUR –9 thousand).

The carrying amounts of assets and liabilities of subsidiaries not located in the eurozone, and the contribution of these subsidiaries to the Semperit Group's earnings, are to a significant extent contingent upon the development of the euro exchange rates of the functional currencies of these subsidiaries; the translation risk is not considered within the scope of the following disclosures pursuant to IFRS 7.

The following breakdown of the Semperit Group’s revenue according to key currencies (as a percentage of overall revenue) shows that, in the 2020 financial year, 51.7% (previous year: 40.4%) of total revenue was generated in a foreign currency.

as % of Semperit Group’s revenue	2020	2019
EUR	48.3%	59.6%
USD	35.0%	27.0%
CNY	3.3%	3.2%
INR	1.0%	2.1%
GBP	2.8%	3.7%
PLN	7.3%	2.5%
CZK	0.1%	0.1%
MYR	0.6%	0.6%
THB	0.1%	0.2%
Other	1.5%	1.0%

A significant portion of the Semperit Group’s earnings is generated by subsidiaries that are not registered in the eurozone (see Chapter 10.2).

The Group’s financial management system aims to avoid currency risks as much as possible by co-ordinating payment flows. The table below shows the derivative financial instruments used to hedge against currency risks by group company, type of hedged transaction and hedged currency. In the 2020 financial year, the financial instruments consist of foreign exchange forward contracts for hedging parts of the operational business at Semperflex Asia Corp. Ltd. in Thailand and for hedging intercompany financing at Latex Manufacturing Sdn Bhd in Malaysia. The cash flow hedge concerns the hedging of a corporate *Schuldschein* loan in Polish zlotys (PLN).

31.12.2020	Country	Type of transaction	Currency	Hedge amount [1]	Hedge rate [2]	Fair value in thousand EUR 31.12.2020	Range of remaining days to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	800,000	36.65	–7	97–159
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	3,815,000	30.74	73	83–187
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	65,000,000	4.10	–995	181
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	EUR	15,000,000	4.80	485	125
Semperit AG Holding	Austria	Cross Currency Swap [3]	EUR/PLN	28,291,256 / 118,000,000	4.17	–2,632	308

[1] Refers to the total amount of all existing derivative financial instruments as at the end of the reporting period for EUR and USD.
[2] Refers to the weighted average rate derived from all existing derivative financial instruments as at the end of the reporting period.
[3] Hedge accounting applied.

In the 2020 financial year, the effective portion of the cashflow hedge in the amount of EUR –1,841 thousand (previous year: EUR 387 thousand) was recognised in other comprehensive income and EUR 1,744 thousand (previous year: EUR 104 thousand) was reclassified to the consolidated income statement. As at 31 December 2020, the cash flow hedge reserve from the foreign exchange forward contracts amounted to EUR 0 thousand (previous year: EUR 73 thousand).

31.12.2019	Country	Type of transaction	Currency	Hedge amount [1]	Hedge rate [2]	Fair value in thousand EUR 31.12.2019	Range of remaining days to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	1,240,000	34.01	5	43–161
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	4,890,213	30.39	45	45–157
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	65,000,000	4.20	–986	325
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	EUR	15,000,000	4.70	–105	129
Semperit Investments Asia Pte Ldt., Singapore	Singapore	Forward exchange	GBP	3,181,000	1.28	–85	15–106
Semperit AG Holding	Österreich	Cross Currency Swap [3]	EUR/PLN	28,291,256 / 118,000,000	4.17	–725	674

[1] Refers to the total amount of all existing derivative financial instruments for EUR and USD as at the reporting date.
[2] Refers to the weighted average rate derived from all existing derivative financial instruments as at the reporting date.
[3] Hedge Accounting applied.

The derivative financial instruments of Semperflex Asia Corp. and Latexx Manufacturing Sdn Bhd are accounted for as freestanding financial instruments and not as hedging instruments. The fair values are shown in the consolidated balance sheet as other financial assets or other financial liabilities. The remaining derivatives mentioned are accounted for as hedges and are also stated in the consolidated balance sheet as other financial assets or other financial liabilities as relevant.

For the purposes of currency risk management, sensitivity analyses of monetary items that deviate from the functional currency are prepared for measurement at the reporting date. These analyses also present the effects on profit of hypothetical changes in exchange rates for each currency pair. Here, receivables and liabilities in the currency pair in question as at the reporting date are taken into account, as are the foreign exchange forward contracts. No uniform change was assumed as regards to the range of exchange rate fluctuation; instead, appropriate fluctuation ranges for each currency pair were determined on the basis of historical fluctuations during the year. The following table shows the effects of the appreciation and depreciation of major foreign currencies versus the euro.

	2020			2019		
	Calculated fluctuation range	**Impact on profit from price increase**	**Impact on profit from price decrease**	**Calculated fluctuation range**	**Impact on profit from price increase**	**Impact on profit from price decrease**
Change in currency to EUR	**in %**	**in EUR thousand**	**in EUR thousand**	**in %**	**in EUR thousand**	**in EUR thousand**
USD	7%	2,677	–2,677	2%	376	–376
THB	6%	26	–26	6%	–10	10
PLN	4%	–398	398	2%	–343	343
CZK	6%	–1,851	1,851	1%	–333	333
HUF	5%	190	–190	3%	59	–59
GBP	5%	59	–59	5%	8	–8
CNY	4%	–10	10	3%	13	–13
INR	8%	–1	1	3%	–2	2
MYR	6%	–2,969	2,969	2%	–2,332	2,332
SEK	5%	26	–26	3%	0	0
CHF	2%	0	0	3%	3	–3

	2020			2019		
	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease	Calculated fluctuation range	Impact on profit from price increase	Impact on profit from price decrease
Change in currency to USD	in %	in EUR thousand	in EUR thousand	in %	in EUR thousand	in EUR thousand
THB	5%	–91	91	4%	–99	99
PLN	9%	211	–211	3%	182	–182
CZK	10%	113	–113	3%	9	–9
HUF	7%	–113	113	6%	0	0
GBP	7%	122	–122	5%	–129	129
CNY	6%	87	–87	4%	88	–88
INR	4%	–8	8	3%	3	–3
MYR	5%	–9,469	9,469	2%	–8,730	8,730
AUD	14%	–266	266	4%	–69	69
SGD	4%	17	–17	2%	–1	1

12. Other

12.1. Related-party transactions with companies and individuals

Outstanding balances and transactions between Semperit AG Holding and its subsidiaries were eliminated in the course of consolidation and are not further discussed here.

B&C KB Holding GmbH is the direct majority shareholder of Semperit AG Holding, and B&C Privatstiftung is the controlling legal entity. B&C Holding Österreich GmbH is the indirect majority shareholder which draws up and publishes consolidated financial statements in which the Semperit Group is consolidated. According to IAS 24, B&C Privatstiftung and all its subsidiaries, joint ventures and associated companies are related parties of the Semperit Group.

Related parties of the Semperit Group include the members of the Management and Supervisory Boards of Semperit AG Holding, the managing directors and Supervisory Board members of all companies which directly or indirectly hold a majority stake in Semperit AG Holding, and finally the members of the Management Board of B&C Privatstiftung and the close family members of these Management and Supervisory Board members and managing directors.

The remuneration of members of the Management Board and the Supervisory Board is presented in the following table:

	2020			2019		
in EUR thousand	Supervisory board members	Management board members	Total	Supervisory board members	Management board members	Total
Short-term benefits	414	3,293	3,707	873	1,902	2,775
Benefits after termination of employment relationship	0	178	178	0	124	124
Other long-term benefits	0	987	987	0	463	463
Total	**414**	**4,458**	**4,872**	**873**	**2,489**	**3,362**

The short-term benefits include not only regular payments but also performance-related payments that are due within one year. The benefits after termination of the employment relationship in the 2020 financial year relate to payments to the employee severance fund (MVK) and to the pension fund APK Pensionskasse AG. Payments to former members of the Management Board and their survivors in the 2020 financial year totalled EUR 689 thousand (previous year: EUR 654 thousand).

The following transactions were conducted with the companies mentioned below and the following balances existed as at the reporting date: In the 2020 financial year, the group conducted transactions with unit-IT Dienstleistungs GmbH & Co KG in the amount of EUR 556 thousand (previous year: EUR 651 thousand). These transactions relate to the maintenance of SAP licences and were conducted at arm's length conditions. There are outstanding liabilities owed to unit-IT Dienstleistungs GmbH & Co KG amounting to EUR 6 thousand as at 31 December 2020 (previous year: EUR 0 thousand).

Transactions amounting to EUR 26 thousand were concluded with Grohs Hofer Rechtsanwälte GmbH in the 2020 financial year (previous year: EUR 73 thousand). These transactions relate to legal consulting services and were conducted at arm's length conditions. There are outstanding liabilities owed to Grohs Hofer Rechtsanwälte GmbH & Co KG amounting to EUR 2 thousand as at 31 December 2020 (previous year: EUR 28 thousand).

Transactions amounting to EUR 72 thousand were concluded with B&C Industrieholding GmbH in the 2020 financial year (previous year: EUR 49 thousand). These transactions relate to management and other services, and internal charging, and were conducted at arm's length conditions. There are liabilities and services not yet invoiced in relation to B&C Industrieholding GmbH in the amount of EUR 35 thousand as at 31 December 2020 (previous year: EUR 22 thousand).

Transactions amounting to EUR 195 thousand were concluded with B&C Holding GmbH or the B&C Holding Österreich GmbH (see Chapter 5.2) in the 2020 financial year (previous year: EUR 355 thousand). These transactions relate to the commitment fee for the hybrid capital line (see Chapter 5.2). This transaction was conducted at arm's length conditions. 'Interest' (payment of hybrid coupons) in the amount of EUR 7,278 thousand was paid in the 2020 financial year (previous year: EUR 10,545 thousand). No outstanding liabilities were owed to B&C Holding GmbH as at 31 December 2020 (previous year: EUR 0 thousand).

In October 2020, the receivable from the hybrid capital line was transferred to B&C Holding Österreich GmbH (see Chapter 5.2). 'Interest' (payment of hybrid coupons) in the amount of EUR 524 thousand was paid in the 2020 financial year (previous year: EUR 0 thousand) to B&C Holding Österreich GmbH. No outstanding liabilities were owed to B&C Holding Österreich GmbH as at 31 December 2020 (previous year: EUR 0 thousand).

The remaining level of transactions with associated companies and other related companies and individuals is low, and these are all conducted at arm's length conditions.

12.2. Other commitments and risks

Contingent liabilities and other financial obligations

The constant changes and in some cases tightening of the rules in national and international tax law increases the demands on tax compliance to monitor and comply with these rules. Against this background, there are tax uncertainties and tax-related contingent liabilities, especially for income taxes (e.g. with regards to the existence of tax loss carry-forwards) and transaction taxes.

Liabilities exist that relate to the use of intangible assets and property, plant and equipment that are not reported in the balance sheet and which are based on tenancies or leases not accounted for in accordance with IFRS 16, as well as liabilities related to the acquisition of property, plant and equipment based on contractually binding investment projects involving property, plant and equipment (see Chapter 3.2).

Legal disputes

Various companies in the group are defendants in cases in which the plaintiffs claim to have incurred damages caused by products of the defendant. However, in light of current insurance coverage, Semperit management does not expect these proceedings to impair the Semperit Group's asset, financial or earnings position significantly either. There are also legal disputes and legal uncertainties in matters pertaining to labour and social law. See Chapter 7.2 for all legal disputes for which provisions have been formed.

12.3. Events after the reporting date

With effect from 15 March 2021, B&C Holding Österreich GmbH was notified of the repayment of the remaining EUR 30,000 thousand from the hybrid capital. The repayment (including accrued pro-rata "interest") will take place on 31 March 2021.

On 4 January 2021, the Germany company Semperit Profiles Deggendorf GmbH acquired 51% of the shares in the Germany company M+R Dichtungstechnik GmbH (M+R for short) with its registered office in Seligenstadt. M+R develops, manufactures and trades in elastomeric seals, in particular for highly customised building facades. The main reasons for the company merger are the technological market leadership of M+R in the building business with a focus on facade profiles, door and window profiles and other complex profiles and industry applications, as well as the realisation of the inorganic growth strategy in the Semperseal segment. Facade profiles in particular represent an attractive but as yet untapped market with growth potential for the Semperit Group. By purchasing 51% of the voting rights in M+R, Semperit Profiles Deggendorf GmbH acquired control of the company.

The remaining 49% of the shares in M+R were acquired by Semperit Profiles Deggendorf GmbH under the suspensory condition of full payment of a conditional purchase price with effect from 31 December 2024. The conditional purchase price is derived from an average adjusted EBITDA of M+R for the years 2022 to 2024 and a multiplying factor. The minimum purchase price is EUR 1,000 thousand less adjustments. The maximum purchase price is unlimited. No non-controlling shares were recognised when drawing up the balance sheet in accordance with the anticipate acquisition method. Instead, a purchase price liability in the amount of EUR 1,471 thousand was recorded at the time of acquisition. The purchase price liability is calculated using the probability-weighted purchase price scenarios based on the future development of the business activity of M+R and discounted with a cost of equity typically applied on the market. The purchase price allocation results in an insignificant badwill, the purchase price allocation is still provisional at the time of preparation of the consolidated financial statements.

The assets and liabilities of M+R at the time of acquisition are as follows:

in EUR thousand	Fair value at time of acquisition
Intangible assets	911
Property, plant and equipment	3,843
Inventories	571
Trade receivables	105
Other financial assets	27
Other assets	60
Cash and cash equivalents	424
Total of acquired assets	**5,941**
Non-current provisions	15
Non-current financial liabilities	34
Non-current other financial liabilities	855
Deferred taxes	830
Current provisions	70
Current financial liabilities	42
Current trade payables	155
Current other financial liabilities	186
Current other liabilities	43
Contract liabilities	650
Current tax liabilities	40
Total of assumed liabilities	**2,921**
Total of identifiable net assets at fair value	**3,021**
Badwill	0
Total amount of the consideration	**3,021**
thereof consideration for 51% of the acquired shares	1,550
thereof consideration for 49% of the conditionally acquired shares	1,471

Vienna, 17 March 2021

The Management Board

Dr Martin Füllenbach	**Gabriele Schallegger**	**Kristian Brok**
CEO	CFO	COO

Auditor's Report[1)]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Semperit Aktiengesellschaft Holding, Vienna,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit, the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as at December 31, 2020, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

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

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

Below we describe the Key Audit Matters:

Reversal of impairment of assets in the Sempermed segment and impairment of assets in the Sempertrans segment

Indications of a need for reversal of impairment in the Sempermed segment (=cash generating unit, CGU) and of impairment in the Sempertrans segment were identified in June 2020. Based on the impairmenttests performed as of June 30, 2020 reversal of impairment in the amount of EUR 86.2 million (EUR 0.3 million intangible assets; EUR 85.9 million property, plant and equipment) was booked in Sempermed segment, and impairment of EUR 19.8 million (EUR 0.2 million intangible assets; EUR 19.6 million property, plant and equipment) was booked in the Sempertrans Segment. The book values after reversal of impairment in the Sempermed segment equal amortized cost.

Key assumptions and estimates regarding future cash flows and discount rates must be made for the purpose of this impairment test, which is carried out on the basis of the value in use applying the discounted cash flow method. The material risk here involves the estimation of the future cash flows. In order to reflect the increased planning uncertainty due to the Corona pandemic three planning scenarios were estimated and probability weighted and used to calculate the value in use.

The corresponding disclosures of the Semperit Group are included in "3.2 Property, plant and equipment" in the notes.

Audit Response

We critically scrutinized and reviewed management's assumptions and estimates in order to address this risk, and performed audit procedures in this regard, including the following:

- Assessment of the concept and design of the process for reviewing the recoverability of assets
- Assessment of testing of triggers of impairment or reversal of impairment
- Audit of the methodology applied and the computational accuracy of the documentation and calculations provided, as well as assessment of the plausibility of the discount rate with the assistance of our valuation specialists for the purposes of calculating the segment's value in use
- Verification of whether the revenue and earnings forecasts for the Sempermed and Sempertrans segments are derived from the plans submitted to the Supervisory Board, and whether these items are in compliance with the requirements of IAS 36
- Review of the planning documentation of the three scenarios and completion of a plausibility analysis of the key value drivers (sales, expenses, capital expenditure, changes in trade working capital and cash flow) and probability weighting in order to assess the adequacy of these plans
- Verification of correct use of amortized cost as upper limit of reversal of impairment in the Sempermed segment
- Verification of correct presentation in IFRS consolidated financial statements and adequacy of notes disclosures

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

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

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

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

Opinion

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

Statement

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

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at July 22, 2020. We were appointed by the Supervisory Board on November 13, 2020. We are auditors without cease since fiscal year 2012.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Gerhard Schwartz, Certified Public Accountant.

Vienna, 17 March 2021

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Gerhard Schwartz mp
Wirtschaftsprüfer / Certified Public Accountant

ppa Mag. Martina Geisler
Wirtschaftsprüfer / Certified Public Accountant

Statement of all legal representatives

Pursuant to Section 124 (1) (3) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements as at 31 December 2020 prepared in accordance with applicable accounting standards 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 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 as at 31 December 2020 give a true and fair view of the assets, liabilities, financial position and profit or loss of the of Semperit AG Holding as required by the applicable accounting standards and that the management report gives a true and fair view of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 17 March 2021

The Management Board

Dr Martin Füllenbach
CEO

Gabriele Schallegger
CFO

Kristian Brok
COO