Group management report

The publicly listed Semperit Group managed to exceed the previous year's record-breaking result by some considerable margin during the 2021 financial year despite difficult market conditions worldwide.

Economic environment

In its growth forecast published in January 2022, the International Monetary Fund (IMF) estimated that global economic growth would be 5.9% in 2021, dropping to 4.4% for 2022. A growth rate of 5.6% was predicted for the USA in 2021, with that figure falling to 4.0% for 2022 (representing a drop of 1.2% compared to October 2021). The forecast for the Eurozone in 2022 is 3.9% (from 4.3%), following on from 5.2% in 2021. This means that the growth expected for the Eurozone for 2021 is 0.4 percentage points lower than the positive global economic outlook published by the IMF in October 2021. The growth forecasts for the three major economies of the eurozone, Germany, France, and Italy, have also deteriorated: for Germany by 0.8, for France by 0.4, and for Italy by 0.4 percentage points. The outlook for emerging and developing countries (especially in Asia) shows a similar trend. While a growth rate of 6.5% was predicted for 2021, the forecast for 2022 is down to 4.8%, which is 0.3 percentage points lower than the October 2021 estimate. For example, China's outlook for 2022 dropped by 0.8 percentage points to 4.8%.

Despite the slump predicted for the global economy, the Austrian Institute of Economic Research (WIFO) published a much more optimistic outlook in December 2021, predicting that the gross domestic product in Austria in 2021 will increase by 4.1% compared to the previous year. In fact, it is anticipating that economic growth in Austria will be even stronger at 5.2% in 2022.

One of the greatest factors influencing global economic development in the 2021 financial year was undoubtedly the coronavirus pandemic, which had wide-ranging impacts that overshadowed other economic factors such as trade conflicts (USA, China). While there is currently hope for a slow recovery, this will depend heavily on the continued progress and distribution of COVID-19 vaccines, the overall infection levels, and ultimately the campaign to immunise the (global) population.

The incipient crisis between Ukraine and Russia as well as Belarus has not yet had a significant impact on the 2021 financial year, but it cast its shadow ahead.

The effects of the pandemic in the 2021 financial year as well as the possible effects of the Ukraine crisis in the 2022 financial year on the Semperit Group are explained in more detail in the following sections entitled "Coronavirus" and "Russia-Ukraine conflict".

Coronavirus

The coronavirus pandemic continued to negatively impact global economic development in 2021. However, the effects of COVID-19 on the Semperit Group were different in the Medical and Industrial Sectors.

With a view to putting itself in the best position to manage the impact of the coronavirus pandemic on business activities, the Semperit Group introduced measures to more effectively protect the health of its employees early on in 2020. These measures were kept in place throughout the 2021 financial year. In other words, the various crisis management steps taken in the year before were maintained and adapted to respond to the pandemic as it progressed. Since the outbreak of the pandemic, production employees have been carrying out their work in line with more stringent safety precautions, including strict social distancing rules, additional hygiene requirements, temperature measurements, and testing. The Semperit Group set up and managed its own testing stations. The company also ran its own successful vaccination campaign, as demonstrated by the above-average vaccination rate of around 85%. Administrative and office staff, such as those based at the headquarters in Vienna, were required to work from home when the pandemic began in 2020. After the offices were briefly occupied by isolated teams in 2020, a flexible system was introduced in the middle of May 2021. Each member of staff was able to go into the office for up to three days a week provided that the infection rates and other data supported the working model. When the COVID-19 infection rates were or are high, the number of staff allowed back in the office was and is limited again. These measures remained in place following the move into the modern new headquarters in the Quartier Belvedere in Vienna, with modifications made in response to new variants and in line with the new open workspace concept.

Despite the internal measures working effectively, glove production in Malaysia was heavily disrupted owing to strict regulatory restrictions under the Enhanced Movement Control Order (EMCO) in response to a rise in the infection rate in July. Although COVID-19 outbreaks were recorded at some sites, their impact on production could be mitigated through the relevant protective measures and organisational countermeasures. The number of positive COVID-19 tests rose to 1,846 as more infectious variants were discovered in 2021 (2020: 215). Five employees sadly died after testing positive for COVID-19 during the financial year (two employees passed away in 2020).

Despite challenging market conditions owing to supply chain problems, logistical issues (sharp increases in logistics costs and limited container availability), and shortages and price rises surrounding raw materials, the Industrial Sector's order book rebounded. Over the course of 2021, pre-pandemic levels were being approached and even exceeded in some cases. In the Medical Sector, the plateau with respect to glove prices was clearly surpassed in the 2021 financial year.

After 2020 and 2021 were dominated by the coronavirus pandemic, the management team will continue to closely monitor the epidemiological situation going forward to allow for immediate and flexible responses. Further details can be found in the following sections in this management report: "Development in the raw materials markets", "Revenue and earnings development", and "Performance of sectors and segments".

Russia-Ukraine conflict

On 24 February 2022, the Russia-Ukraine conflict that had been simmering since the "Euromaidan Revolution" in 2013/14 and the subsequent removal from office of pro-Russian Viktor Yanukovych, who was the Ukrainian President at that time, reached a new level of escalation: Russia launched a war of aggression against Ukraine. Heads of State and government leaders in the EU thereupon adopted a comprehensive package of punitive sanctions against Russia (and Belarus), including international measures in the energy, financial and transportation sectors, restrictions on the import of technology goods, as well as export controls and visa restrictions. As a further consequence, the EU, the USA, and other western partners decided, in addition to sanctions against the Russian Central Bank, to exclude certain Russian financial institutions from the SWIFT messaging network for financial institutions, which enables secure and fast international payments. The USA further reacted to the Russian war of aggression against Ukraine by banning imports of Russian crude oil and natural gas; the EU is also discussing a gradual halt to crude oil, natural gas, and coal deliveries from Russia. Energy prices reacted with record levels: In March 2022, market prices for Brent and WTI crude oil reached their highest levels in almost 15 years in global wholesale trading; those for natural gas behaved similarly. In natural gas-intensive industrial sectors, the first temporary production shutdowns are already taking place. The Russian ruble (RUB) reacted with a massive decline in value; the Russian National Bank implemented comprehensive foreign exchange restrictions to stabilise the Russian currency market. In the meantime, the rating agencies have downgraded Russia's credit rating to "junk bond" status for high-risk financial investments; a potential default on the part of the Russian state – including looming distortions on the international financial markets – is being discussed in financial circles. The already observable consequences of these developments include material shortages, increased and more volatile prices for energy, raw materials, input and intermediate products, transportation and supply chain issues, changing interest rates and interest rate expectations, increased inflation expectations, and increased risk of cyberattacks on companies. Under these conditions, there may be significant effects on the overall competitiveness of Europe as an industrial location.

The Semperit Group's total revenue from customers in the countries affected by the Russia-Ukraine conflict (Russia, Belarus, and Ukraine) was around 2.6% (previous year: 3.4%) in the 2021 financial year. The share of revenue in the Medical Sector was only 0.5% (previous year: 1.7%); in the Industrial Sector, it was 4.9% (previous year: 5.1%). At 6.9% (0.5%), Semperflex (Semperform) had the highest (lowest) share of revenue with Russian, Belarusian, and Ukrainian customers within the Industrial Sector; in the previous year, the corresponding figure was 8.6% (0.3%). Russian, Belarusian, and Ukrainian customers accounted for around 4.0% of the order book in February 2022. The corresponding order book shares ranged from 1.8% in Semperform to 10.3% in Sempertrans.

For key raw materials and consumables used in the manufacture of vulcanised rubber products, a shift in global procurement flows and inventory management can be observed as a result of the Russia-Ukraine conflict. The Semperit Group has long since stepped up international multiple sourcing and has meanwhile increased reserves of production-critical materials, such as certain fillers, to several weeks of inventory range. Storage capacities along the supply chain are used for this purpose. Nevertheless, it cannot be ruled out that material shortages will lead to production constraints at the European production sites and consequently to delivery delays and restrictions. By contrast, the production sites outside of Europe are not expected to be affected by production constraints. The Semperit Group has visibly developed success-critical cross-functional expertise by managing limited availability of essential raw materials and consumables and supply chain issues as well as by tackling numerous logistical challenges during the COVID-19 pandemic: The supply chain management, procurement and research & development, together with production, are continuously developing new solutions to avoid production constraints, such as shift cancellations or temporary shutdowns. Prudent logistics, intensive supplier management, the well-understood handling of alternative qualities of raw materials and consumables and their characteristics, as well as flexible production programme planning all contribute to this. These skills are very valuable in organising industrial procurement and production processes in alternative ways, as necessitated by the Russia-Ukraine conflict.

Prices for synthetic rubber, paraffinic oils and fillers, such as carbon black and silicates, correlate strongly with the market price trend for crude oil and natural gas due to the energy intensity of their production. The sanctions may cause suppliers to drop out, which furthermore may create price-driving surplus demand. In light of this, the Semperit Group once again anticipates price increases – in some cases considerable – for key raw materials and consumables; price pass-through opportunities will depend on the price sensitivity of the respective customers and the dynamics on the segment-specific product markets. In addition, the Semperit Group continues to expect additional costs due to rising energy prices. In this regard, it should be mentioned that less than 22% (previous year: less than 8%) of the natural gas-related expenses for energy were attributable to the European production sites in the 2021 financial year; the production of examination gloves in Kamunting (Malaysia) consumes by far the most natural gas within the Semperit Group. The gas consumption of the European production sites by volume amounted to a total of 12.2% (previous year: 10.5%) of the Semperit Group's worldwide gas consumption in the 2021 financial year. Furthermore, around 60% of the price risks for natural gas at the European production sites are hedged in the short term depending on actual demand. The non-European production sites are not affected by the price increases and volatility on the European gas market.

The Semperit Group's management is closely monitoring the geopolitical and market-related developments in connection with the Russia-Ukraine conflict and is dealing with the situation very cautiously. All employees of the Semperit Group who were travelling in Russia, Belarus, or Ukraine, particularly in the course of their sales activities, have returned home promptly and safely. Management initiated the evaluation of appropriate proactive measures to mitigate these developments at an early stage and is continuously conducting detailed analyses; initial packages of measures are already being successfully implemented.

Development in the raw materials markets

In 2021, prices on the relevant Asian commodity exchanges for natural rubber (most relevant for Sempertrans) and natural latex (relevant for Sempermed) were significantly higher than those in 2020 (natural rubber +30% and natural latex +15%).

Last year, the average prices for the essential basic raw material butadiene (relevant for all segments) were significantly higher in Asia (+43%) and Europe (+153%) than in 2020. This, combined with a serious supply shortage in the face of increasing demand, led to a further sharp rise in the prices of butadiene derivatives, such as butadiene rubber, styrene butadiene rubber, and nitrile butadiene rubber.

Prices for nitrile latex, the most important raw material for Sempermed, were over 80% higher in 2021 than in 2020 on average.

The price development of heavy fuel oil (HFO), which in turn correlates closely with the general development of the price of crude oil, is a relevant indicator for the filler carbon black, which is used in the entire Industrial Sector. The average value in 2021 was two thirds higher than in 2020. Due to this development and a tight supply situation, as well as significantly higher energy and logistics costs, carbon black prices moved significantly upwards.

In 2021, prices for wire rod – a raw material relevant for the Semperflex, Sempertrans, and Semperform segments – continued with the upward trend that started in mid-2020. Once wire rod prices had overtaken the highs of 2018 at the start of 2021, they climbed steadily to new heights and ultimately peaked in the middle of 2021.

After an adjustment from USD 220/t to USD 90/t, the price of iron ore (relevant for Sempertrans and Semperflex) has been rising at a rapid rate again since November 2021, hitting USD 120/t at the end of 2021. The main factor in the adjustment was the trade dispute between Australia and China. China also announced that it would be reducing its steel production, which caused wire rod to be in short supply.

In addition to raw material prices, inflation, sharply rising energy prices, and increases in wages and salaries are becoming additional cost drivers.

Revenue and earnings development

2021 financial year

Key figures Semperit Group

in EUR million	2021	Change	2020[1]
Revenue	1,182.2	+27.4%	927.6
EBITDA	361.8	+73.5%	208.6
EBITDA margin	30.6%	+8.1 PP	22.5%
EBIT adjusted	315.0	+83.8%	171.4
EBIT margin adjusted	26.6%	+8.2 PP	18.5%
EBIT	315.0	+32.5%	237.8
EBIT margin	26.6%	+1.0 PP	25.6%
Earnings after tax adjusted	247.5	>100%	121.9
Earnings after taxes	247.5	+27.2%	194.6
Additions to intangible assets and property, plant and equipment	56.4	+98.1%	28.5
Employees (at reporting date)	6,948	+0.1%	6,943

[1] Adjusted for the positive one-off effect from the reversal of impairment losses in the Sempermed segment (2020: EBIT effect: EUR +86.2 million; earnings after tax effect: EUR +88.8 million) and adjusted for the negative one-off effect of the impairment in the Sempertrans segment (2020: EBIT effect: EUR -19.8 million; earnings after tax effect: EUR -16.1 million)

In the 2021 financial year, the Semperit Group recorded an increase in revenue of 27.4% to EUR 1,182.2 million compared to the previous year. Revenue grew by 16.2% to EUR 556.1 million in the Industrial Sector and by 39.4% to EUR 626.1 million in the Medical Sector. The increase in revenue in the Industrial Sector was driven in particular by higher sales volumes in the Semperflex (+20.4%) and Semperseal (+23.7%) segments, which more than compensated for the decline in sales volumes in the Sempertrans segment. The increases in sales volumes at Semperflex are attributable to the positive development of the markets as well as gains in global market share in hydraulic and industrial hoses, while the sales volume at Semperseal increased due to the economic recovery of the European markets and the initial consolidation of M+R Dichtungstechnik GmbH. In contrast, sales volumes in the Medical Sector declined due to the limited availability of containers (–25.7% for examination and protective gloves). However, the continuing significantly higher sales prices due to the special economic situation in light of the coronavirus pandemic more than compensated for this. Furthermore, production in Malaysia was limited by regulatory restrictions under the Enhanced Movement Control Order (EMCO) in summer 2021.

In the 2021 financial year, the Industrial Sector generated 47% (2020 financial year: 52%) of the Semperit Group's revenue and the Medical Sector generated 53% (2020 financial year: 48%). This represents a shift compared to the same period in the previous year, in which the ratio of revenue volumes was inversely proportional.

Inventories of own products increased by EUR 32.6 million in the 2021 financial year due to the increase in inventoreis of own products, in particular in the Sempermed segment, as a result of the scarce container availability and the significantly longer global transport times (2020 financial year: EUR 6.1 million).

Other operating income increased in total by EUR 2.1 million compared with the previous year. This includes a deconsolidation effect amounting to EUR +3.8 million as a result of the reclassification of (historical) foreign currency differences in the consolidated income statement following the liquidation of Sempertrans Best (ShanDong) Belting Co. Ltd. (SBB). This was counteracted primarily by a decline of EUR –1.6 million in government grants received as support payments in the course of the coronavirus pandemic.

The cost of materials increased in the 2021 financial year by EUR 98.9 million or +22.9% to EUR 530.3 million. This change was caused by rising raw material prices (amongst others, influenced by rising inbound freight costs) in both sectors and higher costs for gloves bought in the Medical Sector. The increase in production volumes in the Semperflex (+17.2%) and Semperseal (+22.0%) segments also caused the cost of materials to rise. In the Sempermed segment, the lower production volumes (-10.9% for examination and protective gloves) had the opposite effect. In the Industrial Sector, the increases in material costs could be passed on to the customers with a slight delay. It is also worth noting that energy expenses dropped by 2.3% within the Semperit Group. This can be explained in particular by the gas prices in Malaysia dropping by 15.3% compared to the 2020 financial year and the amount of gas being used to produce gloves in Malaysia decreasing as a result of the production restrictions mentioned above. If energy expenses were adjusted for the factory in Kamunting in Malaysia, there would be a rise of 50.1% compared to the previous year.

Personnel expenses increased to EUR 216.5 million (+3.2%) in the 2021 financial year. The main reasons for this were general increases in wages and salaries, increased costs for additional temporary workers and production staff, voluntary redundancy payments, and the initial consolidation of M+R Dichtungstechnik GmbH. The additional temporary workers were taken on primarily in the Czech Republic (EUR +0.8 million), Austria (EUR +0.6 million), France (EUR + 0.5 million), and Germany (EUR +0.4 million). This was counteracted by the fact that a provision for recruitment fee payments in Malaysia amounting to EUR 3.9 million was included in the personnel expenses for the previous year with no equivalent in the 2021 financial year. The full provision was used de facto in the 2021 financial year. A reduction in expenses for bonus payments also had a counteractive effect.

At EUR 120.4 million, other operating expenses were around +26.4% higher than the previous year’s figure of EUR 95.3 million. The increase is primarily due to the rise in outgoing freight costs of around EUR 16.6 million and higher legal and consulting expenses for strategic projects in corporate development. Expenditure also increased due to higher energy costs outside of production due to price increases on top of additional rental and lease expenses, in part due to space rented to follow social distancing rules enforced in response to the coronavirus pandemic.

EBITDA increased from EUR 208.6 million in the 2020 financial year to EUR 361.8 million in the 2021 financial year, equating to a considerable increase of 73.5%. The EBITDA margin was 30.6% (2020 financial year: 22.5%).

Depreciation, amortisation, impairment losses, and reversals of impairment losses increased to EUR 46.7 million (+25.4%) in the 2021 financial year. This is primarily due to the reversal of impairment losses in the Sempermed segment in the previous year and the increase in investment spending.

EBIT increased to EUR 315.0 million in the 2021 financial year compared to EUR 237.8 million in the previous year. Compared to the adjusted EBIT in the 2020 financial year (EUR 171.4 million), which was adjusted for the impairment reversal in the Sempermed segment and the impairment loss in the Sempertrans segment, the EBIT increased by a considerable 83.8% in the 2021 financial year. The Semperit Group’s EBIT margin increased from 25.6% (adjusted 18.5%) in the 2020 financial year to the current 26.6%.

The financial result in the 2021 financial year was significantly below the level of the previous year. The additional financial expenditure was primarily caused by the exchange rate between the USD and the main currencies used by the Semperit Group, especially the EUR (EUR/USD exchange rate on 31 December 2021: 1.1326; EUR/USD exchange rate on 31 December 2020: 1.2271). The net exchange result was down by EUR 10.9 million, caused mainly by the strength of the USD against the EUR but also the Malaysian ringgit (MYR). This means that the net foreign currency result for the 2021 financial year can be largely taken as a reversal of the foreign exchange gains recorded in the previous year, especially in consideration of the USD Schuldschein loans that were paid off in November 2021. This development was mitigated by investments in USD fixed-term deposits made throughout the year until the USD Schuldschein loans had been paid off. Other factors contributing to this (more) negative net foreign currency result included evaluations of monetary assets denominated in EUR from the operational business (e.g., trade receivables, and cash and cash equivalents) in EUR, which are held by companies whose functional currency is USD. The reversing foreign currency effect can naturally be found in the currency translation differences in the other comprehensive income. This was counteracted by finance expenses being EUR 1.4 million lower, mainly due to Schuldschein loans repayments in the previous and current financial year.

The increase in the tax expense in the 2021 financial year to EUR 51.5 million (2020 financial year: EUR 34.6 million) was primarily due to the special economic developments and the resulting improvement in earnings in the Sempermed segment. In the 2021 financial year, the effective tax rate was 16.9%, compared to 14.8% in the previous year. Tax-loss carry-forwards and unused tax credits became recoverable in the previous year thanks to the earnings development of the Sempermed segment. There were also deferral effects from the impairment of the Sempertrans segment, which reduced the effective tax rate. During the 2021 financial year, increases in operational profitability and the absence of interest charges as a result capital being injected into companies in the Group that were previously making a loss meant that deferred tax assets could be recognised in respect of tax-loss carry-forwards and unused tax credits. In total, there was an increase in deferred tax assets of EUR 5.8 million in the 2021 financial year (2020 financial year: EUR 1.9 million).

Earnings after tax amounted to EUR 247.5 million, up by +27.2% compared to the previous year (2020: EUR 194.6 million) owing to the positive operational result. This was counteracted most notably by foreign currency effects in the financial results and the higher tax expenses brought about by the significantly improved result. The earnings per share attributable to the shareholders of Semperit AG Holding was EUR 11.99 for the 2021 financial year (2020: EUR 9.06).

Dividends 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 with no unusual circumstances. However, the Group is currently undergoing a profound transformation to become an industrial rubber specialist, albeit somewhat delayed by the pandemic. For this purpose, company acquisitions and organic growth projects are being planned, for which the corresponding financial strength will be required. Deviations from a pay-out ratio of around 50% are therefore possible for the duration of this strategic transformation, with the aim of being financially robust for potential company acquisitions and organic growth. This strategic realignment is in the best interest of all shareholders in the long term.

In light of the above, 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 29.30 at the end of 2021, this results in a dividend yield of 5.1%. In the previous year, a dividend of EUR 1.50 was paid out per share, which amounted to a dividend yield of 6.2% given the closing price of EUR 24.30 in 2020.

Semperit AG Holding did not hold any treasury shares as at 31 December 2021 or 31 December 2020.

Assets and financial position

Balance sheet

The development of the balance sheet structure as at 31 December 2021 can be summarised as follows:

in EUR million	31.12.2021	Share	31.12.2020	Share	Change
Non-current assets	407.4	43%	363.5	48%	+12.1%
Current assets	551.1	57%	400.9	52%	+37.5%
ASSETS	958.6	100%	764.4	100%	+25.4%
Equity[1]	541.2	56%	334.6	44%	+61.7%
Non-current provisions and liabilities	140.1	15%	163.0	21%	–14.1%
Current provisions and liabilities	277.3	29%	266.8	35%	+3.9%
EQUITY AND LIABILITIES	958.6	100%	764.4	100%	+25.4%

[1] Including non-controlling interests

The increase in non-current assets is essentially attributable to additions to property, plant and equipment (excluding right-of-use assets) and intangible assets amounting to EUR 52.5 million and the initial consolidation of M+R Dichtungstechnik GmbH amounting to EUR 3.9 million (of which EUR +3.0 million is in property, plant and equipment excluding right-of-use assets and EUR +0.9 million is in intangible assets). The most significant additions to property, plant and equipment are the new production lines for examination gloves in Malaysia (EUR +14.9 million). The additions to right-of-use assets amounted to EUR 16.9 million, with the new production site in the USA (EUR +6.6 million) and the new Semperit AG Holding headquarters in the Quartier Belvedere in Vienna (EUR +7.6 million) being the main developments here. Depreciation and amortisation had an opposite effect. Deferred tax assets also increased by EUR 6.2 million. Increases in operational profitability and the absence of interest charges as a result of debt being replaced with equity within the Group resulted in the anticipated future tax gains, which justify the approach based on deferred tax assets.

Current assets increased since 31 December 2020, in particular as a result of the EUR 45.7 million increase in inventory levels. This is attributable to increased inventory stocks of finished products due to limited container availability, more expensive raw material inventories owing to rising prices and inbound freight costs, and increased safety stocks to overcome raw material shortages. The Sempermed segment was affected by this, with long delays on shipments going from Malaysia to the USA and Europe resulting in a sharp increase in the amount of finished products being stocked in "floating warehouses". In addition, the increase in current assets is the result of other assets increasing, including input tax surpluses, advance payments for transportation costs, and creditors with debit balances. Moreover, there was an increase in cash and cash equivalents of EUR 90.6 million. This item includes money market fund shares amounting to EUR 31.7 million (2020 financial year: EUR 0.0 million) and short-term investments in USD fixed-term deposits amounting to EUR 44.1 million (2020 financial year: EUR 0.0 million).

Equity increased due to the profits of the current period. The repayment of the hybrid capital amounting to EUR 30.0 million in the first quarter of 2021 (2020 financial year: repayment of EUR 100.0 million) and the payout of the dividend amounting to EUR 30.9 million in the second quarter of 2021 (2020 financial year: EUR 0.0 million) had the opposite effect. The return on equity was 45.7% (2020 financial year: 58.0%). The currency translation reserve was reduced predominantly due to changes in the exchange rates for the US dollar (USD), Czech crown (CZK), and Malaysian ringgit (MYR).

The decrease in non-current liabilities, EUR 33.6 million is due to Schuldschein loans. This was counteracted by the increase in other financial liabilities amounting to EUR 16.1 million, which were largely lease liabilities. As explained for the right-of-use assets above, the main additions were the production site in the USA (EUR +6.6 million) and the new Semperit AG Holding headquarters (EUR +7.4 million).

The increase in current liabilities essentially resulted from the increase in the current tax liability from Sempermed and trade payables. This was counteracted by the repayment of Schuldschein loans (nominal amounts: CZK 180 million, PLN 118 million, and USD 59 million). As of 31 December 2021, the Semperit Group had a net cash surplus of EUR 144.2 million, as cash and cash equivalents exceeded financial liabilities (net debt as of 31 December 2020: EUR 22.1 million). The arithmetical ratio of the net cash surplus (i.e., an arithmetically negative value of net debt) and EBITDA as at 31 December 2021 was therefore -0.40x (31 December 2020: 0.11x). In this context, the negative value of net debt and its ratio to EBITDA means that cash exceeds liabilities and therefore produces negative arithmetical values.

The existing credit facilities with a bank consortium and Österreichische Kontrollbank AG (OeKB) amounting to EUR 75 million and EUR 15 million, respectively, have not yet been used.

Cash flow

The development of the liquidity situation in the 2021 financial year can be summarised as follows:

in EUR million	2021	Change	2020
Cash flows from operating activities	289.2	+50.0%	192.9
Cash flows from investing activities	–48.0	>100%	–16.7
Free cash flow	241.2	+36.9%	176.2
Cash flows from financing activities	–155.6	–3.5%	–161.3
Net increase / decrease in cash and cash equivalents	85.6	>100%	14.9
Cash and cash equivalents at the end of the period	235.5	+62.5%	145.0

The cash flow from operating activities is due to the high earnings but was significantly reduced by EUR 23.0 million due to the increase in trade working capital in particular.

Cash expenditures on intangible assets and property, plant and equipment in the 2021 financial year were EUR 47.9 million, putting them above the previous year's level of EUR 26.4 million. The largest investments were as follows: EUR 17.0 million (2020 financial year: EUR 3.7 million) in Malaysia, EUR 11.8 million (2020 financial year: EUR 5.8 million) in Austria, EUR 6.2 million (2020 financial year: EUR 4.5 million) in Poland, EUR 4.2 million (2020 financial year: EUR 1.8 million) in the Czech Republic, and EUR 3.7 million (2020 financial year: EUR 7.2 million) in Germany. The investments in the glove factory in Kamunting in Malaysia related most notably to six new production lines. These investments in additional state-of-the-art equipment increased the gross capacity of the factory by around 18%.

During the 2021 financial year, the free cash flow amounted to EUR 241.2 million in total compared to EUR 176.2 million in the previous year.

The cash flow from financing activities most notably included the repayment of Schuldschein loans along with settlement of a cross-currency swap in the amount of EUR 86.4 million in total (2020 financial year: EUR 35.0 million), the dividend payout to Semperit AG Holding shareholders amounting to EUR 30.9 million (2020 financial year: EUR 0.0 million), the repayment of hybrid capital amounting to EUR 30.0 million (2020 financial year: EUR 100.0 million), the payment of hybrid coupons amounting to EUR 0.8 million (2020 financial year: EUR 7.8 million), and the payment of interest amounting to EUR 3.9 million (2020 financial year: EUR 5.8 million).

Performance of sectors and segments

Industrial Sector

Key figures Industrial Sector

in EUR million	2021	Change	2020[1]
Revenue	556.1	+16.2%	478.4
EBITDA	82.1	+7.2%	76.6
EBITDA margin	14.8%	–1.2 PP	16.0%
EBIT adjusted	56.8	+8.8%	52.2
EBIT margin adjusted	10.2%	–0.7 PP	10.9%
EBIT	56.8	+75.0%	32.4
EBIT margin	10.2%	+3.4 PP	6.8%
Additions to intangible assets and property, plant and equipment	28.7	+27.7%	22.5
Employees (at reporting date)	3,764	+8.6%	3,465

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

In the Industrial Sector, comprising the Semperflex, Sempertrans, Semperseal, and Semperform segments, following the negative effects of the coronavirus pandemic in 2020, a continuous recovery of the markets was observed in the 2021 financial year, although this occurred at different speeds in the individual segments. The first half of 2021 saw a considerable improvement in incoming orders compared to the previous year. In the summer, the order books reached an unprecedented high, before declining somewhat over the course of the second half of 2021. They still remained well above the figures from the same period in the previous year, though. While raw material prices were low in the first half of 2020 and had a positive effect on the margins, they reached an above-average level during the 2021 financial year. Energy prices and wages went up too. The price increases counteracted the impact of these developments on the margins.

Semperflex segment

Key figures Semperflex

in EUR million	2021	Change	2020
Revenue	240.5	+26.6%	189.9
EBITDA	51.3	+22.4%	41.9
EBITDA margin	21.3%	–0.7 PP	22.1%
EBIT	40.0	+29.3%	30.9
EBIT margin	16.6%	+0.3 PP	16.3%
Additions to intangible assets and property, plant and equipment	8.0	+56.4%	5.1
Employees (at reporting date)	1,753	+11.6%	1,571

After the effects of the coronavirus dominated the 2020 financial year, market demand more than recovered in 2021. In fact, demand amongst Semperflex customers grew significantly throughout the whole of 2021. Supported by strong customer relationships, Semperflex achieved revenue gains together with its customers through product innovations (including Flexline, Saphire, and Supreme) and, as a result, gains in global market share. These developments were reflected in a significant increase in incoming orders and an order book filled with more orders than ever before at the end of the 2021 financial year. This applies to hydraulic hoses as well as to industrial hoses. The main priority was to maintain the supply of products to Semperflex customers, with higher purchase prices being accepted in the interests of the customers.

The increased sales brought about by growing demand and the price increases required by rising costs for raw materials and logistics meant that revenue was significantly up in the 2021 financial year 2021. The negative effects of the further massive increase in raw material, container, and energy prices as well as the scarce availability of raw materials and containers, and increases in wages and salaries had a noticeable negative impact on earnings but were offset by the significant growth in sales volumes and the resulting scale effects and efficiency boosts as well as price increases. This meant that in 2021 EBITDA and EBIT, as well as the EBIT margin, were above the previous year. Only the EBITDA margin was just under the figure from the previous year by 0.7 percentage points owing to the increased input prices.

Sempertrans segment

Key figures Sempertrans

in EUR million	2021	Change	2020[1]
Revenue	104.5	–7.7%	113.1
EBITDA	6.8	–21.3%	8.7
EBITDA margin	6.6%	–1.1 PP	7.7%
EBIT adjusted	3.2	–34.3%	4.9
EBIT margin adjusted	3.1%	–1.2 PP	4.3%
EBIT	3.2	>100%	–14.9
EBIT margin	3.1%	+16.2 PP	–13.2%
Additions to intangible assets and property, plant and equipment	4.1	–11.9%	4.6
Employees (at reporting date)	921	+0.4%	917

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

In the 2021 financial year, the performance of the Sempertrans segment was characterised by the majority of its business taking place late in the business cycle. Driven by the development of prices for mining products, which was favourable for Sempertrans' order situation, and global demand, the project pipelines filled up again. This was accompanied by a gradual increase in demand for conveyor and transport belts in 2021. Incoming orders exceeded the previous year's low values (+33%). Accordingly, the order book showed improvement from quarter to quarter compared to the decline in 2020 and even reached its highest level since January 2020 by the end of 2021, approaching the pre-pandemic level from 2019.

Despite the successive improvements posted since the end of 2020 thanks to increasing customer interest, revenue was still below the previous year's level, especially as the fulfilment of current orders in the first half of 2020 was not yet particularly affected by the coronavirus pandemic. Earnings also included a non-recurring positive deconsolidation effect amounting to EUR 3.8 million, which is attributable to the reclassification of (historical) foreign currency differences in the consolidated income statement following the liquidation of Sempertrans Best (ShanDong) Belting Co. Ltd. (SBB). The development of EBITDA and EBIT, as well as the corresponding margins, were negatively impacted by volume variances and were also burdened by the further intensifying rise in raw material prices. However, margins and production efficiency stayed positive despite the negative effects.

Semperseal segment

Key figures Semperseal

In EUR million	2021	Change	2020
Revenue	120.5	+28.7%	93.6
EBITDA	11.6	+4.8%	11.0
EBITDA margin	9.6%	–2.2 PP	11.8%
EBIT	5.1	–1.6%	5.1
EBIT margin	4.2%	–1.3 PP	5.5%
Additions to intangible assets and property, plant and equipment	11.5	+24.8%	9.2
Employees (at reporting date)	514	+12.4%	457

Following a recovery phase from the coronavirus pandemic that started during the second half of 2020, the Semperseal segment improved its overall results in the 2021 financial year compared to 2020. In addition to the construction sector, the industrial markets in particular, such as mechanical engineering, packaging, electrical systems, and chemicals, showed a comparatively better level of demand. It was also possible to achieve market share gains, with some share of wallet increases, and increase demand through innovations (such as the new Hybrid-Master and Hybrid-Ace products), outstanding performance as a supplier, and improved customer satisfaction. This resulted in higher sales volumes and, in the European markets in particular, a higher order intake. In addition, a positive contribution was made by M+R Dichtungstechnik GmbH, which was acquired in the first quarter of 2021.

While year-on-year revenue increases were achieved in the 2021 financial year, rising input factor costs put pressure on EBITDA and EBIT development, as the increases in input factor costs could only be passed on with a slight time lag and not to the full extent. Overall, though, EBITDA improved significantly thanks to gains in market share and price increases in the 2021 financial year. Looking at the annual average, however, the development of input factor costs did have a negative impact on the margins. Yet, Semperseal did manage to compensate for these negative effects to some extent through price increases and efficiency boosts.

In the financial year just ended, preparations were made for all of the steps required to open the new production site for rubber seals in the USA (Newnan, Georgia). Production is scheduled to begin there in the first quarter of 2022.

Semperform segment

Key figures Semperform

in EUR million	2021	Change	2020
Revenue	90.6	+10.8%	81.8
EBITDA	12.4	–17.2%	15.0
EBITDA margin	13.7%	–4.6 PP	18.3%
EBIT	8.5	–24.3%	11.3
EBIT margin	9.4%	–4.4 PP	13.8%
Additions to intangible assets and property, plant and equipment	5.2	+45.0%	3.6
Employees (at reporting date)	576	+10.8%	520

The Semperform segment presented a mixed picture with regard to the development of the individual business units in the 2021 financial year. On the one hand, the continuing weak economy in the winter tourism sector had a negative impact on the performance of the Special Applications business units with cable car rings and ski foils in H1 2021 in particular. However, the current 2021–2022 season is already looking more promising, which is indicated by the significant increase in incoming orders compared to the low levels prior to H2 2021. On the other hand, the handrail business saw increased demand in all regions along with generally higher margins owing to a better mix of products and services within this business unit. The niche markets of the Engineered Solutions unit, particularly railway, piping, and households, also showed promising and sustainably higher activity and market growth. Thanks to these developments, the volume of incoming orders improved significantly overall in 2021. The backlog of orders far exceeded the 2020 level and even hit a record high at the end of 2021.

While revenue in 2021 exceeded the previous year's level, which was more heavily impacted by the coronavirus pandemic, the effects of the overall product mix, in particular the declining results of the Special Applications unit, as well as sharply rising input prices had a negative impact on EBITDA and EBIT despite price increases intended to compensate for these developments. Overall, margins were thus below the previous year's level.

Medical Sector: Sempermed segment

Key figures Sempermed

in EUR million	2021	Change	2020[1]
Revenue	626.1	+39.4%	449.2
EBITDA	301.1	>100%	150.4
EBITDA margin	48.1%	+14.6 PP	33.5%
EBIT adjusted	280.9	>100%	138.7
EBIT margin adjusted	44.9%	+14.0 PP	30.9%
EBIT	280.9	+24.9%	224.9
EBIT margin	44.9%	–5.2 PP	50.1%
Additions to intangible assets and property, plant and equipment	24.9	>100%	5.0
Employees (at reporting date)	3,038	–9.0%	3,337

[1] Adjusted for the positive one-off effect from the reversal of impairment in the Sempermed segment (2020: EBIT effect EUR +86.2 million)

The Sempermed segment's overall development was characterised by the following key factors in the 2021 financial year. First, a steady increase in the price level was achieved up to April 2021. From this high level, prices only began to ease slightly in the second quarter of 2021. As expected, however, the price level and demand began to decline markedly in Q3 2021. Nevertheless, the price level still remained above the pre-pandemic level at the end of the year. Second, the order book was still exceptionally full. However, the period was increasingly characterised by challenges on the logistics side. In particular, the lack of container availability weighed on sales volumes, while rising raw material and container prices also impacted earnings. Third, towards the end of Q2 2021, production in Malaysia had to be cut back to 60% due to official requirements (Enhanced Movement Control Order, EMCO). At the end of June, despite the comprehensive and proactive protective measures, there was an increase in the number of COVID-19 infections and, as a result, production was stopped for four weeks in accordance with the regulations of the responsible Malaysian authorities. The short-term production restrictions due to COVID-19 led to reduced production volumes. Overall, despite this challenging market environment, production efficiency and quality were maintained at a sustainably high level.

Despite the negative effects, overall revenue growth was generated in the 2021 financial year compared to the previous year. This positive development, supported by high levels of efficiency, was reflected in the other key earnings figures: EBITDA, EBIT, and the corresponding margins. An increase was also achieved compared with the figures adjusted for the reversal of an impairment loss in the previous year.

Sustainability

The Semperit Group published its fifth separate sustainability report for the 2021 financial year. The report provides an overview of the various activities, developments, and key figures in the context of the main topics and is divided up into the following sections: Environment, Social, and Governance (ESG). In addition to topics such as energy, greenhouse gas emissions, material use, health and safety, and compliance and anti-corruption, the sustainability report contains general information on the integration of relevant issues in the Semperit Group, more detailed information on the handling of COVID-19, and further climate-relevant information according to the TCFD – Task Force on Climate-Related Financial Disclosures. The requirements of the EU taxonomy framework that now apply for the first time are met, and the relevant qualitative and quantitative information is published in the sustainability report for the 2021 financial year. All sustainability reports published by the Semperit Group can be accessed online on the Semperit website:
https://www.semperitgroup.com/en/sustainability/.

Employees

The headcount as at 31 December 2021 was 6,948 employees (FTE, full-time equivalents), which is only +0.1% above the level on 31 December 2020 (6,943). In the Industrial Sector, the number of employees increased in all segments compared to 31 December 2020. The biggest increase in the workforce was seen in the Semperflex, Semperform, and Semperseal segments (11.6%, 10.8%, and 12.5% respectively). Meanwhile, the number of employees in the Sempertrans segment only increased by 0.4%. The number of employees in the Medical Sector fell by 9.0% compared to the previous year's figure, as operations were made more efficient and more automated.

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. Research and development work is focusing more heavily on topics such as resource and energy efficiency, consideration of the life cycle perspective, as well as health and environmental compatibility in product application. In the 2021 financial year, R&D expenses were around EUR 16.1 million (compared to EUR 14.7 million in the 2020 financial year), equating to around 1.4% of revenue (compared to 1.6% in the 2020 financial year).

The innovation management system used across the Group is the core of all R&D activities, covering the systematic identification of potential, the selection of suitable ideas, risk analysis with regard to the effects of products on people and the planet, and successful project management.

The R&D team is divided into a central and several decentralised areas. The central area, which is located in the R&D Centre in Wimpassing, deals with fundamental projects in addition to material development and central process development as well as the management of Group-wide activities. The decentralised part is based at segment level and focuses on targeted product and process optimisations, often in close collaboration with customers. It is formed by the product and process development teams within the various business units.

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

Supervisory and Executive Board matters

At the 132nd Annual General Meeting on 27 April 2021, Stefan Fida, Birgit Noggler, and Astrid Skala-Kuhmann were re-elected to the Supervisory Board following the end of their terms of office. Walter Koppensteiner resigned from his chairmanship and stepped down from all functions on the Supervisory Board of Semperit AG Holding on 12 May 2021. Herbert Ortner was elected as his successor as Chairman of the Supervisory Board.

Gabriele Schallegger resigned from her position as CFO of Semperit AG Holding early on 17 May 2021 prior to the end of her term for personal reasons. Petra Preining was initially appointed as her successor on an interim basis, at which point her mandates on the Supervisory Board and the Audit Committee of Semperit AG Holding were suspended. On 29 September 2021, Petra Preining was confirmed as CFO and an Executive Board contract was signed that runs until 31 December 2024. She therefore resigned from the Supervisory Board of Semperit AG Holding as of 29 September 2021.

On 29 September 2021, Kristian Brok's mandate as COO was extended early until 31 December 2025.

Martin Füllenbach resigned from his position as CEO of Semperit AG Holding early on 29 September 2021 to take up a new professional challenge. Petra Preining and Kristian Brok took over the vacant Executive Board responsibilites on an interim basis until the position of CEO was filled at the start of January.

The Supervisory Board appointed Karl Haider as the new CEO of Semperit AG Holding with effect from the start of January 2022. He officially started in the role on 11 January 2022, and his term of office runs until 31 March 2025.

Additional information

Branch offices

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

Corporate Governance

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

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

The share capital of Semperit Aktiengesellschaft Holding amounted to EUR 21,358,996.53 as at 31 December 2021 and consisted of 20,573,434 no-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 the general provisions contained in the Austrian Stock Corporation Act. No shares were issued entitling the owners to special control rights.

B&C KB Holding GmbH directly owned more than 50% of the shares in Semperit Aktiengesellschaft Holding as at 31 December 2021 and is the direct majority shareholder of Semperit Aktiengesellschaft Holding. The private foundation B&C Privatstiftung is the highest 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.

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 Executive 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.

Otherwise, the members having to resign are determined as follows: First of all, members have to leave if their term of office has ended. If this does not apply to at least as many members required for two members to be determined, including 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, the members who have been in office for the longest will have to resign. In the event that the number of members eligible for departure is greater than required, the members will draw lots to decide who leaves. This procedure is also used to decide which members will depart if a decision cannot be made based on the above rules. The resigning members are immediately eligible for re-election.

If an elected member of the Supervisory Board retires from the Supervisory Board during their 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 having to provide 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 capital majority 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 capital majority.

The Executive Board was authorised by the Ordinary 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 amendment to the Articles of Association 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 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 in 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 bearer shares.

The Ordinary 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 Austrian Stock Corporation Act. At the same Annual General Meeting, the Executive Board was also authorised – pursuant to Section 65 (1b) of the Austrian Stock Corporation Act 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 a possible exclusion of the repurchase option (purchase right) on the part of shareholders. There is no share buyback programme in place at present 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.

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

Risk management

Basic principles of risk management (Enterprise Risk Management)

The Semperit Group's risk policy reflects the effort to achieve competitive advantages, thereby increasing the Semperit Group's enterprise value in the long term. In addition to fulfilling legal requirements (compliance), risk management also focusses strategically on occupational safety, health, and the environment as well as on the supply chain and the punctuality of deliveries. The aim is to increase risk awareness by implementing the systematic risk management process, and the knowledge gained as a result should be incorporated into operational activities and strategic corporate development.

The Semperit Group manages risks by reducing, avoiding, or transferring them. Semperit's Group-wide risk management is an integral component of planning and implementing the Group's business strategies, whereby the risk policies are defined by the Executive Board. 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 assigned to the Group Risk Management & Assurance department.

The enterprise risk management process

The Semperit Group uses coordinated internal control and risk management systems that support the Group in early identifying and reducing material risks and negative surprises representing risks to the company as a going concern. In this context, the greatest importance is attached to Group-wide processes and developments that serve to assess potential risks as long as possible before major business decisions are made. The internal reporting system facilitates more thorough monitoring of such risks in the course of business.

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

Risks are identified and evaluated along a structured process combining elements of both the bottom-up and top-down approach. As part of the ERM approach, the reporting period for risk assessment amounts to one and five years in accordance with medium-term planning. The supplementary evaluation for a five-year risk assessment period began 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 the consolidated financial statements, in the budget, or in medium-term planning, these risks are no longer shown. The progress made in implementing risk-reducing measures is tracked on a regular basis, whereby internal risk reporting is broken down to the individual companies.

The Group Risk Management & Assurance department assumes the central coordination, moderation, and monitoring of the structured risk management process for the entire Semperit 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, if relevant, subsequently incorporated into the reporting. These risks are discussed and coordinated with the segment management (top down). A detailed report is compiled immediately after each risk update in the respective Semperit companies. A comprehensive risk report including itemised data as well as data aggregated at the Group level is 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 promptly call attention to critical topics.

Integrated risk management must identify, assess, 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 temporally independent of the classic risk process, the main risks are identified and evaluated together with Group Risk Management.

Organisation of risk management and responsibilities

To monitor the ERM process and to drive the integration and standardisation of existing control activities in accordance with legal and operational requirements, the Executive Board has established the Risk Management Board. This Board comprises the CEO and CFO as well as Group Risk Management & Assurance. If necessary, the COO is also called in. In addition, the Executive Board monitors the primary risks on a quarterly basis.

The Group Risk Management & Assurance department is supported in the process by the individual Group companies. The update on the activities is provided by the persons responsible for monitoring and controlling risks. Insurable risks are covered by insurance policies, insofar 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 Semperit Group's risk management system for the year 2021 in the 2022 reporting period in accordance with C-Rule 83 of the Austrian Code of Corporate Governance.

Risk report

As an internationally active corporate group, the Semperit Group is continuously confronted with new challenges posed by pronounced regional differences in global economic development. The Semperit Group operates in countries with different economic environments. These countries are also going through different phases of political, constitutional, and social development. The success of the Semperit Group's two sectors and/or the five operating segments depends to a varying degree on the general economic situation based on their strategic orientation.

The year 2021 was characterised by the global Covid-19 pandemic and the resulting government-imposed business closures as well as political tensions, such as the beginning crisis in Ukraine involving Russia and Belarus (see also the section entitled "Russia-Ukraine conflict") and international shipping container bottlenecks or supply chain disruptions. These uncertainties presented the Semperit Group once again with major challenges. However, the Semperit Group's worldwide presence and its segments, which are dependent upon various market factors, were able to manage the risk.

Selected individual risks are discussed below. In addition to the risks listed here, further risks possibly exist, including strategic, operational, financial, and social risks, governance- and compliance-related risks, and occupational safety, health, and environmental risks (HSEQ) as well as other external risks that are currently unknown to the Semperit Group or which it is presently not aware of. If one or more known or unknown risks occur, this may have significant adverse effects on the business position, financial position, financial performance, and profit situation as well as the reputation of the Semperit Group.

Strategic risks

Transformation, governance, and sustainability risks

After years of successful restructuring, transformation, and cost reduction initiatives as well as manufacturing adjustments, further key milestones such as efficiency improvements were achieved in financial year 2021. The industrial segments proved to be very resilient – in particular in 2021, which was characterised by Covid-19 – after the successful restructuring in recent years. In other positive news, higher sales prices in the Medical Sector due to higher demand for medical gloves as well as increased efficiency and expanded capacities led to an increase in margins.

However, the modernisation of some management information systems and the implementation of new structures and standardised processes has not yet been fully completed, which could lead to risks in corporate management.

This risk is countered on the one hand by the advancement of transformation projects in the financial area. While on the other hand, the risk should be neutralised by various projects for the harmonisation of processes across the value chain and the standardisation of IT systems.

Furthermore, there are ESG-related risks within the corporate strategy that arise in connection with the business activities, the demands of various stakeholders, and the effects of climate change. In order to address these risks, the group-wide "Sustainability Strategy 2030" was devised in 2021 with clear objectives in the environmental, social, and governance areas and its implementation was begun.

There is a risk that the adopted transformation, governance, and sustainability measures will take longer than planned and be associated with higher costs; in which case, their actual benefit may be less than originally estimated or take effect later than planned or possibly never materialise at all. In any case, the Semperit Group's profitability is influenced by savings actually achieved and the Group's ability to sustain the implementation of its ongoing projects.

Technological 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 will be able to launch their products and solutions in the market earlier than the Semperit Group due to faster time-to-market strategies. With respect to environmental requirements, the significance of low-carbon products as well as promoting different aspects of circular economy will continue to increase. In addition, chemicals used by the Semperit Group could be added to the list of Substances of Very High Concern (SVHC) defined under the REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), which is updated every six months. To that effect, the selection of raw materials, product development, and production must be taken into account accordingly. The development of the results heavily depends on the ability to anticipate changes in markets, to adapt accordingly and also be able to offer environmentally friendly and low-carbon products. The innovative projects initiated in connection with the introduction of new products and technologies are associated with the investment of significant financial resources and not always successful. If capital expenditures do not lead to the expected success or are not met with the expected market acceptance, it could lead to a negative influence on the financial performance. 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 – also with respect to ESG needs and requirements – will not be identified in time or that the company will not be flexible enough to adjust its products, production, or services to reflect changes in the market in a timely manner. This could lead to a non-competitive cost position and have a significant negative effect on the Semperit Group’s business position, financial position, financial performance, and profit situation. For example, due to the changed environment as a result of the Covid-19 pandemic, visibility with regard to demand from customers in Semperit’s Industrial Sector has declined and thus become riskier.

Operational risks

Organisational risk

The organisation of the Semperit Group in the form of a matrix organisation includes the risk of partially overlapping processes, inflexibility, and inefficiency, which is inherent in matrix organisations. Decision paths in response to market-related or critical developments potentially bear the risk of 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, the purchase of new machines, and replacement investments. In addition, there is the possibility that new companies will be acquired or that existing business units will be divested. In the course of such investments and divestments there are, among other things, transaction risks and the risk of misjudgements as well as inherited liabilities of all types.

As a result of the decision at the beginning of 2020 regarding the strategic realignment and the transformation into an industrial polymer specialist, there remains a high degree of uncertainty among the staff as well as customers, which could lead to increased staff fluctuation, reduced productivity, and the loss of expertise and orders.

Value chain risks

The value chain of the Semperit Group covers virtually all stages from research and development to supply chain management and production to marketing and sales. In particular, bottlenecks in the supply of raw materials may arise along the value chain and production interruptions, scrap and quality defects with respect to products/packaging/storage/delivery may occur, leading to additional costs and delivery bottlenecks and/or delays. Moreover, this may result in a loss of reputation as well as a loss of orders and lead to potential product liability, occupational safety, compliance, and environmental risks, which may have a negative effect on the Semperit Group's financial position, financial performance, and profit situation.

The Semperit Group's financial performance 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 Covid-19 pandemic, the Ukraine crisis and global shipping container bottlenecks – could lead to delays and additional costs. The Semperit Group fully depends on external suppliers with regard to the supply of raw materials and energy, and depends on them to some extent for the supply of compounds. 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 time or appropriately to changing situations. The Covid-19 pandemic, the Ukraine crisis and continuing shipping container bottlenecks 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 as well as globally aligned and coordinated Group-wide purchasing, and supply chain management counteract these risks.

Supply shortages and delays can significantly impair the activities of the Semperit Group. Unexpected price increases for raw materials, components, wages, and energy, for example due to market shortages, could also have a negative effect on the Semperit Group's financial position, financial performance, and profit situation. Furthermore, the Semperit Group could be confronted with the risk of delays and disruptions of the supply chain as a result of disasters (economic, geopolitical, pandemic or climate related), especially if the Semperit Group does not succeed in developing 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, among other things, large amounts of raw materials such as rubber, (natural and synthetic rubber), chemicals, fillers, and both textile and steel reinforcing materials as well as energy (gas, electricity) for the manufacture of its products. These raw materials are subject to high price volatility. It is possible that price increases may only be passed on to the customer in part or following a delay, depending on the respective market situation, which is why an increase in raw material prices may have a negative impact on earnings. In some areas, there are also monopolistic or oligopolistic supply situations with respect to raw material and chemical suppliers and/or energy and water providers, as a result of which the Semperit Group is limited in its ability to negotiate. Geopolitical unrest can substantially increase this risk.

The management of correspondingly high levels of inventory reserves, multiple sourcing (i.e., reducing dependence on individual suppliers), the formation of long-term contracts and agreement on price escalation clauses with suppliers as well as continuously reviewing them with respect to their sustainability performance 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.

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

A supply shortage of (individual) raw materials or finished products, or restrictions on imports, restrictions resulting from geopolitical tensions or international sanctions, e.g. in connection with the Ukraine crisis (see also the section entitled "Russia-Ukraine conflict"), or the loss of an important supplier may lead to a massive production loss and have a significant negative effect on the Semperit Group's financial position, financial performance, and cash flows.

Production and utilisation risks

Within the Semperit machine park, there are (partly outdated) facilities that are of crucial importance for production and for which there are no adequate replacements. A major malfunction on the part of one of these machines would lead to a (partial) loss of production and have negative effects on the Semperit Group's financial position, financial performance, and profit situation.

In 2021, further capital expenditures were made in the replacement of outdated equipment and the expansion of production facilities. In addition, the risk that the production facilities may break down is counteracted by regular inspections, including preventive maintenance and servicing. Disruptions can also be caused in particular by natural hazards that are beyond the control of the Semperit Group. If possible, such risks are optimised to an economically reasonable extent through technical preventive measures and insurance.

Quality problems may arise in Semperit products that are caused by raw materials with quality problems or which result from the development or production of these products. Despite all efforts, the risk of operational downtimes, accidents, the underutilisation or overloading of capacities at production sites, the limited availability of space for production or storage or room to move around cannot be ruled out. Such risks may lead to delayed deliveries and subsequently to a potential loss of customers, with possible negative effects on the Semperit Group's financial position, financial performance, and profit situation.

Risks related to information technology (IT), cyber attacks, and data protection

The majority of production and control systems as well as services is dependent on a functioning and error-free IT/OT landscape. The malfunction of essential servers or production control units, ERP systems, non-availability as well as unauthorised access to IT/OT networks (cyber crime) can lead to an irrecoverable loss of production volumes, have a negative impact on quality or result in delivery delays along with order cancellations and therefore be harmful for the Semperit Group. Like other multi-national companies, the Semperit Group is also exposed to the risk of cyber attacks. In addition, the risk of cybercrime could increase further as a result of international conflicts such as the Ukraine crisis. Such attacks can potentially lead to espionage or the disclosure, falsification, or loss of information, the misuse of information systems or product defects, production downtime, and supply shortages with negative repercussions for the Semperit Group's reputation and competitiveness as well as its financial position, financial performance, and profit situation. Semperit continuously invests in resources for the further development of training measures and projects that serve to increase cyber security.

Additional risks are posed by IT/OT systems developed in-house and a wide variety of different systems in use that require a large number of manual interventions or which are dependent on specific persons, which could have a negative effect on data quality and processes. It may not be possible to ensure the traceability of produced goods as a result of faulty or non-existent systems. This risk is countered by strategic projects to standardise IT processes and ERP systems.

Handling sensitive/confidential data inappropriately or not in compliance with legal requirements (in particular GDPR) can also present a risk.

Personnel risk

The Semperit Group always needs highly skilled workers. The competition for qualified employees remains intense in the regions in which 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, integration, further development, and long-term retention of adequately qualified workers and managerial staff at the individual locations. The departure of key personnel must be covered by internal successors who have been trained in a timely manner. The orientation of the Semperit Group with regard to social aspects such as diversity, inclusion, and attractive work is becoming increasingly important. This applies to existing and potential employees and will be successively expanded through appropriate additional benefits and activities. Should this not be possible, there is a risk of negative impact on the Semperit Group's business position, financial position, financial performance, and profit situation.

Labour shortages or restrictions on the inclusion of foreign workers or outsourcing, national minimum wage structures, strikes, or the outflow/unauthorised disclosure of expertise may have an adverse effect on production and lead to limitations in other areas of the business, thus also straining productivity and the business position, financial position, financial performance, and profit situation. The risk of a staff shortage due to high absences caused by illness during the Covid-19 pandemic is countered with substitutions, flexibility, and preventive measures using shift models for employees working in-person as well as from home – as is also the case with other long-term employee absences.

External criminal actions

Fraud and cyber attacks (e.g., email fraud, fake president fraud, etc.) generally represent a major risk for the company, which is also countered with ongoing group-wide ICS training and payment security projects. The non-identification of such attacks or the failure of internal control systems cannot entirely be ruled out and can therefore contribute to a decline in the business position, financial position, financial performance, and profit situation.

Financial risk

As an internationally active company, the Semperit Group is exposed to financial risk, which can have an impact in particular in the area of capital, liquidity and financing risks, foreign currency and interest rate risks, and the risk of default on the part of customers and banks. In accordance with IFRS 7, financial risk and its management is described in detail in the notes under section 11.

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 will not be available at all or in the needed volume, which may lead to payment difficulties or even insolvency.

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 can include, for example, restrictive regulations of the financial sector or the policies of central banks, the limited availability of financial resources, including due to the consideration of sustainability aspects, e.g. in connection with the EU Taxonomy Regulation, changes in the credit ranking and legal capacity of banks or other lenders to act, changes in interest rates or restrictions on the use of financial instruments that affect the company's scope of action regarding the raising of funding or which have a negative impact on financing costs or deposit terms.

Furthermore, the Semperit Group is exposed to corporate risk in capital management. For example, it may become more expensive to raise funding or lenders may even refuse to grant additional loans if the company's credit rating is downgraded. 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.

The risks from capital management may have a significant negative impact on the company's business position, financial position, financial performance, and cash flows.

Foreign currency risk

Foreign currency risk can generally be divided into transaction risk and translation risk. The Semperit Group is exposed to both risks as a result of its international trade relations and subsidiaries all over the world.

Furthermore, in some countries there are capital controls that limit the Semperit Group's freedom of action. Some central banks, for example, have restrictions on trading currencies or hedging instruments.

The risks from the management of foreign currency exposure can have a significant negative impact on the Semperit Group's business position, financial position, financial performance, and profit situation.

Interest rate risk

Interest rate risk arises from changes in interest rates, both for variable and fixed interest financing, in the form of potential losses from the adverse movement of interest rates or net present value risk. In addition, there is negative interest rate risk in connection with corporate deposits.

Interest rate risk may have a significantly negative influence on the company's business position, financial position, financial performance, and profit situation.

Risk of default on the part of customers and banks

The Semperit Group is exposed to default risk with regard to receivables from customers. If the credit rating of Semperit customers is downgraded, the default risk increases. Credit risk and the risk of late payment are managed by means of standardised credit checks, defined credit limits, and credit insurance. A default on the part of a key business partner could have negative consequences for the Semperit Group's earnings and liquidity. The costs for hedging credit risks could increase due to a higher risk of default caused by the corona pandemic and the Ukraine crisis. In addition, there is also a risk of default relating to the Semperit Group's bank deposits.

The risks associated with non-payment on the part of customers or banks may have a significant negative impact on the company's business position, financial position, financial performance, and profit situation.

Tax risk

The companies of the Semperit Group are subject to local tax legislation in the respective countries and must remit both income tax as well as other (local) taxes and fees. Changes in tax laws and regulations in these jurisdictions could lead to higher tax expenses. The constant change and, in some cases, tightening of tax regulations increase the requirements for Tax Compliance to abide by and monitor these regulations. Inadequate controls in business processes or a lack of documentation can lead to the violation of regulations in national and international tax law and result in negative findings in tax audits.

It is also possible for the Semperit Group's tax receivables and liabilities or its deferred tax assets and liabilities to be negatively influenced. 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 for the company to enforce its own rights. The Semperit Group and its local companies are subject to regular tax audits by financial authorities with potentially negative findings.

It can be assumed that the occurrence of one or more of the aforementioned events will have a negative effect on the business position, financial position, financial performance, and profit situation.

Compliance risk

The constant tightening of international codes of conduct and laws increases the requirements for compliance and the 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. The Semperit Group counters this risk, among other things, 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 whistleblowing system can also make a valuable contribution by pointing out concerns and abuses with respect to unethical or illegal behaviour.

Regulatory risk and potential sanctions

The Semperit Group has business activities with customers and suppliers in countries such as Russia, Belarus, Ukraine, and China, that 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 constraints on the supply of raw materials 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 actions by customers due to the termination of their business in countries that are subject to sanctions.

For business activities in emerging countries, there are risks such as riots, health risks, and cultural differences, for example regarding employment relationships and business practices, volatility of the gross domestic product, economic and governmental instability, and legal uncertainty, the possible nationalisation of private assets and the 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 fines under criminal or civil law as well as to penalties, sanctions, court orders regarding future behaviour, the 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 can be attributed to state-owned companies. Pending and possible future investigations into corruption or cartel allegations or allegations regarding other legal violations could have negative consequences for the Semperit Group's business up to and including exclusion from public and private-sector contracts. Moreover, such investigations could also lead to the cancellation of existing contracts or the loss of orders and customers, and proceedings could be initiated against the Semperit Group.

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

One subsidiary is currently involved in competition law enforcement proceedings. The proceedings are currently at a stage in which the outcome cannot be determined with sufficient probability and are being handled in coordination with local specialists before the authority. The subsidiary is cooperating its the competent authorities and has assured them of its full support. Provisions have been recognised for the anticipated costs and associated risk based on the Semperit Group's assessment.

Risks related to legal proceedings

The Semperit Group is, and will be in the future, confronted with different legal disputes or proceedings as part of its ordinary business activities. As a result of such litigation, the payment of damages, punitive damages, or the satisfaction of other claims as well as criminal or civil sanctions, fines, or the disgorgement of unjust enrichment can be imposed upon the Semperit Group. In addition, in individual cases this can result in the formal or informal exclusion from tenders or the revocation or loss of business licences or permits. Moreover, further proceedings may be initiated and existing proceedings could be extended. Interest is generally charged on claims asserted in legal proceedings.

In some of these legal disputes, negative decisions could be handed down against the Semperit Group that can have significant effects on the company's business position, financial position, financial performance, and profit situation.

The Asian markets are of great importance for the Semperit Group. These legal systems are subject to regular changes that could have negative consequences for the Semperit Group's business position, financial position, earnings position, financial performance, and profit situation.

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 the Semperit Group to adjust its operating activities or lead to a significant increase in operating costs, as is the case under the conditions prevailing during the Covid-19 pandemic. In the course of the Covid-19 pandemic, additional disinfection measures were taken and social distancing rules were implemented at all locations. The possibility of working remotely from home was also newly established and subsequently expedited where necessary.

In addition, there is a risk of potential occupational safety-related, environmental, or health-related incidents, including 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, a loss of reputation or legal consequences. Environmental damage could lead to losses for the Semperit Group that exceed the insured amount or which are not covered by insurance, and such losses could have a negative impact on the business position, financial position, financial performance, and profit situation. Personnel safety and health are focal points of the corporate strategy with the goal of ensuring the protection of employees and further raising awareness of hazardous situations and continuously improving occupational safety.

Compliance risks with respect to corporate social responsibility (ESG)

Risks can arise as a result of existing local or international requirements and regulations in the area of environment, social, and governance (ESG) that are not sufficiently known at present. These are based on legal requirements in the respective countries as well as international requirements and can lead to a loss of reputation as well as the loss of customers in addition to having a negative impact on the company's business position, financial position, financial performance, and profit situation. A detailed description of these so-called ESG risks can be found in the Semperit Group's sustainability report.

In order to counter these risks appropriately, the Semperit Group subjects itself to regular external audits, for example by the Business Social Compliance Initiative (BSCI). In addition, the Semperit Group is a member of EcoVadis in order to be evaluated with regard to its own performance in the areas of the environment, labour and human rights, ethics and sustainable procurement, and to subsequently improve further. Furthermore, since 2021 the Semperit Group has also been a member of "Together for Sustainability" (TfS), an initiative of leading chemical companies with the goal of ensuring and successively improving sustainability in the supply chain, and thus the environmental and social standards of the relevant suppliers.

Insurable risks

The existing insurance coverage does not protect the Semperit Group from a possible loss of reputation or the occurrence of elementary events such as fire or natural disasters.

Fire, elementary events, and natural disasters harbour a significant loss potential for the Semperit Group, which may not be fully covered despite the existing insurance programme. 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 coverage at economically reasonable terms 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, some of whom also from emerging countries, that 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 increase innovative capacity, reduce costs, improve efficiency, reduce waste and maintain sustainable energy management are being implemented within the Group.

Economic, political, and geopolitical environment

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 will recover more slowly than expected, in particular due to the persistent worldwide Covid-19 pandemic, and that the negative impact particularly in Asia, Europe, and the USA will continue. A weakening of economic growth in Asia or even a collapse of the real estate market, the banking sector, or the stock market represent further significant risks. The cooling of the economic climate could also continue in the euro zone. This could increase business uncertainty and present a risk for the financial markets. The investment climate could deteriorate significantly due to political upheavals in Eastern Europe, further independence movements within and outside of the European Union or due to sustainable successes on the part of protectionist parties and policies that are hostile to business and the EU.

A further escalation of the trade dispute between the USA and China as well as between the USA and Russia and the consequences of a dispute with Iran, as well as the development of the Ukraine crisis could have a negative effect on the Semperit Group's business success.

A terrorist attack or a series of such attacks in major economies could adversely affect global economic activity and cause the business climate to deteriorate. Further risks include political tensions, for example in Russia, Ukraine, Belarus, Syria, Turkey, Iran, and Egypt. In particular, the conflict between Russia and Ukraine has developed into a new economic threat since February 2022 (see the section entitled "Russia-Ukraine conflict").

If the Semperit Group is not able to further adjust its production and cost structures accordingly in the current economic development, there is a risk of negative effects on the company's financial position, financial performance, and profit situation. For example, the financing options of the customers could change for the worse or payment systems (e.g. SWIFT) possibly might no longer be available. As a consequence, intentions to purchase the company's products could change, be postponed, or dropped; likewise, purchases or contracts that have been initiated could be terminated. Moreover, due to unfavourable market conditions 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 Semperit’s disadvantage, which could have a negative effect on the company's financial situation.

Internal Control System (ICS)

The Semperit Group's internal control system is designed to ensure the effectiveness, efficiency, and profitability 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 team for 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 and headquarters to ensure the long-term implementation of these framework conditions and regulations.

The following principles form the basis of the ICS:
- Recognising potential operating risks and transparency of losses that have already occurred
- Protecting property
- Improving operating effectiveness
- Ensuring accuracy of accounting and reporting
- Complying with internal regulations (limits of authority) and external laws and regulations
- Ensuring auditability by independent experts
- Ensuring adequate segregation of duties
- Ensuring the controls provided in the process have been conducted

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 can be 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 financial systems in use are protected against unauthorised access by appropriate IT facilities.
- With regard to the financial systems in use, standard software is widely used.
- A guideline system (e.g., accounting guidelines and payment guidelines) has been implemented.
- Received or forwarded accounting data will be checked to make sure it is correct and complete, by the people responsible (e.g., as part of spot checks).
- The dual-control principle is applied consistently in accounting-related processes.
- Accounting-related processes are checked regularly and on a random basis by the internal audit team.

Opportunities

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

In the long term, the management team 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 to become 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, and an increased focus on other regions, especially America and Asia, as well as on other industries. The goal is to be able to serve existing and future markets faster and more effectively. Overall, organic (e.g., further development of the new location in the USA) and inorganic growth opportunities represent significant earnings potential for the Semperit Group.

In the short term, the situation in the Medical Sector in 2021, caused by the coronavirus pandemic, resulted in earnings potential, as profitability was significantly above normal levels and moderately positive effects will also still be seen at the start of 2022. The earning capacity brought about by special economic developments in the Medical Sector has boosted the financial strength dramatically. This has laid a decent foundation for profitable organic and inorganic growth, while providing a back-up buffer in the event of crisis situations.

Outlook

Since H2 2021, the ongoing effects of the coronavirus pandemic have still continued to have a positive impact on the price of medical products. However, in light of the significant downward trend, it can be expected that the price level will return to a normalised level during the 2022 financial year. The results of the Semperit Group will still depend heavily on the availability and prices of the raw materials required, the supply chain, energy price trends, sufficient availability of containers to be used to deliver Semperit Group's products, and the availability of qualified staff. Furthermore, it is still difficult to forecast the effects in connection with the further development of the coronavirus pandemic and vaccination rates, particularly due to the widely varying regional trends and their influence on the international production sites.

Due to the start of a Russian war of aggression against Ukraine, the Russia-Ukraine conflict developed into a new economic and geopolitical threat beginning in late February 2022. The already observable consequences of this armed conflict include – to a limited extent – direct and indirect negative influences on the Semperit Group's sales volume and revenue figures, impending material bottlenecks, energy and raw material price increases, transport and supply chain problems, changes in the interest rate landscape, increased inflation expectations, and an increased risk of cyberattacks on companies. Material shortages of key raw materials and consumables for the manufacture of vulcanised rubber products could lead to production constraints in 2022 and consequently to delivery delays and restrictions. With respect to expenses, additional costs are expected for raw materials and consumables, input and intermediate products, and energy and transportation expenses. In addition, the current situation will have a noticeable cost-increasing effect on wages and salaries. Price pass-through opportunities will depend on the price sensitivity of the respective customers and the dynamics in the segment-specific product markets. With respect to interest rate exposure, the Semperit Group is protected against changes in interest rates, as all outstanding Schuldschein loans bear interest at a fixed rate. The Semperit Group's management is acting prudently and has initiated the evaluation of appropriate proactive measures to mitigate these developments at an early stage; initial packages of measures, particularly in the area of materials management, are already being successfully implemented. Current geopolitical and market developments in connection with the Russia-Ukraine conflict are being closely monitored, as are their effects on capital goods markets and the market for business acquisitions.

Against the backdrop of an expected subsiding course of the COVID-19 pandemic with declining average sales prices for medical products and impending material bottlenecks, supply chain issues, and sharp increases in input factor prices in industrial production, management expects another year characterised by major challenges for the Semperit Group's transformation process. The negative effects of market dynamics on the Semperit Group and/or individual segments must be expected. The management of the Semperit Group expects that the annual result for 2022, measured in terms of earnings before interest, tax, depreciation and amortisation (EBITDA), is likely to fall significantly short of the average market expectations (EUR 100–120 million at the beginning of March), in particular due to the Russia-Ukraine conflict and the related sanctions and uncertainties for industrial production. The exact financial impact on the expected annual result of the Semperit Group cannot yet be estimated at the time of publication of the Annual Report for 2021.

At the end of January 2020, the Semperit Group announced as part of its strategic realignment the aim to transform the company into an industrial polymer specialist and in this context the separation from the medical business. Although this step had been delayed by the coronavirus pandemic, the newly formed Semperit Group Executive Board will be consistently pursuing the planned transformation process in the 2022 financial year. Measures to increase profitability are still high on the

Executive Board's list of priorities. Strategic corporate development projects have the clear objective of inorganic and organic growth.

Investments aimed at growth and a dividend strategy to match have been made possible in particular by the earnings brought about by special economic developments within the Sempermed segment during the 2020 and 2021 financial years.

Note

This outlook is based on the assessments of the Executive Board as of 22 March 2022 and does not take into account the impact of potential acquisitions, divestments, or other unforeseeable structural and economic changes during the remainder of 2022. 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, 22 March 2022

The Executive Board

Karl Haider
CEO

Petra Preining
CFO

Kristian Brok
COO

Consolidated Financial Statements

Consolidated income statement

in EUR thousand	Note	2021	2020
Revenue	2.2	1,182,178	927,616
Changes in inventories		32,592	6,100
Own work capitalised		4,893	3,519
Operating revenue		**1,219,664**	**937,236**
Other operating income	2.3	9,332	7,189
Cost of material and purchased services	2.4	–530,294	–431,401
Personnel expenses	2.5	–216,545	–209,772
Other operating expenses	2.6	–120,395	–95,264
Share of profits from associates		0	566
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2.1**	**361,763**	**208,554**
Depreciation and amortisation of intangible assets and property, plant and equipment	3.1, 3.2	–46,722	–37,258
Impairment of intangible assets and property, plant and equipment	3.1, 3.2	0	–19,848
Reversal of impairment of intangible assets and property, plant and equipment	3.1, 3.2	0	86,353
Earnings before interest and tax (EBIT)		**315,041**	**237,800**
Finance income	2.7	396	429
Finance expenses	2.7	–4,036	–5,412
Profit / loss attributable to redeemable non-controlling interests	2.7	–5,576	–4,377
Other financial result	2.7	–6,866	723
Financial result		**–16,082**	**–8,638**
Earnings before taxes		**298,959**	**229,163**
Income taxes	2.8	–51,451	–34,573
Earnings after taxes		**247,508**	**194,590**
thereof attributable to the shareholders of Semperit AG Holding – from ordinary shares	2.9	246,604	186,364
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	2.9	388	6,478
thereof attributable to non-controlling interests	2.9	516	1,747
Earnings per share in EUR (diluted and undiluted)[1]	**2.9**	**11.99**	**9.06**

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

Consolidated statement of comprehensive income

in EUR thousand	Note	2021	2020
Earnings after taxes		**247,508**	**194,590**
Other comprehensive income that will not be recognised through profit and loss in future periods		**355**	**–2,091**
Remeasurements of defined benefit plans	7.1	610	–2,187
Income tax thereon	9	–255	97
Other comprehensive income that will be recognised through profit and loss in future periods		**20,627**	**–24,210**
Measurement gain or loss from cash flow hedges	5.1	0	–97
thereof reclassification to profit / loss for the period	2.7	200	1,744
Currency translation differences	5.1	20,627	–24,281
thereof reclassification to profit / loss for the period	2.3	–3,829	–88
Income tax thereon	9	0	168
Other comprehensive income - total		**20,982**	**–26,301**
Comprehensive income		**268,490**	**168,289**
thereof on earnings attributable to the shareholders of Semperit AG Holding – from ordinary shares		267,486	160,168
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital		388	6,478
thereof on earnings attributable to non-controlling interests		616	1,642

Consolidated cash flow statement

in EUR thousand	Note	2021	2020
Earnings before taxes		298,959	229,163
Depreciation, amortisation, impairment and reversal of impairment of intangible assets and property, plant and equipment	3.1, 3.2	46,722	–29,247
Gain / loss from disposal of assets (including current and non-current financial assets)		463	–411
Change in non-current provisions	7	–2,546	977
Share of profits from associates		0	–566
Profit / loss attributable to redeemable non-controlling interests	6.1	5,576	4,377
Net interest income (including income from securities)		3,571	5,061
Income taxes paid	2.8	–31,056	–14,255
Other non-cash income / expense		1,723	–1,379
Gross cash flow		**323,413**	**193,721**
Change in inventories	4.1	–38,780	–26,994
Change in trade receivables	4.2	6,074	–9,391
Change in other receivables and assets	3.3, 6.5, 8.1	–9,184	1,037
Change in trade payables	4.3	9,663	17,640
Change in other liabilities and current provisions	6.3, 7.2, 8.2	–1,955	16,846
Cash flows from operating activities		**289,229**	**192,858**
Proceeds from sale of property, plant and equipment		302	5,572
Purchases of intangible assets and property, plant and equipment	2.10	–47,936	–26,396
Proceeds from sale of associated companies		0	3,250
Interest received		308	334
Investment grants received		64	0
Proceeds from the repayment of financial assets	2.10	49,175	563
Acquisition of financial assets	2.10	–48,770	0
Acquisition of a subsidiary, net of cash acquired	10.1	–1,126	0
Cash flows from investing activities		**–47,983**	**–16,678**
Cash receipts from current and non-current financial liabilities	2.10	4,607	0
Repayment of current and non-current financial liabilities	2.10, 6.2	–86,377	–40,706
Repayment of lease liabilities		–3,292	–3,097
Dividend to shareholders of Semperit AG Holding	5.4	–30,860	0
Dividends to redeemable non-controlling interests in subsidiaries	6.1	–4,135	–3,892
Dividends to non-controlling interests in subsidiaries	5.3	–123	0
Capital repayment to non-controlling interests in subsidiaries	6.1	–846	0
Acquisitions of non-controlling interests		0	–2
Disposal of shares of subsidiaries	5.3	168	0
Repayment of hybrid capital	5.2	–30,000	–100,000
Coupon payments on hybrid capital	2.9, 5.2	–785	–7,802
Interest paid		–3,978	–5,786
Cash flows from financing activities		**–155,622**	**–161,285**
Net increase / decrease in cash and cash equivalents		**85,624**	**14,896**
Currency translation differences		4,943	–11,281
Cash and cash equivalents at the beginning of the period	6.6	144,972	141,356
Cash and cash equivalents at the end of the period	**6.6**	**235,539**	**144,972**

Consolidated balance sheet

in EUR thousand	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	3.1	8,492	7,567
Property, plant and equipment	3.2	376,576	340,179
Other financial assets	3.3	7,430	7,137
Other assets	8.1	3,241	3,121
Deferred tax assets	9	11,707	5,500
		407,447	**363,504**
Current assets			
Inventories	4.1	186,834	141,124
Trade receivables	4.2	98,766	99,318
Other financial assets	3.3, 6.5	1,536	2,136
Other assets	8.1	23,625	12,469
Current tax receivables		4,064	113
Cash and cash equivalents	6.6	235,539	144,972
		550,365	**400,132**
Non-current assets held for sale	**3.4**	**764**	**764**
		551,128	**400,896**
ASSETS		**958,575**	**764,400**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.1	21,359	21,359
Capital reserves	5.1	21,503	21,503
Hybrid capital	5.2	0	30,000
Retained earnings	5.1	512,216	294,886
Currency translation reserve	5.1	–14,956	–35,483
Equity attributable to the shareholders of Semperit AG Holding		**540,122**	**332,266**
Non-controlling interests	5.3	1,028	2,331
		541,151	**334,597**
Non-current provisions and liabilities			
Provisions	7	42,824	47,155
Liabilities from redeemable non-controlling interests	6.1	11,941	16,607
Financial liabilities	6.2	51,685	85,257
Trade payables	4.3	154	12
Other financial liabilities	6.3	19,602	3,517
Other liabilities	8.2	1,948	269
Deferred tax assets	9	11,954	10,196
		140,108	**163,013**
Current provisions and liabilities			
Provisions	7	26,406	29,399
Liabilities from redeemable non-controlling interests	6.1	5,595	795
Financial liabilities	6.2	39,654	81,836
Trade payables	4.3	95,166	77,677
Other financial liabilities	6.3	12,826	15,807
Other liabilities	8.2	40,844	37,703
Current tax liabilities		56,826	23,572
		277,317	**266,789**
EQUITY AND LIABILITIES		**958,575**	**764,400**

Consolidated statement of changes in equity

in EUR thousand	Note	Share capital	Capital reserves	Hybrid capital	Retained earnings	Currency translation reserve	Total	Non-controlling interests	Total equity
As at 01.01.2020		**21,359**	**21,503**	**130,000**	**111,865**	**–11,307**	**273,421**	**691**	**274,111**
Earnings after taxes		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
Repayment of hybrid capital	5.2	0	0	–100,000	0	0	–100,000	0	–100,000
Acquisitions 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**
As at 01.01.2021		**21,359**	**21,503**	**30,000**	**294,886**	**–35,483**	**332,266**	**2,331**	**334,597**
Earnings after taxes		0	0	0	246,992	0	246,992	516	247,508
Other comprehensive income		0	0	0	355	20,526	20,881	100	20,982
Comprehensive income		0	0	0	247,347	20,526	267,874	616	268,490
Dividend	5.4	0	0	0	–30,860	0	–30,860	–123	–30,983
Coupon payments on hybrid capital	2.9, 5.2	0	0	0	–785	0	–785	0	–785
Repayment of hybrid capital	5.2	0	0	–30,000	0	0	–30,000	0	–30,000
Capital reduction		0	0	0	0	0	0	–336	–336
Acquisitions of non-controlling interests	5.3	0	0	0	1,922	0	1,922	–1,922	0
Disposal of shares of subsidiaries	5.3	0	0	0	–293	0	–293	462	168
As at 31.12.2021		**21,359**	**21,503**	**0**	**512,216**	**–14,956**	**540,122**	**1,028**	**541,151**

Notes to the consolidated financial statements

1. General

1.1. General information

Semperit Aktiengesellschaft Holding (hereinafter Semperit AG Holding), a public limited company under Austrian law, is a listed international industrial corporation. It is domiciled at Am Belvedere 10, 1100 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 controlling legal entity. Business activities are divided into the five business segments: Sempermed, Semperflex, Sempertrans, Semperform, and Semperseal. Please see section 2.1 for additional information on the business segments.

1.2. Basic preparation principles

The consolidated financial statements as at 31. December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and in accordance with section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). The financial year comprises the period from 1 January to 31 December. The consolidated financial statements were prepared on 22 March 2022 and approved for submission to the Supervisory Board.

The reporting currency is the euro, with figures rounded to the nearest thousand, unless expressly stated otherwise. Rounding differences may occur when totalling rounded amounts and percentages through the use of automated calculation methods.

With the exception of the measurement of certain financial instruments, as well as provisions and deferred taxes, the consolidated financial statements were prepared based on amortised cost. Securities and 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 2021 financial year, no financial instruments were reclassified between the individual levels.

The amount of provisions corresponds to the best estimate of the expenditures required to settle the liabilities as at the reporting date. Deferred taxes that are expected to be realised are calculated based on the nominal amount of existing temporary differences between the IFRS carrying amounts and the tax base, using the tax rate that is expected to apply.

1.3. Consolidation principles

The consolidated financial statements include the financial statements of the parent company and the financial statements of the subsidiaries controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins and until the date on which control ceases.

Acquisition accounting involves offsetting the acquisition cost of the equity interest in subsidiaries and the respective subsidiary's equity attributable to the investment. Receivables and liabilities between companies included in the scope of consolidation are eliminated during the course of the consolidation of intercompany balances. Foreign currency differences from debt consolidation are presented in the other financial result. All income and expenses from intercompany transactions, such as deliveries of goods and services, Group financing, or profit distributions, are offset during the elimination of income and expenses. Depending on the underlying transaction, foreign currency differences from the elimination of income and expenses are presented in the cost of materials, other operating expenses, or other financial result. In addition, intercompany profits and losses from intragroup goods and services are eliminated.

Please see sections 10.1 to 10.2 for more detailed information on the scope of consolidation.

Currency translation

Assets and liabilities, including goodwill of subsidiaries included in the consolidated financial statements whose functional currency is not the euro, are translated at the mean exchange rate as at the reporting date; items in the consolidated income statement, the consolidated statement of comprehensive income, and the consolidated cash flow statement are translated using an average mean exchange rate for the financial year. The reference exchange rates of the European Central Bank (ECB) are generally used for currency translation. Currency differences resulting from this translation of a subsidiaries' financial statements are recognised through other comprehensive income in the currency translation reserve and reclassified to the consolidated income statement upon the sale or other disposal of the subsidiary in question.

Pursuant to IAS 21, for some subsidiaries there are mixed factors and indicators for the determination of the functional currency. In management's judgement, attributes that give rise to a functional currency other than the local currency predominate at the following subsidiaries:

- 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)

At Semperflex Optimit s.r.o., Czech Republic, and Sempertrans Bełchatów Sp. z o.o., Poland, the assessment of the (mixed) factors and indicators for determining the functional currency results in the use of the local currency as the functional currency.

1.4. Judgements and uncertainties in estimates

Judgements

The accounting policies set out in the IFRSs provide users of the standards with various implicit and explicit options. The application of accounting policies is therefore subject to various exercises of judgement by management that can significantly affect the amounts recognised in the financial statements. The following judgements by management have a significant influence on these consolidated financial statements:

- Determination of the functional currency of subsidiaries (see section 1.3)
- Determination of sufficient indications of a need to recognise impairment losses or the reversal of impairment losses (see section 3.2)
- Lease terms: assessment of whether the exercise of extension options or the non-exercise of termination options is reasonably certain; determination of any economic disadvantages resulting from an early termination (see section 3.2)
- Hybrid capital (see section 5.2): delineation between equity and debt capital (perpetual bond) and the related distinction between interest and dividend payments
- Treatment of non-controlling interests in subsidiaries with termination options (see sections 6.1 and 10.2)
- Classification of money market fund shares as cash equivalents (see section 6.6)
- Consolidation of companies (see section 10.2): assessment whether control over a subsidiary does or does not exist

Significant estimates and assumptions

Preparation of the consolidated financial statements requires management to make estimates and assumptions about future developments that affect the recognition and measurement of assets and liabilities, the disclosures on other obligations as at the reporting date, and the reporting of the income generated and expenses accrued during the financial year. The amounts ultimately realised can differ from the amounts recognised based on the decisions and assumptions that were made. Estimates and the underlying assumptions are reviewed regularly and adjusted if necessary.

The following estimates and assumptions were made; more detailed explanations of these may be found under the respective item:

- Tax uncertainties: recognition and measurement of actual and deferred income taxes in cases in which there is uncertainty about the amount of (recoverable) income taxes owed (see sections 2.8 and 2.9)
- Deferred tax assets: availability of future taxable profits against which unused tax loss carry-forwards or tax credits can be utilised (see sections 2.8 and 2.9)
- Intangible assets: the annual impairment test of goodwill (see section 3.1)
- Intangible assets and property, plant and equipment: determination of the useful lives of assets with finite useful lives (see sections 3.1 and 3.2)
- Intangible assets and property, plant and equipment: indication-driven impairment testing of the assets of the Sempermed segment (see section 3.2)
- Inventories: determination of net realisable values during inventory measurement (see section 4.1)
- Trade receivables: determination of valuation allowances (see section 4.2)
- Financial instruments: determination of the fair values for which there is no active market (see section 6.3)
- Personnel provisions: measurement of provisions for pensions, severance payments, and anniversary bonuses (see sections 7.1 and 6.6)
- Other provisions: significant assumptions about the probability of occurrence and extent (see section 6.6)

- Purchase price allocations: determination of fair values for assets and liabilities in connection with business combinations (see section 10.1)
- Effects of climate-related matters and risks: The segments' medium-term financial planning, which is used as the basis for determining the value in use for impairment testing, implicitly reflects sustainability aspects related to energy consumption and emissions (e.g., improving energy efficiency, reducing emissions, improving the use of renewable resources to meet energy demands, etc.). The same applies for aspects of the circular economy (e.g., choice of raw materials, efficiency of material use, improvements to waste management). Planned climate-related measures aimed at improving earnings that also require infrastructure improvements, as well as those that have yet to be sufficiently substantiated, have not been taken into account in determining the value in use. This applies, for instance, to the climate-related capital expenditures of the Sempermed segment aimed at the more efficient use and lower consumption of water. Future developments related to potentially expanding the range of sustainable products, realizing potentials in economic recycling of vulcanized rubber, and using replacement materials and technologies for vulcanized rubber products were not anticipated in the medium-term financial planning even though the Semperit Group is currently evaluating such measures. The Semperit Group currently has no inventories at risk of obsolescence or a decline in prices arising in connection with climate-related risks. Climate-related risks did not represent an indication for impairment and also did not result in the adjustment of the useful lives of intangible assets or property, plant and equipment. The recognition of provisions for climate-related matters and risks is of minor importance in the Semperit Group.

1.5. New and amended accounting standards

The following new/amended standards and interpretations were applied for the first time (in some cases early) in the 2021 financial year:

		Endorsement	Mandatory application for the Semperit-Group	Effects on the Semperit-Group
Amended standards				
IFRS 16	Amendment to IFRS 16 Leases: Covid 19-related rent concessions beyond 30 June 2021	30 August 2021	1 January 2022	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

The following new/amended standards and interpretations will be applicable in future:

		Endorsement	Mandatory application for the Semperit-Group	Effects on the Semperit-Group
New standards and interpretations				
IFRS 17	Insurance Contracts	19 November 2021	1 January 2023	no
Amended standards				
Miscellaneous	Amendments to IFRS 3, IAS 16 and IAS 37	28 June 2021	1 January 2022	no
Miscellaneous	Annual improvements to IFRS, cycle 2018–2020	28 June 2021	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	2 March 2022	1 January 2023	no
IAS 8	Amendments to accounting policies, amendments to accounting estimates and errors: definition of accounting estimates	2 March 2022	1 January 2023	no
IAS 12	Amendments to deferred taxes related to assets and liabilities arising from a single transaction	open	1 January 2023	no
Miscellaneous	Amendments to the initial application of IFRS 17 and IFRS 9 – comparative information	open	1 January 2023	no

2. Performance

2.1. Segment reporting

In accordance with IFRS 8, segment reporting is based on internal reporting to the Executive Board of Semperit AG Holding as the chief operating decision maker, which decides on the allocation of resources to the business segments.

The segments were determined on the basis of product groups. They are managed separately and correspond to the Semperit Group's business divisions. The Semperit Group has five reportable segments as at 31 December 2021, just as in the previous year.

- **Sempermed:** The Sempermed segment produces gloves using dipping technology, sells them, and trades in gloves worldwide. The product portfolio comprises examination and surgical gloves for the Medical Sector as well as protective gloves for industrial, commercial, and private use. As part of its strategic realignment, the Semperit Group will focus on the industrial sector in future. As a consequence, on 28 January 2020, the Executive and Supervisory Boards resolved in principle to divest the Sempermed segment. This fundamental decision still applies independent of the special economic developments of the coronavirus pandemic; in light of the significant earnings contributions resulting from this special economic situation, its implementation was and remains postponed. However, the requirements for presentation as a discontinued operation have not been met as at 31 December 2020 or as at 31 December 2021.

- **Semperflex:** The Semperflex segment develops, produces, and sells low- and high-pressure hoses worldwide that are used in the construction and transportation industries, in mines, and in agricultural machinery. The hoses are reinforced with fabrics (industrial hoses) or with metal wires (hydraulic hoses).

- **Sempertrans:** The Sempertrans segment develops, produces, and sells conveyor and transport belts worldwide. Transport and conveyor belts are used in mining, the steel industry, the cement industry, in power plants, for civil engineering applications, and the transport industry, among others. In order to optimally meet the application requirements, the belts are reinforced with either textile or steel cord carcasses.

- **Semperform**: The Semperform segment develops, produces, and sells escalator handrails, ropeway rubber rings, anti-vibration membranes for skis and snowboards, and customised injection moulding and extrusion parts with sealing or damping functions. Escalator handrails are reinforced and formed with fabric and metal wiring; ropeway rubber rings are mainly reinforced with fabric.

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

The accounting policies applied in deriving the segment figures are identical to the Semperit Group's accounting policies. The segment result is EBITDA. This is the result that is reported to the Executive Board for purposes of resource allocation and performance measurement. Trade working capital and the additions to intangible assets and property, plant and equipment are reported to the Executive Board as key indicators of segment assets.

Segmentation by business division

Segmentation by business division is based on internal management and reporting.

2021 in EUR thousand	Semper-med	Semper-flex	Semper-trans	Semper-seal	Semper-form	Corporate Center	Total
Revenue	626,119	240,462	104,450	120,543	90,604	0	1,182,178
EBITDA	301,149	51,307	6,848	11,561	12,384	–21,487	361,763
EBIT	280,939	39,994	3,214	5,056	8,534	–22,695	315,041
Depreciation and amortisation of intangible assets and property, plant and equipment	–20,210	–11,313	–3,635	–6,505	–3,851	–1,208	–46,722
Trade working capital	85,641	53,220	22,020	17,179	16,601	–4,226	190,434
Additions to intangible assets and property, plant and equipment[1]	24,860	7,954	4,050	11,530	5,184	2,820	56,399

[1] Excluding right-of-use assets in accordance with IFRS 16

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

[1] Excluding right-of-use assets in accordance with IFRS 16

The income and expenses of Group companies that have production and/or sales operations in more than one segment are divided and allocated to the appropriate segment so that no additional eliminations are required. The Corporate Center consists of Semperit AG Holding, which is not operationally active, as well as of parts of a management company in China and a service company in Singapore, which are assigned to the Corporate Center. In addition, certain services of the Corporate Center are provided by operating companies. Corporate Center cost transfers and allocations have already been allocated to the segments to the extent possible.

EBITDA in the total column corresponds to EBITDA in the Semperit Group's consolidated income statement; therefore, the reconciliation to profit before tax can be taken from the consolidated income statement.

Trade working capital consists of inventories plus trade receivables, less current trade payables (also see section 4).

Geographic segmentation

The Group's activities are conducted primarily in Europe, Asia, and the Americas. In accordance with IFRS 8, the disclosures on revenue are presented by the customer's location and those on non-current assets and additions to intangible assets and property, plant and equipment are presented on the basis of the respective locations of the Semperit Group companies. Non-current assets do not include any deferred tax assets or securities. To the extent possible, consolidating entries have been allocated to the appropriate regions. In the geographic segmentation the United Kingdom (UK) was considered to be part of the EU until 31 December 2020 based on the transition period for leaving the EU lasting until that date. The United Kingdom has no longer been part of the EU single market and customs union only since 1 January 2021 and is therefore presented under Rest of Europe. The Semperit Group does not generate more than 10% of its revenue with any external customer.

			2021			2020
in EUR thousand	Non-current assets	Additions to intangible assets and property, plant and equipment[1]	Revenue	Non-current assets	Additions to intangible assets and property, plant and equipment[1]	Revenue
Europe	261,193	31,022	825,420	241,710	22,511	636,341
thereof EU	261,124	31,022	680,334	241,710	22,511	562,384
thereof Austria	59,968	12,965	65,558	48,202	6,693	41,882
thereof EU excluding Austria	201,156	18,058	614,776	193,508	15,818	520,501
thereof rest of Europe	69	0	145,086	0	0	73,957
Asia	115,241	23,776	130,220	105,872	5,869	105,944
The Americas	12,846	1,600	210,670	3,722	89	161,814
Rest of the world	23	0	15,869	8	7	23,518
Group	**389,304**	**56,399**	**1,182,178**	**351,312**	**28,475**	**927,616**

[1] Excluding right-of-use assets in accordance with IFRS 16

2.2. Revenue

Revenue is recognised using the transaction prices assigned to the performance obligations. Deductions are made for agreed rebates, volume and cash discounts and similar sales reductions as well as for contractual penalties and expected returns. These sales reductions are based on contractual agreements. All available information and historical values are taken into account when estimating the variable price components. As a rule, the amount delineated as a transaction price reduction is the amount that is likely to be claimed based on agreements or historical values; these estimates are updated regularly.

A refund liability is recognised for potential returns and expected refunds on the basis of contracts or historical values over the past three years. Assets from return claims (refund assets) are recognised at the original carrying amount less expected costs for the return of the products and are presented in inventories.

The agreed transaction price is normally charged upon delivery. Revenue from deliveries must generally be recognised when economic control is transferred to the customer in accordance with the Incoterms agreed for the delivery of the goods. The payment targets normally granted are from 14 to 90 days.

For practical reasons, revenue has not been adjusted for the effects of a significant financing component if the period between satisfaction of the performance obligation and payment by the customer is not more than one year. As in the previous year, no revenue was generated in the 2021 financial year from contracts that included a significant financing component and for which the period between satisfaction of the performance obligation and payment by the customer is longer than one year.

Some contracts are multiple element arrangements that, in addition to the sale of certain products, also include additional performance obligations such as services. In accordance with IFRS 15, the consideration is allocated to the elements in line with the relative stand-alone selling prices, where appropriate.

Contractually agreed warranties, which represent a separate and identifiable performance obligation, are recognised pro rata over the warranty period from the date on which control of the product sold is transferred.

Contract performance costs exist in the form of tool costs. The tools are capitalised in accordance with the provisions of IAS 16, and depreciated over a useful life of one to ten years. These tools are offset by contract liabilities, which are recognised in revenue over the useful life of the tools.

Contract initiation costs, if material, are capitalised when the contract term exceeds 12 months. As in the previous year, there were no instances of such cases in the 2021 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
2021						
Western Europe	348,644	135,750	36,487	94,519	49,641	665,040
North America	135,242	26,584	9,665	6,810	5,103	183,403
Eastern Europe	68,115	48,806	14,700	18,043	10,715	160,380
Asia	53,524	25,919	26,195	1,121	23,461	130,220
Central and South America	15,540	1,706	8,714	49	1,257	27,266
Africa	3,011	1,069	4,961	0	363	9,404
Australia and Oceania	2,044	628	3,728	0	65	6,465
Revenue	**626,119**	**240,462**	**104,450**	**120,543**	**90,604**	**1,182,178**

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
North America	84,993	23,572	17,981	6,385	3,373	136,303
Eastern Europe	58,467	41,612	18,274	13,068	8,002	139,422
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
Africa	2,605	1,171	4,247	0	316	8,339
Australia and Oceania	10,423	395	4,320	0	40	15,178
Revenue	**449,179**	**189,887**	**113,139**	**93,631**	**81,780**	**927,616**

2.3. Other operating income

in EUR thousand	2021	2020
Compensation for damages	1,038	429
Income from the sale of property, plant and equipment	149	409
Sale of by-products and waste materials	684	383
Rental income	207	225
Research grants	963	827
Miscellaneous	6,292	4,917
Total	**9,332**	**7,189**

Other operating income includes reclassifications from the currency translation reserve of EUR 3,768 thousand (previous year: n.a.) from the liquidation of the Chinese Sempertrans Best (Shandong) Belting Co. Ltd. (SBB) in July 2021 and EUR 61 thousand (previous year: n.a.) from the Chilean Semperit Productos Técnicos SpA deconsolidated in May 2021.

Furthermore, miscellaneous other operating income includes government grants in the amount of EUR 744 thousand (previous year: EUR 2,344 thousand) that the Semperit Group received in the form of pandemic-related support payments (e.g. grants for short-time work subsidies, grants from job promotion programmes, etc.) in the 2021 financial year. The grants were awarded in Austria, China, USA and Singapore.

2.4. Cost of materials and purchased services

in EUR thousand	2021	2020
Cost of materials	461,546	363,172
Energy expenses	51,013	52,210
Production-related maintenance costs	10,857	8,309
Purchased services	6,878	7,710
Total	**530,294**	**431,401**

2.5. Personnel expenses

in EUR thousand	2021	2020
Wages	79,747	72,853
Salaries	91,793	92,578
Severance payments	2,733	1,778
Retirement benefit expenses	1,052	1,138
Statutory social security expenses and other compulsory wage-related payments	35,318	32,642
Other social security expenses	5,901	8,784
Total	**216,545**	**209,772**

In the 2020 financial year, other social security expenses included the expense associated with the recognition of a provision for payment of recruitment fees in Malaysia of EUR 3,891 thousand. In the 2021 financial year, this item included income from the reversal of the provision in the amount of EUR -303 thousand.

Research and development expenses in the 2021 financial year amounted to around EUR 16,050 thousand (previous year: EUR 14,700 thousand), which relate in particular to personnel expenses. The personnel expenses also include expenses for temporary staff. In the 2021 financial year, the average number of external personnel (in full-time equivalents) was 311 employees (previous year: 263). Please see section 12.1 for more detailed information on the remuneration paid to members of the Executive Board.

The average number of employees in Austria (in full-time equivalents) was 896 (previous year: 874). The average number of employees in the Semperit Group is as follows:

in full-time equivalents	2021	2020
Blue-collar workers	5,280	5,292
White-collar workers	1,695	1,679
Total	**6,975**	**6,972**

2.6. Other operating expenses

in EUR thousand	2021	2020
Outgoing freight	47,706	31,081
Legal, consulting and auditing fees	16,704	11,183
Maintenance and external services	10,104	10,915
Insurance premiums	5,617	4,864
Software licence expenses	4,242	3,568
Commission and advertising expenses	3,712	3,267
Rental and lease expenses	3,613	2,121
Waste disposal	2,594	2,178
Energy costs unrelated to production	2,483	1,952
Travel expenses	2,361	2,430
Other taxes	1,591	1,938
Fees, subscriptions and donations	1,253	953
Office equipment	1,195	1,149
Communications	943	1,027
Training and education expenses	892	512
Complaint costs	877	3,272
Bank expenses and hedging costs	584	527
Valuation allowances	–69	370
Miscellaneous	13,993	11,955
Total	**120,395**	**95,264**

The following fees have been recognised as consulting and audit expenses for the services rendered in the 2021 financial year by the auditors of the consolidated financial statements Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. and the companies of the Ernst & Young global network:

in EUR thousand	2021	2020
Auditing of consolidated financial statements and related assurance services	897	912
thereof Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	306	342
Other assurance of valuation services	139	87
Other services	26	22
Total	**1,062**	**1,022**

2.7. Other financial result

in EUR thousand	2021	2020
Expense (+) / income (–)		
Finance income		
Income from securities	–39	–78
Interest and related income	–356	–351
	–396	**–429**
Finance expenses		
Interest expense	4,036	5,412
	4,036	**5,412**
Other financial result		
Net foreign currency result	7,508	–3,392
Net result from the FVPL and FV measurement categories - heding instruments	–724	2,305
Miscellaneous	82	364
Total	**6,866**	**–723**
Gain / loss attributable to redeemable non-controlling interests	**5,576**	**4,377**
Financial result	**16,082**	**8,638**

The interest expense includes interest expenses from lease liabilities in the amount of EUR 215 thousand (previous year: EUR 206 thousand).

Of the interest expenses included in the financial result, EUR 3,972 thousand (previous year: EUR 5,215 thousand) is attributable to financial liabilities measured at amortised cost (AC, at cost). An interest expense of EUR 63 thousand (previous year: EUR 196 thousand) is attributable to interest accrued to long-term provisions. In the liabilities from redeemable non-controlling interests, the portion of the earnings recorded in the consolidated income statement in the amount of EUR 5,576 thousand (previous year: EUR 4,377 thousand) represents the "interest expense".

The net result from financial assets in the AC measurement category (at cost) consists of the following:

in EUR thousand	2021	2020
Expense (+) / income (–)		
Interest and related income	–356	–351
Valuation allowances	–69	370
Net foreign currency result	282	–556
Net result from the AC (At Cost) valuation category	**–143**	**–536**

Valuation allowances on financial assets at amortised cost are recognised in other operating expenses (see section 2.6). Other operating expenses also include reversals of impairment losses on financial assets at amortised cost previously recognised as an expense.

In the 2021 financial year, the financial instruments in the FVPL measurement category (fair value through profit and loss) concern forward exchange contracts to hedge parts of the operating business at Semperflex Asia Corp. Ltd. in Thailand and to hedge intragroup borrowings at Latexx Manufacturing Sdn Bhd in Malaysia (see section 11.5). The cash flow hedge concerned the hedging of a corporate Schuldschein loan in Polish zloty (PLN); it was terminated upon repayment of this corporate Schuldschein loan in November 2021.

The net result from financial instruments in the FVPL and FV measurement categories – hedging instruments is comprised of the following:

in EUR thousand	2021	2020
Expense (+) / income (–)		
Income from forward exchange transactions	–1,350	–56
Expenses from currency forwards	91	689
Results from the measurement and disposal of securities and derivatives	503	–137
Net result from the FVPL (Fair Value through Profit and Loss) valuation category	**–757**	**496**

in EUR thousand	2021	2020
Expense (+) / income (–)		
Cash-flow Hedges – reclassified from hedging reserve	200	1,744
Cash-flow Hedges – ineffective portion of changes in fair value	–43	65
Cashflow Hedges - realised foreign exchange result	–124	0
Net result from the FV – Hedging Instrument valuation category	**33**	**1,809**

The net foreign currency result from financial liabilities at amortised cost is EUR 2,256 thousand (previous year: EUR 2,813 thousand).

2.8. Income taxes

The tax expense presented for the financial year comprises the current taxes on taxable income calculated for the individual Group companies and the tax rate applicable in the respective country, as well as deferred taxes.

in EUR thousand	2021	2020
Current tax expense (+) / tax income (–)		
for the current period	57,809	31,195
for previous periods	–508	5,271
Sum of current tax expense (+) / tax income (–)	**57,301**	**36,466**
Deferred tax expense (+) / tax income (–)		
from the origination or reversal of temporary differences	–3,231	16,624
from the adjustment of tax loss carry-forwards, tax credits and temporary differences	–4,858	–21,332
other deferred tax effects	2,241	2,815
Sum of deferred tax expense (+) / tax income (–)	**–5,849**	**–1,893**
Total	**51,451**	**34,573**

The increase in the tax expense in the 2021 financial year to EUR 51,451 thousand (previous year: EUR 34,573 thousand) was primarily due to the special economic developments and the resulting improvement in earnings in the Sempermed segment. The effective tax rate in the 2021 financial year was 16.9% (previous year: 14.8%).

Appropriate provisions have been recognised for tax uncertainties with regard to the amount of tax loss carry-forwards to be utilised.

The earnings development of the Sempermed segment resulted in the recoverability of tax loss carry-forwards and unused tax credits in the previous year. In addition, there were deferred effects from the impairment of the Sempertrans segment; this reduced the effective tax rate. In the 2021 financial year, increases in operating profitability and the absence of intercompany interest charges due to equity grants at previously loss-generating Group companies resulted in the recognition of deferred tax assets on tax loss carry-forwards and unused tax credits. In total, this resulted in a positive effect of EUR 5,849 thousand (previous year: EUR 1,893 thousand) in the 2021 financial year.

See section 9 for information on the accounting policies, the reconciliation of earnings, as well as details on deferred taxes.

2.9. Earnings per share

in EUR		2021	2020
Earnings after taxes	in EUR	247,137,456	194,589,978
Result from hybrid capital attributable to the shareholders of Semperit AG Holding	in EUR	–388,356	–6,478,356
Result attributable to non-controlling interests	in EUR	–515,584	–1,747,184
Results attributable to ordinary shares	**in EUR**	**246,233,516**	**–51,418,704**
Average number of shares outstanding	**in units**	**20,573,434**	**20,573,434**
Earnings per share (diluted and undiluted)	**in EUR**	**11.97**	**9.06**

As at 31 December 2020 and 31 December 2021, no dilutive effects had to be taken into account.

The result from hybrid capital attributable to the shareholders of Semperit AG Holding relates to the proper periodic accrual of "interest" on the hybrid capital. In principle, Semperit AG Holding did not have to pay any "interest" on the hybrid capital. However, interest payments on the hybrid capital, which must be treated as dividend payments under IFRS, had to be made in particular if dividends were distributed to shareholders or if management decided to pay "interest" irrespective of a dividend distribution. "Interest" in the amount of EUR 785 thousand (previous year: EUR 7,802 thousand) was paid in the 2021 financial year. The remaining hybrid capital of EUR 30,000 thousand was repaid in full in March 2021 (see section 5.2).

2.10. Consolidated statement of cash flows

The operating cash flow is determined using the indirect method. The measurement effects are presented under other non-cash income or expenses. These include, in particular, the result from exchange rate changes, the measurement of derivatives, reclassifications of (historical) foreign exchange differences in the consolidated income statement (recycling), and the change in the valuation allowance for inventories and receivables. The cash flows from investing and financing activities are determined directly. Interest received is presented in the cash flows from investing activities, interest paid is presented in the cash flows from financing activities.

EUR 16,934 thousand (previous year: EUR 3,110 thousand) of the total additions in the amount of EUR 69,424 thousand (previous year: EUR 31,586 thousand) presented in the changes in intangible assets and property, plant and equipment (see sections 3.1 and 3.2) concern additions of right-of-use assets. The additions include outlays in the amount of EUR 12,290 thousand (previous year: EUR 6,979 thousand) that did not yet result in an outflow of cash and cash equivalents in the 2021 financial year. In addition, prepayments for non-current assets in the amount of EUR 1,318 thousand (previous year: EUR 561 thousand) were made in the 2021 financial year.

The items Proceeds from the repayment of financial assets and Acquisition of financial assets mainly include investments in and repayment of fixed deposits in U.S. Dollar (USD), with a contractual maturity of more than three month at the time of acquisition.

The payment for the purchase of M+R Dichtungstechnik GmbH was EUR 1,550 thousand (EUR 1,125 thousand plus the cash and cash equivalents acquired); the acquisition was non-cash in the amount of the contingent purchase price liability recognised (see section 10.1).

	Liabilities from financing activities				
in EUR thousand	**Financial liabilities**	**Liabilities from redeemable non-controlling interests**	**Derivative financial liabilities**	**Lease liabilities**	**Total**
As at 01.01.2020	**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**
thereof non-current	85,257	16,607	00	3,467	105,331
thereof current	81,836	795	3,636	2,537	88,803
As at 01.01.2021	**167,093**	**17,403**	**3,636**	**6,004**	**194,135**
Financing cash flows	–82,940	–4,981	–2,665	–3,475	–94,060
Effect of changes in foreign exchange rates	3,313	–462	0	91	2,942
Changes in fair values	0	0	671	0	671
Other changes	3,873	5,576	0	18,096	27,545
As at 31.12.2021	**91,339**	**17,536**	**1,641**	**20,716**	**131,233**
thereof non-current	51,685	11,941	1,622	17,828	83,075
thereof current	39,654	5,595	19	2,889	48,157

The other changes include interest expenses, the share of earnings after taxes from redeemable non-controlling interests, as well as non-cash additions and disposals from leases.

3. Non-current assets

3.1. Intangible assets

Acquired intangible assets

Acquired intangible assets are recognised at cost and subsequently amortised on a straight-line basis over the expected useful life. The estimated useful life is normally in the range of one to fifteen years. Assumptions and estimates must be made when determining useful lives. Upon visible indications of a change in value, acquired intangible assets are tested for impairment (see section 3.2).

Internally generated intangible assets

Internally generated intangible assets are recognised at cost. With regard to amortisation and impairment testing, the explanation relating to acquired intangible assets above applies mutatis mutandis to internally generated intangible assets. Internally generated intangible assets essentially comprise software implementations and, to a minor extent, capitalisable development costs. The estimated useful life is generally eight years.

Intangible assets acquired through business combinations

The cost of intangible assets acquired through a business combination and recognised separately from any goodwill is the fair value of such assets at the acquisition date. With regard to amortisation and impairment testing, the explanation relating to acquired intangible assets above applies mutatis mutandis to intangible assets acquired through business combinations.

Emission allowances

Semperit Technische Produkte Gesellschaft m.b.H. and Semperflex Optimit s.r.o. were originally subject to the respective emission allowance laws in Austria and the Czech Republic and received emission allowances free of charge from the government. The emission allowances were recognised at zero cost in the balance sheet (net method). Plants in Semperit Technische Produkte Gesellschaft m.b.H. (in 2020) and in Semperflex Optimit s.r.o. (in 2021) fell outside of the scopes of the respective emission allowance laws due to demolition of the respective thermal generation plants and measures aimed at reducing combustible heat capacities. As at 31 December 2021, the Semperit Group still held a total of 16,578 emission allowances (previous year: 20,172).

Goodwill

Goodwill is not amortised but tested for impairment annually and additionally if there are indications of a possible impairment, provided that there are no circumstances that would allow foregoing the annual impairment test in accordance with IAS 36.

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

The reported goodwill of EUR 1,677 thousand (previous year: EUR 1,677 thousand) concerns the Semperflex segment.

For the impairment test of the goodwill existing in the Semperflex segment, management determined the recoverable amount as at 30 September 2021. The recoverable amount was calculated as the value in use. The increased forecast uncertainty caused by the coronavirus pandemic was addressed by considering alternative planning scenarios. The planning scenarios differ mainly in the assumptions for the different estimations of the market trend in the first planning year.

The key assumptions that were used in determining the recoverable amount of the Semperflex segment relate to the future development of the EBITDA margin. In the perpetual annuity phase (i.e., from the 2027 financial year), the EBITDA margin is around 22% (previous year: 20% from the 2026 financial year). The EBITDA margins in the 2026 financial year differ only slightly depending on the planning scenarios. The planning was initially based on management's assumptions regarding the development of the markets, the market shares of the Semperflex segment, and strategic product and customer initiatives. Planned measures to improve earnings that require capacity expansion or infrastructure improvements as well as such measures that have yet to be sufficiently substantiated were not taken into account when determining the value in use. The capital expenditures on property, plant and equipment are intended to maintain capacity; they roughly correspond to planned depreciation. The changes in trade working capital were forecast based on planned revenue.

The cash flows beginning in the 2027 financial year were extrapolated using a long-term growth rate of 0.75% (previous year: 0.75%). The growth rate reflected the competitive and price pressure on the market and assumes a moderate rate of market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. A peer group was assumed for the Industrial Sector (Semperflex, Sempertrans, Semperseal, and Semperform segments). The pre-tax discount rate calculated for the Semperflex segment is 9.7% (previous year: 10.9%). The after-tax discount rate is 7.8% (previous year: 8.8%).

The recoverability of the recognised goodwill was confirmed in the course of the impairment test for the Semperflex segment.

Other than goodwill, the Semperit Group does not have any intangible assets with indefinite useful lives.

Development of intangible assets

Intangible assets developed as follows:

in EUR thousand	Software licences, industrial property rights and similar rights	Goodwill	Intangible assets in development	Total
Cost				
As at 01.01.2020	**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**
Currency translation differences	288	38	0	326
Additions	681	0	1,347	2,029
Additions due to business combinations	911	0	0	911
Disposals	–10,894	0	0	–10,894
Disposals resulting from changes in the scope of consolidation	–259	0	0	–259
Transfers	1,263	0	–846	417
As at 31.12.2021	**41,360**	**43,968**	**2,348**	**87,675**
Depreciation / reversal of impairment losses/ impairment				
As at 01.01.2020	**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 losses	172	71	0	244
Reversals of impairment losses	–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**
Currency translation differences	259	38	0	297
Depreciation and amortisation	2,127	0	0	2,127
Disposals	–10,561	0	0	–10,561
Disposals resulting from changes in the scope of consolidation	–259	0	0	–259
As at 31.12.2021	**36,893**	**42,290**	**0**	**79,183**
Carrying amounts				
Carrying amount 01.01.2020	5,441	1,749	881	8,071
Carrying amount 31.12.2020	4,043	1,677	1,846	7,567
Carrying amount 31.12.2021	**4,467**	**1,677**	**2,348**	**8,492**

Impairment losses on intangible assets in the Sempertrans segment amounted to EUR 0 thousand (previous year: EUR 244 thousand) in the 2021 financial year. Reversals of impairment losses on intangible assets in the Sempermed segment amounted to EUR 0 thousand (previous year: EUR 312 thousand) in the 2021 financial year. See section 3.2 for further details on impairment testing.

3.2. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

They are depreciated by allocating the cost less their expected residual value on a straight-line basis over the expected useful life. Assumptions and estimates have to be made when determining the useful lives, which are reviewed at each reporting date and adjusted if necessary.

In the previous year, the useful lives in the Sempermed segment were adjusted due to the coronavirus pandemic. The remaining useful lives were shortened due to the operation of production facilities at their performance limits, less preventative maintenance, fewer servicing activities, and considering the uncertainty surrounding future market performance. The effects of these changes in the accounting estimate were recognised prospectively. Considering the still ongoing uncertainty related to the special economic developments of the coronavirus pandemic, these estimates were not updated in the 2021 financial year.

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

Property, plant and equipment excluding right-of-use assets	Useful life in years
Technical plants and other operating buildings	2–50
Technical equipment and machinery	1–33
Operating and office equipment	2–25
Vehicles	3–10

The assumed useful lives of the right-of-use assets included in property, plant and equipment are within the following ranges:

Right-of-use assets	Useful life in years
Land and buildings, including on land owned by third parties	1–10
Technical equipment and machinery	2–8
Operating and office equipment	3–5
Vehicles	2–7

Impairment testing

If there are observable indications of impairment, items of property, plant and equipment are reviewed pursuant to IAS 36 as to whether the carrying amount of the asset or the cash generating unit in question exceeds the recoverable amount. An appropriate impairment loss is recognised if the carrying amount exceeds the recoverable amount. The assessment of recoverability and determination of the recoverable amount are subject to significant estimates and assumptions. In particular, these include assumptions about corporate planning, future inflation, and growth rates, as well as regarding foreign currency rates, the cost of capital rate used to discount future cash flows, the expected economic development of each individual cash generating unit, as well as with regard to the separate recoverable amounts for individual assets as the lower limit of an impairment loss.

Right-of-use assets and lease liabilities were taken into account during impairment testing in accordance with IFRS 16. The right-of-use assets are allocated to the carrying amount of the cash generating unit. The recoverable amount as the total value of cash generating unit comprises, on the one hand, the present value of the cash flows including rental payments discounted using the cost of capital excluding effects from lease accounting, and on the other hand, the fair value of the lease liability.

In the previous year, the outbreak of the coronavirus pandemic in a phase of global economic slowdown made it necessary to examine all segments of the Semperit Group mid-way through the year for the existence of observable indications of a change in the value of the segment assets. For the Sempertrans segment, this examination resulted in a need to recognise an impairment loss, and a need to reverse an impairment loss for the Sempermed segment.

The Sempertrans segment's progress in implementing its strategic development path aimed at gaining market share in the world's growth regions was slowed by the outbreak of the coronavirus pandemic which will also have a long-term impact on the implementation schedule. As a result, there was a need to recognise an impairment loss of EUR 19,848 thousand for the Sempertrans segment in the 2020 financial year. In the 2021 financial year, there were indications that mining activities would pick up again by mid-year. Order books increased by around 26% from January to June 2021; from January to December 2021, the increase was approximately 81%. Incoming orders in the fourth quarter of 2021 were above the average of the previous quarters. The management of Sempertrans continues to assume that the global market for transport and conveyer belts will once again post attractive growth rates from 2022 onward. As yet, internal reporting has not provided substantial indications that the profitability of the segment assets deviates significantly from the expectations defined in the previous year. Because of lower country risk and market risk premiums, the development WACC, or weighted average cost of capital, provides the first indications supporting the reversal of impairment losses; whether these trends are sustainable will have to be assessed during the 2022 financial year. Accordingly, there are no observable indications for a change in value for the Sempertrans segment as at 31 December 2021.

Due to the coronavirus pandemic and the resulting boom in demand for protective equipment resulting from it, both in the Medical Sector and in other areas (e.g., gastronomy and the hotel industry), the former buyer's market for examination and protective gloves became a seller's market. This special economic development was evidenced by considerable excess demand and skyrocketing prices. As a result, the reversal of impairment losses amounted to EUR 86,174 thousand for the Sempermed segment in the 2020 financial year. In the 2021 financial year, there were indications that the price rally was drawing to a close by around mid-year. Average selling price, or ASP, for gloves (still) increased by around 19% from January to June 2021; from January to December 2021, however, it dropped to approximately 38%. The management of Sempermed continues to assume that supply will outpace demand (but at a higher demand level) by the 2023 financial year and expects prices will return to pre-coronavirus levels. In contrast to the expectations formulated in the previous year, however, competitors will put fewer new production capacities into operation and at a slower pace. In addition, there are initial indications that the relative competition situation of Sempermed post coronavirus could be better than expected. Sempermed's continuous improvement program and in-house suggestion system have brought about significant efficiency gains in terms of personnel intensity. Overall equipment efficiency, or OEE, in Malaysia continues to be >90%; temporary production standstills due to regulatory restrictions as a result of the Enhanced Movement Control Order (EMCO) at the half-year mark of 2021 did not result in any long-term efficiency losses. In October 2021, the first of a total of six additional new production lines to be installed at the Kamunting production site were also put into operation. As at 31 December 2021, three production lines were running; the management of Sempermed expects full operation of all six lines to begin in the second quarter of 2022. This investment in the additional modern facilities increases the gross capacity of the production site in Kamunting by approximately 18%.

Against this backdrop, the management of the Sempermed segment determined the recoverable amount as at 30 June 2021. The recoverable amount was calculated as value in use. The increased forecasting uncertainty caused by the coronavirus pandemic was managed by considering alternative planning scenarios. The planning scenarios essentially differ in their assumptions about the ASP for examination gloves post coronavirus (i.e., from 2023): In the downside case weighted at 30% (upside case 20%), this amounts to 97% (105%) of the ASP in the base case weighted at 50% for the financial years from 2023. This sensitivity in regard to the ASP was derived from price differences within the peer group pre-coronavirus. Taking into account the assumption of Sempermed's improved competitiveness, the previous year's concept of a finite valuation model was abandoned; the detailed planning phase based on the latest financial medium-term planning is now once again followed by a perpetual annuity phase. Past discrepancies between planned and actual figures have been factored into the valuation model in the form of various other deductions. Planned measures aimed at improving earnings that require capacity expansion or an improvement in infrastructure as well as those that have yet to be sufficiently substantiated were not taken into account in determining the value in use. Capital expenditures for property, plant and equipment are aimed at sustaining capacities while also accounting for the current gross capacity expansion as well as for investments that will allow the current requirements for the protection of health and the environment as well as occupational health, safety and environment (HSE) standards to be met over the long term. Changes to trade working capital are planned on the basis of revenue. The cash flows after the 2026 financial year were extrapolated based on a sustainable growth rate of 0.75% (previous year: n.a.). 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 discount rate after tax determined for the Sempermed segment is 8.3% (previous year: 8.4%). The pre-tax capitalisation interest rate stands at 11.2% (previous year: 24.5%, due to the finite concept of the valuation model).

The impairment test for the Sempermed segment confirmed the recoverability of the segment's assets.

The market dynamics for examination and protective gloves will depend in particular on the duration and further intensity of the coronavirus pandemic as well as how quickly the buyer's market returns with a considerable excess of supply over demand. However, a certain base effect can still be assumed in relation to rising demand during the coronavirus pandemic as a result of a heightened health awareness. In regard to the relative competitive situation of Sempermed post coronavirus, it will be critical to maintain the currently observable production and cost efficiency even in an environment with more setup and shutdown times (as a result of increasing product differentiation and preventative maintenance work) and to secure these effects for the long term. A price sensitivity analysis shows the significance of price and cost efficiency: In the base case scenario (upside case scenario) a reduction of the ASP from 2023 by around 0.1% (5.1%) would cause the value in use of Sempermed's segment assets to equal their carrying amount. In the coming financial year, this could result in a further adjustment to the carrying amount of the segment assets. However, the actual amounts realised for Sempermed's segment assets may differ – ultimately depending on the mode of realisation (see section 2) – from the amounts recognised on the balance sheet, which are based on the current estimates of Sempermed's management and its assumptions about future market dynamics and about Sempermed's relative competitive position. Such estimates and assumptions that are relevant for valuation should be checked regularly; the valuations are to be adjusted where appropriate.

Development of property, plant and equipment

Property, plant and equipment developed as follows:

in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
Acquisition costs					
As at 01.01.2020	**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**
Currency translation differences	6,170	12,822	1,239	578	20,809
Additions	17,395	15,189	5,030	29,781	67,395
Additions due to business acquisitions	888	2,887	68	0	3,843
Disposals	–4,150	–4,102	–3,369	–85	–11,706
Transfers	886	7,398	679	–9,381	–417
As at 31.12.2021	**216,002**	**584,787**	**84,564**	**42,617**	**927,970**
Depreciation / reversal of impairment losses/ impairment					
As at 01.01.2020	**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 losses	3,843	13,210	285	2,265	19,603
Reversals of impairment losses	–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**
Currency translation differences	2,475	6,768	773	–14	10,001
Depreciation and amortisation	9,666	28,853	6,075	0	44,595
Disposals	–4,045	–3,987	–3,016	–21	–11,069
Transfers	19	387	5	–411	0
As at 31.12.2021	**104,998**	**381,272**	**63,359**	**1,766**	**551,394**
Carrying amounts					
Carrying amount 01.01.2020	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
Carrying amount 31.12.2021	**111,004**	**203,515**	**21,205**	**40,852**	**376,576**

Of the carrying amount reported for land and buildings, including buildings on third-party land, EUR 6,995 thousand (previous year: EUR 7,132 thousand) relates to land (land value).

In the 2021 financial year, borrowing costs of EUR 116 thousand (previous year: EUR 0 thousand) for new production lines in the Malaysian city of Kamunting were capitalised as a component of the cost of qualifying assets. The underlying financing rate was 2.0% (previous year: n.a.).

As at 31 December 2021 and 31 December 2020, no property, plant and equipment was pledged as collateral for liabilities.

In the 2021 financial year, a new production site for the Semperseal segment was opened in the USA, and the current corporate headquarters and North America sales warehouse for Sempertrans USA, LLC was moved from Stone Mountain, Georgia, to Newnan, Georgia. In the fourth quarter of 2021, the ownership rights to the newly constructed production line of US-based Semperit Industrial Products Inc. were then conveyed to the Coweta County Development Authority, Georgia, in order to optimise property-related taxes. At the same time, the company purchased a municipal revenue bond issued by the Development Authority to finance the transaction and entered into a lease agreement for the use of the transferred production line. The nominal value of the bond in the amount of EUR 1,155 thousand (previous year: n.a.) as at 31 December 2021 corresponds to the amount of the investments in the new production line. The bond will be repaid with the lease payments. The business may transfer the bond to the Development Authority at any time, or at the latest at the end of the term, and thereby reacquire the ownership rights to the production line. There are no cash flows because the company is both the lessee and the bondholder. From an economic perspective, therefore, neither a sale-and-lease-back agreement nor a revenue bond was concluded or recognised. The production line for rubber gaskets will continue to be recognised in property, plant and equipment. As part of the expansion of the new production capacities, the ownership rights to other assets will also be gradually transferred to the Development Authority.

Right-of-use assets

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

As the lessee, for leases that must be recognised, the Semperit Group recognises a lease liability as an other financial liability and a right-of-use asset under property, plant and equipment at the time the leased asset is made available to the Company. The lease liability bears interest and is amortised on an annuity basis by the current payments; the right-of-use asset is amortised on a straight-line basis over the shorter of the asset's useful life or lease term.

The option not to apply the lease accounting requirement to short-term leases (i.e., up to 12 months), to leased assets of low value (i.e., up to a replacement value of approximately EUR 5 thousand), and to intangible assets is exercised. The Semperit Group thus does not recognise right-of-use assets or lease liabilities for these types of contracts; lease payments from these contracts are recognised as an expense on a straight-line basis over the lease term.

The right-of-use assets from leases included in property, plant and equipment developed as follows in the 2021 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, operating and office equipment	Total
Acquisition costs				
As at 01.01.2020	**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**
Currency translation differences	603	13	13	628
Additions	15,896	331	707	16,934
Additions due to business acquisitions	832	0	13	845
Disposals	–3,288	–182	–723	–4,194
Transfers	2,852	0	0	2,852
As at 31.12.2021	**24,006**	**363**	**3,926**	**28,295**
Depreciation / reversal of impairment losses/ impairment				
As at 01.01.2020	**2,627**	**83**	**784**	**3,494**
Currency translation differences	–136	–2	–11	–149
Depreciation and amortisation	1,831	82	969	2,882
Impairment losses	89	0	95	184
Reversals of impairment losses	–428	0	0	–428
Disposals	–68	0	–407	–475
As at 31.12.2020	**3,914**	**163**	**1,430**	**5,507**
Currency translation differences	134	5	5	144
Depreciation and amortisation	2,176	66	957	3,199
Disposals	–3,213	–182	–592	–3,988
Transfers	478	0	0	478
As at 31.12.2021	**3,490**	**51**	**1,799**	**5,340**
Carrying amounts				
Carrying amount 01.01.2020	5,722	122	2,007	7,850
Carrying amount 31.12.2020	3,197	38	2,487	5,722
Carrying amount 31.12.2021	**20,517**	**312**	**2,127**	**22,955**

Additions to land and buildings in the 2021 financial year are primarily attributable to new office space of Semperit AG Holding of EUR 7,621 thousand and the new production site in Georgia, USA, of EUR 6,564 thousand.

As at 31 December 2021, right-of-use assets in the amount of EUR 22,955 thousand (previous year: EUR 5,722 thousand) were recognised in property, plant and equipment and lease liabilities in the amount of EUR 20,716 thousand (previous year: EUR 6,004 thousand) were recognised in current and non-current other financial liabilities. Please see section 11.2 for the maturity analysis of lease liabilities as at 31 December 2021.

The Semperit Group has concluded several lease agreements that contain renewal and termination options. These options were negotiated by management in order to manage the portfolio of leased assets flexibly and in accordance with the Group's particular business requirements. The assessment of whether the exercise of these renewal and termination options is reasonably certain requires material judgements by 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 lease term.

in EUR thousand	within the next 5 years	over 6 to 10 years	Total
Renewal options that are not expected to be exercised	1,015	2,050	3,065
Termination options that are expected to be exercised	8	196	204
Total potential future lease payments as at 31.12.2021	**1,023**	**2,246**	**3,269**

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**

The following amounts from leases were recognised in profit or loss:

in EUR thousand	2021	2020
Depreciation expense of right-of-use assets	3,199	2,882
Expense relating to short-term leases	874	496
Expense relating to leases of low-value assets	230	238
Interest expense for lease liabilities	215	206
Impairment of right-of-use assets	0	184
Reversal of impairment for right-of-use assets	0	–428
Total amount recognised in profit or loss	**4,517**	**3,578**

The Semperit Group's cash outflows for leases (including short-term leases and leased assets of low value) totalled EUR 4,330 thousand in the 2021 financial year (previous year: EUR 4,006 thousand).

3.3. Other financial assets (non-current)

The carrying amounts of the other non-current financial assets are comprised of the following:

in EUR thousand	31.12.2021	31.12.2020
Financial assets recognised at fair value through profit or loss		
Shares in funds, shares, other securities	6,435	6,692
	6,435	**6,692**
Financial assets recognised at amortised cost		
Receivables due from employees	22	20
Miscellaneous other financial assets	973	425
	994	**445**
Total	**7,430**	**7,137**

The fund shares concern 97,500 shares (previous year: 97,500 shares) in PIA TopRent, a bond fund that is suitable for covering pension provisions and invests mainly in fixed and variable-rate government bonds in the euro zone.

The miscellaneous other financial assets essentially contain rental and other security deposits.

Disclosures on financial instruments – current and non-current assets

The following table shows the carrying amounts of the individual financial assets classified in accordance with the measurement categories pursuant to IFRS 9.

in EUR thousand	Measurement category according IFRS 9[1]	Level	Note	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Trade receivables	AC	–	4.2	98,766	99,318
Other financial assets			3.3, 6.5		
Securities	FVPL	1	3.3	6,435	6,692
Derivative financial instruments	FVPL	2	6.5	22	560
Miscellaneous other financial assets	AC	–	3.3, 6.5	2,509	2,021
Cash and cash equivalents			6.6	235,539	144,972

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

The miscellaneous other financial assets include receivables from personnel and other receivables (see sections 3.3 and 6.4).

Financial assets at fair value

Financial assets are recognised or derecognised on the basis of a regular way purchase or sale at the settlement date. The fair values of securities are determined using publicly available prices.

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

In addition to operational measures, individual derivative financial instruments, primarily forward exchange contracts, are used to hedge foreign currency risks. They are measured at the current fair value. The fair value corresponds to the value that the respective Group company would receive or have to pay if the transaction were unwound on the reporting date. Positive fair values as at the reporting date are presented under other financial assets and negative fair values under other financial liabilities. If the requirements for hedge accounting are met, this is applied in part. Recognition is as described in the section 6.3 depending on whether it is a cash flow hedge or a fair value hedge.

Financial assets at amortised cost
For all financial assets not measured at fair value, the carrying amounts approximate the fair value.

3.4. Non-current assets held for sale

Production activities at the French plant of Sempertrans France Belting Technology S.A.S. were discontinued during the 2017 financial year. Following the completion of the social plan and other legal requirements, disposal options for the property and the buildings located on it were examined starting in the 2018 financial year and offers from interested parties were explored. Based on this, the Executive Board approved the conclusion of a purchase option for a real estate developer in July 2019 which originally ran until October 2020 and was subject to several conditions. Since the conclusion of the contract, a majority of the significant contractual conditions have been satisfied, which is why it was assumed for the first time as at 31 December 2019 that all conditions will be fulfilled and that the sale of the property is highly probable. The purchase price due on transfer of ownership exceeds the carrying amount of EUR 764 thousand. The disposal of the property, including the buildings on it, is delayed due to an ongoing land registry court proceeding to clarify a servitude. Management now assumes that the property and the buildings will be sold by the end of the 2022 financial year following the conclusion of the legal proceedings.

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

in EUR thousand	Segment	Asset	31.12.2021	31.12.2020
Sempertrans France Belting Technology S.A.S., Argenteuil, France	Sempertrans	Land	426	426
		Buildings	338	338
Total			**764**	**764**

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 of cost and net realisable value, whereby, in the course of determining the net sales values, in particular realisation risks related to obsolete or surplus inventories are taken into account. Utilisation is determined using the moving average price method. Income and expenses from intercompany deliveries of inventories are eliminated unless they are of minor significance.

in EUR thousand	31.12.2021	31.12.2020
Finished goods and merchandise	107,294	85,301
Raw materials, consumables and supplies	59,875	38,563
Work in progress	16,637	14,054
Prepayments	3,008	3,178
Refund assets	21	29
Total	**186,834**	**141,124**

in EUR thousand	31.12.2021	31.12.2020
Inventories		
thereof at cost	155,708	87,426
thereof at net realisable value	31,126	53,698
Total	**186,834**	**141,124**

When determining the net realisable values as part of the inventory measurement at the reporting date, specific customer contracts are used or, if such contracts are not available, 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. Inventory write-downs recognised as an expense amounted to EUR 2,941 thousand (previous year: EUR 1,305 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 expected defaults.

The trade receivables are made up of the following:

	31.12.2021			31.12.2020		
in EUR thousand	Gross	Allowances	Net	Gross	Allowances	Net
Receivables not yet due	81,582	–9	81,573	86,577	–13	86,564
Up to 30 days overdue	11,899	–4	11,895	10,340	–5	10,335
30 to 90 days overdue	2,842	0	2,842	1,564	0	1,564
More than 90 days overdue	3,695	–1,239	2,456	2,420	–1,564	856
Total	**100,018**	**–1,252**	**98,766**	**100,900**	**–1,583**	**99,318**

Internal valuation guidelines are used to assess creditworthiness. 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 ranges. This impairment matrix is updated to include forward-looking macroeconomic variables. Payment defaults for the 2021 and 2022 financial years, as forecast by the credit insurer Euler Hermes SAS, were also taken into consideration in the calculation of the impairment matrix. 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 overdue status 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.

Credit insurances, bank guarantees, secured terms of payment, and bank acceptance drafts are in place for a significant portion of the gross trade receivables (94.4%; previous year 91.0%). The credit insurances include a deductible if a loss occurs. The maximum loss allowance recognised for a credit loss is the insurance deductible for these receivables.

Receivables not covered by credit insurance, or deductibles for receivables covered by credit insurance, are written down 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 in accordance with IFRS 9 based on an individual assessment of the creditworthiness of the relevant customers are also written down to the expected recoverable amount.

Overdue receivables are essentially covered by credit insurance as all subsidiaries with substantial volumes of receivables hold credit insurance. With respect to the receivables not covered by credit insurance and to the deductibles for receivables covered by credit insurance, there is no significant concentration of credit risk as the customers are widely dispersed.

The value adjustments in stage 2 amounting to EUR 14 thousand (previous year: EUR 26 thousand) are based on the following impairment matrix:

	31.12.2021			
	Not overdue	**1–30 days**	**31–90 days**	**>90 days**
Semperflex	0,01–0,03%	0,01–0,37%	0,03–2,36%	0,06–4,10%
Sempermed	0,01–0,12%	0,01–0,39%	0,02–0,78%	0,02–7,58%
Semperform	0,01–0,01%	0,02–0,13%	0,07–0,74%	0,14–2,32%
Sempertrans	0,01–0,03%	0,04–0,21%	0,09–0,33%	0,04–0,19%
Semperseal	0,01–0,01%	0,02–0,10%	0,07–0,42%	0,11–1,45%

	31.12.2020			
	Not overdue	**1–30 days**	**31–90 days**	**>90 days**
Semperflex	0,00–0,16%	0,04–1,54%	0,22–7,90%	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%
Semperseal	0,00–0,03%	0,02–0,42%	0,07–1,85%	0,24–8,27%

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

in EUR thousand	**Adjusted lifetime expected credit loss based on portfolio valuation (stage 2)**	**Adjusted lifetime expected credit loss based on single valuation (stage 3)**	**Total**
As at 01.01.2020	**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**
Release	–12	–368	–381
Currency translation difference	1	15	16
Written down due to irrecoverability	–3	–33	–36
Additions	3	68	71
As at 31.12.2021	**14**	**1,238**	**1,252**

Receivables determined to be unrecoverable are derecognised if the receivable loss has been determined conclusively, with valuation allowances recognised beforehand being used. In the 2021 financial year, trade receivables of EUR 230 thousand (previous year: EUR 148 thousand), which were not written down, were derecognised.

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 as at 31 December 2021 totalled EUR 95,320 thousand (previous year: EUR 77,689 thousand).

5. Equity

5.1. Share capital and reserves

Share capital

The share capital of Semperit AG Holding as at 31 Dezember 2021 remained unchanged compared to the previous year at EUR 21,359 thousand. 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 to receive a dividend.

The Executive 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 Executive Board was also authorised to issue convertible bonds with the approval of 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 Executive 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 Executive Board was also authorised, pursuant to Section 65 (1b) AktG, and with the approval of 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 buyback option (purchase right) on the part of shareholders. There is no share buyback programme in place at present.

Capital reserves

The capital reserves result primarily from the amount generated beyond the proportional amount of the share capital following the issue of shares (share premium). Capital reserves also include EUR 21,503 thousand in appropriated reserves as at 31 December 2021 (previous year: 21,503 thousand). These may only be released to offset any net 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

Revenue reserves contain the retained results of the Semperit Group and the accumulated other comprehensive income (excluding currency translation differences).

The distribution of revenue reserves is as follows:

Revenue reserves

in TEUR	Retained earnings	Hedge reserve	IAS-19-reserve	Total
As at 01.01.2020	**124,830**	**73**	**–13,038**	**111,865**
Earnings after taxes	192,843	0	0	192,843
Other comprehensive income	143	–73	–2,091	–2,020
Total comprehensive income	192,986	–73	–2,091	190,822
Coupon payments on hybrid capital	–7,802	0	0	–7,802
Acquisitions of non-controlling interests	0	0	0	0
As at 31.12.2020	**310,015**	**0**	**–15,129**	**294,886**
As at 01.01.2021	**310,015**	**0**	**–15,129**	**294,886**
Earnings after taxes	246,992	0	0	246,992
Other comprehensive income	0	0	355	355
Total comprehensive income	246,992	0	355	247,347
Dividende	–30,860	0	0	–30,860
Coupon payments on hybrid capital	–785	0	0	–785
Acquisitions of non-controlling interests	1,922	0	0	1,922
Disposal of shares of subsidiaries	–293	0	0	–293
As at 31.12.2021	**526,990**	**0**	**–14,774**	**512,216**

Revenue reserves include, inter alia, the statutory reserve of Semperit AG Holding of EUR 999 thousand (previous year: EUR 999 thousand), which may only be released to offset any net loss otherwise stated in the annual financial statements under corporate law of Semperit AG Holding. 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 zloty (PLN) until the subsequent recognition of the hedged cash flows or underlying transactions through the consolidated income statement. A cross currency swap was also effected in November 2021 as part of the repayment of the corporate Schuldschein loan in Polish zloty.

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 2021 financial year, currency differences totalled EUR 24,456 thousand (previous year: EUR -24,192 thousand). Of this amount, EUR -3,829 thousand (previous year: EUR -88 thousand) was reclassified to the consolidated income statement (see section 2.3). Other comprehensive income that will be recognised through profit or loss in future periods was therefore EUR 20,627 thousand (previous year: EUR -24,281 thousand) under this heading.

5.2. Hybrid capital

In December 2017, the Executive 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 100% subsidiary of B&C Holding Österreich GmbH. The agreed interest rate was 5.25% p.a., and the commitment fee was 1.75% p.a. The expense resulting from the commitment fee was reported under other financial result. The hybrid capital was 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. Under the agreement, the creditor did not have a redemption or conversion right. Semperit AG Holding reserved the 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 was drawn from the hybrid capital. Repayments in the amount of EUR 100,000 thousand were made in the August und Dezember 2020. The remaining amount in the amount of EUR 30,000 thousand was repaid in March 2021.

Due to the contractual terms and conditions, the hybrid capital was reported as equity capital in accordance with IAS 32. Since the hybrid capital was categorised as equity, corresponding payments were treated as distributions to shareholders. For instance, the payment of "interest" was triggered by dividend payments and was also recognised as such in equity once the resolution was passed on the dividend. "Interest" in the amount of EUR 785 thousand was paid in the financial year 2021 (previous year: EUR 7,802 thousand).

5.3. Non-controlling interests

The non-controlling interests and their corresponding share of earnings after tax, or comprehensive income respectively, in the 2021 financial year relate to Latexx Partners Berhad (group holding: 97.36%) and FormTech Engineering (M) Sdn Bhd (group holding: 69.88%). In the 2021 financial year, dividends in the amount of EUR 123 thousand (previous year: EUR 0 thousand) were paid to the non-controlling interests of FormTech Engineering (M) Sdn Bhd.

In the 2021 financial year, 1.5% of the shares in Latexx Partners Berhad amounting to EUR 462 thousand was sold for EUR 168 thousand. 0.001% of the shares in Latexx Partners Berhad amounting to EUR 2 thousand was acquired the previous year for EUR 2 thousand. The group holding as at 31 December 2021 thereby amounted to 97.36% after 98.86% as at 31 December 2020. In order to streamline the shareholder structure for the Sempermed segment and be able to optimise the capital structure for the Malaysian company, Latexx Manufacturing Sdn Bhd, the 100% shareholdings of Latexx Partners Berhad in Latexx Manufacturing Sdn Bhd, Latexx Manpower Services Sdn Bhd, and Medtexx Manufacturing Sdn Bhd were sold internally within the Group to the Singaporean company, Semperit Investments Asia Pte Ltd. As a result, the Group holding in these companies increased from 97.36% to 100%. The corresponding shift in group holdings is reported in the consolidated statement of changes in equity for the 2021 financial year as an acquisition of non-controlling interests amounting to EUR 1,922 thousand. The management will introduce and begin the liquidation of Latexx Partners Berhad and pay compensation to minority shareholders in the 2022 financial year.

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 Executive 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. The distribution for the 2020 financial year took place in May 2021 and amounted to EUR 30,860 thousand (EUR 1.50 per share).

As in the previous year, the Semperit Group does not hold any treasury shares as at 31 December 2021.

6. Net debt

The net debt is made up of the liabilities from redeemable non-controlling interests, financial liabilities, and other financial liabilities, less 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 was initially recognised at fair value. As IFRSs 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 financial planning 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 2026 financial year. The pro-rata cash flows relevant for valuations after the 2027 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 8.5% (previous year: 9.4%). The main assumptions used in determining the fair value relate in particular to the market-dependent future development of the EBITDA margin.

There was an additional redeemable non-controlling interest of 16.1% in the Chinese company, Sempertrans Best (ShanDong) Belting Co. Ltd., which was liquidated in the 2021 financial year.

Liabilities from redeemable non-controlling interests changed as follows:

in EUR thousand	2021	2020
Carrying amount 01.01.	17,403	18,457
Dividends	–4,135	–3,892
Share of annual income after tax	5,576	4,377
Currency translation differences	–462	–1,540
Deconsolidation of Sempertrans Best (ShanDong) Belting Co. Ltd.	–846	0
Carrying amount 31.12.	**17,536**	**17,403**
thereof Semperflex Asia Corp. Ltd., Thailand	17,536	16,607
thereof Sempertrans Best (ShanDong) Belting Co. Ltd., China	0	795
Fair value 31.12.	**57,729**	**56,266**

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	31.12.2021	thereof non-current	thereof current	31.12.2020	thereof non-current	thereof current
Corporate Schuldschein loan	86,476	51,682	34,794	167,062	85,257	81,805
Liabilities to banks	4,863	3	4,860	31	0	31
Total	**91,339**	**51,685**	**39,654**	**167,093**	**85,257**	**81,836**

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 zloty (PLN), and Czech crown (CZK). The loans had a total volume of EUR 344,466 thousand. The variable interest rate tranche of the corporate Schuldschein loan in Czech crown (CZK) with a nominal value of CZK 180,000 thousand, both tranches of the corporate Schuldschein loan in US dollars (USD) with a total nominal value of USD 59,000 thousand and the variable interest rate corporate Schuldschein loan in Polish zloty (PLN) with a nominal value of PLN 118,000 thousand were all repaid as scheduled in the 2021 financial year. The amount paid out to settle the cross currency swap in the amount of EUR 2,665 thousand for hedging a corporate Schuldschein loan in Polish zloty was netted in the cash flow from financing activities upon repayment of corporate Schuldschein loans.

The outstanding total nominal value at the reporting date amounts to EUR 85,741 thousand (previous year: EUR 166,178 thousand), with around 92% attributable to EUR and around 8% attributable to Czech crown (CZK).

As at 31 December 2021, accrued interest amounting to EUR 805 thousand (previous year: EUR 1,027 thousand) was recognised under corporate Schuldschein loans. 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 individual corporate Schuldschein loan tranches in accordance with the effective interest rate method.

31.12.2021

	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	25.07.2022	1.77%	TEUR	34,000	34,253	0	34,253
Fixed-interest corporate bond	27.05.2023	3.65%	TEUR	5,000	5,080	5,000	80
Fixed-interest corporate bond	25.07.2023	3.65%	TEUR	1,500	1,523	1,499	24
Fixed-interest corporate bond	03.11.2023	1.29%	TCZK	180,000	7,253	7,239	15
Fixed-interest corporate bond	25.07.2025	2.41%	TEUR	31,000	31,286	30,959	327
Fixed-interest corporate bond	25.07.2030	3.09%	TEUR	7,000	7,080	6,985	95
Total					**86,476**	**51,682**	**34,794**

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	25.07.2022	1.77%	TEUR	34,000	34,235	33,986	249
Fixed-interest corporate bond	27.05.2023	3.65%	TEUR	5,000	5,080	5,000	80
Fixed-interest corporate bond	25.07.2023	3.65%	TEUR	1,500	1,522	1,498	24
Fixed-interest corporate bond	03.11.2023	1.29%	TCZK	180,000	6,856	6,842	14
Fixed-interest corporate bond	25.07.2025	2.41%	TEUR	31,000	31,275	30,948	327
Fixed-interest corporate bond	25.07.2030	3.09%	TEUR	7,000	7,078	6,983	95
Variable-interest corporate bond	04.11.2021	0.96%	TCZK	180,000	6,882	0	6,882
Variable-interest corporate bond	04.11.2021	1.70%	TPLN	118,000	25,936	0	25,936
Variable-interest corporate bond	04.11.2021	1.72%	TUSD	59,000	48,199	0	48,199
Total					**167,062**	**85,257**	**81,805**

Liabilities to banks

As at 31 December 2021, there was a framework credit agreement in the amount of EUR 75,000 thousand in place, with a term running until 22 December 2023. The credit agreement clauses state that the financial covenants only have to be included if the credit line is utilised.

As at the reporting date, an amount of EUR 0 thousand of the framework loan has been utilised (previous year: EUR 0 thousand).

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 may be terminated by OeKB on 30 June of a given year with a minimum notice period of three months. An amount of EUR 0 thousand of this credit line has been utilised as at the reporting date (previous year: EUR 0 thousand).

	31.12.2021					
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	thereof non-current	thereof current
Fixed-interest liabilities to banks	1.67%	TEUR	19	19	3	16
	1.00%	TEUR	15	15	0	15
Variable-interest liabilities to banks	n.a.	TEUR	n.a.	31 [1]	0	31 [1]
	1,46 - 2,51%	TMYR	22,640	4,798	0	4,798
Total				**4,863**	**3**	**4,860**

[1] Concerns accrued commitment fee

	31.12.2020					
	Effective interest rate	Currency	Nominal value in local currency	Carrying amount in EUR thousand	thereof non-current	thereof current
Variable-interest liabilities to banks	n.a.	TEUR	n.a.	31 [1]	0	31 [1]
Total				**31**	**0**	**31**

[1] Concerns accrued commitment fee

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 section 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 if the interest effect is material.

in EUR thousand	31.12.2021	thereof non-current	thereof current	31.12.2020	thereof non-current	thereof current
Lease liabilities	20,716	17,828	2,889	6,004	3,467	2,537
Personnel liabilities	5,179	0	5,179	4,892	0	4,892
Derivatives	1,641	1,622	19	3,636	0	3,636
Refund liabilities	1,231	0	1,231	1,263	0	1,263
Accrued commisions	807	0	807	1,031	0	1,031
Miscellaneous other financial liabilities	2,854	152	2,702	2,499	50	2,449
Total	**32,429**	**19,602**	**12,826**	**19,324**	**3,517**	**15,807**

The contingent purchase price liability arising from the acquisition of M+R Dichtungstechnik GmbH amounting to EUR 1,622 thousand (previous year: n.a.) is recognised under Derivatives (see section 10.1).

6.4. Disclosures on financial instruments – liabilities

in EUR thousand	Measurement category according IFRS 9[1]	Level	Note	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Liabilities from redeemable non-controlling interests	AC	–	6.1	17,536	17,403
Corporate Schuldschein loan	AC	3	6.2	86,476	167,062
Liabilities to banks	AC	–	6.2	4,863	31
Trade payables	AC	–	4.3	95,320	77,689
Other financial liabilities			6.3		
Derivative financial liabilities	FVPL	2	6.3	19	1,004
Derivative financial liabilities	FVPL	3	6.3	1,622	
Derivative financial liabilities	FV – Hedging Instrument	2	6.3	0	2,632
Lease liabilities	AC	–	6.3	20,716	6,004
Miscellaneous other financial liabilities	AC	–	6.3	10,071	9,685

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

Liabilities 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. As at 31 December 2021, the derivative financial instruments (freestanding financial instruments) relate to foreign exchange forward contracts for hedging parts of the operational business at Semperflex Asia Corp. Ltd in Thailand and a purchase price liability from a company acquisition (see section 10.1). The derivative financial instrument held for hedging purposes was a cross currency swap for hedging a corporate Schuldschein loan in Polish zloty (PLN), which was also terminated in early November 2021 upon repayment of said corporate Schuldschein loan.

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. See section 10.1 for details on determining the fair value of the contingent purchase price liability.

Liabilities at amortised cost

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 section 6.1). Actuarial valuation models 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	Measurement category according IFRS 9[1]	Level	Fair Value 31.12.2021	Fair Value 31.12.2020
Liabilities				
Corporate Schuldschein loan	AC	3	91,297	173,385

[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 significant reduction 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 extremely low interest rates 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 are worded in the Semperit Group's favour.

6.5. Other financial assets (current)

in EUR thousand	31.12.2021	31.12.2020
Financial assets recognised at fair value through profit or loss		
Derivatives	22	560
	22	560
Financial assets recognised at amortised cost		
Receivables due from employees	198	178
Accruals and deferrals	22	385
Miscellaneous other financial assets	1,295	1,013
	1,514	**1,576**
Total	**1,536**	**2,136**

Other financial assets include, in particular, rental and other deposits amounting to EUR 474 thousand (previous year: EUR 165 thousand), and short-term fixed deposits amounting to EUR 335 thousand (previous year: EUR 0 thousand) and restricted funds amounting to EUR 14 thousand (previous year: EUR 156 thousand).

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

6.6. Cash and cash equivalents

in EUR thousand	31.12.2021	31.12.2020
Cash on hand	19	18
Cash deposits in banks	159,698	144,838
Short-term deposits	75,822	115
Total	**235,539**	**144,972**

Short-term deposits are cash equivalents and consist of time deposits in U.S. dollar (USD) with a remaining term of no more than three months from the date of acquisition amounting to EUR 44,147 thousand (previous year: EUR 0 thousand) and money market fund units amounting to EUR 31,675 thousand (previous year: EUR 0 thousand). These items enable the Semperit Group to meet short-term payment obligations and minimise the negative interest rate risk. As a result, they are not typically held for investment or other purposes.

The assessment of whether money market fund units are to be classified as cash equivalents in accordance with IAS 7 requires discretionary judgement. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are only subject to immaterial risks of fluctuations in terms of their value; equity investments are generally not classified as cash equivalents, unless they are such investments by their very nature. The deposits made by the Semperit Group into the EUR money market fund Amundi Cash Corporate were classified as cash equivalents as at 31 December 2021. This classification was based on an analysis of the fund characteristics and their integration into the Semperit Group's cash management or liquidity management. An assessment of whether the financial investment is highly liquid or not took into account the redemption options and the fund's liquidity. Given that classification as cash equivalents also requires the financial investment to be able to be converted directly into a payment amount already determined when the deposit is made, money market fund units cannot be classified as cash equivalents on their own as they can be traded at any time on an active market at the respective market price. As for assessing the immateriality of risks of fluctuations in terms of their value, the Semperit Group is continuously analysing whether the variability of returns is small and comparable to the variability of returns for the money market interest rate, EONIA (Euro Overnight Index Average). This assessment also takes into account the fund’s rigorous investment policy, the weighted average fixed-interest period of the fund portfolio (well below three months), the fund’s risk and volatility exposure, and its high diversification and issuer spread along with the fund’s strong credit rating. The money market fund units form an integral part of the Semperit Group's payment and liquidity management measures. The ability to meet short-term payment obligations at any time and the negative interest rate risks are managed in collaboration with the main cash pool account in euros.

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 (PUC); 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 any plan assets required to settle the obligation at the reporting date.

Pension commitments

Based on an existing pension statute of Semperit AG Holding and Semperit Technische Produkte Gesellschaft m.b.H., company pensions are granted to employees who joined the company before 1 January 1991 in the form of a fixed amount, 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 dependents are now entitled to these pensions. The obligations of this statute are not funded by plan assets.

A number of former members of the Executive 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.

Overview of the carrying amounts of pension provisions and provisions for severance payments

The carrying amounts of pension provisions and provisions for severance payments are distributed across the individual countries as follows:

in EUR thousand	31.12.2021	31.12.2020
Austria – pensions	13,017	14,274
Austria – severance payments	16,124	17,350
Germany – pensions	3,093	3,444
Other countries – severance payments		
France	1,339	1,484
Poland	195	216
India	190	129
Thailand	540	548
Total	**34,499**	**37,446**

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 %	31.12.2021	31.12.2020
Austria – pensions	0.80% / 0.90%	0.60% / 0.70%
Austria – severance payments	0.90% / 1.30%	0.60% / 0.70%
Germany – pensions	0.80%	0.60% / 0.70%
Other countries – severance payments		
France	0.80% / 1.20% / 1.30%	0.70% / 1.00%
Poland	2.50%–3.30%	1.50%
India	7.13%	6.05%
Thailand	0.52%–3.57%	0.36% – 2.99%

Increases in wages and salaries 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 %	31.12.2021	31.12.2020
Austria – pensions	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	2.50%	0.00% / 2.50%
Poland	5.00%	3.00%
India	5.00% / 12.00%	5.00% / 12.00%
Thailand	3.00% / 4.00%	3.00% / 4.00%

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

Employee turnover deductions p.a. in %	31.12.2021	31.12.2020
Austria – pensions	0.00%	0.00%
Austria – severance payments	0.60%–5.70%	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%–12.00%	0.00%–5.90%
India	1.00% / 2.00%	0.00% / 2.00% / 8.00%
Thailand	0.00%–35.00%	0.00%–35.00%

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

Average weighted duration	31.12.2021	31.12.2020
Austria – pensions	9.4	9.8
Austria – severance payments	10.0	10.3
Germany – pensions	10.1	10.2
Other countries – severance payments		
France	16.7	16.3
Poland	10.0	10.5
India	15.0	7.7
Thailand	12.7	16.5

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 31.12.2021	Thereof non-current	Thereof current	Total 31.12.2020	Thereof non-current	Thereof current
Provisions for pensions	16,110	14,633	1,477	17,718	16,186	1,532
Provisions for severance payments	18,389	17,849	540	19,728	18,785	943
Total	**34,499**	**32,482**	**2,017**	**37,446**	**34,971**	**2,476**

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

in EUR thousand	31.12.2021	31.12.2020
Severance payments		
under 1 year	540	943
1 to 5 years	4,969	3,812
6 to 10 years	6,539	6,249
over 10 years	12,770	14,164
Pensions		
under 1 year	1,477	1,532
1 to 5 years	5,596	5,920
6 to 10 years	3,925	4,230
over 10 years	6,843	7,998

Provisions for pensions

in EUR thousand	31.12.2021	31.12.2020
Present value of funded defined benefit obligations	3,115	3,460
Fair value of the plan assets	–80	–80
Deficit	3,035	3,380
Present value of unfunded defined benefit obligations	13,075	14,338
Provisions for pensions as of 31.12.	**16,110**	**17,718**

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

in EUR thousand	2021	2020
Present value of the obligations (DBO) as at 01.01.	17,798	18,096
Current service costs	8	7
Interest expense	121	161
Total expenses for pensions	**128**	**168**
Remeasurements	–205	1,146
Payments/transfers	–1,531	–1,612
Present value of the obligations (DBO) as at 31.12.	**16,190**	**17,798**

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

Plan assets measured at fair value consist of the following:

in EUR thousand	31.12.2021	31.12.2020
Cash funds	80	80
Fair value of the plan assets as at 31.12.	**80**	**80**

Plan assets changed as follows:

in EUR thousand	2021	2020
Fair value of the plan assets as at 01.01.	80	345
Payments/transfers	0	–265
Fair value of the plan assets as at 31.12.	**80**	**80**

Provisions for severance payments

in EUR thousand	2021	2020
Present value of the obligations (DBO) as at 01.01.	19,728	19,174
Current service costs	465	447
Past service costs	3	0
Interest expense	151	205
Total expenses for severance payments	**620**	**652**
Remeasurements	–405	1,041
Payments	–1,546	–1,061
Currency translation differences	–8	–78
Present value of the obligations (DBO) as at 31.12.	**18,389**	**19,728**

Remeasurements

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

in EUR thousand	2021	2020
Pensions		
Remeasurements of the obligations		
from changes to demographic assumptions	0	–2
from changes to financial assumptions	268	–370
Experience adjustments	–62	–774
Pensions total	**205**	**–1,146**
Severance payments		
Remeasurements of the obligations		
from changes to demographic assumptions	–9	–4
from changes to financial assumptions	443	–638
Experience adjustments	–29	–400
Severance payments total	**405**	**–1,041**
Total remeasurements	**610**	**–2,187**

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 in each case. The remaining parameters remained unchanged. If the change of the parameter results in a negative interest rate, then this is used for the calculation.

The impact of changes to these parameters – plus/minus one percentage point with regard to the interest rate and increases in wages and salaries, and plus/minus one year with regard to life expectancy – on the present value of pension obligations of EUR 16,190 thousand (previous year: EUR 17,798 thousand) and on the present value of severance payment liabilities of EUR 18,389 thousand (previous year: EUR 19,728 thousand) were as follows:

		Present value of obligation (DBO) 31.12.2021		Present value of obligation (DBO) 31.12.2020	
in EUR thousand	Change in parameter	Increase in parameter	Decrease in parameter	Increase in parameter	Decrease in parameter
Pensions					
Interest rate	+/– 1 percentage point	14,786	17,863	16,196	19,718
Increases in salaries	+/– 1 percentage point	17,470	15,102	19,285	16,883
Life expectancy	+/– 1 year	17,039	15,379	18,812	16,806
Severance payments					
Interest rate	+/– 1 percentage point	16,644	20,415	17,985	21,773
Increases in salaries	+/– 1 percentage point	20,268	16,728	21,765	17,923

Retirement benefit plans – defined contribution plans

Contributions to defined contribution plans are recognised as an 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 Executive Board. An amount fixed by contract is paid into a pension fund (APK Pensionskasse AG) each year. In the 2021 financial year, the expense for these contributions totalled EUR 100 thousand (previous year: EUR 132 thousand).

One former member of the Executive 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 2021 financial year, the expense for these contributions totalled EUR 131 thousand (previous year: EUR 151 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 Executive Board, contributions amounting to 1.53% (previous year: 1.53%) of their wages or salaries were paid into a staff pension fund. In the 2021 financial year, the expense for these contributions totalled EUR 776 thousand (previous year: EUR 706 thousand).

For employees in the USA, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2021 financial year, the expense for these contributions totalled EUR 222 thousand (previous year: EUR 164 thousand).

For employees in Singapore, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2021 financial year, the expense for these contributions totalled EUR 139 thousand (previous year: EUR 165 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. This is done by 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 if the interest effect is material.

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 anniversary bonuses) largely reflect the maturities outlined below.

The carrying amounts of the other provisions are as follows:

in EUR thousand	31.12.2021	thereof non-current	thereof current	31.12.2020	thereof non-current	thereof current
Bonuses and other personnel provisions	18,332	2,383	15,949	19,123	2,585	16,538
Guarantees	6,430	0	6,430	7,302	1,236	6,066
Anniversary bonuses	4,308	3,927	381	8,095	4,195	392
Miscellaneous	5,661	4,032	1,629	4,587	4,168	3,926
Total	**34,731**	**10,342**	**24,389**	**39,107**	**12,184**	**26,923**

The other provisions changed as follows:

in EUR thousand	01.01.2021	Changes in the scope of consolidation	Currency differences	Release	Use	Additions	31.12.2021
Bonuses and other personnel provisions	19,123	53	303	–740	–17,486	17,079	18,332
Guarantees	7,302	17	142	–1,348	–2,052	2,368	6,430
Anniversary bonuses	4,587	0	2	–40	–613	372	4,308
Miscellaneous	8,095	15	147	–360	–2,969	733	5,661
Total	**39,107**	**85**	**595**	**–2,488**	**–23,120**	**20,552**	**34,731**

Anniversary bonuses

Provisions for anniversary 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 anniversary 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 on the same actuarial assumptions used to value the provisions for pension and severance payments.

Undiscounted payment flows as at 31 December 2021 of EUR 375 thousand (previous year: EUR 386 thousand) within one year and EUR 8,417 thousand (previous year: EUR 8,773 thousand) over one year arise for the provisions for anniversary bonuses.

The average weighted duration of the present value of the anniversary bonus obligations is around 9 years (previous year: around 9 years). Sensitivity analyses were performed regarding the effect of significant actuarial parameters (interest rate, wage and salary increases). These resulted in the following effects on the present value of the provisions for anniversary bonuses:

		Present value of obligation (DBO) 31.12.2021		Present value of obligation (DBO) 31.12.2020	
in EUR thousand	Change in parameter	Increase in parameter	Decrease in parameter	Increase in parameter	Decrease in parameter
Interest rate	+/– 1 percentage point	3,932	4,756	4,195	5,054
Increases in salaries	+/– 1 percentage point	4,655	4,010	4,949	4,275

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 Executive Board) and Executive 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 2,547 thousand (previous year: EUR 2,450 thousand). The duty (PIS/COFINS) is levied on the import and resale of goods in Brazil.

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 2,547 thousand (previous year: 2,450 thousand) continues accompanying by a corresponding demand for a reimbursement of the deposit made with the civil court.

In addition, provisions were formed on expected litigation costs in connection with the tax proceedings in Brazil in the amount of EUR 111 thousand (previous year: EUR 205 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. As at 31 December 2021, the provision required amounted to EUR 28 thousand (previous year: EUR 2,835 thousand).

In the case of disputed charges (including any interest on arrears) for the disposal of raw materials imported into Poland, there is a provision amounting to EUR 833 thousand (previous year: EUR 898 thousand).

One subsidiary is involved in competition law proceedings. These lengthy proceedings are currently at a stage where the outcome is highly uncertain. 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 recognised 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	31.12.2021	thereof non-current	thereof current	31.12.2020	thereof non-current	thereof current
Tax receivables	13,822	2,693	11,129	8,972	2,603	6,369
Accrued expenses	7,292	45	7,247	5,080	19	5,060
Prepayments	1,912	348	1,564	483	426	630
Other non-financial assets	3,841	156	3,685	1,055	73	410
Total	**26,866**	**3,241**	**23,625**	**15,590**	**3,121**	**12,469**

8.2. Other non-financial liabilities

in EUR thousand	31.12.2021	thereof non-current	thereof current	31.12.2020	thereof non-current	thereof current
Contract liabilities	20,582	1,566	19,016	18,841	0	18,841
Liabilities from taxes and social security contributions	11,842	0	11,842	10,595	0	10,595
Unused holidays and overtime balances	8,489	296	8,194	7,090	224	6,866
All other non-financial liabilities	1,878	86	1,792	1,447	45	1,401
Total	**42,792**	**1,948**	**40,844**	**37,972**	**269**	**37,703**

Of the contract liabilities of EUR 20,582 thousand (previous year: EUR 18,841 thousand), EUR 17,232 thousand arose in the 2021 financial year (previous year: 15,423 thousand). Of the previous year's contract liabilities, EUR 12,374 thousand (previous year: EUR 5,621 thousand) was recognised as 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	2021	2020
Earnings before taxes	**298,959**	**229,163**
Tax expense (-) / Tax income (+) at 25%	**–74,740**	**–57,291**
Different tax rates in other countries	22,615	11,667
Share of profits from associates	0	141
Profit / loss attributable to redeemable non-controlling interests	–1,394	–1,094
Non-deductible expenses	–4,083	–3,605
Non-taxable income, tax exemptions and tax deductibles	520	553
Tax deductible expenses for hybrid coupons	97	1,620
Reduction of current tax expenses on the basis of as yet unused tax loss carryforwards and tax credits	925	6,027
Non-recognised deferred tax assets on new loss carryforwards and tax credits in the financial year	–1,492	–3,644
Change of the adjustment of deferred tax assets from temporary differences and tax loss carryforwards and tax credits arising from previous years	5,425	18,949
Change to outside basis differences	388	–438
Tax effects on valuations of holdings of fully consolidated companies	500	200
Tax effects on the reclassification of the (historical) FX-effects into the Group P&L	947	0
Withholding taxes	–1,832	–2,120
Taxes from previous periods	508	–5,271
Other	163	–266
Income taxes according to the consolidated income statement	**–51,451**	**–34,573**

in EUR thousand	2021	2020
Earnings before taxes	298,959	229,163
Profit / loss attributable to redeemable non-controlling interests	5,576	4,377
Total	**304,535**	**233,540**
Income taxes according to the consolidated income statement	51,451	34,573
Effective tax rate in %	**16.9%**	**14.8%**

Deferred taxes

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

in EUR thousand	31.12.2021 Deferred tax assets	31.12.2021 Deferred tax liabilities	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities
Intangible assets	2,914	397	1,299	32
Property, plant and equipment	217	26,791	279	19,795
Other financial assets	12	67	12	126
Inventories	5,174	192	3,799	177
Trade receivables	802	288	249	1,499
Other (financial) assets	133	451	153	126
Provisions for personnel	5,329	0	5,936	0
Other provisions	2,209	48	3,142	10
Trade payables	434	14	526	17
Other (financial) liabilities	7,089	1,070	1,946	2,169
Temporary differences in connection with shares in subsidiaries (outside-basis-differences)	0	1,992	0	2,331
Tax loss carryforwards and as yet unused tax credits	64,958	n.a.	68,645	n.a.
Total deferred tax assets and liabilities	**89,270**	**31,310**	**85,985**	**26,281**
Valuation allowance for deferred tax assets	–58,207	n.a.	–64,401	n.a.
Offsetting of deferred tax assets and tax liabilities	–19,356	–19,356	–16,085	–16,085
Deferred tax assets	**11,707**		**5,500**	
Deferred tax liabilities		**11,954**		**10,196**

The loss allowance for deferred tax assets of EUR 58,207 thousand (previous year: EUR 64,401 thousand) includes the loss allowance for deferred tax assets on temporary differences of EUR 9,590 thousand (previous year: EUR 8,565 thousand) and the loss allowance for deferred tax assets on loss carry-forwards and unused tax credits of EUR 48,616 thousand (previous year: EUR 55,836 thousand). The loss allowance also includes deferred tax assets that arose but were (still) not recognised in the relevant financial year. Deferred tax assets recognised more than five years in the past were written down.

Of the loss allowances for deferred tax assets on temporary differences and loss carry-forwards, a total of EUR 35,092 thousand (previous year: EUR 33.575 thousand) related to the group of companies in accordance with Section 9 of the Austrian Corporation Tax Act (Körperschaftssteuergesetz, KStG), whose parent company is Semperit AG Holding. Due to the Austrian tax group's history of losses in the recent past, there are stringent IFRS requirements for 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 not eligible for recognition in view of the history of losses of the Austrian tax group in the recent past, the 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 coronavirus pandemic.

Deferred tax assets and liabilities of the same taxable entity are offset if they relate to income taxes levied by the same tax authority and there is a 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. In Germany, a corporate tax group exists between Semperit Profiles Deggendorf GmbH and Semperit Profiles Leeser GmbH.

The net change in deferred taxes recognised in the balance sheet amounted to EUR 4,450 thousand. Of this amount, EUR -5,849 thousand was recognised as tax income, EUR 255 thousand as negative other comprehensive income in connection with IAS 19 and EUR 314 thousand in connection with currency translation differences. The addition of deferred tax liabilities from the first-time consolidation of M+R Dichtungstechnik GmbH amounted to EUR 830 thousand.

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

in EUR thousand	31.12.2021	31.12.2020
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)	–255	97
Other comprehensive income that will be recognised through profit and loss in future periods		
Deferred taxes related to cash flow hedges	0	24
Currency translation differences related to deferred taxes	0	143
	0	**168**
Total	**–255**	**265**

As at the reporting date, there were deductible temporary differences in the amount of EUR 36,616 thousand (previous year: EUR 33,740 thousand) as well as tax loss carry-forwards and unused tax losses in the amount of EUR 153,616 thousand (previous year: EUR 167,921 thousand), for which no deferred tax assets were recognised. Of these unused tax losses, EUR 4,312 thousand (previous year: EUR 24,915 thousand) expire within the next five years and EUR 16,355 thousand (previous year: EUR 29,466 thousand) over 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 4,204 thousand (previous year: EUR 2,803 thousand). The recognition of deferred tax assets is justified in view of increased profit expectations with regard to future taxable results. These arise in particular from identifiable increases in operating profitability on the one hand and from the absence of interest charges due to the replacement of intercompany debt by equity on the other.

Deferred tax liabilities of EUR 81,987 thousand (previous year: EUR 13,479 thousand) were not recognised for taxable temporary differences of EUR 334,243 thousand (previous year: EUR 58,687 thousand) in connection with interests in subsidiaries as the parent is able to control when the temporary difference is reversed, and it is likely that the temporary differences will not be reversed in the foreseeable future. The increase arose from retained profits from the medical business that could become taxable in the event of a non-tax-optimised sale of Austrian companies if they are not previously distributed tax free. There were also deductible temporary differences in the amount of EUR 4,474 thousand (previous year: EUR 86,975 thousand) for which deferred tax assets of

EUR 743 thousand (previous year: EUR 21,539 thousand) were not recognised as it is unlikely that the temporary differences will be reversed in the foreseeable future.

10. Structure of the company

10.1. Scope of consolidation

Subsidiaries where control is exercised pursuant to IFRS 10 are included in the scope of consolidation of Semperit AG Holding's consolidated financial statements. Associates with a significant influence are accounted for as investments in associated companies using the equity method.

The scope of consolidation of the Semperit Group changed in the 2021 financial year as follows:

	Fully consolidated companies	Associated companies
As at 01.01.2021	**42**	**0**
First-time consolidations	1	0
Deconsolidations	–2	0
Reorganisations	–1	0
As at 31.12.2021	**40**	**0**

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

First-time consolidations

On 4 January 2021, the German company Semperit Profiles Deggendorf GmbH acquired 51% of the shares in the German 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, 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 with effect from 31 December 2024 under the suspensory condition of full payment of a conditional purchase price. 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 any sales bonuses paid to the managing partner in accordance with the contract. The maximum purchase price is unlimited. No non-controlling shares were recognised when drawing up the balance sheet in accordance with the anticipated acquisition method. Instead, a contingent purchase price liability in the amount of EUR 1,471 thousand was recognised at the date of acquisition. The conditional 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 (see section 6.3). It is measured at fair value through profit or loss and reported as a derivative in other non-current financial liabilities. The purchase price allocation produced immaterial negative goodwill.

The assets and liabilities of M+R as at the date of acquisition were 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 assets acquired	**5,941**
Non-current provisions	15
Non-current financial liabilities	34
Non-current other financial liabilities	855
Deferred tax assets	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 liabilities assumed	**2,921**
Total identifiable net assets at fair value	**3,021**
Negative goodwill	0
Total amount of consideration	**3,021**
thereof consideration for 51% of the acquired shares in cash	1,550
thereof consideration for 49% of the conditionally acquired shares	1,471

Since the date of acquisition, the consolidated income statement has included total revenue of EUR 6,666 thousand and earnings after tax of EUR -281 thousand of M+R for the 2021 financial year. The amounts corresponded to the revenue and earnings after tax as if M+R had been acquired on 1 January 2021.

Deconsolidation

In the 2021 financial year, the Chilean Semperit Productos Técnicos SpA – which has been in liquidation since 2018 – and the Chinese company Sempertrans Best (ShanDong) Belting Co. Ltd. – which was finally liquidated in July 2021 – were deconsolidated. The effects from the deconsolidation resulted mainly from the reclassification of currency translation gains to the consolidated income statement in the amount of EUR 3,829 thousand (previous year: EUR 88 thousand) and were recognised in other operating income.

The deconsolidations in the 2020 financial year related to Total Glove Company Bhd. The company has been in liquidation since November 2020 and was deconsolidated due to the resultant loss of control. Furthermore, the Chinese company Shanghai Sempermed Glove Sales Co Ltd was liquidated in the 2020 financial year.

Reorganisations

The Brazilian firm Semperit Brasil Produtos Tècnicos Ltda. was merged into the Brazilian Sempermed Brasil Promoção de Vendas Ltda.

10.2. Consolidated companies

		31.12.2021			31.12.2020		
	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
Sempermed Europe 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
M+R Dichtungstechnik GmbH, Seligenstadt, Deutschland	EUR	249	100.00	100.00	0	0.00	0.00
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	0	0.00	0.00 [6]	2,848	87.50	87.50 [1+2]
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

		31.12.2021				31.12.2020			
	Currency	Authorised share capital in ´000s	Direct holding in %	Group holding in %		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		33,971	100.00	100.00	
Semperit Brasil Produtos Tècnicos Ltda., Sao Paulo, Brazil	BRL	0	0.00	0.00	5	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	19,800	100.00	100.00		15,200	100.00	100.00	
Sempertrans USA, LLC, Atlanta, USA	USD	17,894	100.00	100.00		13,304	100.00	100.00	
Semperit Productos Técnicos SpA, Santiago de Chile, Chile	CLP	46,000	100.00	100.00	1+2+4	46,000	100.00	100.00	1
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	0	0.00	0.00	4	24,800	83.87	83.87	2+3
Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China	EUR	2,471	100.00	100.00		2,471	100.00	100.00	
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	790,769	100.00	100.00		702,769	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	2,230	97.36	97.36		256,150	98.86	98.86	
Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia	MYR	6,378	100.00	100.00		6,378	100.00	98.85	
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	571,421	100.00	100.00		223,421	100.00	98.85	
Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	5,000	100.00	100.00		5,000	100.00	98.85	
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		2965	100.00	100.00	
Semperit Investments Asia Pte Ltd., Singapore	EUR	55,398	100.00	100.00		55,398	100.00	100.00	
Sempermed Singapore Pte Ltd., Singapore	USD	10,740	100.00	100.00		10,740	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

o a lack of materiality

er shareholders are reported as redeemable non-controlling interests.

In respect of Semperflex Asia Corp. Ltd., the Semperit Group's capital investment and voting rights amounted to 50%. The management of the Semperit Group has conducted and continues to conduct an ongoing analysis of Semperflex Asia Corp. Ltd. in order to determine whether control exists within the meaning of IFRS 10 and if consolidation would therefore be justified. On the basis of past and current analyses, the management of the Semperit Group remained, as at 31 December 2021 of the opinion that Semperflex Asia Corp. Ltd. should be incorporated into the consolidated financial statements of the Semperit Group as a consolidated subsidiary. This discretionary decision is based on the underlying contracts, an investigation of the relevant activities, and the facts and circumstances. The following key points were evaluated:

- The Chairman of the Board of Directors who is appointed by the Semperit Group, has a casting vote.
- The Semperit Group has a call option for the remaining 50% of shares in the Sri Trang Group, which could originally only be exercised at a fixed price until mid-2021. However, the exercise period of the option has since been extended until mid-2026.
- Semperflex segment management exercises control over purchasing, production, and sales management.
- 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 existed for the Semperit Group (see section 5.3). The minority interests in Semperflex Asia Corp. (SAC) were shown as redeemable non-controlling interests in the liabilities from redeemable non-controlling interests (see section 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 their 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. On account of the differences in their strategic orientation, the success of the Semperit Group's two sectors and five operating segments is dependent to varying degrees on the overall economic environment. As a result, the Semperit Group is exposed to the risks.

Due to its involvement in international trading activities in various foreign currencies, the Semperit Group is exposed to currency risks. 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).

In principle, derivative financial instruments and natural hedges are used in the Semperit Group to hedge currency and interest rate risks. The risk management strategy aimed at hedging currency and interest rate risks is applied to individual cases and specific projects in both the long-term and short-term areas. Cost/benefit and 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 generally 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 generally immaterial. In the short term, currency risks arising, e.g., from 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, and to allow for a compatible respective dividend policy. The financing structure, liquidity, and finance risk positions are centrally managed by the Semperit Group. Based on capital market principles, the long-term capital management additionally includes the decisions 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 financial position and financial performance.

From a capital management perspective, the total capital of the Semperit Group consists of equity, including non-controlling interests in subsidiaries, hybrid capital, redeemable non-controlling interests, and 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, stocks, 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 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 2021, the equity ratio was 56.3% (previous year: 43.8%) and the leverage ratio was -0.40 (previous year: 0.1). The relevant financial covenants were complied with both as at 31 December 2021 and as at 31 December 2020.

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. Cash pooling in euros is available for material group companies.

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

						31.12.2021
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	91,940	0	0	35,896	48,178	7,865
Liabilities to banks	4,864	4,800	40	21	3	0
Trade payables	95,320	48,932	45,650	583	154	0
Refund liabilities	1,271	13	53	1,204	0	0
Derivatives	2,135	0	0	19	2,116	0
Lease liabilities	23,520	283	537	2,534	9,783	10,383
Other financial liabilities	8,853	5,786	2,205	710	152	0
Summe	227,901	59,813	48,485	40,967	60,387	18,249

						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
Refund liabilities	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
Summe	298,528	48,544	32,301	122,327	86,102	9,254

The maturities of the undiscounted cash flows of the derivatives as at 31 December 2021 mainly relate to the payment of a contingent purchase price liability (see section 10.1). The maturities of the undiscounted cash flows of the derivatives as at 31 December 2020 mainly related to the payments from the cross currency swap to hedge the Schuldschein note loan in Polish zloty (PLN). The expected cash outflows were offset by expected incoming payments received from the cross currency swap amounting to EUR 26,249 thousand (4 to 12 months). As part of the scheduled repayment of the Schuldschein note loan in November 2021, the cross currency swap was also settled (see section 6.2).

11.3. Default and credit risk management

Credit risks arise when products or goods manufactured in house are sold to customers on credit. The risk arises as soon as the Semperit Group no longer has access to the shipped products or goods; in the case of customised manufacturing, however, it begins even before production. 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 on an ongoing basis 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 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 anticipated 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 263 thousand in the 2021 financial year (previous year: EUR 1,142 thousand).

The Semperit Group can be exposed to default risks relating to its bank deposits in the event that individual banks run into difficulties or another banking and/or financial crisis occurs. Such deposits are not or only partially secured by deposit protection funds. An investment guideline 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 case of bankruptcy of individual banks or occurrence of another bank and/or financial crisis, the Semperit Group might not be able to access this liquidity or these credit lines, or only partially or only with some delay. With regard to investments in quasi-liquidity money market fund units, the default risk is effectively on par with that of bank deposits but is significantly reduced due to the fund's status as a contractual investment fund and the diversification within the fund into different investment securities and issuers.

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. The above-mentioned risks may have a negative effect on the company's financial position and financial performance 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 recognised through loss allowances. Determined on the basis of the risk of a total default of all debtors (without taking credit insurance into account), the maximum default risk in the corresponding measurement categories breaks down as follows:

in EUR thousand	**31.12.2021**	**31.12.2020**
Cash and cash equivalents	235,539	144,972
Trade receivables	20,692	25,368
Other financial assets – securities	6,435	6,692
Derivative financial instruments	22	560
Miscellaneous other financial assets	2,509	2,021
Summe	**265,198**	**179,613**

11.4. Interest rate risk management

Operating resources, investments, and acquisitions in the framework of the Group's business operations are financed using debt, some of which bears variable interest rates. Depending on what happens to interest rates, hedging transactions could have a significant influence on the Group's financial position and financial performance.

The risk associated with fixed-interest financial instruments is that market values can be negatively impacted by changes in interest rates. 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.

In the 2021 financial year, the remaining Schuldschein note loans issued in Polish zloty (PLN) were repaid on schedule and the remaining cross currency swap was terminated. The hedge reserve of EUR 200 thousand was reclassified accordingly to the other financial result. The balance of the relevant hedge reserve amounted to EUR 0 thousand as at 31 December 2021 (previous year: EUR 0 thousand). The other comprehensive income for the 2021 financial year included measurement losses of EUR 200 thousand (previous year: EUR 1,841 thousand) and reclassifications to the other financial result in the consolidated income statement in the amount of EUR 200 thousand (previous year: EUR 1,744 thousand). The extent of the ineffectiveness in the other financial result is immaterial.

In the current low or negative interest rate environment, risks also arise from banks lowering the limits for corporate deposits for which no negative interest is charged. Limit agreements exist between the Semperit Group and the banks; no negative interest is charged up to these limits. Negative interest is charged on amounts exceeding these limits. This is offset by active liquidity management (e.g., distributing bank balances within limits, repaying financial liabilities) and temporary investments (e.g., in fixed-term deposits or money market fund units) in compliance with the investment guidelines of the Semperit Group.

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:

	31.12.2021		31.12.2020	
in EUR thousand	Fixed interest	Variable interest	Fixed interest	Variable interest
Financial assets	87,221	117,165	54,520	90,683
Financial liabilities	86,510	4,979	86,045	81,048
	173,731	**122,144**	**140,565**	**171,730**

The interest rate sensitivity analysis focuses on the risk arising from variable-interest financial instruments. It is assumed that the variable-interest financial assets and financial liabilities have been outstanding for a full year as at the reporting date. When performing this sensitivity analysis, a change of 100 basis points is 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:

	31.12.2021			31.12.2020		
	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	117,165	1,172	–246	90,683	907	–349
Variable-interest financial liabilities	4,979	–50	49	81,048	–810	810
	122,144	**1,122**	**–197**	**171,730**	**96**	**461**

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 (transaction risks). 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 crown (CZK), Polish zloty (PLN), Chinese renminbi (CNY), and Malaysian ringgit (MYR).

The translation of foreign financial statements into the euro reporting currency resulted in currency translation differences (translation risk) amounting to EUR 20,627 thousand (previous year: EUR -24,281 thousand), which were recorded in other comprehensive income. EUR 100 thousand thereof was attributable to non-controlling interests (previous year: EUR -105 thousand). The currency translation differences in the 2021 financial year (as in the previous year) were mainly due to changes in the exchange rate of the US dollar (USD) to the euro.

The carrying amounts of assets and liabilities of subsidiaries not located in the euro zone, and the contribution of these subsidiaries to the Semperit Group's earnings, are to a significant extent contingent upon the changes in 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 material currencies (as a percentage of overall revenue) shows that, in the 2021 financial year, 48.8% (previous year: 51.7%) of total revenue was generated in a foreign currency.

in % of Semperit Group's revenue	2021	2020
EUR	51.2%	48.3%
USD	39.9%	35.0%
CNY	3.0%	3.3%
GBP	2.6%	2.8%
INR	1.3%	1.0%
MYR	0.5%	0.6%
THB	0.2%	0.1%
CZK	0.1%	0.1%
PLN	0.1%	7.3%
Other	1.2%	1.5%

A significant portion of the Semperit Group's earnings are generated by subsidiaries that do not have their registered office in the euro zone (see section 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 hedging transaction, and hedged currency. In the 2021 financial year, the financial instruments consisted of freestanding foreign exchange forward contracts for hedging parts of the operating business at Semperflex Asia Corp. Ltd. in Thailand, the foreign exchange forward contracts for hedging intercompany financing at Latexx Manufacturing Sdn Bhd in Malaysia, and a cross currency swap to hedge a Schuldschein note loan in Polish zloty (PLN). The foreign exchange forward contracts with Latexx Manufacturing Sdn Bhd in Malaysia and the cross currency swap were settled because the underlying financial liabilities were repaid in the 2021 financial year.

31.12.2021	Country	Type of transaction	Currency	Hedge amount [1]	Hedge rate [2]	Fair value in EUR thousand 31.12.2021	Range of remaining days to maturity
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	130,000	38.06	1	159–172
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	4,540,000	33.37	2	88–179

[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.

31.12.2020	Country	Type of transaction	Currency	Hedge amount [1]	Hedge rate [2]	Fair value in EUR thousand 31.12.2020	Range of remaining days to maturity
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	Österreich	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.

The derivative financial instruments of Semperflex Asia Corp. and Latexx Manufacturing Sdn Bhd were accounted for as freestanding financial instruments and not as hedging transactions. The fair values were shown in the consolidated balance sheet as other financial assets or other financial liabilities. The cross currency swap to hedge a Schuldschein note loan in Polish zloty (PLN) was accounted for as a hedge and also recognised under other financial assets and other financial liabilities in the consolidated balance sheet.

For the purposes of currency risk management, sensitivity analyses were prepared for the measurement at the reporting date of monetary items that deviate from the functional currency. 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 with 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 (EUR) and the US dollar (USD):

Change in currency to EUR	2021 Calculated fluctuation range in %	2021 Impact on profit from price increase in EUR thousand	2021 Impact on profit from price decrease in EUR thousand	2020 Calculated fluctuation range in %	2020 Impact on profit from price increase in EUR thousand	2020 Impact on profit from price decrease in EUR thousand
USD	5%	4,456	–4,456	7%	2,677	–2,677
THB	5%	242	–242	6%	26	–26
PLN	2%	–280	281	4%	–398	398
CZK	2%	–758	758	6%	–1,851	1,851
HUF	3%	51	–51	5%	190	–190
GBP	3%	24	–24	5%	59	–59
CNY	6%	–20	20	4%	–10	10
INR	4%	–45	45	8%	–1	1
MYR	3%	–35	35	6%	–2,969	2,969
SEK	2%	7	–7	5%	26	–26
CHF	4%	1	–1	2%	0	0

Change in currency to USD	2021 Calculated fluctuation range in %	2021 Impact on profit from price increase in EUR thousand	2021 Impact on profit from price decrease in EUR thousand	2020 Calculated fluctuation range in %	2020 Impact on profit from price increase in EUR thousand	2020 Impact on profit from price decrease in EUR thousand
THB	7%	170	–170	5%	–91	91
PLN	6%	144	–144	9%	211	–211
CZK	4%	24	–24	10%	113	–113
HUF	7%	–121	121	7%	–113	113
CNY	1%	26	–26	6%	87	–87
INR	2%	22	–22	4%	–8	8
MYR	3%	525	–525	5%	–9,469	9,469
SGD	2%	14	–14	4%	17	–17
GBP	3%	197	–197	7%	122	–122
AUD	6%	–151	151	14%	–266	266

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 associates are related parties of the Semperit Group.

Related parties of the Semperit Group include the members of the Executive 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 Executive Board of B&C Privatstiftung and the close family members of these Executive and Supervisory Board members and managing directors.

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

			2021			2020
in EUR thousand	Supervisory board members	Management board members	Total	Supervisory board members	Management board members	Total
Short-term benefits	399	2,064	2,463	414	3,235	3,649
Benefits after termination of employment relationship	0	100	100	0	132	132
Other long-term benefits	0	628	628	0	987	987
Termination benefits	0	1,130	1,130	0	0	0
Total	**399**	**3,922**	**4,321**	**414**	**4,355**	**4,769**

The short-term benefits include not only regular payments but also the short-term incentive (STI), which falls due within one year. The benefits after termination of the employment relationship relate to payments to the pension fund APK Pensionskasse AG. Payments made by Semperit AG Holding to the employee severance fund Mitarbeitervorsorgekasse (MKV) on behalf of members of the Executive Board also represent benefits after termination of an employment relationship. In the 2021 financial year, these amounted to EUR 56 thousand (previous year: EUR 45 thousand). However, these payments were excluded from the table above in order to ensure that the presentation is consistent with the remuneration report.

The other long-term benefits relate to the long-term incentive (LTI). The termination benefit relates to the one-time severance payment made to Gabriele Schallegger in financial year 2021.

Payments to former members of the Executive Board and their survivors in the 2021 financial year totalled EUR 688 thousand (previous year: EUR 689 thousand).

The following transactions were conducted with the companies mentioned below and the following balances existed as at the reporting date: In the 2021 financial year, the Group conducted transactions with unit-IT Dienstleistungs GmbH & Co KG totalling EUR 577 thousand (previous year: EUR 556 thousand). These transactions related to the purchase and maintenance of SAP licences and were conducted at arm's length. There were outstanding liabilities to unit-IT Dienstleistungs GmbH & Co KG amounting to EUR 28 thousand as at 31 December 2021 (previous year: EUR 6 thousand).

Transactions amounting to EUR 251 thousand were concluded with Grohs Hofer Rechtsanwälte GmbH in the 2021 financial year (previous year: EUR 26 thousand). These transactions related to legal consulting services and were conducted at arm's length. There were outstanding liabilities to Grohs Hofer Rechtsanwälte GmbH amounting to EUR 123 thousand as at 31 December 2021 (previous year: EUR 2 thousand).

Transactions amounting to EUR 0 thousand were concluded with B&C Industrieholding GmbH in the 2021 financial year (previous year: EUR 72 thousand). These transactions related to management and other services and internal charging, and were conducted at arm's length. There were liabilities and services not yet invoiced in relation to B&C Industrieholding GmbH in the amount of EUR 0 thousand as at 31 December 2021 (previous year: EUR 35 thousand).

Transactions amounting to EUR 0 thousand were concluded with B&C Holding GmbH in the 2021 financial year (previous year: EUR 195 thousand). These transactions related to the commitment fee for the hybrid capital line (see section 5.2) and were conducted at arm's length. "Interest" (payment of hybrid coupons) in the amount of EUR 0 thousand was paid in the 2021 financial year (previous year: EUR 7,278 thousand). There were no outstanding liabilities to B&C Holding GmbH as at 31 December 2021 (previous year: EUR 0 thousand).

In October 2020, the receivable from the hybrid capital line was transferred to B&C Holding Österreich GmbH (see section 5.2). "Interest" (payment of hybrid coupons) in the amount of EUR 785 thousand was paid (previous year: EUR 524 thousand) to B&C Holding Österreich GmbH in the 2021 financial year. There were no outstanding liabilities to B&C Holding Österreich GmbH as at 31 December 2021 (previous year: EUR 0 thousand).

Transactions amounting to EUR 50 thousand were concluded with B&C KB Holding GmbH in the 2021 financial year (previous year: EUR 0 thousand). These transactions related to management and other services, and internal charging, and were conducted at arm's length. There were liabilities and services not yet invoiced in relation to B&C KB Holding GmbH in the amount of EUR 0 thousand as at 31 December 2021 (previous year: EUR 0 thousand).

There is an ongoing consulting agreement with Patrick Lackenbucher – who was appointed Managing Director of B&C Holding Österreich GmbH with effect from 1 November 2021. Since 1 November 2021, transactions totalling EUR 40 thousand (previous year: n.a.) have been conducted with him in the 2021 financial year. These transactions related to consulting services and were conducted at arm's length. There were outstanding liabilities to Patrick Lackenbucher amounting to EUR 20 thousand as at 31 December 2021 (previous year: n.a.).

12.2. Other liabilities 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. Given this situation, 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.

There were liabilities from the use of intangible assets and property, plant and equipment not recognised in the balance sheet due to rental agreements and leases that are not reported in accordance with IFRS 16, as the option for short-term leases (i.e., up to 12 months) and low-value leased assets (i.e., up to a replacement value of around EUR 5 thousand) was exercised (see section 3.2). As at 31 December 2021, there were also contractual obligations to purchase property, plant and equipment amounting to EUR 15,688 thousand (previous year: EUR 3,527 thousand).

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, the management does not expect these proceedings to impair the Semperit Group's financial position and financial performance significantly. There were also legal disputes and legal uncertainties in matters pertaining to employment and social law. See section 7.2 for all legal disputes for which provisions have been made.

12.3. Events after the reporting date

On 24 February 2022, Russia initiated a war of aggression against Ukraine. In response, EU heads of state and government leaders approved a comprehensive package of sanctions against Russia (and Belarus) providing in particular for international measures in the energy, finance, and transport sectors and also incorporating technology import restrictions, export controls and visa restrictions. Subsequently, in addition to sanctions imposed against Russia's central bank, the EU, the USA, and other partners in the West also resolved to exclude certain Russian banks from the bank communication network SWIFT which allows international payments to be executed securely and quickly. The Russian ruble (RUB) plummeted in response to these measures. Russia's central bank introduced currency restrictions to help stabilize the Russian currency market. International credit rating agencies have now significantly downgraded Russia's credit rating. The USA responded to Russia's invasion of Ukraine further by imposing a ban on imports of Russian oil and natural gas, while a gradual move away from oil, natural gas and coal from Russia is being discussed in the EU. At the time the consolidated financial statements for the period up to 31 December 2021 were being approved for publication, the energy prices were reaching record highs in response to the situation. The consequences of these developments include, in particular, material bottlenecks, rising and more volatile prices for energy, raw materials, preliminary products and intermediate products, transport and supply chain difficulties, varying interest rates and interest rate expectations, higher inflation expectations, and a higher risk for companies of exposure to cyber-attacks.

In the 2021 financial year, Semperit Group revenues with customers in countries impacted by the Russian conflict in Ukraine accounted for around 2.6% of total revenue (previous year: 3.4%). These break down by segment and country as follows:

2021 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperseal	Semperform	Group
Russia	1,733	12,650	1,623	5,828	427	22,261
Ukraine	1,068	2,427	2,447	164	28	6,135
Belarus	354	1,605	0	20	0	1,979
Total	**3,155**	**16,682**	**4,070**	**6,013**	**454**	**30,375**

2020 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperseal	Semperform	Group
Russia	6,807	12,743	1,966	3,606	227	25,348
Ukraine	854	2,278	1,923	128	39	5,222
Belarus	40	1,268	0	23	0	1,331
Total	**7,700**	**16,289**	**3,890**	**3,757**	**266**	**31,902**

As of 31 December 2021, gross trade receivables from customers in Russia, Ukraine, and Belarus totalled EUR 1,150 thousand; credit insurance or secure payment terms were in place for over 80% of this amount. Up to and including March 2022, the political risk for Ukrainian customers was also covered by credit insurance. In February 2022, customers in Russia, Ukraine, and Belarus comprised less than 5% of the order book.

On the raw materials and consumables side, the Semperit Group will be exposed in particular to material bottlenecks and to rising energy and commodities prices. The material bottlenecks can cause friction in production and subsequently result in delivery delays and constraints. The management of the Semperit Group is closely monitoring the geopolitical and market-related developments, building safety reserves of critical raw materials and consumables, intensifying multiple sourcing efforts, and forcing solution-focused collaboration between supply chain management, procurement, research & development, and production. It is not possible at present to estimate if and to what extent the market dynamics in the wake of the Russian-Ukraine conflict, in addition to those related to the coronavirus pandemic, will significantly change the environment and negatively impact the Semperit Group or individual segments of the Group. The potential for passing on the increased input costs in prices will prove crucial and will depend on the price sensitivity of our customers and the dynamics of the segment-specific product markets. Such effects may result in adjustments to amounts recognised on the balance sheet as of 31 December 2021 in the 2022 financial year.

Vienna, 22 March 2022

The Executive Board

Karl Haider	**Petra Preining**	**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, 2021, 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 of December 31, 2021 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:

Impairment of assets in segments Sempermed and Sempertrans

Due to the ongoing effects of the Corona pandemic, there is an increased forecast uncertainty of the segments (= cash-generating unit) Sempermed and Sempertrans, which led to an impairment reversal of 86.2 MEUR in the segment Sempermed and impairment losses of 19.8 MEUR in the segment Sempertrans in the previous year.

For segment Sempermed, an impairment trigger was identified in the fourth quarter of 2021 due to a decrease in the average selling price of examination gloves. The impairment test, which has been performed based on a value in use calculation using discounted cash flows, requires significant assumptions and estimates to be made regarding future cash flows and discount rates. The main risk relates to the estimation of future cash flows. The increased forecast uncertainty due to the Corona pandemic was taken into account by considering three alternative planning scenarios, which were used on a probability-weighted basis to calculate the value in use. The calculated recoverable amount exceeds the carrying amount of the assets. Thus, no impairment was identified in the financial year.

For the segment Sempertrans, no indicators of impairment or reversal of impairment according to IAS 36 were identified in the financial year 2021 as part of the evaluation of the value of the assets. As part of this assessment, significant assumptions and estimates regarding future factors must also be evaluated.

The corresponding disclosures of the Semperit Group are included in "3.2 Property,Plant & 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
- 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 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
- 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 Sempermed's value in use
- Verification of correct use of amortized cost as upper limit of reversal of impairment in the Sempermed segment
- Verification of 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 April 27, 2021. We were appointed by the Supervisory Board on November 13, 2021. 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 on the audit resulting in this independent auditor's report is Mr. Stefan Uher.

Vienna, March 22, 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher mp
Wirtschaftsprüfer / Certified Public Accountant

ppa Mag. Martina Geisler mp
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 2021 prepared in accordance with applicable accounting standards give a true and fair view of the financial position and financial performance 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 2021 give a true and fair view of the financial position and financial performance 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, 22 March 2022

The Executive Board

Karl Haider
CEO

Petra Preining
CFO

Kristian Brok
COO