Annual Report | 2019

SEMPERIT

Solid balance-sheet structure

39% equity ratio

EUR **841**
million revenue

EUR **68**
million operating EBITDA

Leading market position with strong brands for more than

195 years

SEMPERIT

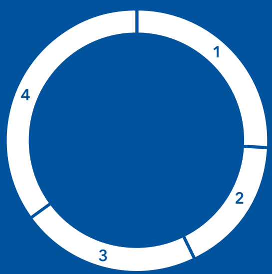
International group, which develops, produces and sells highly specialised products made of rubber in the Industrial and Medical Sectors

Worldwide presence

Distribution in more than 100 countries

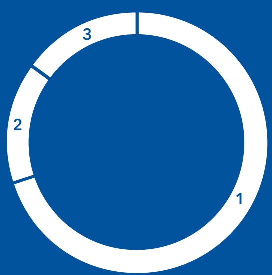
6.902 employees

Revenue split by segment



1. Semperflex
26%
2. Sempertrans
16%
3. Semperform
23%
4. Sempermed
35%

Revenue split by region



1. Europe
69%
2. North and South America
15%
3. Asia, Africa and other countries
16%

Balanced portfolio

Semperflex

Sempertrans

Semperform

Sempermed

14 production sites worldwide

ANNUAL REPORT 2019

SEMPERIT

Content

* For further information about sustainability and employees please refer to the Sustainability Report 2019, online available at: www.semperitgroup.com/en/sustainability/.

Key performance figures

in EUR million	2019[1)]	Change	2018[1)]	2017	2016	2015[2)]	2014[2)]
Revenue	840.6	–4.3%	878.5	874.2	852.4	914.7	858.3
EBITDA	67.8	+46.1%	46.4	100.2	77.9	96.2	101.9
EBITDA margin	8.1%	+2.8 PP	5.3%	11.5%	9.1%	10.5%	11.9%
EBIT	–16.5	–65.4%	–47.7	37.6	27.3	66.7	63.8
EBIT margin	–2.0%	+3.4 PP	–5.4%	4.3%	3.2%	7.3%	7.4%
Earnings after tax	–44.9	–44.1%	–80.4	–26.3	–8.8	46.4	37.8
Earnings per share (EPS)[3)], in EUR	–2.50	–39.5%	–4.13	–1.25	–0.43	2.26	1.85
Gross cashflow[4)]	46.7	+24.8%	37.4	39.5	48.1	55.7	89.9
Return on equity[5)]	–16.3%	+7.9 PP	–24.2%	–9.2%	–2.7%	12.8%	8.6%

Balance sheet key figures

in EUR million	2019	Change	2018	2017	2016	2015	2014
Balance sheet total	701.8	–8.7%	768.8	853.2	1,034.5	937.8	826.3
Equity	273.4	–17.0%	329.5	278.5	329.3	363.3	443.8
Equity ratio	39.0%	–3.9 PP	42.9%	32.6%	31.8%	38.7%	53.7%
Additions in tangible and intangible assets	31.4	–61.3%	81.1	74.3	75.0	75.7	69.3
Employees (at balance sheet date)	6,902	+1.9%	6,773	6,838	6,974	7,053	6,888

Sector and segment key figures

in EUR million	2019	Change	2018	2017	2016	2015	2014
Industrial Sector = Semperflex + Sempertrans + Semperform							
Revenue	547.2	–3.5%	567.0	537.0	506.4	521.0	477.5
EBITDA	87.5	+22.6%	71.3	42.9	89.5	93.6	88.0
EBIT	60.9	+36.5%	44.6	22.4	70.0	77.2	66.2
Semperflex							
Revenue	222.7	–3.2%	230.0	206.1	184.9	203.4	202.1
EBITDA	47.9	–2.0%	48.9	40.4	43.4	46.1	48.5
EBIT	36.0	–6.4%	38.4	31.8	35.3	38.2	36.8
Sempertrans							
Revenue	134.0	–7.4%	144.8	146.0	148.4	164.9	146.4
EBITDA	13.5	>100%	0.5	–16.7	15.9	23.2	20.9
EBIT	8.9	–	–7.1	–20.3	12.1	19.9	16.8
Semperform							
Revenue	190.6	–0.8%	192.2	185.0	173.1	152.8	129.0
EBITDA	26.0	+18.8%	21.9	19.2	30.2	24.3	18.6
EBIT	16.0	+20.9%	13.2	11.0	22.5	19.1	12.7
Medical Sector = Sempermed							
Revenue	293.3	–5.8%	311.5	337.1	346.0	393.7	380.8
EBITDA	5.5	–	–3.9	77.9	6.6	29.4	33.5
EBIT	–50.2	–27.9%	–69.6	38.0	–23.9	17.2	17.6

Note: Rounding differences in the totalling of rounded amounts and percentages may arise from the use of automatic data processing.
1) Values adjusted for one-off effects, see table on page 35 of this report.
2) 2015 values adjusted, see page 96f. of annual report 2016 (foreign currency adjustment).
2014 values adjusted, see page 90f. of annual report 2015 (joint venture adjusment).
3) Earnings per share are only attributable to the core shareholders of Semperit AG Holding (excl. remuneration from hybrid capital).
4) The comparative figures of annual report 2017 have been adjusted (see chapter 1.6 of annual report 2018).
5) Calculated from earnings after taxes (excluding non-controlling interests) based on shareholders' equity (excluding non-controlling interests).
6) 2016 values adjusted, there was a reclassification of the business unit Sheeting from the Semperflex segment to the Semperform segment.

Foreword of the Management Board

Dear Shareholders,
Dear Sir or Madam,

After almost 200 years of corporate history, the Semperit Group can look back on both successful and eventful times. Particularly the past three years have turned out to be especially challenging: The task was to comprehensively restructure this company, which is engaged in the development, production and sale of products made of natural and synthetic rubber, to initiate a far-reaching transformation in favour of a competitive and future-oriented positioning and to pave the way back to profitability. 2019 clearly showed that our efforts are bearing fruit. We made fundamental strategic decisions and look back on eight quarters of earnings that exceeded the previous year's figures of the same period. In the past year, the Semperit Group generated EBITDA of EUR 67.8 million, despite a 4.3% decrease in revenue, which was also due to the beginning economic slowdown. Compared to 2018, this represents a significant increase of 46.1%. As a result, the EBITDA margin also increased significantly, rising from 5.3% in 2018 to 8.1% in 2019. For the first time, both the Industrial and the Medical Sectors of the Semperit Group made positive contributions to this encouraging result. This is the result of the successfully interacting packages of measures from the project streams Pricing, World Class Manufacturing (WCM), Procurement and SG&A as part of our SemperMOVE10 restructuring programme.

Following the complexity reduction in the manufacturing footprint and the implementation of measures to optimise production processes, the Industrial Sector exceeded the EBITDA level of the previous year by 22.6% in 2019. This led to an increase in the EBITDA margin from 12.6% to 16.0% in the Industrial Sector. This significant rise in profitability was achieved in an increasingly subdued global economic environment. Our Semperflex segment, which specialises in industrial and hydraulic hoses, withstood the increasing pressure of the economic slowdown and was only marginally at EUR 1 million below the EBITDA of the previous year. Semperflex even slightly increased the margin. In addition, after far-reaching restructuring measures of the past years, Sempertrans, our manufacturer of conveyor belts, increased EBITDA by around EUR 13 million compared with the previous year due to a changed focus on applications with better price potential. Semperform produces handrails for escalators and gaskets for windows, among other things, and further expanded the results despite a declining economy and therefore contributed to the success of the Industrial Sector.

Parallel to the measures to increase profitability in the Industrial Sector, the focus was on the turnaround of Sempermed. At Sempermed, too, process optimisations led to significant improvements in operating results: Revenue declined by around 6% due to lower volumes sold. At the same time, however, the restructuring measures took effect, resulting in a significant increase in profitability and, after a negative result in 2018, positive EBITDA of EUR 5.5 million was recorded again in 2019. Notwithstanding this upward trend, the situation in the Medical Sector continued to deteriorate significantly in view of the highly competitive market, which recently clearly worsened our relative competitive position: Our competitors invested much more intensively than expected in capacity expansion and production automation. Against this background, we identified a need for impairment of around EUR 49 million.

As a result of the impairment, the net result for 2019 was negative again, although at EUR –44.9 million it was almost halved compared with the previous year. The improvement in the operating result and active working capital management led to a clearly positive free cash flow, which is also reflected in the balance sheet. Following the repayment of Schuldschein loans, we now have an net debt/EBITDA ratio of 1.1x after 2.4x in the previous year. Free cash flow was also improved significantly. After several periods of negative free cash flow, it was clearly positive at EUR 60.8 million in 2019. This is due both to the improved result and to the very disciplined investment programme: Investments in 2019 amounted to EUR 31.9 million and therefore less than half of the previous year (EUR 80.8 million). We would not have been able to achieve this significantly improved result without our employees, who are just as competent as they are motivated and enthusiastic in difficult phases.

We would like to take this opportunity to express our gratitude for their tireless efforts to improve the future viability of the Semperit Group.


Frank Gumbinger, Martin Füllenbach, Kristian Brock, Felix Fremerey

Within the framework of the development of our new SemperGrowth200 strategy, which was initiated in 2019, the Semperit Group will in future concentrate on the identifiable potential in the Industrial Sector and complete the transformation into an industrial rubber specialist. As a consequence, the Semperit Group will separate from the medical business. We have made this largest strategic decision of recent decades very consciously: It will ensure the future viability and higher profitability of the Semperit Group. In view of the drastically intensified competitive dynamics in the Medical Sector, we are firmly convinced that our medical business can be better continued and developed by other owners. A clear priority is the sale of the medical division as a whole, which we are evaluating in every detail.

At the same time, we must continue to focus on higher earnings and profitability potential in the Industrial Sector. The guiding principle for the coming years is therefore "customer intimacy" in order to develop products faster, identify applications and open up markets.

As important structural settings of the course, the organisation of the Industrial Sector into four instead of three segments (Semperflex, Semperform, Semperseal, Sempertrans) as of 2020 and the first step towards the regional development of non-European core markets via production expansion and regional sales organisations in North America were implemented. The new organisational unit "Customer Excellence Center" (CEC) started operations in the fourth quarter of 2019 with the aim of identifying and developing new growth regions and industries as well as applications, and in particular exploiting cross-segment sales opportunities.

In this context, the Semperit Group redefined the target set at the beginning of the restructuring process (previously: EBITDA margin of around 10% by the end of 2020) and is now aiming for an EBITDA margin of around 13% by the end of 2024. In addition, the Semperit Group aims to achieve a ROCE of approximately 10% by the end of 2024.

We would like to thank all our institutional and private long-term investors for their loyalty and support over the past three years and will continue to devote all our strength and energy to making Semperit shares an attractive investment on the Vienna Stock Exchange in 2020.

Frank Gumbinger	**Martin Füllenbach**	**Kristian Brok**	**Felix Fremerey**
Chief Financial Officer	Chairman	Chief Operational Officer	Member of the Management Board

Semperit at a glance

For more than 195 years, the publicly listed Semperit AG Holding has been a global provider of quality products made of natural and synthetic rubber. The internationally-oriented group develops, produces and sells in more than 100 countries products for the Industrial and Medical sectors.

The roots of the Semperit Group reach back to the year 1824. At the end of 2019, around 6,900 people were employed worldwide. Semperit operates 14 production sites and sells the products in the business-to-business field using its own distribution network in Asia, Europe, North and South America as well as Australia.

The Group's most important product categories include hydraulic and industrial hoses, conveyor belts, escalator handrails, window and door profiles, cable car rings, ski foils, products for railway superstructures, examination and protective gloves as well as surgical gloves.

Company strategy

In autumn 2017, the Semperit Group started a transformation process, which has already led to significant restructuring, a reduction in complexity and increased profitability. The Management Board will continue to pursue the path it has taken with all due consistency.

In addition, a strategic review took place in 2019: As part of the new "SemperGrowth200" strategy, the Semperit Group will focus on the identifiable potential in the Industrial Sector and transform into an industrial rubber specialist. Consequently, the Semperit Group will separate from the medical business. The Industrial Sector will gain additional clout through a significant increase in customer proximity, a more market-oriented alignment of the organisation and a stronger focus on applications. The aim is to serve existing and future markets faster and more effectively.

Sustainability

Sustainability Report: www.semperitgroup.com/en/sustainability/sustainability-reports/

For 2019, the Semperit Group has published its third sustainability report. In the course of sustainability management, six major topics were defined: energy use & consumption, raw materials & material use, sustainability in the supply chain, sustainability & innovation, occupational safety & health protection and social standards & working conditions. Compliance and integrity are regarded the basis for all activities. The various focuses of the individual areas are described in more detail in the Sustainability Report.

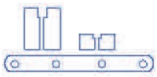
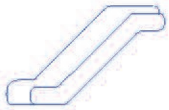
Structure of the Semperit Group

In 2019, the Semperit Group's operating business comprised the Industrial Sector, with the Semperflex, Sempertrans and Semperform segments, and the Medical Sector, with the Sempermed segment.

Industrial Sector

In the Industrial Sector, Semperit makes valuable contributions to the technical infrastructure and has a leading position in international markets. The Semperflex, Sempertrans and Semperform segments benefit from the growth in industrialisation around the world, the associated need for energy and raw materials as well as the necessary investments in the infrastructure.

Structure of Semperit-Group 2019

Sectors	Industry			Medicine
Segments	Semperflex	Sempertrans	Semperform[1]	Sempermed
Product groups and marktet positions				
	Hydraulic hoses # 3 globally, leader in hose only **Industrial hoses** # 2-3 in Europe	**Conveyor belts** one of the leading suppliers	Leading position in **construction (profiles, piping, gaskets)** and **infrastructure (handrail, sheave liners, rail track)** business with Europe focus	**Examination and protection gloves** Among the top 10 glovemakers in the world **Surgical gloves** Leadine position in Europe

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

Semperflex: megatrends, product and service portfolio

The Semperflex segment develops, produces and sells hydraulic and industrial hoses worldwide. Manufacturing in the production sites in Austria, the Czech Republic, Italy, China and Thailand is based on the highest quality standards. An important milestone was reached in 2018 with the capacity expansion at the site in Odry, Czech Republic, which implemented the highest industry standards and created numerous new jobs. The hoses produced in the Semperflex segment are used in the construction and transport industry, in mining as well as agricultural machinery such as tractors, combines and harvesters. Therefore, demand depends particularly on the extent of infrastructural investments, the prosperity of the mining and agricultural sectors as well as the advancement process in growth countries.

Semperflex's largest business unit is the Hydraulic Hose unit. Its hoses are used for the transmission of pressure and energy in powerful, heavy-duty machinery such as excavators and cranes. The Industrial Hoses unit covers a broad range of hose applications for industrial and technical requirements.

Production sites	Country	Activities
Hat Yai	TH	Production of steel wire reinforced braided hydraulic, spiral hydraulic and washing machine hoses (one of the largest hose factories in Asia), hydraulic hose testing centre
Odry	CZ	Production of long-length industrial hoses, steel studded industrial hoses, steel reinforced braided hydraulic, spiral-hydraulic and washing machine hoses (largest manufacturer of hydraulic and industrial hoses in Europe), hydraulic hose testing centre
Shanghai	CN	Production of steel wire reinforced braided hydraulic and washing machine hoses for the Chinese market, hydraulic hose testing centre
Wimpassing	AT	Technology centre, production of steel wire reinforced spiral hydraulic hoses, steel studded industrial hoses

Sales locations	Country	Activities
Fair Lawn, New Jersey	US	Sales
Mumbai, New Delhi	IN	Sales, warehouse
Singapore	SG	Sales
Waldböckelheim	DE	Sales of hydraulic hoses in Germany, expert centre for complete high-pressure hose line systems

Sempertrans: Megatrends, product and service portfolio

With production facilities in Poland and India, Sempertrans is one of the largest and technologically leading manufacturers of conveyor belts worldwide. Conveyor belts are used in mining, the steel industry, the cement industry, in power stations as well as in civil engineering and in the transport industry, for example for ports. A key factor influencing business in the Sempertrans segment is the global demand for raw materials extracted by mining and transported via conveyor belts.

The Sempertrans product range comprises both textile and steel-cord conveyor belts and is therefore optimally aligned to the requirements of the respective applications. Their core product characteristics include high resistance to abrasion, heat and oil, coupled with excellent high-strength performance. Sempertrans has extensive technical expertise and a global Application Engineering Team to support customers with the design and configuration of conveyor belts.

Production sites	Country	Activities
Bełchatów	PL	Production of high-performance steel cord and textile belts as well as conveyor belt cords, development centre
Roha	IN	Production of textile belts

Sales locations	Country	Activities
Atlanta, Georgia	US	Sales, customer service, distribution centre
Bełchatów	PL	Sales
Béthune	FR	Sales, installation and maintenance of conveyor belts, warehouse and distribution
Jakarta	ID	Sales
Levallois	FR	Sales
Moers	DE	Sales, Application Engineering Centre
Mumbai, Kolkata, Delhi, Chennai	IN	Sales
Querétaro	MX	Sales
Thornton (NSW), Perth (WA)	AU	Sales
Warsaw	PL	Sales
Vienna	AT	Headquarters, segment management and sales
Wimpassing	AT	Technology and Innovation Centre
Winnipeg	CA	Sales

Semperform: product and service portfolio

Semperform is one of the leading European manufacturers of moulded and extrusion products made of rubber and plastic. The comprehensive product portfolio comprises, elastomer and insulation profiles for windows, doors and facades, escalator handrails, vibration-reducing foils for skis and snowboards, custom moulded parts and rubber rings for ropeways. Tailored products are manufactured at production sites in Austria, Germany, Hungary and China. The Semperform segment operates mainly in Europe and is successfully positioned in market niches.

The business unit Profiles is Semperform's largest business area and includes seals for windows, doors and facades. Its success depends on investments into infrastructure and business trends in the construction industry.

Customer-specific injection moulding items for sealing and absorbing purposes are included in the Semperit Engineered Solutions unit. Demand depends on the development of the construction and industry sectors as well as railway superstructures.

The Handrail unit manufactures escalator handrails. The course of business is particularly influenced by investments in infrastructure and urbanisation.

Elastomer and wear-resistant sheeting are manufactured in the business unit Sheeting. Elastomer sheeting is primarily sold to punching companies and technical traders for producing all kinds of seals. Wear-resistant sheeting is used for lining, among other things.

Cable car rings as well as ski and snowboard foils are produced in the business unit Special Applications.

As one of the first steps of the new industrial rubber strategy, the business units Profiles and Elastomer Sheets were separated from the Semperform segment as of 1 January 2020 and are now managed as a separate segment under the name Semperseal. Semperform, on the other hand, will concentrate on handrails, cable car rings, ski foils and engineered solutions (SES) in the future.

Production sites	Country	Activities
Sopron	HU	Production of moulded rubber goods
Deggendorf	DE	Production of gaskets for windows, doors and facade systems
Dalheim	DE	Production of profiles for the packaging industry
Shanghai	CN	Production of handrails
Wimpassing	AT	Production of moulded plastic and rubber parts, profiles, rubber sheeting and wear-resistant rubber, handrails, technology centre

Sales locations	Country	Activities
Birmingham	UK	Sales
Fair Lawn, New Jersey	US	Manufacturing and sales of handrails
Levallois	FR	Sales
Shanghai	CN	Sales

Medical Sector/Sempermed: Megatrends, product and service portfolio

The Medical Sector benefits from the continuous increase in the demand for examination, protective and surgical gloves, which is largely independent of economic cycles.

Sempermed is one of the leading manufacturers of examination and surgical gloves in the medical area as well as of protective gloves in the industrial area. Sempermed's research centre constantly develops and tests new products in close cooperation with users and experts. Sempermed has produced gloves in top quality for 100 years and as the global technology leader has set standards in quality and innovation. Gloves are produced at Sempermed sites in Malaysia (examination and protective gloves) as well as Austria (surgical gloves).

Demand for examination, protective and surgical gloves is oriented towards global megatrends such as the increasing health and hygiene requirements. The forecast increase in world population as well as the generally higher demand for medical products and services due to the demographic change are of importance.

In recent years, the global demand for examination, protective and surgical gloves has increased at an average rate between 6% and 7% annually. Worldwide annual consumption is currently approximately 250 billion units for examination and protective gloves (single counting) and 2.5 billion units for surgical gloves.

At the beginning of 2020, it was decided to focus on the identifiable potential in the Industrial Sector in the future as part of the strategic realignment for Semperit and transform into an industrial rubber specialist. Consequently, the Semperit Group will separate from the medical business.

Production sites	Country	Activities
Allershausen	DE	Sterilisation of surgical gloves
Kamunting	MY	Production of latex and nitrile examination gloves
Nilai	MY	Production of porcelain dip mouldings for the glove production
Sopron	HU	Packaging of surgical gloves, quality control
Wimpassing	AT	Technology and innovation centre, production of surgical gloves

Sales locations	Country	Activities
Bridgeton, New Jersey	US	Distribution centre
Birmingham	UK	Sales
Budapest	HU	Sales, distribution centre
Clearwater, Florida	US	Sales and distribution centre
Coppell, Texas	US	Distribution centre
Kamunting	MY	Sales
Levallois	FR	Sales
Ontario, California	US	Distribution centre
Shanghai	CN	Quality management, distribution centre
Singapore	SG	Sales, finance and purchasing
Waldböckelheim	DE	Sales
Vienna	AT	Marketing and sales

Global presence of Semperit Group[1)]

Europe

1 Vienna, AT, HQ
2 Wimpassing, AT
3 Allershausen, DE
4 Dalheim[2)], DE
5 Deggendorf, DE
6 Hückelhoven, DE
7 Moers, DE
8 Waldböckelheim, DE
9 Levallois, FR
10 Béthune, FR
11 Birmingham, GB
12 Bełchatów, PL
13 Warsaw, PL
14 Odry, CZ
15 Budapest, HU
16 Sopron[3)], HU

Asia

17 Shanghai[3)], CN
18 Chennai, IN
19 Delhi, IN
20 Kolkata, IN
21 New Delhi, IN
22 Roha, IN
23 Jakarta, ID
24 Kamunting, MY
25 Nilai, MY
26 Singapore, SG
27 Hat Yai, TH

America

28 Winnipeg, CA
29 Querétaro, MX
30 Atlanta, Georgia, US
31 Brighton, New Jersey, US
32 Clearwater, Florida, US
33 Coppel, Texas, US
34 Fair Lawn, New Jersey, US
35 Ontario, California, US

Australia

36 Perth, AU
37 Thornton, AU

- Corporate headquarters Semperit AG Holding
- Production sites
- Sales sites
- Production and sales sites
- Sempermed
- Semperflex
- Semperform
- Sempertrans

1) Status of 31/12/2019. The business units Profiles and Rubber Sheeting were separated from the Semperform segment and are operated as a segment of their own under the name Semperseal as of 1 January 2020.
2) The Dalheim site was merged with the Hückelhoven site in 2019.
3) Two separate production sites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Investor Relations

With a stock market listing that dates back to 1890, Semperit is one of the oldest stocks trading on the Vienna stock exchange.

Performance of the Semperit share

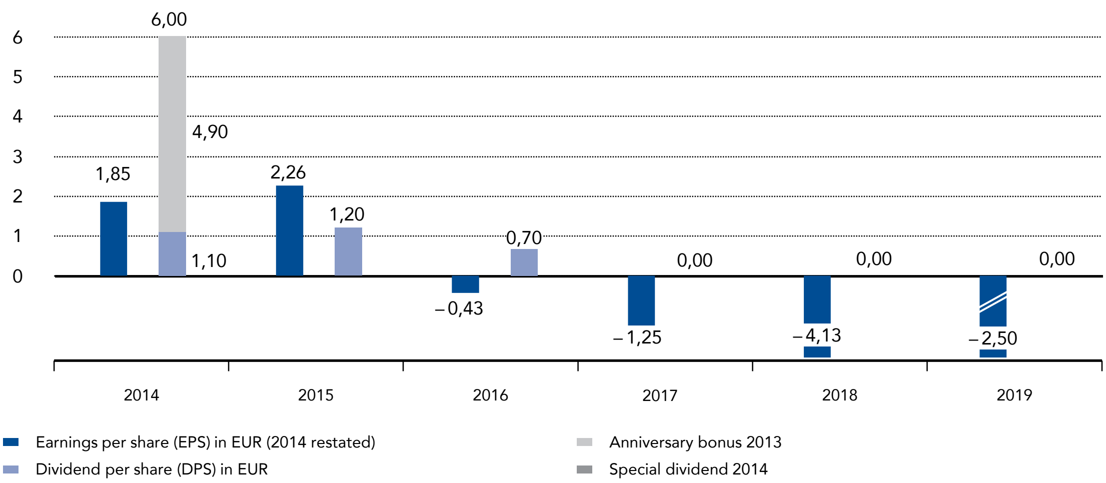
Starting from the closing price of EUR 9.96 in 2018, the Semperit share increased and reached an annual high of EUR 14.38 at the end of January. During the following months there were no unusual movements until mid-November: the share price fluctuated mostly between EUR 12 and 14 – although with a slightly declining trend. As a result of the publication of a possible impairment and its recognition in December, the share lost ground and fell below EUR 12 – but only fell below the EUR 11 limit on two days. At the end of December 2019, the share price closed at EUR 11.14. Since the beginning of 2020 and particularly after the announcement of the new strategic orientation at the end of January, a recovery has been evident for the time being – the share price exceeded the EUR 13 mark again and reached EUR 13.38 on 12 February 2020. However, due to the generally negative impact of the coronavirus on the financial markets, the share price was EUR 10.90 at the end of February.

At the end of 2019, market capitalisation totalled EUR 229 million, compared with EUR 205 million at the end of 2018. The average daily trading volume of Semperit shares was EUR 153 thousand or more than 12,000 units during 2019 (2018: EUR 281 thousand and more than 17,000 units).

Dividend

Semperit's dividend policy provides for paying out approximately 50% of Group earnings after tax to the shareholders – assuming continued successful performance and that no unusual circumstances occur. In 2019, Semperit AG Holding generated a net loss, as a result of which no dividend will be paid (no dividend was paid for 2018 either).

EPS and DPS



Communication with the capital market

Investor Relations online: www.semperitgroup.com/en/ir

The Semperit Group intends to provide current and potential shareholders with a complete picture of the company's business performance through a transparent and prompt communications policy. This should enable an accurate valuation of Semperit shares on the markets and facilitate a long-term relationship of trust with both shareholders and the general public.

The Chairman of the Management Board, the Chief Financial Officer and Investor Relations actively seek dialogue with key players in the financial markets. The focus was on participating in conferences and roadshows in European financial centres. Conversely, institutional investors participated in meetings in Vienna and toured the core production facility in Wimpassing. Analysts of the following institutions report on Semperit: Baader Bank, Erste Bank, HSBC, Kepler Cheuvreux and Raiffeisen Centrobank (RCB). The Investor Relations website plays an important role in communication. In addition to financial reports and presentations, it also provides a share chart tool for comparing with indices and selected shares.

Semperit share at a glance

		1.1. - 31.12.2019	Change	1.1. - 31.12.2018
Price at balance sheet date	in EUR	11.14	+11.8%	9.96
Lowest price	in EUR	10.22	+2.7%	9.95
Highest price	in EUR	14.38	–40.3%	24.10
Market capitalisation at balance sheet date	in EUR million	229.2	+11.8%	204.9
Number of shares issued	in unit	20,573,434	–	20,573,434
Earnings per share (EPS)[1]	in EUR	–2.50	–39.5%	–4.13
Dividend per share	in EUR	0.00	–	0.00
Average trading volume per day[2]	in EUR thousand	153	–45.5%	281
Average traded shares per day[2]	in unit	12,213	–28.6%	17,103

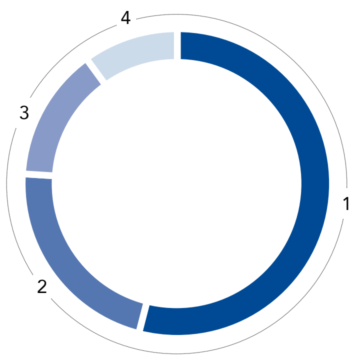
[1] Attributable to the shareholders of Semperit AG Holding.
[2] Single counting

Shareholder structure

Semperit AG Holding is listed with 20,573,434 no-par value bearer shares in the Prime Market of the Vienna Stock Exchange. B & C Semperit Holding GmbH is holding 50% of the shares; in total, B & C Privatstiftung has 54.18% (11,145,917 shares) of Semperit AG Holding. The B & C Privatstiftung is a private foundation which was established under Austrian law with the mission to foster Austrian entrepreneurship. The remaining shares are free float.

The following chart shows the shareholder structure by country/region according to shareholder identification in 2019.

Shareholder structure



1. B & C
54%
2. Austria
22%
3. Europe (exclusive Austria)
14%
4. North America
10%

Corporate Governance Report

Austrian Corporate Governance Code

The Austrian Corporate Governance Code, a regulatory framework for the management and monitoring of Austrian joint stock companies, has been established. This code contains internationally adopted, customary standards, as well as significant related regulations stipulated in the Austrian Stock Corporation-, Stock Exchange-, and Capital Markets Acts and is based on the EU recommendations on the tasks of supervisory board members and on the remuneration of directors as well as on the principles encompassed in the OECD Guidelines for Corporate Governance. The Code is aimed at ensuring a responsible management and supervision of individual companies and groups, with the goal of creating sustainable and long-lasting value. The code seeks to create a high level of transparency for all company stakeholders.

Companies voluntarily undertake to comply with the guidelines contained in the current version of the Austrian Corporate Governance Code as amended. The version of the Corporate Governance Code that is applicable to 2019 was issued in January 2018 and can be found on the website at www.corporate-governance.at.

Statement on Corporate Governance

The Semperit Group, as an internationally operating, publicly listed company, hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and that it also intends to observe the Code in the future or justify any deviating behaviour. Semperit AG Holding complies with all legally binding L-rules (Legal Requirements). Unless otherwise declared, the C-rules (Comply-or-Explain) will be observed by the relevant bodies and the company.

Management Board

Composition and function of the Management Board

The Management Board leads the company and consisted of three members in 2019. It has full responsibility for managing the company for the benefit of the enterprise while considering the interests of shareholders and employees as well as the public interest.

The Management Board's internal rules of procedure regulate the allocation of business responsibilities and the principles of cooperation between members of the Management Board. Decisions of primary importance are taken by the Board as a whole. The Management Board comprehensively and autonomously assumes communication tasks that have a significant impact on how the company is perceived by its stakeholders. Legally binding regulations, the Articles of Association, and the internal rules of procedure for the Management and Supervisory Board laid down by the Supervisory Board form the basis for corporate management.

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board are committed to managing the company in accordance with the principles of good corporate governance. This management takes place in open discussions between the Management Board and the Supervisory Board as well as within these corporate bodies. Among other things, the Management Board's internal rules of procedure govern the Management Board's ongoing reporting to the Supervisory Board. They also specify a catalogue of transactions and measures that, in addition to legal provisions, also require the Supervisory Board's explicit authorisation. The Supervisory Board controls the Management Board and supports it in managing the company, particularly when decisions of fundamental importance are to be made.

The strategic direction of the company is determined in close cooperation between the Management Board and the Supervisory Board and is discussed in Supervisory Board meetings held at regular intervals.

Organisational structure Semperit-Group 2019[1)]

Martin Füllenbach Chief Executive Officer		Frank Gumbinger Chief Financial Officer		Felix Fremerey Member of the Management Board	
Business Sector Industrial	Business Development	Finance Sectors Industrial and Medical	Accounting & Tax	Business Sector Medical	Manufacturing Engineering
Communications & Sustainability	Compliance	Controlling	Information Technology		
Human Resources	Mixing	Internal Audit	Investor Relations		
Pricing	Quality Management	Legal	Procurement		
Research & Development	Safety, Health & Environment	Risk Management	Treasury		
SemperMOVE10	World Class Manufacturing				

1) Since January 2020 Kristian Brok has been a member of the Management Board of Semperit AG Holding as Chief Operating Officer (COO), see page 20. From 1 January 2020, therefore, responsibilities will change as follows: Kristian Brok is responsible for Production Operations Industrial, Mixing, Quality Management, Safety, Health & Environment, World Class Manufacturing (renamed Operational Excellence in 2019), Procurement, Research & Development and Manufacturing Engineering. Martin Füllenbach takes over the Legal division; he is also responsible for the Business Development unit that includes Strategy and was renamed Corporate Development as of November 1, 2019. In addition, the Customer Excellence Center was established.

Corporate bodies of Semperit AG Holding: Management Board

Martin Füllenbach

Chairman of the Management Board since 1 June 2017, period of office ends on 31 December 2023 (early extension of the mandate, previously limited to 31 December 2020).

Martin Füllenbach studied economics and business organisation in Munich, and subsequently gained his doctorate in financial sciences at the University of Nuremberg. After more than ten years as an officer of the German Armed Forces with numerous international deployments, he took over tasks in the planning staff of the CEO and in programme planning of the military aircraft production at the aerospace company EADS at the beginning of his industrial career. From 2004 to 2007, Martin Füllenbach was Head of Corporate Development as well as from 2007 to 2012 Director of Voith Turbo, which is headquartered in Heidenheim, Germany: He was a member of the divisional management "drive technology" as well as CEO of the business unit "marine". Most recently, Martin Füllenbach was CEO of Oerlikon Leybold Vakuum in Cologne since 2012 and, in addition, an appointed member of the Group Management Board of OC Oerlikon AG in Pfäffikon, Switzerland, since 2014. He holds no Supervisory Board mandates in other companies that are not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code. However, he exercises an Advisory Board mandate of the Gebr. Becker GmbH, Germany.

Frank Gumbinger

Member of the Management Board since 1 December 2016, Chief Financial Officer (CFO), period of office ends on 19 March 2020 (early termination of the contract at his own request, originally planned end of term: 30 June 2022).[1)]

After completing his university degree in Business Administration at Goethe University in Frankfurt, Frank Gumbinger, born in 1968, worked as an auditor and consultant with PricewaterhouseCoopers from 1996 to 1998 prior to switching to Delton AG in Bad Homburg in 1999. He held various leading positions within the associated group companies until 2008. From 2001 to 2005 he was Head of the Corporate Development and Strategy Department as well as Head of Controlling with ERGO-PHARM Beteiligungsgesellschaft mbH/Heel GmbH. Then Gumbinger transferred within the group to become CFO of CEAG AG. Most recently, he was CFO of the Progroup AG in Landau. He holds no Supervisory Board mandates in other companies that are not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code. He is a member of the Advisory Board in the paper processing company Hanns Julius Lichtenberger GmbH, Germany.

Felix Fremerey

Member of the Management Board since 10 September 2018; period of office ends on 30 November 2020.

Felix Fremerey studied Industrial Engineering at the Technical University of Karlsruhe and obtained his doctorate in Mechanical Engineering at the Technical University of Stuttgart in cooperation with the Fraunhofer Institute IAO. As a mechanical and industrial engineer, the German national Felix Fremerey is a proven industrial and technical expert and has worked in management positions for several international companies. He acted as Chief Technology Officer of the engineering and construction company GEA AG. Felix Fremerey was also Member of the Board for Product Supply Management at the medical and hygiene products company Paul Hartmann AG, Advisory Board member of the logistics service provider Logistics Group International (LGI) as well as Managing Director of the Kajo Neukirchen Group. Most recently, Felix Fremerey held the newly created position of Chief Technology Officer (CTO) at B&C Industrieholding.

After Michele Melchiorre stepped down from his position on 10 September 2018, the Supervisory Board newly appointed Felix Fremerey to the Management Board. Until the replacement of the Management Board position, the Management Board responsibilities that were previously assumed by Michele Melchiorre will be taken over on an interim basis by Felix Fremerey and Martin Füllenbach. The Supervisory Board mandate of Felix Fremerey in Semperit AG Holding was suspended in the transition phase from 10 September 2018 until he resigned from the Supervisory Board on 8 May 2019. He is holding a Supervisory Board mandate at Lenzing AG.

Kristian Brok

Member of the Management Board since 1 January 2020, Chief Operating Officer; period of office ends on 31 December 2023.

Kristian Brok, born in 1965, was appointed as Chief Operating Officer of Semperit AG Holding on January 1, 2020. In this position, he is responsible for Operations in the Industrial Sector and for the areas of Manufacturing Engineering, Mixing, Operational Excellence, Procurement, Research & Development as well as Safety, Health & Environment (SHE). Kristian Brok studied Engineering at the Technical University of Denmark and pursued further education in innovation, product portfolio

[1)] Frank Gumbinger's contract will be terminated at his own request on 19 March 2020; his mandate was originally extended until 30 June 2022. Petra Preining was appointed as his interim successor with effect from 20 March 2020.

management and business insight at MIT, USA and INSEAD, France. He has more than 20 years of managerial experience operating in a high specification manufacturing and engineering business. Before joining Semperit, he spent ten years at Trelleborg Sealing Solutions (a division of Trelleborg AB) in several senior leadership positions, most recent nine years as a member of the Divisional Board and President of the Business Unit Global Operations Elastomers. In parallel he headed up legal entities in the USA, Mexico, China and India, as well as several legal entities in Europe. He holds no Supervisory Board mandates in other companies that are not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code.

Remuneration of the Management Board

In consideration at the end of 2019 (and of the active Management Board members at the end of 2018), the remuneration paid to the Management Board members in 2019 totalled EUR 2,402 thousand (2018: EUR 1,497 thousand) of which EUR 1,394 thousand or 58% (2018: EUR 1,052 thousand or 70%) consisted of fixed remuneration and EUR 1,008 thousand or 42% (2018: EUR 446 thousand or 30%) of variable salary components.

Remuneration paid to the Management Board

			2019			2018
in EUR thousand	Fixed remuneration (incl. payments in kind and daily allowances)[1]	Variable short- and long-term remuneration	Total	Fixed remuneration (incl. payments in kind and daily allowances)[1]	Variable short-term remuneration	Total
Martin Füllenbach	526	624	1,150	519	141	659
Frank Gumbinger	420	353	773	393	255	648
Felix Fremerey	448	31	479	140	50	190
Subtotal active Management Board Members (as of end of 2018)	**1,394**	**1,008**	**2,402**	**1,052**	**446**	**1,497**
Michele Melchiorre			–	298	211	509
Total	**1,394**	**1,008**	**2,402**	**1,349**	**657**	**2,006**

[1] The column for fixed remuneration includes the contributions for the employee pension fund.

Variable remuneration model for the Management Board for 2018

The remuneration of the Management Board consists of a fixed salary component, a short-term variable and a long-term variable component, as well as remuneration in kind. In 2018, remuneration of the Management Board is based on qualitative criteria.

A long-term variable bonus component (LTI/long-term incentive) that is linked to the achievement of sustainable, long-term and multi-year performance criteria/targets has been agreed for Martin Füllenbach and Franz Gumbinger. After determination of the objectives by the Remuneration Committee of the Supervisory Board, the amount of the annual LTI remuneration is determined every year according to the extent of objectives achieved and is credited to the LTI account ("remuneration"). Due to a change of the remuneration model for these two Management Board Members as of

1 January 2019, the proportionate LTI claims for 2017 and 2018 will be determined and paid out at the beginning of 2019.

The upper limits for variable, performance-based remuneration components (short- and long-term components) for Martin Füllenbach are at 197% of the annual fixed remuneration. The relevant upper limit for Frank Gumbinger is at 128% and for Felix Fremerey at 33% and is calculated from the short-term variable share plus the proportionate long-term bonus share in relation to the current fixed annual remuneration.

Variable remuneration model for the Management Board as of 1 January 2019

The remuneration regulations in the Management Board contracts were revised and standardised in 2018. The variable remuneration (short-term and long-term bonuses) was replaced by the revised remuneration model with effect from 1. January 2019.

The aim of the revision was to define ambitious and relevant goals for the Management Board in the interest of our stakeholders. The new remuneration model provides incentives for a sustainable corporate development and continues to comply with all legal requirements of the Stock Corporation Act as well as the recommendations of the Austrian Corporate Governance Code. Total remuneration continues to consist of a current fixed remuneration, a short-term variable (performance-related) share (“short-term Incentive” or “STI”) as well as a long-term variable (performance-related) share (“long-term incentive” or “LTI”).

The STI depends on the company’s success in the past financial year and, due to the ongoing transformation, takes into account the financial targets of corporate free cash flow and corporate EBITDA margin in 2019. In addition to the financial targets, the Remuneration Committee performs an annual assessment of non-financial criteria which may increase or decrease the bonus amount calculated from the financial targets by 20%. Prerequisite for a bonus claim is the achievement of a threshold value for at least one of the two financial targets. Payment is made in cash after the end of the respective financial year. The STI cannot exceed 150% of the STI target value.

The new LTI is granted on a rolling basis, i.e. in annual tranches with a three-year assessment period, and therefore provides incentives for a long-term and sustainable corporate success. For this purpose, the targets corporate annual net profit and corporate ROCE are assessed during the term of a tranche. In addition, the capital market performance of the company is rated in comparison with a selected group of publicly listed companies. For this purpose, the so-called total shareholder return – i.e. the share price development including dividend pay-out – is determined and opposed to the comparative group. The prerequisite for a bonus claim is the achievement of a threshold value for at least one of the three target values. Payment will be made in cash at the end of the three-year assessment period. The LTI cannot exceed 200% of the (absolute) LTI target value. If a member of the Management Board resigns prior to the end of the appointment period or if the member of the Management Board is dismissed for important reasons within the meaning of article 75 of the Stock Corporation Act, all claims from current LTI tranches whose assessment periods have not elapsed will expire.

Contributions to pensions

A defined-contribution pension agreement and/or an obligation to it has been established for the Management Board members Martin Füllenbach and Frank Gumbinger. Annually, the company pays approximately 1/10 of the respective fixed remuneration into a pension fund (APK Pensionskasse AG) for Martin Füllenbach and Frank Gumbinger. The amount of the pension is based on the capital available in the pension fund. The pay-out is made in accordance with the pension fund agreement. For Martin Füllenbach, the contractual implementation was made in 2018. All provisions made up to this point were paid in 2018 – as seen in the table below the values are accrued appropriately. There is no pension agreement for Felix Fremerey.

In addition, pension payments are made to previous Management Board members or their widows in accordance with the contractual commitments made by the company in the past.

Contributions to pensions

in EUR thousand	2019	2018
Martin Füllenbach	48	48
Frank Gumbinger	40	27
Michele Melchiorre	–	20
Total	**88**	**95**

Termination benefits – severance payments

The Management Board members Martin Füllenbach, Frank Gumbinger and Felix Fremerey are subject to the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbstständigenvorsorgegesetz – BMSVG). This Act stipulates that 1.53% of the individual's total remuneration (which includes all current remuneration, remuneration in kind and special payments) has to be paid to BONUS Vorsorgekasse AG.

Upon premature termination of the Management Board mandate, the framework conditions for premature termination of contracts, pursuant to C-rule 27a of the Austrian Corporate Governance Code, will be considered adequately.

The total amount of provisions for severance payments was EUR 0 thousand as of 31 December 2019, since all Management Board members are subject to the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbstständigenvorsorgegesetz – BMSVG) and therefore provisions for severance payments are not necessary.

Directors and Officers (D&O) Insurance

A Directors and Officers (D&O) insurance has been taken out for the members of the Management Board and senior executives. The company bears the related costs. In case of damage, deductibles were agreed for the Management Board members.

Supervisory Board

The Supervisory Board consists of eight shareholder representatives and four employee representatives and has resolved to establish the following committees consisting of its own members to carry out specific functions: Audit Committee, Remuneration Committee, Nominating Committee, Strategy and Transformation Committee, Committee for Urgent Issues, Sempermed Committee. The authority to make decisions and pass resolutions rests in the hands of the entire Supervisory Board.

Meetings of the Supervisory Board and ist committees in 2019

The Supervisory Board convened for six meetings. In 2019, no member of the Supervisory Board attended less than 50% of the meetings. In 2019, Peter Edelmann[1)] was Chairman of the Supervisory

[1)] On 9 January 2020, Peter Edelmann resigned from his position as Chairman of the Supervisory Board of Semperit AG Holding and from all committee chairs effective immediately. However, he remains a member of the Supervisory Board. Walter Koppensteiner, who has been a member of the Supervisory Board of Semperit AG Holding since 2012, has been nominated as the new Chairman of the Supervisory Board.

Board (as of 8 May 2019, after Christoph Kollatz); as in the previous year, Stefan Fida was his Deputy Chairman.

The **Audit Committee**, led by the financial expert Birgit Noggler (as of 8 May 2019, after Christoph Trentini), performs its duties in accordance with article 92 section 4a of the Austrian Stock Corporation Act and rule 40 of the Austrian Corporate Governance Code. The Audit Committee held six meetings and specifically dealt with the preparation of the resolution for the 2018 annual and consolidated financial statements, risk management, the internal control system, internal auditing, the compliance organisation, corporate governance and the preparation for the audit of the annual and consolidated financial statements for 2019.

The **Remuneration Committee**, chaired by Peter Edelmann[1)] (as of 8 May 2019, after Christoph Kollatz), held eight meetings dealing primarily with the performance assessment and the objectives of the members of the Management Board as well as further general remuneration topics of the Management Board. The Remuneration Committee also dealt with the monitoring of the execution of the employment agreements of the Management Board as well as the bonus system for blue-collar and white-collar workers. In addition, the Remuneration Committee is responsible for preparing and reviewing the remuneration policy for Management Board and Supervisory Board members as well as for monitoring the implementation of the remuneration policy for Management Board members.

The **Nominating Committee**, under the chairmanship of Peter Edelmann[1)] (as of 8 May 2019, after Christoph Kollatz), held seven meetings to deal, among other things, with initiating and ensuring a management assessment process, succession planning for the levels below the Management Board, and employee turnover. In addition to the talent development process, the focus was on employee diversity.

The **Strategy and Transformation Committee**[2)], under the chairmanship of Peter Edelmann[1)], dealt in detail with the transformation and restructuring of the company in three meetings in 2019.

The **Committee on the Sempermed segment**, chaired by Peter Edelmann[1)], held four meetings dealing with the restructuring of the Sempermed segment.

The **Committee for Urgent Issues**, chaired by Peter Edelmann[1)], did not hold any meetings dealing with the management of time-sensitive investment projects. However, circular resolutions relating to urgent business cases were made.

In 2019, the Supervisory Board discussed in plenary a **self-evaluation** conducted in the form of a questionnaire and in accordance with C-Rule 36 of the Austrian Corporate Governance Code. Measures were picked up and derived from it for the efficiency enhancement of the Supervisory Board activities. The results of the self-evaluation showed that the activities of the Supervisory Board have been assessed as good.

[1)] On 9 January 2020, Peter Edelmann resigned from his position as Chairman of the Supervisory Board of Semperit AG Holding and from all committee chairs effective immediately. However, he remains a member of the Supervisory Board. Walter Koppensteiner, who has been a member of the Supervisory Board of Semperit AG Holding since 2012, has been nominated as the new Chairman of the Supervisory Board.

[2)] As of 9 January 2020, the Strategy and Transformation Committee was divided into two committees.

Corporate bodies of Semperit AG Holding: Supervisory Board

Composition of the Supervisory Board[1)]

		Year of birth	First appointed	End of current term of office[2)]	Supervisory board position in other listed companies
Shareholder representative					
Walter Koppensteiner Chairman	3) 4)	1959	23/04/2012	Until the Annual General Meeting resolving upon the 2022 financial year	–
Stefan Fida Deputy Chairman	3)	1979	29/04/2014	Until the Annual General Meeting resolving upon the 2020 financial year	Lenzing AG
Peter Edelmann Member	3)	1959	08/05/2019	Until the Annual General Meeting resolving upon the 2021 financial year	Lenzing AG AMAG Austria Metall AG
Klaus Friedrich Erkes Member	3) 4)	1958	23/05/2017	Until the Annual General Meeting resolving upon the 2022 financial year	–
Birgit Noggler Member	3)	1974	08/05/2019	Until the Annual General Meeting resolving upon the 2020 financial year	Raiffeisen Bank International
Petra Preining Member	3)	1973	23/05/2017	Until the Annual General Meeting resolving upon the 2019 financial year	Frequentis AG
Patrick Prügger Member	3)	1975	14/04/2011	Until the Annual General Meeting resolving upon the 2021 financial year	Lenzing AG AMAG Austria Metall AG
Astrid Skala-Kuhmann Member	3)	1953	29/04/2014	Until the Annual General Meeting resolving upon the 2020 financial year	Lenzing AG
Employee representative					**Works council function**
Sigrid Haipl		1960	26/03/2012	–	Member of the Central Works Council of Semperit AG Holding, Member of the European Works Council, Chair of the Works Council – White-collar workers, Vienna
Michaela Jagschitz		1961	29/04/2014	–	Member of the Works Council – White-collar workers, Wimpassing
Michael Schwiegelhofer		1975	08/03/2017	–	Deputy Chairman of the Central Works Council of Semperit AG Holding, Chair of the Works Council Blue-collar workers, Wimpassing
Markus Stocker		1979	01/01/2017	–	Chairman of the Central Works Council of Semperit AG Holding, Deputy Chairman of the European Works Council, Chairman of the Works Council – White-collar workers, Wimpassing

1) As of 19 March 2020
2) Pursuant to the Articles of Association, at least two members of the Supervisory Board automatically leave their positions every year at the end of the Annual General Meeting.
3) Have declared their independence vis-à-vis the Supervisory Board in accordance with C-Rule 53 of the Austrian Corporate Governance Code
4) No representation by a shareholder over 10% (C-Rule 54 of the Austrian Corporate Governance Code).

Resigned members of the Supervisory Board

	Year of birth	First appointed to the Supervisory Board	End of term of current office
Shareholder representative			
Felix Fremerey Member	1961	25/04/2018	Resigned the mandate on 08/05/2019
Christoph Kollatz Chairman	1960	25/04/2018	Resigned the mandate on 08/05/2019
Christoph Trentini Member	1968	25/04/2018	Resigned the mandate on 08/05/2019

Guidelines for the independence of Supervisory Board members

The Supervisory Board has adopted the guidelines for independence according to appendix 1 of the Austrian Corporate Governance Code. Thereafter, all members of the Supervisory Board declared that their independency of the company and its Management Board. According to C-Rule 54 of the Austrian Corporate Governance Code, the members Klaus Erkes and Walter Koppensteiner have declared that they have not been shareholders of the company with an investment of more than 10%, respectively, nor represented the interests of such shareholders in 2019.

Composition of the Committees of the Supervisory Board[1)]

Committee	Members
Committee for Urgent Issues	Walter Koppensteiner (Chairman)[2)] Patrick Prügger Markus Stocker
Committee for the Sempermed segment	Walter Koppensteiner (Chairman)[2)] Stefan Fida Birgit Noggler Petra Preining Michael Schwiegelhofer Markus Stocker
Nominating Committee	Walter Koppensteiner (Chairman)[2)] Stefan Fida Astrid Skala-Kuhmann Sigrid Haipl Markus Stocker
Audit Committee	Birgit Noggler (Chairwoman)[3)] Patrick Prügger Walter Koppensteiner Petra Preining Michael Schwiegelhofer Markus Stocker
Strategy Committee	Walter Koppensteiner (Chairman)[2)] Klaus Erkes Birgit Noggler Astrid Skala-Kuhmann Sigrid Haipl Markus Stocker
Transformation Committee	Walter Koppensteiner (Chairman)[2)] Klaus Erkes Birgit Noggler Petra Preining Michael Schwiegelhofer Markus Stocker
Remuneration Committee	Walter Koppensteiner (Chairman)[2)] Stefan Fida Markus Stocker

1) As of 19 March 2020
2) On 9 January 2020, Peter Edelmann resigned from his position as Chairman of the Supervisory Board of Semperit AG Holding and from all committee chairs effective immediately. However, he remains a member of the Supervisory Board. Walter Koppensteiner, who has been a member of the Supervisory Board of Semperit AG Holding since 2012, has been nominated as the new Chairman of the Supervisory Board.
3) Since 8 May 2019

Remuneration of the Supervisory Board

On 8 May 2019, the Annual General Meeting adopted the remuneration structure and amount for the Supervisory Board members for the past financial year 2018 and for the first time for 2019. Remunerations totalling EUR 429.6 thousand were paid to Supervisory Board members in 2018 (EUR 519.3 thousand in 2018 for 2017) and EUR 442.6 thousand for 2019. A Directors and Officers (D&O) insurance has been taken out for the members of the Supervisory Board; the company bears the related costs.

Remuneration paid in 2019 for 2018 to shareholder representatives in the Supervisory Board[1)]

in EUR	Base remuneration	Remuneration for membership of the committee	Attendance fee	Total
Veit Sorger, Chairman until 25/04/2018	16,667	10,000	6,000	32,667
Patrick Prügger, first Deputy Chairman[2)]	11,667	19,166	6,000	36,833
Stefan Fida, second Deputy Chairman[3)]	35,000	10,833	18,000	63,833
Klaus F. Erkes	20,000	5,000	8,000	33,000
Felix Fremerey[4)]	6,666	6,667	6,000	19,333
Christoph Kollatz, Chairman from 25/04/2018[5)]	33,333	29,584	15,000	77,917
Walter Koppensteiner	20,000	8,333	10,000	38,333
Petra Preining	20,000	5,833	9,000	34,833
Astrid Skala-Kuhmann	20,000	4,167	7,000	31,167
Felix Strohbichler[6)]	6,667	–	1,000	7,667
Christoph Trentini[7)]	13,333	26,667	14,000	54,000
Total	**203,333**	**126,250**	**100,000**	**429,583**

Remuneration paid in 2019 for 2019 to shareholder representatives in the Supervisory Board[1)]

in EUR	Base remuneration	Remuneration for membership of the committee	Attendance fee	Total
Peter Edelmann, Chairman from 08/05/2019[8)]	31,250	34,375	12,000	77,625
Patrick Prügger, first Deputy Chairman[2)]	12,500	3,125	7,000	22,625
Stefan Fida, second Deputy Chairman[3)]	35,000	15,000	14,000	64,000
Klaus F. Erkes	20,000	5,000	8,000	33,000
Christoph Kollatz, Chairman until 08/05/2019[5)]	18,750	20,625	9,000	48,375
Walter Koppensteiner[8)]	20,000	20,000	13,000	53,000
Birgit Noggler[9)]	12,500	21,875	10,000	44,375
Petra Preining	20,000	5,000	9,000	34,000
Astrid Skala-Kuhmann	20,000	10,000	7,000	37,000
Christoph Trentini[7)]	7,500	13,125	8,000	28,625
Total	**197,500**	**148,125**	**97,000**	**442,625**

1) Employee representatives receive no remuneration
2) First Deputy Chairman from 23/05/2017 to 25/04/2018 (resignation). Re-election to the Supervisory Board as of 08/05/2019
3) Second Deputy Chairman from 23/05/2017 to 25/04/2018, since then Deputy Chairman
4) Member from 25/04/2018 to 08/05/2019. His Supervisory Board mandate was suspended from his membership in the Management Board on 10/09/2018 until he stepped down from the Supervisory Board on 08/05/2019, which is why no remuneration was paid during this transition phase.
5) Chairman from 25/04/2018 to 08/05/2019
6) Member until 25/04/2018 (resignation)
7) Member from 25/04/2018 to 08/05/2019 (resignation)
8) On 9 January 2020, Peter Edelmann resigned from his position as Chairman of the Supervisory Board of Semperit AG Holding and from all committee chairs effective immediately. However, he remains a member of the Supervisory Board. Walter Koppensteiner, who has been a member of the Supervisory Board of Semperit AG Holding since 2012, has been nominated as the new Chairman of the Supervisory Board.
9) Member since 08/05/2019

Managers’ transactions

Transactions with shares or debt instruments of the company or related derivatives respectively financial instruments carried out by members of the Management Board or the Supervisory Board are published in accordance with Article 19 of the Market Abuse Regulation: http://issuerinfo.oekb.at/startpage.html.

Equal opportunities and diversity

Respect, diversity and inclusion are integral and indispensable elements of the corporate culture of Semperit AG Holding and are always considered when recruiting people for functions. When proposals are made to the Annual General Meeting for filling Supervisory Board mandates and nominating Management Board members, special importance is attached to a professional and diversity-related balance, because it contributes significantly to professionalism and efficiency in the work of the Supervisory and Management Boards. In addition to professional and personal qualifications, aspects such as the age structure, origin, sex, education and background experience are integrated. A written diversity concept was agreed on 1 February 2018. Already since May 2017, the Supervisory Board of Semperit AG Holding has met the women’s quota of 30%, which is legally required as of 2018.

Advancement of women

Semperit is committed to equal opportunities for all employees – regardless of age, gender, nationality, religion, skin colour or sexual orientation. It is the abilities and potentials within people that count. Using flexible work models such as flexitime and part-time work, as well as special parental part-time arrangements, the group aims at continuously increasing the proportion of female employees. As a traditional industrial company with a technical focus, the share of women in Austria and Group-wide was 20% in 2019 (2018: 21%). The share of female employees amounted to 26% (2018: 25%) throughout Europe. Since May 2017, Semperit has met the 30% quota for women in the Supervisory Board, which has been required by law since 2018. There were no women in the Management Board. Overall, the share of women in management (Management Board, Executive Committee, Management Forum, department heads) was around 9% (2018: 10%).

Issuer compliance directive

In order to implement and ensure compliance with all relevant stock exchange regulations, Semperit AG Holding has issued its own Issuer Compliance Policy designed to prevent the misuse or dissemination of insider information. Compliance is monitored and administered by a specially designated Issuer Compliance Officer who reports directly to the Management Board.

Code of Conduct

Beyond stock exchange compliance, Semperit Group has a compliance organisation that covers all corporate units. A Group Compliance Officer receives support in fulfilling his responsibilities from compliance officers working in the subsidiaries of the Semperit Group. The Group Compliance Officer reports any incidents to the Compliance Board. The Compliance Board consists of the CEO, CFO and the Group Compliance Officer, who is responsible for anti-corruption, antitrust law, export control, data protection and as the representative for capital market compliance. Other monitoring fields of the Compliance Board are the Business Partner Check, accepting gifts and invitations, whistleblowing and conflicts of interest.

The Code of Conduct applies to all employees and managers and is available in several languages. Its most important objectives are to avoid corruption, money laundering, human rights violations and insider trading. In addition, it deals with aspects of data protection, export restrictions and the protection of the interests of all stakeholders. These requirements for behaviour are further specified in thematic compliance guidelines that are available to all employees on the Intranet. Employees receive an in-depth and practical training on the matters referred to in the Code of Conduct. In addition, the relevant employees are regularly updated about current issues, or when appropriate. The Code of Conduct can be viewed at the following website: www.semperitgroup.com/en/about-us/compliance/.

In order to support the above-mentioned targets of the Code of Conduct, the information hotline "SemperLine" was set up in January 2018 after obtaining the necessary authorisations for data protection. Employees as well as external people are welcome to report significant infringements of the Code of Conduct: www.semperitgroup.com/en/about-us/compliance/semperline/.

Risk Management & Assurance

The Group Risk Management & Assurance department assumes the central coordination, moderation and monitoring of the structured risk management process for the group as a whole. Relevant risks are prioritised from various perspectives and later their effects and probability of occurrence are assessed. Responsibilities have been identified, measures defined, and the tracking ensured. The bottom-up identification and prioritisation process is supported by workshops with the management of the respective Semperit company. This element ensures that potential new risks are put up for discussion on management level and are included in reporting afterwards in case of relevance. These risks are discussed and coordinated with the managing directors of the segments and the competence center. Individual reports are made after visiting the respective Semperit company. In addition, top-down risks of the managers of segment and competence centres as well as the Management Board are also included and backed up with measures. The regular reporting process is complemented by an ad-hoc reporting process to escalate critical issues in time. At least once a year, a comprehensive risk report on individual risks, including aggregation, is submitted to the Audit Committee and the Supervisory Board.

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. has audited and confirmed the effectiveness of the risk management system of the Semperit Group for 2019 according to the C-Rule 83 of the Corporate Governance Code.

The purpose of the internal control system of Semperit is to ensure the effectiveness and efficiency of business operations, the reliability of financial reporting, and adherence to applicable laws and regulations. It also supports the early recognition and monitoring of risks from inadequate monitoring systems and fraudulent actions and is revised and expanded on an ongoing basis by the Risk Management & Assurance department together with the relevant specialist departments. The management of the respective business units is responsible for the implementation and monitoring of the ICS and the risk management system. Cross-sectoral, group-wide standards and regulations are determined by the Management Board of Semperit AG Holding. Follow-up audits are undertaken at the various locations to ensure a sustainable implementation of the standards and regulations.

External evaluation

In accordance with C-Rule 62 of the Austrian Corporate Governance Code, the Semperit Group engaged an external organisation to evaluate its compliance with the stipulations contained in the Code and the accuracy of the associated public reporting for 2019. This evaluation, which was performed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, did not identify any facts inconsistent with the declaration of the Management Board and Supervisory Board found in the Corporate Governance Report 2019 of the company with respect to its compliance with the C-Rules of the Austrian Corporate Governance Code. In accordance with C-Rule 62, a new evaluation will take place for 2022.

Vienna, 19 March 2020
The Management Board

Martin Füllenbach
Chairman, Chief Executive Officer

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Kristian Brok
Chief Operating Officer

Report of the Supervisory Board

Dear Sir or Madam,

Walter Koppensteiner,
Chairman of the
Supervisory Board

The Semperit Group successfully continued the restructuring and transformation course in the Industrial Sector and looks back on a good year 2019. In contrast, it was not possible to improve the results in the Medical Sector to the same extent. For this reason, after a thorough evaluation of the situation, the decision was made at the beginning of 2020 to separate from the medical segment. This portfolio decision paves the way for an unrestricted focus on the Industrial Sector.

It is positive for the further implementation of the chosen transformation path that the Supervisory Board was able to win Martin Füllenbach for an early extension of his contract for another four years. Unfortunately, Frank Gumbinger will leave the company for personal reasons in 2020 after about three and a half years. The Supervisory Board would like to take this opportunity to thank him in advance for his commitment to the company.

At the beginning of 2020, Peter Edelmann resigned from his mandate as Chairman of the Supervisory Board and Walter Koppensteiner was elected new Chairman of the Supervisory Board.

In 2019, the **Supervisory Board** was informed by the Management Board on the course of the business in six meetings and discussed the strategic development as well as the restructuring and transformation of the company. In addition, significant business cases and individual measures were discussed, and the necessary resolutions passed.

The Management Board reported to the Supervisory Board on the development of business on a monthly regular basis. Prior to Supervisory Board meetings, detailed written documents about the Group were made available. Furthermore, the Chairman of the Supervisory Board and his Deputy received reports on the business development and the Group's situation on a regular basis beyond the meetings.

The **Audit Committee** held three meetings, focusing particularly on the preparation of the adoption of the annual and consolidated financial statements for 2018 and, in addition, on the risk management, the internal control system, internal auditing, the compliance organisation, corporate governance, IT security ("cyber security") and the preparation of the annual and consolidated financial statements for 2019.

In eight meetings, the **Remuneration Committee** focused on the performance assessment and agreement of targets of the members of the Management Board as well as the preparation and reviewing of the remuneration policy for members of the Management Board and the Supervisory Board. In addition, the Remuneration Committee dealt with the introduction of a new remuneration system for the Supervisory Board members whose contracts were extended prematurely. Furthermore, the committee dealt with the remuneration system for the newly appointed Management Board member Kristian Brok, and the bonus systems for blue-collar and white-collar employees.

Among other things, the **Nominating Committee** spent seven meetings on initiating and securing a management assessment process, succession planning for the levels below the Management Board, and employee turnover. In addition to the talent development process, the focus was on employee diversity. Furthermore, the Nominating Committee dealt with the extension of Management Board mandates.

The **Strategy and Transformation Committee** reviewed in detail the portfolio decision as well as the corporate transformation and restructuring during three meetings.

The **Committee on the Sempermed Segment** held four meetings and dealt with the restructuring of the Sempermed segment.

The **Committee for Urgent Issues** has not held a meeting to handle time-sensitive investment projects. However, circular resolutions relating to urgent business cases were made.

In the Annual General meeting of 25 April 2019, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, was appointed to serve as the auditor of the financial statements and consolidated financial statements for the 2019 fiscal year. The financial statements and consolidated financial statements of Semperit AG Holding as of 31 December 2019 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, which issued an unqualified audit opinion. The management report and the group management report are in accordance with the financial statements and consolidated statements. An independent audit of statements and data was made by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, on non-financial reporting (Sustainability Report) for 2019.

In its meeting held on 12 March 2020, the Audit Committee of the Supervisory Board dealt in particular with the annual financial statements, the consolidated financial statements, the group management report, the corporate governance report, the sustainability report and the auditor's report. Moreover, the Committee discussed the results of the audit in detail with the auditor. On the basis of its own audit, the Audit Committee concurred with the auditor's results and reported them to the Supervisory Board. Based on the efficient auditing process for the consolidated financial statements of 2019, the Audit Committee recommended to the Supervisory Board to propose to the Annual General Meeting the reappointment of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, as auditor for 2020.

The Supervisory Board has examined the annual financial statements, the consolidated financial statements, the management report, the group management report, the corporate governance report and the sustainability report, and concurs with the conclusions of the auditor. The Supervisory Board formally approves the annual financial statements for 2019, which are consequently adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act. The corporate governance report, the sustainability report, the management report and consolidated financial statements for 2019 have been approved by the Supervisory Board. The Supervisory Board follows the recommendation of the Audit Committee and proposes to the Annual General Meeting to reappoint Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, for auditing 2020.

Since the Semperit Group achieved negative earnings after tax in 2019, no dividend will be proposed at the Annual General Meeting in accordance with the dividend policy.

The Supervisory Board members would like to thank the Management Board, the Management Forum and all employees of the Semperit Group for their dedication and commitment. Special thanks also go to the shareholders, customers and partners of Semperit for the trust they have placed in us.

Vienna, 19 March 2020

Walter Koppensteiner
Chairman of the Supervisory Board

Group Management Report

Economic environment

The International Monetary Fund (IMF) has made another downward adjustment for its growth forecast for 2020 published in January 2020 in comparison with the version of October 2019. While global economic growth is estimated to be 2.9% in 2019, it is now expected to be 3.3% instead of the 3.4% forecast in October 2019. For 2020, the forecast for emerging and developing countries now stands at 4.4% (so far 4.6%) after 3.7% in 2019, followed by the USA at 2.0% (so far 2.1%) after 2.3% in 2019 and the euro zone at 1.3% (so far 1.4%) after 1.2% in 2019. Growth expectations for the euro zone are thus 0.1 percentage points lower than the World Economic Outlook published by the IMF in October 2019. The growth forecasts for the three large economies in the euro zone, Germany, France and Italy, remain unchanged, except for Germany with a decline of 0.1 percentage points.

In its forecast published in December 2019, the German Institute for Economic Research (ifo) speaks of an unlikely overall economic recession, but of a continued divided German economy, as industry is still in recession. ifo expects the economic output to rise by 1.1% in 2020, after 0.5% in 2019.

Among the biggest pressures on global economic development are the ongoing trade disputes between the USA and China as well as the economic effects of the Corona virus (SARS-CoV-2), which cannot be assessed yet but are significantly increasing in importance. The first negative effects are already apparent, which clearly exceed the opportunities of the Sempermed segment.

Developments in the raw materials markets

The markets for rubber (natural and synthetic rubber), carbon black, wire as well as a variety of chemicals with various markets (that is why these are not discussed here in more detail) are very important for the rubber industry. The development of these markets in the natural rubber field is influenced, among other things, by weather conditions, while the fields of synthetic rubber and carbon black are characterised by supplier behaviour and costs for basic raw materials, which are affected by the price of crude oil. Demand is partially influenced by the main buyers of rubber products, the tyre and automotive industry.

The price indices for natural rubber and natural latex have shown an increase since the end of 2018, which continued until the beginning of the third quarter of 2019 and then fell back to the level of the fourth quarter of 2018. By comparison, the average values for 2019 were higher than in the same period of the previous year.

In 2018, the prices for butadiene, along with other important basic raw materials for the production of synthetic rubber and synthetic latex, showed a relatively strong upward trend. At the beginning of the fourth quarter of 2018, there was a decline, followed by a sideways movement. The prices for butadiene, which is of particular relevance as a basic raw material in the Semperflex, Sempertrans and Sempermed segments, were significantly lower in 2019 than in the previous year.

Development of raw materials used primarily in the Industrial Sector was somewhat differentiated. The filling material carbon black is important for all three segments of the Industrial Sector. The basic raw material "heavy fuel oil" (HFO) for carbon black showed a sharp rise in 2019 until the end of the second quarter, then corrected down again in the course of the third quarter of 2019, following Brent crude oil. Since the beginning of the fourth quarter of 2019, the trend has decoupled somewhat from the price of crude oil.

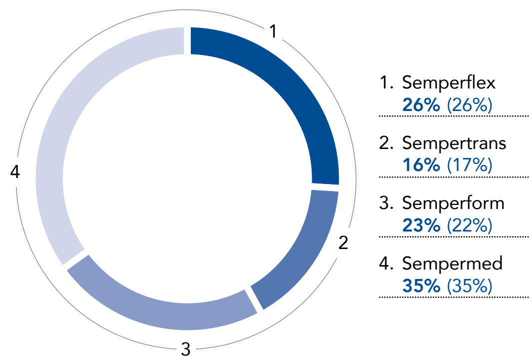
In 2019, the prices for wire rod, an intermediate product for wire, which is mainly used in the Semperflex and Sempertrans segments, were below the average value for 2018.

Revenue and earnings development

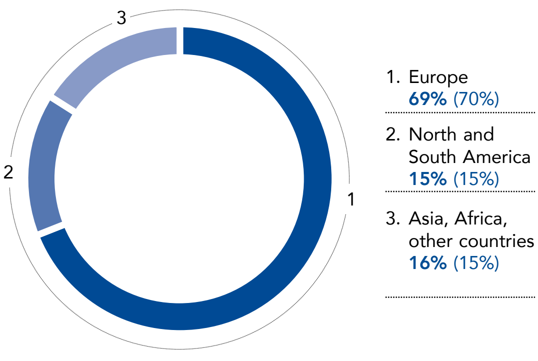
In 2019, the Semperit Group recorded a decrease in revenue by –4.3% to EUR 840.6 million compared with the same period of the previous year. Both the Industrial and the Medical Sectors recorded a negative divergence: The decrease amounted to –3.5% in the Industrial Sector and –5.8% in the Medical Sector (for details on the development of Sectors and segments, see page 41). The decrease in the Industrial Sector was primarily influenced by a decline in volume sold in the Semperflex segment, but also by the increased focus on profitability in the Sempertrans segment. The decline in revenue in the Medical Sector is primarily due to a strategically induced decline in trade items.

With a share of 65%, the Industrial Sector made the largest contribution to the Group's total revenue in 2019, while the Medical Sector accounted for 35% again.

Revenue split by segments 2019 (2018)



Revenue split by region 2019 (2018)



In 2019, inventories decreased by EUR 15.1 million as a result of the active working capital management of own products, while in 2018 inventories had been reduced by EUR 3.7 million.

Other operating income amounted to EUR 8.0 million in 2019 (EUR 5.4 million in 2018). It should be noted that in the first quarter of 2019, this included earnings of EUR 1.3 million from the sale of tangible assets from the production site in China, which was closed in 2018. In addition, income of around EUR 1.9 million was realised from the insured event following the fire at the Sempertrans plant in India at the beginning of the year.

In the course of the revision of the Group’s chart of accounts, the disclosure of certain expense types has been harmonised Group-wide from the first quarter of 2019 onwards. The comparative figures for 2018 were adjusted accordingly (see notes 1.6).

In 2019, cost materials decreased by EUR 59.3 million or –11.3% to EUR 465.7 million. The change is primarily impacted by a decline in volumes sold and therefore lower costs of material and partially lower raw material prices.

In 2019, personnel expenses rose to EUR 196.7 million (+3.6%) compared to the previous year (2018: EUR 189.9 million – see presentation changes in the consolidated financial statements), which is, among other things, due to wage and salary increases and an increased average headcount in Odry due to the expansion of the Semperflex site as well as tightened immigration policies and raising the minimum wage level in Malaysia.

At EUR 106.3 million, other operating expenses were below the last year's period at EUR 122.2 million. Compared with 2019, 2018 on the one hand also included higher consulting expenses relating to Semperit's restructuring and transformation. On the other hand, other operating expenses included the positive effect of the reversal of a provision for tax proceedings relating to levies in Brazil as a result of a final court decision of 12 November 2019 in favour of Semperit. The corresponding provision reversal of EUR 4.0 million was booked correspondingly, thus other operating expenses were reduced (see note 2.6).

The item "Share of profits from associated companies" of EUR 0.5 million (2018: EUR 0.5 million) included the contribution of the relatively small company Synergy Health Allershausen GmbH, which is headquartered in Germany and sterilises surgical gloves for the Sempermed segment.

EBITDA (earnings before interest, tax, depreciation and amortisation) rose from EUR 46.4 million in 2018 to EUR 67.8 million in 2019. Adjusted for the one-off effects, EBITDA increased from EUR 50.3 million last year (excluding the negative one-off effects of EUR 3.9 million from the shutdown of the Sempertrans site in China) to EUR 63.8 million (excluding the positive one-off effects of EUR 4.0 million from the reversal of provisions in Brazil). The EBITDA margin increased from 5.3% to 8.1% in 2019 and clearly reflects the profitability improved by the restructuring and transformation process (adjusted: 7.6% compared with 5.7% in the previous year).

In the Sempermed segment, an impairment loss amounting to EUR 46.8 million was recognised as of 30 September 2019 due to current information on the competitive situation of the medical business. This amount was changed by additions to assets and foreign exchange differences in the fourth quarter and amounted to EUR 48.8 million as of 31 December 2019 (see note 3.2). This was offset by impairment losses totalling EUR 60.0 million in 2018. Of this amount, EUR 55.8 million was attributable to the Sempermed segment and EUR 4.1 million to the Sempertrans segment (see notes to the consolidated financial statements, 2.1 Segment reporting and 3.2 Tangible assets). In addition, current depreciation slightly increased to EUR 34.4 million (+0.8%) compared with EUR 34.1 million in 2018, due to the capacity expansion in Odry (Semperflex).

EBIT (earnings before interest and tax) improved to EUR –16.5 million in 2019 after EUR –47.7 million in the previous year. The EBIT margin was –2.0% in 2019 after –5.4% in the previous year. Adjusted for the one-off effects (2019: reversal of provisions amounting to EUR 4.0 million and Sempermed impairment amounting to EUR 48.8 million; 2018: EUR 7.8 million from the shutdown of the Sempertrans site in China and the Sempermed impairment amounting to EUR 55.2 million), EBIT amounted to EUR 28.2 million, compared with EUR 15.4 million in the previous year, while the adjusted EBIT margin improved from 1.7% to 3.4%.

Key figures Semperit Group

in EUR million	2019[1)]	Change	2018[2)]
Revenue	840.6	–4.3%	878.5
EBITDA adjusted	63.8	+26.8%	50.3
EBITDA margin adjusted	7.6%	+1.9 PP	5.7%
EBITDA	67.8	+46.1%	46.4
EBITDA margin	8.1%	+2.8 PP	5.3%
EBIT adjusted	28.2	+83.4%	15.4
EBIT margin adjusted	3.4%	+1.7 PP	1.7%
EBIT	–16.5	–65.4%	–47.7
EBIT margin	–2.0%	+3.4 PP	–5.4%
Earnings after tax adjusted	–0.2	–98.9%	–17.3
Earnings after tax	–44.9	–44.1%	–80.4
Additions tos in tangible and intangible assets	31.4	–61.3%	81.1
Employees (at balance sheet date)	6,902	+1.9%	6,773

1) 2019 adjusted for the positive one-off effect from the reversal of a provision for the tax proceedings on levies in Brazil (EBITDA, EBIT and earnings after tax: EUR 4.0 million), and for the negative effect of the Sempermed impairment loss (EBIT and earnings after tax: EUR –48.8 million) on the segment
2) 2018 adjusted for the negative one-off effects from the shutdown of the Sempertrans site in China (EBITDA, EBIT and earnings after tax: EUR –3.9 million), and for the negative effect of the impairment loss (EBITDA, EBIT and earnings after tax: for the Sempermed segment amounting to EUR –55.2 million as well as EUR –7.8 million from the shutdown of the Chinese site in the Sempertrans segment)

The financial result totalled EUR 13.2 million in 2019 after EUR 15.6 million in 2018. At EUR 0.9 million, financial income, which includes primarily income from bank balances, was below the previous year's value. Financial expenses (primarily interest expenses for loans and credits) amounted to EUR 8.3 million in 2019 and were therefore below the previous year's value of EUR 9.2 million, primarily due to the reduction of financial liabilities.

In 2019, the item "Profit/loss attributable to redeemable non-controlling interests" at EUR 4.1 million was below the previous year's level (2018: EUR 4.3 million). Semperflex Asia Corp. Ltd., which produces hydraulic hoses in Thailand and continues to be operated with the joint venture partner Sri Trang, and Sempertrans Best (ShanDong) Belting Co. Ltd. in China in the Sempertrans segment. The second company is in liquidation.

At EUR –1.7 million, the negative other financial results were better than in the previous year (EUR –3.3 million). The change resulted primarily from foreign exchange gains in 2019 in contrast to losses in the previous year, which more than offset the higher level of losses from losses on financial instruments in 2019 compared to 2018.

Income tax expenses decreased by EUR 1.8 million to EUR 15.3 million in 2019. In the previous year, this item included impairment losses from deferred tax assets. In 2019, primarily deferred tax liabilities were built up.

Earnings after tax totalled EUR –44.9 million for 2019 compared with EUR –80.4 million for 2018. Earnings per share amounted to EUR –2.50 in 2019 after EUR –4.13 in 2018. Adjusted for the one-off effects, earnings after tax amounted to EUR 0.2 million compared with EUR –17.3 million in the previous year.

Dividend and treasury shares

Semperit's dividend policy is, in principle: The pay-out ratio to shareholders is around 50% of earnings after tax – assuming continued successful performance and that no unusual circumstances occur. In the past year of 2019, Semperit AG Holding generated a net loss, as a result of which no dividend will be paid (no dividend was paid for the 2018 fiscal year either).

Semperit AG Holding does not own treasury shares as of 31 December 2019.

Assets and financial position

Compared with the balance as of 31 December 2018, the balance sheet total as of 31 December 2019 changed by EUR –67.0 million to EUR 701.8 million.

On the assets side, there were changes due to the increase in cash and cash equivalents, investments in tangible assets and the first-time recognition of right-of-use assets as a result of the first-time application of IFRS 16. Inventories fell. This was offset particularly by the reduction of tangible assets by the impairment recognised for the Sempermed segment.

On the liabilities side, the first-time recognition of leasing liabilities as a result of the first-time application of IFRS 16 caused an increase, while other financial liabilities remained almost unchanged. In addition, other current liabilities and liabilities from redeemable non-controlling interests increased. This on the reduction of equity due to negative earnings after tax and payments of the hybrid coupon amounting to EUR 10.5 million as well as the decline in trade payables and particularly the decrease in financial liabilities due to repayments of Schuldschein loans.

Trade working capital (inventories plus trade receivables minus current trade payables) decreased from EUR 184.3 million to EUR 155.2 million since the end of 2019 and therefore calculated on a rolling basis constituted 18.5% of revenue (year-end 2018: 21.0%). The change is primarily attributable to declining inventories (–18.8%) and lower trade receivables (–7.0%) despite lower current trade receivables (–9.2%).

Cash and cash equivalents amounted to EUR 141.4 million at the end of December 2019 and were therefore above the level at the end of 2018 (EUR 121.5 million). The reason for this was, among other things, the positive operating cash flow, lower investments in tangible and intangible assets as well as the change in trade working capital.

As of 31 December 2019, the Semperit Group's equity (without non-controlling interests) at EUR 273.4 million was below the level at the end of December 2018 at EUR 329.5 million. Therefore, an equity ratio of 39.0% was calculated as of 31 December 2019 (year-end 2018: 42.9%).

Return on equity was –16.3% (2018: –24.2%) for 2019, which is calculated based on earnings after tax (excl. attributable to non-controlling interests) of EUR –44.9 million (2018: EUR –80.4 million) in relation to the equity of EUR 273.4 million attributable to the shareholders of Semperit AG Holding.

Debt decreased to EUR 427.7 million compared with EUR 438.4 million at the end of 2018 – a decrease of EUR 10.7 million, primarily due to the repayment of Schuldschein loans and the decrease in trade payables, despite the opposite effect due to the recognition of leasing liabilities as a result of the first-time application of IFRS 16.

Financial liabilities (including primarily liabilities from the Schuldschein loan and to banks) stood at EUR 214.8 million at 31 December 2019 after EUR 234.2 million at the end of 2018. Taking into consideration cash and cash equivalents of EUR 141.4 million (year-end 2018: EUR 121.5 million), this resulted in an overall net debt of EUR 73.5 million as of 31 December 2019 (net debt at the end of 2018: EUR 112.7 million). The net debt/EBITDA ratio (net debt in relation to EBITDA) as of 31 December 2019 is therefore 1.08 (year-end 2018: 2.43).

The liabilities from redeemable non-controlling interests increased to EUR 18.5 million (2018: EUR 13.4 million). Provisions including social capital amounted to EUR 67.4 million and were therefore lower than EUR 69.3 million at the end of 2018. Trades payable fell to EUR 61.5 million (year-end 2018: EUR 67.7 million) and were considered in trade working capital. Other liabilities (other liabilities, deferred taxes, current income taxes and other financial liabilities) increased to EUR 65.3 million after EUR 53.7 million.

Hybrid capital

On 12 December 2017, the Management Board of Semperit AG Holding signed an agreement regarding a hybrid capital line amounting to up to EUR 150 million with B & C Holding GmbH, a wholly-owned subsidiary of the core shareholder B & C Industrieholding GmbH. Under IFRS accounting rules, hybrid capital has to be classified as equity. In March 2018, EUR 130.0 million were drawn from the hybrid capital. At the end of September 2019, interest for the hybrid capital (for the period from March 2018 to September 2019) amounting to EUR 10.5 million was paid. The possibility of using the EUR 20 million not yet drawn was postponed until the end of 2020. For more details see point 5.2 Hybrid capital in the notes.

Cash flow

The gross cash flow in 2019 amounted to EUR 46.7 million after EUR 37.4 million in 2018. In both years, earnings were burdened by impairments, which were added back to the cash flow from earnings as non-cash bookings.

Cash flow from operating activities increased to EUR 90.2 million in 2019 (2018: EUR 10.2 million), which was primarily due to the reduction of inventories and the changes in trade receivables and trade payables in addition to improved operational earnings.

The cash flow from investing activities was EUR –29.4 million in 2019 and therefore significantly below the previous year's value of EUR –76.9 million, which was primarily due to reduced investment activities. Therefore, free cash flow as significantly positive at EUR 60.8 million (2018: EUR –66.8 million).

In 2019, at EUR –43.3 million, cash flow from financing activities was below the value of 2018 at EUR 22.1 million. The value in 2018 was overall positively influenced by the incoming payment from the hybrid capital (EUR 130 million), which was offset by the repayment of liabilities to banks. At the end of September 2019, interest on hybrid capital (for the period March 2018 to September 2019) was paid in the amount of EUR 10.5 million, which is treated as dividend payments according to IFRS.

Investments

At EUR 31.9 million, cash-relevant investments in tangible and intangible assets in 2019 were lower than in the previous year (EUR 80.8 million). The focus was primarily on capacity maintenance investments as well as improvement and expansion investments. The largest investments were made at the sites in Malaysia (EUR 9.6 million), the Czech Republic (EUR 4.9 million) and Poland (EUR 7.4 million).

Related-party transactions with companies and individuals

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

Additional information

Branch offices

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

Corporate Governance

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

www.semperitgroup.com/en/ir/corporate-governance/corporate-governance-reports/.

Performance of the sectors and segments

Industrial Sector

The reduced market demand was reflected in the Industrial Sector (Semperflex, Sempertrans and Semperform segments): while Semperflex and Semperform recorded only a slight decrease in revenue, the decline in revenue turned out to be higher for Sempertrans, which was primarily due to strategic changes (focus on order book quality). Overall, revenue in the Sector fell by 3.5% from EUR 567.0 million to EUR 547.2 million in 2019.

However, profitability was increased due to the positive impact of the initiatives of the restructuring and transformation programme in the segments of the Industrial Sector. EBITDA increased by +22.6% to EUR 87.5 million, while EBIT rose by +36.5% to EUR 60.9 million. The EBITDA margin improved from 12.6% to 16.0% and the EBIT margin from 7.9% to 11.1%.

In terms of the absolute EBITDA contribution, the Semperflex segment contributed by far the largest share, followed by Semperform and Sempertrans.

Key figures Industrial Sector

in EUR million	2019	Change	2018[1)]
Revenue	547.2	–3.5%	567.0
EBITDA adjusted	87.5	+16.3%	75.2
EBITDA margin adjusted	16.0%	+2.7 PP	13.3%
EBITDA	87.5	+22.6%	71.3
EBITDA margin	16.0%	+3.4 PP	12.6%
EBIT adjusted	60.9	+16.2%	52.4
EBIT margin adjusted	11.1%	+1.9 PP	9.2%
EBIT	60.9	+36.5%	44.6
EBIT margin	11.1%	+3.2 PP	7.9%
Additions to tangible and intangible assets	22.7	–66.4%	67.6
Employees (at balance sheet date)	3,602	–1.4%	3,654

[1)] 2018 adjusted for the negative one-off effects from the shutdown of the Sempertrans site in China (EBITDA: EUR –3.9 million; EBIT: EUR –7.8 million)

Semperflex segment

Currently, the Semperflex segment is facing a declining market demand. This is due to mostly well-filled customer warehouses, industry-specific declines in original equipment and growing uncertainty about the future economic development. This decrease in market demand is also reflected by declining incoming orders in recent months, both for hydraulic hoses and industrial hoses.

In contrast to some benchmark companies that felt the negative effects of market uncertainty much earlier, the well-filled order book at the beginning of the year meant that the revenue level in the first three quarters of 2019 remained largely the same. It was only from the fourth quarter onwards that the decline in volumes was noticeable – a total of –3.2% compared with the same period last year. Despite the positive effect of the measures to increase productivity, EBITDA was below the previous year's level although only –2.0%. The EBITDA margin was 21.5% after 21.3% in 2018, while the EBIT margin was 16.2% after 16.7% in 2018.

The business unit for hydraulic hoses achieved sales and revenue successes primarily in Europe, the USA and China. This also applies to the business unit for industrial hoses, where market successes in America are particularly noteworthy.

In view of the difficult market situation and as a result of the declining incoming orders, the outlook for the coming months and quarters is more pessimistic. Corresponding adjustments have been made to production volumes.

Key figures Semperflex

in EUR million	2019	Change	2018
Revenue	222.7	–3.2%	230.0
EBITDA	47.9	–2.0%	48.9
EBITDA margin	21.5%	+0.2 PP	21.3%
EBIT	36.0	–6.4%	38.4
EBIT margin	16.2%	–0.5 PP	16.7%
Additions to tangible and intangible assets	10.2	–66.2%	30.1
Employees (at balance sheet date)	1,672	–5.9%	1,776

Sempertrans segment

The Sempertrans segment recorded a year-on-year decline in revenue in 2019, which was primarily due to the increased focus on profitable orders with higher margins.

Revenue decreased by –7.4% due to the lower volume with higher order quality. As a result of the successful restructuring and transformation programme, profitability was further increased: in 2019, the EBITDA margin was 10.1% compared with 0.4% in 2018 (3.0% adjusted for the shutdown of the Chinese site in 2018), while the EBIT margin in 2019 was 6.7% compared with –4.9% in 2018 (0.5% adjusted value in 2018). The reported figures in 2019 included a profit of EUR 1.3 million from the sale of tangible assets from the production site in China, which was closed in 2018, as well as insurance income of EUR 1.9 million following the fire at the Indian plant at the beginning of the year.

Currently, there are signs of slight pressure on order books for 2020 as a result of slightly reduced general demand, particularly in Europe. Nevertheless, Sempertrans was able to expand its sales markets outside Europe with two strategically important new contracts with two of the world's most important mining companies.

Key figures Sempertrans

in EUR million	2019	Change	2018[1]
Revenue	134.0	–7.4%	144.8
EBITDA adjusted	13.5	>100%	4.4
EBITDA margin adjusted	10.1%	+7.1 PP	3.0%
EBITDA	13.5	>100%	0.5
EBITDA margin	10.1%	+9.7 PP	0.4%
EBIT adjusted	8.9	>100%	0.7
EBIT margin adjusted	6.7%	+6.2 PP	0.5%
EBIT	8.9	–	–7.1
EBIT margin	6.7%	+11.6 PP	–4.9%
Additions to tangible and intangible assets	4.7	–82.4%	26.8
Employees (at balance sheet date)	939	+7.0%	878

[1] 2018 adjusted for the negative one-off effect from the shutdown of the Sempertrans site in China (EBITDA: EUR –3.9 million; EBIT: EUR –7.8 million)

Semperform segment

Demand in the Semperform segment was good in the industrial field, but continued to slow down in infrastructure and construction, with varying effects on sales of the individual business units. As a result, the fight for market shares intensified and orders were placed at even shorter notice.

In a comparison of 2019 with the previous year, revenue remained almost unchanged (–0.8%), while increases in EBITDA (+18.8%) and EBIT (+20.9%) were recorded. Profitability also rose: the EBITDA margin was 13.6% (2018: 11.4%), while the EBIT margin was 8.4% (2018: 6.9%). A good operational implementation of the restructuring and transformation process delivered encouraging profitability results.

There are currently signs of uncertainty in the markets, making it here too even more important to focus on further market development outside Europe. At the same time, restructuring measures will remain in the foreground. This stronger focus will be supported by the separation of the segment into the two separately managed segments Semperseal and Semperform as of 1 January 2020 as part of the new strategy.

Key figures Semperform

in EUR million	2019	Change	2018
Revenue	190.6	–0.8%	192.2
EBITDA	26.0	+18.8%	21.9
EBITDA margin	13.6%	+2.2 PP	11.4%
EBIT	16.0	+20.9%	13.2
EBIT margin	8.4%	+1.5 PP	6.9%
Additions to tangible and intangible assets	7.8	–26.6%	10.7
Employees (at balance sheet date)	990	–1.0%	1,000

Medical Sector: Sempermed segment

In the Sempermed segment, revenue in 2019 fell by –5.8% to EUR 293.3 million compared to the previous year. Business with surgical gloves, which are produced at the main plant in Wimpassing, Austria, recorded a slight increase in revenue compared to the previous year. Sales of examination and protective gloves, on the other hand, were 7% below the values of the previous year.

In 2019, the business development was characterised by the strategic shift in sales volumes from merchandise to in-house production in Malaysia and a continued trend towards nitrile gloves. The order situation is under increasing pressure as some major customers are optimising their inventories or expanding their supplier base due to the difficult market and price situation. Based on current information on the competitive situation of the medical business, a need for impairment was identified as of 30 September 2019.

However, the successful operational restructuring measures made it possible to considerably increase productivity; consequently, the operating result turned positive again overall despite a slightly negative first and fourth quarter. Semperit also received a positive decision on the tax proceedings relating to levies in Brazil. As a result, a provision of EUR 4.0 million was released. Therefore, EBITDA in 2019 was EUR 5.5 million after EUR –3.9 million in the previous year. Adjusted for the positive one-off effect from the release of provisions, EBITDA rose to EUR 1.4 million in 2019 compared to the negative EBITDA of the previous year at EUR –3.9 million.

As a result of the impairment amounting to EUR 48.8 million, EBIT was EUR –50.2 million compared to EUR –69.6 million in the previous year. Since a higher impairment of EUR 55.2 million had to be recorded in 2018, the adjusted EBIT of 2019 was EUR –5.5 million compared to EUR –14.3 million in the previous year.

Although Sempermed's key operating figures have clearly improved since the second quarter of 2019, the Medical Sector is characterised by strongly intensified competitive dynamics. The gap between Sempermed and the market leaders in terms of capacity is growing ever wider. After thoroughly examining various alternatives, the Management Board therefore decided at the beginning of 2020 to separate from the medical business.

Key figures Sempermed

in EUR million	2019[1)]	Change	2018[2)]
Revenue	293.3	–5.8%	311.5
EBITDA adjusted	1.4	–	–3.9
EBITDA margin adjusted	0.5%	+1.8 PP	–1.3%
EBITDA	5.5	–	–3.9
EBITDA margin	1.9%	+3.2 PP	–1.3%
EBIT adjusted	–5.5	–61.9%	–14.3
EBIT margin adjusted	–1.9%	+2.7 PP	–4.6%
EBIT	–50.2	–27.9%	–69.6
EBIT margin	–17.1%	+5.2 PP	–22.3%
Additions to tangible and intangible assets	8.0	–35.2%	12.4
Employees (at balance sheet date)	3,165	+6.2%	2,979

1) 2019 adjusted for the positive one-off effect from the reversal of provisions for the tax procedures on levies in Brazil (EBITDA, EBIT: EUR 4.0 million), and also for the negative effect of the impairment for the Sempermed segment (EBIT and earnings after tax: EUR –48.8 million)
2) 2018 adjusted for the negative effect of the impairment (EBITDA, EBIT: EUR –55.2 million)

Sustainability

The Semperit Group published its third sustainability report for the reporting year 2019. Six key topics were defined in the course of sustainability management: energy use & consumption, raw materials & material use, sustainability in the supply chain, sustainability & innovation, occupational safety & health protection and social standards & working conditions. Compliance and integrity are considered the basis for all actions. The various key topics of the activities in the individual areas are described in more detail in the Sustainability Report. For further details see www.semperitgroup.com/en/ir/reports-and-presentations/sustainability-reports/.

Employees

As of 31 December 2019, the number of employees was 6,902, which is +1.9% above the level of 31 December 2018. The employee headcount rose in the Sempermed and Sempertrans segments, while the headcount fell in the other segments. The analysis by segments shows that around 46% of all employees work in the Sempermed segment, while around 24% work in the Semperflex segment, around 14% in the Sempertrans and around 14% in the Semperform segment.

Research and development

The Research & Development team (R&D team) of the Semperit Group is continuously working on the development of innovative materials and products as well as on the improvement of manufacturing processes. Topics such as resource and energy efficiency, consideration of the life cycle perspective as well as health and environmental compatibility in product application are always top priorities in research and development work. In 2019, expenses in research and development remained almost unchanged and amounted to around EUR 15.5 million (EUR 14.0 million in 2018) and therefore around 1.7%(2018: 1.6%) of revenue.

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

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

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

Supervisory and Management Board matters

The Supervisory Board mandates of Christoph Kollatz and Felix Fremerey expired on 8 May 2019 (date of the Annual General Meeting). Christoph Trentini resigned from the Supervisory Board at his own request on the same day. The Supervisory Board mandate of Felix Fremerey, which has been dormant since September 2018, was not extended as he has assumed operational responsibility for the Sempermed segment on the Management Board. At the Annual General Meeting on 8 May 2019, Peter Edelmann and Birgit Noggler were newly elected to the Supervisory Board, while Patrick Prügger was reelected. In the constituent meeting of the Supervisory Board, which took place following the Annual General Meeting, Peter Edelmann was elected successor to Christoph Kollatz as Chairman of the Supervisory Board. Stefan Fida remained Deputy Chairman of the Supervisory Board. Birgit Noggler took over the chairmanship of the Audit Committee of Semperit AG Holding.

On 9 January 2020, Peter Edelmann resigned from his position as Chairman of the Supervisory Board and from his chairs in the Supervisory Board committees of Semperit AG Holding effective immediately. However, he remains a member of the Supervisory Board. Walter Koppensteiner, who has been a member of the Supervisory Board since 2012, has been nominated as the new Chairman of the Supervisory Board.

The Supervisory Board of Semperit AG Holding has prematurely extended the Management Board mandate of CEO Martin Füllenbach until 31 December 2023 and the Management Board mandate of Felix Fremerey until 30 November 2020. In addition, Kristian Bok has been a member of the Management Board as Chief Operating Officer (COO) since 1 January 2020; his mandate will end on 31 December 2023. The contract of the Chief Financial Officer (CFO) Frank Gumbinger will be terminated at his own request on 19 March 2020; the mandate was originally extended until 30 June 2022. Petra Preining was appointed interim successor with effect from 20 March 2020.

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

1. The share capital of Semperit AG Holding amounted to EUR 21,358,996.53 as at 31 December 2019 and consisted of 20,573,434 non-par-value ordinary shares, each carrying equal rights in every respect.

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

3. B & C Semperit Holding GmbH directly owned more than 50% of the shares in Semperit AG Holding as at 31 December 2019 and is the majority shareholder of Semperit AG Holding. The private foundation B & C Privatstiftung is the highest controlling legal entity. B & C Holding Österreich GmbH is an indirect majority shareholder, who prepares and publishes consolidated financial statements including the Semperit Group.

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

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

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

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

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

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

[1] The numbering in this chapter refers to the numbers mentioned in Section 243a (1) UGB (Austrian Commercial Code).

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

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

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

The Annual General Meeting on 25 April 2018 authorised the Management Board with the consent of the Supervisory Board, to repurchase and, if applicable, retire own shares up to the legally permitted maximum of 10% of the share capital for a period of 30 months from the adoption of the resolution in the Annual General Meeting in accordance with Section 65 (1) (8) of the AktG. At the same Annual General Meeting, the Management Board was authorised, pursuant to Section 65 (1b) of the AktG and with the consent of the Supervisory Board, to decide on a different method of selling shares than via the stock exchange or through a public offer and on a possible exclusion of the pre-emption rights (subscription right) of shareholders. There is currently no share buyback programme and the company does not hold any treasury shares.

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

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

Risk management

Basic principles of risk management

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

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

Enterprise risk management process

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

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

Along a structured process combining elements of both the bottom-up and the top-down approach, risks are identified and evaluated. In the reporting period within the framework of the ERM approach, the risk assessment usually amounts to one and five years, according to medium-term planning. Transition to a five-year risk assessment period started in 2019. The ERM is based on a net principle, according to which the risks remaining after (control) measures have been conducted are addressed. If risks have already been accounted for in planning, in medium-term planning or in the consolidated financial statements, these risks are no longer shown. Only those potential deviations from the business objectives which have not been accounted for financially in any form are presented as risks. The progress made in implementing risk-reducing measures is monitored on a regular basis.

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

Organisation of risk management and responsibilities

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

The Group Risk Management & Assurance department is supported in the process by the individual corporate companies. The update on the measures is largely provided directly by the risk and action owners. Measures to reduce risks are also implemented in the form of insurance contracts (see also "Insurable risks").

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

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. audited and confirmed the functionality of the risk management system of Semperit for the year 2018 in accordance with C-Rule 83 of the Austrian Code of Corporate Governance.

Risk report

The global economic development with its strong regional variations continuously confronts Semperit as a group with international activities with new challenges. The Semperit Group operates in countries with different economic framework conditions. Moreover, these countries are in different phases of political, constitutional and social development. The success of the Semperit Group's two sectors and/or the four operating segments depends on the overall economic environment to a varying degree based on their strategic orientation. Accordingly, the Semperit Group is exposed to risks.

An assessment of the general market risks and the development of the global economy is presented in the respective chapters of the management report.

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

Strategic risks

Transformation, restructuring and governance risks

The Semperit Group is undergoing a restructuring and transformation process including cost-reduction initiatives, restructuring of individual segments, evaluation of the Semperit Group's portfolio as well as adjustments in the manufacturing footprint. The management information system, which only exists to a limited extent, and the lack of structures and standardised processes lead to risks of corporate management due to insufficient data and non-stable processes, and hence to potentially incorrect decisions.

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

Like other international companies, the Semperit Group, as a publicly listed company, is exposed to the risk of hostile takeover attempts. This could hinder the implementation of the strategy and the restructuring and transformation process and therefore negatively impact the business, asset, financial and earnings situation of the Group.

Technology development

The markets in which the Semperit Group operates are subject to significant changes resulting from the introduction of innovative and disruptive technologies. In the area of digitalisation (Industry 4.0), there are risks of the substitution of existing products and new business models. In addition, there is a risk that competitors are able to launch their products and solutions in the market earlier than the Semperit Group due to faster time-to-market strategies. The development of results significantly depends on the ability to anticipate changes in the markets, to adjust accordingly and to cut the manufacturing costs of the products. The introduction of new products and technologies requires a strong commitment to research and development, which is associated with substantial investments of financial resources and is not always successful. This could lead to a negative influence on the earnings situation, when investments do not lead to the expected success or are not met with the expected market acceptance. Existing patents and other intellectual property rights of Semperit cannot completely prevent competitors from developing and selling products themselves that are very similar to Semperit products.

Customer needs and market trends

There is an inherent risk for the Semperit Group that market trends are not identified in due time or that the company is not flexible enough to adjust its products, production and services to market changes in time. This may lead to a non-competitive cost position and a significant negative effect on the business, asset, financial and earnings position of the Semperit Group.

Operational risks

Organisational risks

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

Investment and divestment risks

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

In addition, the usual transaction, contract and guarantee risks exist in the context of the announced separation from the Sempermed segment. The announcement of the separation from the Sempermed segment creates a high degree of uncertainty among the staff, which could possibly lead to increased fluctuation, reduced productivity and loss of know-how.

Value chain risks

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

The earnings position of the Semperit Group depends on the reliable and effective management of the supply chain for raw materials and mixes. Capacity limitations and supply shortages could lead to delays and additional costs. The Semperit Group is fully dependent on external suppliers with regard to raw material and energy supply, and partially depends on them for the supply of mixes. This reduces the indirect possibilities of influencing productivity, quality assurance, delivery dates and costs, and increases the risk of not being able to react in due time and adequately to changing situations. The corona virus SARS-CoV-2 could also have a negative impact on the supply chain, as the Semperit Group regularly purchases raw materials in China.

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

Procurement risks

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

Furthermore, the Sempermed segment is to a large extent dependent on the supply of finished products by third parties.

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

Production and utilisation risks

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

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

Risiken der Informationstechnologie (IT) und des Datenschutzes

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

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

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

Personnel risks

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

Labour shortages or restrictions on the admission of guest workers or outsourcing, state minimum wage regimes, strikes or outflow/unauthorised disclosure of know-how may lead to an impairment of production and to limitations in other business areas, thus also burdening productivity and the business, asset, financial and earnings position.

External criminal actions

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

Financial risks

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

Capital, financial and liquidity risks (capital management)

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

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

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

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

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

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

Foreign currency risks

Foreign currency risks can generally be divided in transaction and translation risks. A transaction risk exists in the case of receivables or payables in a foreign currency, whose value may change due to exchange rate fluctuations. The translation risk refers to possible value fluctuations of assets as a result of changes of exchange rates and occurs in the consolidation of subsidiaries that do not enter in EUR. Due to international trade relations and existing subsidiaries all over the world, the Semperit Group is exposed to both risks.

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

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

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

Interest rate risks

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

The external financings of the Semperit Group are partly variable and partly fixed interest rates. With an increase in variable interest rates, this leads to higher interest expenses. The Semperit Group is exposed to the cash value risk when fixed market interests decline. Individual risk positions were hedged in 2018 as well as 2019 using derivative financial instruments. For details see the notes under point 11 Risk management/Management of interest rate risks.

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

Default risks of customers and banks

The Semperit Group is exposed to the default risk with regard to receivables from customers. If the credit rating of Semperit customers deteriorates, the default risk increases. The default of a key business partner could have a negative impact on the receivables and the results of the Semperit Group. Due to a higher counterparty risk, the costs for hedging credit risks could be increased.

There are also default risks relating to the Semperit Group's bank deposits. These deposits are not or only partially secured by deposit protection funds. In case of bankruptcy of individual banks or another bank and/or financial crisis, the Semperit Group might not or only partially or only with some delay be able to access this liquidity or credit lines.

There are additional risks in the case of a loss of value of collateral transferred to the Semperit Group.

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

Tax risks

The group companies of the Semperit Group are subject to local tax legislation in the respective countries and have to pay profit taxes as well as other (local) taxes and fees. Changes in tax legislation and regulations in these jurisdictions could lead to higher tax expenses. A negative influence on tax receivables and liabilities of the Semperit Group as well as on deferred tax assets and liabilities is also possible. Unused tax loss carryforwards could be subject to tax audits and be questioned in part. Moreover, uncertainties in the tax environment of some regions could limit the possibilities of enforcing our own rights. The Semperit Group and its local companies are subject to regular tax audits by financial authorities which may entail negative findings.

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

For the resale levy (resale PIS(COFINS) in 2017, a deposit was set for the further treatment of the case in the court instances. The provision is therefore offset by a corresponding claim from possible refund claims. For the assessment years 2011 and 2012, the management assumes that a limitation period has materialised (see 7.2., Other provisions, in the notes).

Compliance risks

Regulatory risks and potential sanctions

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

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

Risks arising from cartel and corruption allegations

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

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

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

Risks related to legal proceedings

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

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

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

Occupational safety, health and environmental risks (SHE)

Present or future occupational safety-related, health-related and environmental or other state regulations, or changes of such regulations, could require adjustments of the operating activities of the Semperit Group or lead to a significant increase in operating costs. Moreover, there are risks regarding a possible occupational safety-related, environmental and health-related incident, also when handling hazardous substances, as well as non-compliance with environmental, health- or occupational safety-related regulations, which could subsequently lead to severe accidents, reputation loss and legal consequences. Environmental damage could result in losses for the Semperit Group, which exceed the insured amount or are not covered by insurance, and such losses could have a negative impact on the business, asset, financial and earnings position.

Compliance risks regarding Corporate Social Responsibility (CSR)

There is a risk of violating existing CSR regulations of the local jurisdictions and NGOs (non-governmental organisation) in the respective countries, of which the company is currently not aware. In addition to burdens on the company's business, asset, financial and earnings position, this could also result in reputational damage and loss of customers (for detailed risk description also see Sustainability Report).

Insurable risks

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

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

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

Market risks

Competitive environment

The global markets for the Semperit Group's products are highly competitive in terms of pricing, product and service quality, product development and introduction times, customer service and financing conditions, and shifts in market needs. The Semperit Group is confronted with strong competitors, partially also from emerging countries, which have a more favourable cost structure. Some industries in which the Semperit Group operates are undergoing consolidation, which could lead to increased competition and a change in the relative market position of the Semperit Group. Furthermore, it must be noted that suppliers are also increasingly becoming serious competitors for the Semperit Group.

Economic, political and geopolitical framework conditions

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

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

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

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

Internal Control System (ICS)

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

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

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

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

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

Chances

In addition to monitoring the risks for the company, an essential part of the tasks of corporate management is to identify the corresponding opportunities in good time and to use them for the company as far as possible. In the context of the strategic reorientation of the Semperit Group, the management currently sees the focus of identifiable potential in the Industrial Sector and therefore in the transformation of the company into an industrial rubber specialist. The Industrial Sector is characterised by a significantly higher profitability, a more successful performance and the option for technological differentiation in regional and application-based niches. In the future, the potentials in the Industrial Sector shall be better utilised through a significant increase in customer intimacy, a more market-oriented direction of the organisation and a stronger focus on regions, particularly America, as well as industries. The aim is to serve existing and future markets faster and more effectively.

Outlook

At the end of January 2020, the Management Board announced the goal of transformation into an industrial rubber specialist as part of the strategic reorientation of the Semperit Group and decided to separate from the medical business. The Management Board will continue to pursue the path it has taken with all due consistency. Continuous and potentially new measures to increase profitability remain at the top of the Management Board's agenda.

At the same time, the higher pressure on the economy is clearly perceptible. The slowdown in economic development is visible above all in the Industrial Sector and will be reflected – with varying intensity in the individual segments – in lower revenues and earnings, especially in the first half of 2020.

Although the Medical Sector is showing signs of a slight operational improvement as a result of the successful operational restructuring of recent years, the market environment remains tense. Therefore, the timely sale of the entire medical division is a key goal of the management. In this context, negative one-off effects may arise in 2020.

The current threat of a pandemic caused by the coronavirus (SARS-CoV-2) makes the assessment of the coming year even more difficult. It must be assumed that this situation will have negative effects on the global economy, the extent of which cannot yet be estimated at the present time. In addition to production interruptions and plant closures, as Semperit has already seen in China, disruptions in the supply chain with regard to the availability of raw materials, reduced customer demand and available freight capacities have to be expected. The first negative effects for the entire Semperit Group, which clearly exceed the opportunities of the Sempermed segment, are already apparent. The Semperit Group has already initiated appropriate measures – such as the protection of employees or the partial increase in safety stocks – as far as currently possible.

Against this background, Semperit expects a year that will be characterised by major challenges. This will be reflected in lower results due to global economic challenges. Due to the high level of uncertainty with regard to short-term economic developments, particularly in the context of the effects of the coronavirus (SARS-CoV-2), the Semperit Group will probably only be able to provide estimates for the expected development of revenues and profitability at the earliest within the scope of the publication of the Q1 2020 results. For 2020, the Group expects a CAPEX level below EUR 40 million.

Note
This outlook is based on the assessments of the Management Board as of 19 March 2020. 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, 19 March 2020

The Management Board

Martin Füllenbach
Chairman, Chier Executive Officer

Frank Gumbinger
Chierf Financial Officer

Felix Fremerey
Member of the Management Board

MSc Kristian Brok
Chier Operating Officer

Consolidated Financial Statements

Consolidated income statement

in EUR thousand	Note	2019	2018[1]
Revenue	2.2	840,568	878,482
Changes in inventories		–15,121	–3,665
Own work capitalised		2,603	2,744
Operating revenue		**828,050**	**877,561**
Other operating income	2.3	8,020	5,409
Cost of material and purchased services	1.6, 2.4	–465,653	–524,998
Personnel expenses	1.6, 2.5	–196,696	–189,916
Other operating expenses	1.6, 2.6	–106,346	–122,157
Share of profits from associated companies	10.3	462	530
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2.1**	**67,837**	**46,428**
Depreciation and amortisation of tangible and intangible assets	3.1, 3.2	–34,422	–34,146
Impairment of tangible and intangible assets	3.1, 3.2	–49,898	–59,969
Earnings before interest and tax (EBIT)	**2.1**	**–16,483**	**–47,687**
Finance income	2.7	946	1,158
Finance expenses	2.7	–8,327	–9,179
Profit / loss attributable to redeemable non-controlling interests	6.1	–4,067	–4,251
Other financial result	2.7	–1,712	–3,298
Financial result		**–13,160**	**–15,571**
Earnings before tax		**–29,643**	**–63,258**
Income taxes	2.8	–15,277	–17,104
Earnings after tax		**–44,920**	**–80,362**
thereof attributable to the shareholders of Semperit AG Holding – from ordinary shares	2.9	–51,419	–84,971
thereof attributable to the shareholders of Semperit AG Holding – from hybrid capital	2.9	6,938	5,327
thereof attributable to non-controlling interests	2.9	–439	–719
Earnings per share in EUR (diluted and undiluted)[2]	**2.9**	**–2.50**	**–4.13**

[1] The comparison figures have been adjusted (see Chapter 1.6).
[2] Earnings per share are solely attributable to the ordinary shareholders of Semperit AG Holding (excluding payments from hybrid capital).

Consolidated statement of comprehensive income

in EUR thousand	Note	2019	2018
Earnings after tax		**–44,920**	**–80,362**
Other comprehensive income that will not be recognised through profit and loss in future periods		**–1,902**	**–396**
Remeasurements of defined benefit plans	7.1	–2,073	–180
thereof revaluation gains / losses for the period		–2,073	–180
thereof related to income tax	9	171	–215
Other comprehensive income that will be recognised through profit and loss in future periods		**1,345**	**679**
Cash flow hedges		491	–352
thereof revaluation gains / losses for the period	11	387	–1,221
thereof reclassification to profit / loss for the period		104	869
Currency translation differences		979	896
thereof currency translation differences for the period		979	896
thereof reclassification to profit / loss for the period		0	0
thereof related to income tax	9	–124	135
Other comprehensive income		**–557**	**283**
Comprehensive income		**–45,477**	**–80,079**
thereof on earnings attributable to the shareholders of Semperit AG Holding – from ordinary shares		–51,967	–84,763
thereof on earnings attributable to the shareholders of Semperit AG Holding – from hybrid capital		6,938	5,327
thereof on earnings attributable to non-controlling interests		–448	–644

Consolidated cash flow statement

in EUR thousand	Note	2019	2018
Earnings before tax		–29,643	–63,258
Depreciation, amortisation, impairment and write-ups of tangible and intangible assets	3.1, 3.2	84,320	94,115
Profit / loss from disposal of assets (including current and non-current financial assets)		–1,148	790
Change in non-current provisions	7	–5,163	1
Share of profits from associated companies	10.3	–462	–530
Dividends received from associated companies	10.3	750	0
Profit / loss attributable to redeemable non-controlling interests	6.1	4,067	4,251
Net interest income (including income from securities)		7,526	6,189
Taxes paid on income	2.8	–6,216	–7,655
Other non-cash expense/income		–7,288	3,545
Gross cash flow		**46,742**	**37,448**
Change in inventories	4.1	34,531	8,710
Change in trade receivables	4.2	9,829	2,102
Change in other receivables and assets	3.3, 6.5, 8.1	2,510	–923
Change in trade payables	4.3	–2,826	–37,693
Change in other liabilities and current provisions	6.3, 7, 8.2	–610	–950
Changes in net working capital resulting from currency translation	2.10	-	1,475
Cash flow from operating activities		**90,176**	**10,170**
Proceeds from sale of tangible and intangible assets		1,530	1,584
Proceeds from sale of current and non-current financial assets		0	2
Payments for additions to tangible and intangible assets	2.10	–31,870	–80,847
Proceeds from sale of subsidiaries		0	1,174
Interest received		957	1,154
Cash flow from investing activities		**–29,384**	**–76,933**
Cash receipts from current and non-current financial liabilities		0	891
Repayment of current and non-current financing liabilities	6.2	–20,969	–96,304
Payments of leasing liabilities		–2,668	–
Dividends to non-controlling shareholders of subsidiaries	5.3, 6.1	–675	–4,932
Acquisition of non-controlling interests	5.3	–6	–46
Cash receipts from hybrid capital		0	130,000
Payments of hybrid coupons	2.9, 5.2	–10,545	0
Interest paid		–8,571	–7,538
Cash flow from financing activities		**–43,433**	**22,071**
Net increase / decrease in cash and cash equivalents		**17,359**	**–44,692**
Currency translation differences		2,448	711
Cash and cash equivalents at the beginning of the period		121,549	165,530
Cash and cash equivalents at the end of the period	**6.6**	**141,356**	**121,549**

Consolidated balance sheet

in EUR thousand	Note	31.12.2019	31.12.2018[1]
ASSETS			
Non-current assets			
Intangible assets	3.1	8,071	11,935
Tangible assets	3.2	294,544	335,363
Investments in associated companies	10.3	2,375	2,653
Other financial assets	3.3	7,965	7,653
Other assets	8.1	4,350	6,946
Deferred taxes	9	3,212	4,364
		320,517	**368,914**
Current assets			
Inventories	4.1	122,157	150,425
Trade receivables	4.2	94,555	101,645
Other financial assets	6.5	2,816	7,702
Other assets	8.1	13,654	14,017
Current tax receivables		1,017	4,555
Cash and cash equivalents	6.6	141,356	121,549
		375,556	**399,893**
Non-current assets held for sale	**3.4**	**5,709**	**0**
		381,265	**399,893**
ASSETS		**701,782**	**768,807**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.1	21,359	21,359
Capital reserves	5.1	21,503	21,503
Hybrid capital	5.2	130,000	130,000
Revenue reserves	1.6, 5.1	111,865	168,925
Currency translation reserve	1.6, 5.1	–11,307	–12,294
Equity attributable to the shareholders of Semperit AG Holding		**273,420**	**329,494**
Non-controlling interests	5.3	691	904
		274,111	**330,398**
Non-current provisions and liabilities			
Provisions	7	45,110	48,173
Liabilities from redeemable non-controlling interests	6.1	18,457	13,376
Financial liabilities	6.2	173,763	213,301
Trade payables	4.3	127	0
Other financial liabilities	6.3	7,073	2,017
Other liabilities		183	561
Deferred taxes	9	10,323	7,120
		255,037	**284,548**
Current provisions and liabilities			
Provisions	7	22,316	21,151
Financial liabilities	6.2	41,050	20,933
Trade payables	4.3	61,513	67,746
Other financial liabilities	6.3	15,161	19,935
Other liabilities		28,702	21,478
Current tax liabilities		3,892	2,619
		172,634	**153,861**
EQUITY AND LIABILITIES		**701,782**	**768,807**

[1] The comparison figures have been adjusted (see Chapter 1.6).

Consolidated statement of the changes in equity

in EUR thousand	Note	Share capital	Capital reserves	Hybrid capital	Revenue reserves	Currency translation reserve	Total	Non-controlling interests	Total equity
As at 01.01.2018		**21,359**	**21,503**	**0**	**244,464**	**–8,820**	**278,506**	**1,784**	**280,291**
Initial adjustment under IFRS 9		0	0	0	422	0	422	0	422
Retrospective adjustment from IAS 8 – correction of reserves	1.6	0	0	0	4,295	–4,295	0	0	0
Adjusted as at 01.01.2018		**21,359**	**21,503**	**0**	**249,180**	**–13,115**	**278,928**	**1,784**	**280,712**
Earnings after tax		0	0	0	–79,644	0	–79,644	–719	–80,362
Other comprehensive income		0	0	0	–613	821	208	75	283
total recognised comprehensive income		0	0	0	–80,257	821	–79,435	–644	–80,079
Dividends		0	0	0	0	0	0	–190	–190
Acquisition of non-controlling interests	5.3	0	0	0	1	0	1	–47	–46
Hybrid capital	5.2	0	0	130,000	0	0	130,000	0	130,000
As at 31.12.2018		**21,359**	**21,503**	**130,000**	**168,925**	**–12,294**	**329,494**	**904**	**330,398**
As at 01.01.2019		**21,359**	**21,503**	**130,000**	**168,925**	**–12,294**	**329,494**	**904**	**330,398**
Earnings after tax		0	0	0	–44,481	0	–44,481	–439	–44,920
Other comprehensive income		0	0	0	–1,536	988	–548	–9	–557
total recognised comprehensive income		0	0	0	–46,017	988	–44,029	–448	–45,477
Dividends		0	0	0	0	0	0	–259	–259
Payments of hybrid coupons	2.9, 5.2	0	0	0	–10,545	0	–10,545	0	–10,545
Acquisition of non-controlling interests	5.3	0	0	0	–499	–1	–500	495	–6
As at 31.12.2019		**21,359**	**21,503**	**130,000**	**111,865**	**–11,307**	**273,421**	**691**	**274,111**

Notes to the consolidated statement

1. General

1.1. General information

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

1.2. Basic compilation principles

The consolidated financial statements at 31 December 2019 were compiled in accordance with Section 245a of the Austrian Commercial Code and the International Financial Reporting Standards (IFRS), which are binding within the European Union (EU). The financial year covers the period from 01 January to 31 December. The consolidated financial statements were prepared on 19 March 2020 and approved for communication to the Supervisory Board. The Supervisory Board is responsible for reviewing the consolidated financial statements and declaring whether it approves the consolidated financial statements.

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

With the exception of valuations of certain financial instruments, as well as reserves and taxes carried forward, the consolidated financial statements were compiled on the basis of ongoing procurement or production costs. Securities as well as derivative financial instruments and liabilities were 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 2019 financial year, there were no reclassifications of financial instruments between the individual levels.

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

1.3. Principles of consolidation

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

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

For further information on the basis of consolidation, please see Chapter 10.1 to 10.3.

Currency translation

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

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

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

In the case of Semperflex Optimit s.r.o., Czechia and Sempertrans Bełchatów Sp. Z o.o., Poland, the evaluation of the indicators on determination of the functional currency result in a decision to use the national currencies as functional currencies.

1.4. Judgements and estimation uncertainties

Judgemental decisions

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

- Hybrid capital (see Chapter 5.2): distinction between equity and debt (perpetual bond) and the related distinction between interest and dividends payments
- Fully consolidated companies (see Chapter 10.2): assessment of whether control is exercised over a subsidiary or not
- Treatment of minority interests in subsidiaries with cancellation options (see Chapters 6.1 and 10.2)
- Determination of subsidiaries' functional currency (see Chapter 1.3)

- Term of lease agreements: assessment of whether there is sufficient certainty that renewal or termination options can be exercised; determination of any economic disadvantages resulting from early termination (see Chapter 1.5)

Significant estimates and assumptions

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

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

- Intangible assets: the annual goodwill impairment test (see Chapter 3.1)
- Intangible assets and tangible assets: determination of the useful life of assets with a defined useful life (see Chapters 3.1 and 3.2)
- Intangible and tangible assets: impairment test of assets as needed on a case-by-case basis in the Sempermed segment (see Chapter 3.2)
- Intangible assets and tangible assets: determination of separate recoverable amounts for the individual assets of the Sempermed segment and corresponding allocation of impairment expense (see Chapter 3.2)
- Deferred tax assets: availability of future taxable income against which unused tax loss carryforwards or tax credits can be offset (see Chapter 9)
- Deferred taxes: recognition and valuation of current and deferred income taxes in cases where there is uncertainty regarding the amount of income tax payable (eligible for reimbursement) (see Chapter 9)
- Inventories: determination of the net realisable values within the scope of the inventory valuation (see Chapter 4.1)
- Receivables: determination of valuation allowances (see Chapter 4.2)
- Provisions for personnel: valuation of provisions for pensions, severance payments and anniversary payments (see Chapters 7.1 and 7.2)
- Other provisions: significant assumptions regarding the probability of occurrence and its extent (see Chapter 7.2)
- Financial instruments: determination of the fair values for which no active market is available (see Chapter 6.4)
- Other current financial assets: estimation of the probability that claims for reimbursement from insurance companies will be received (see Chapter 2.3)

1.5. New and amended accounting standards

The following new/amended standards and interpretations were applicable for the first time in the 2019 financial year:

First-time adoption of standards and interpretations		Endorsement	Mandatory application for the Semperit-Group	Effects on the Semperit-Group
New standards and interpretations				
IFRS 16	Leasing agreements	31 October 2017	01 January 2019	yes
IFRIC 23	Uncertainty regarding income tax treatment	23 October 2018	01 January 2019	no
Amended standards				
IFRS 9	Amendments to financial instruments	22 March 2018	01 January 2019	no
IAS 19	Amendments to employee benefits	13 March 2019	01 January 2019	no
IAS 28	Amendments to investments in associated companies and joint ventures	08 February 2019	01 January 2019	no
Misc.	Annual Improvements to IFRS, cycle 2015–2017	14 March 2019	01 January 2019	no

IFRS 16 Leases

The new leasing standard IFRS 16 replaces the contents of IAS 17 and the associated interpretations and regulates the principles for the recognition, valuation, disclosure and tax liability for leasing agreements. The new standard no longer distinguishes on the lessee side between operating and finance leases. With a few exceptions, all leasing agreements and the rights and obligations associated with them must now be recognised in the lessee's balance sheet. The accounting regulations according to IFRS 16 remain largely unchanged from IAS 17 from the lessor's perspective.

The Semperit-Group as lessee now records a lease liability and an asset from a right of use at the time that lease item is made available. The lease liability bears interest and is repaid through annuity payments throughout the relevant term; the right–of–use asset is amortised using the straight-line method over the shorter of its useful life or the term of the lease. This leads to an increase in assets and liabilities, which in turn results in higher depreciation and amortisation (2019: EUR 2,756 thousand) and interest expenses (2019: EUR 251 thousand); by contrast, rental and lease expenses are reduced accordingly. EBITDA and EBIT improve therefore as a result of the first-time adoption of IFRS 16. Cash flow from operating activities also improves, as rental and lease payments become interest and principal payments, and these are now allocated to cash flow from financing activities. The Semperit-Group capitalises rights–of–use assets for leases that must be recognised as part of tangible assets, and recognises lease liabilities as other financial liabilities. The Semperit-Group is in particular a lessee in respect to rights-of-use assets to land and buildings, office equipment and motor vehicles.

The Semperit-Group chose the modified retrospective approach for the first-time adoption on 01 January 2019; no adjustment was made therefore to figures for any previous year. In addition, the Semperit-Group only applied IFRS 16 to those agreements that were already previously classified as leases under IAS 17 or IFRIC 4. Any agreements that were not previously classified as leasing agreements were not reassessed in line with the option provided in IFRS 16 for the first-time adoption of IFRS 16.

The Semperit-Group exercises the option provided by IFRS 16 of not applying the rules for lease accounting to leases with a short term (i.e. up to 12 months), to lease items of low value (i.e. up to a reinstatement value of approximately EUR 5 thousand) and to intangible assets. The Semperit-Group therefore does not report any rights-of-use assets or lease liabilities for these types of agreement;

lease payments under these agreements are recognised as expenses on a straight-line basis over the term of the agreements.

The option is also exercised of accounting as short-term leases those leasing agreements with terms that end within 12 months of the date of first-time adoption. The present value of future lease payments is recognised as a leasing liability for all other operating leasing agreements in which the Semperit-Group is the lessee. Rights-of-use assets are recognised as part of the tangible assets at the amount of the lease liability and adjusted for prepaid or deferred lease payments. No initial direct costs were included in the valuation of the right of use upon first-time adoption. A weighted average marginal borrowing rate of 2.64% was applied for lease liabilities recognised for the first time as at 01 January 2019.

The effects on the consolidated balance sheet as at 01 January 2019 due to the first-time adoption of IFRS 16 are as follows:

in EUR thousand	31.12.2018	IFRS 16 adjustment	01.01.2019
Non-current assets			
Tangible assets	335,363	9,337	344,700
thereof tangible assets from finance lease agreements	44	–44	0
thereof rights-of-use assets – land and buildings	0	7,358	7,358
thereof rights-of-use assets – other equipment, vehicles, office furniture and equipment	0	2,023	2,023
Current assets			
Other assets	14,017	–33	13,984
Asset adjustment from the first-time adoption of IFRS 16		**9,303**	
Non-current provisions and liabilities			
Other financial liabilities	2,017	7,555	9,572
Current provisions and liabilities			
Other financial liabilities	19,935	1,748	21,683
Lease liabilities from the first-time adoption of IFRS 16		**9,303**	

The following table shows the reconciliation of the minimum lease payments recognised as at 31 December 2018 with the lease liability recognised as at 01 January 2019:

in EUR thousand	
Obligations within one year	2,776
Obligations of longer than one year and up to five years	5,685
Obligations of longer than five years	655
Total obligations from non-cancellable rental agreements and leasing agreements as at 31 December 2018	**9,116**
Obligations from sufficiently certain renewal or termination options	2,091
Obligations from short-term lease agreements	–605
Obligations from low value leasing items	–57
Total obligations for determination of the lease liability	**10,545**
Effect of discounting at the marginal borrowing rates	–1,241
Lease liabilities from the first-time adoption of IFRS 16	**9,303**
Liabilities from finance leases as at 31 December 2018	70
Lease liabilities as at 01 January 2019	**9,374**

As at 31 December 2019, rights-of-use assets are recognised in tangible assets at the amount of EUR 7,850 thousand (see Chapter 3.2) and leasing liabilities are recognised in the current and non-current other financial liabilities at the amount of EUR 8,606 thousand.

The Semperit-Group has entered into several lease agreements that include renewal and termination options. These options were negotiated by management in order to manage the portfolio of leased assets with flexibility and in line with the group's business requirements. Assessing whether the exercise of these renewal and termination options is sufficiently certain requires material judgemental decisions on the part of management (see Chapter 1.4). The following table shows the undiscounted potential future lease payments for periods after the exercise date of the renewal and termination options that are not included in the term of the leasing agreement.

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

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

Standards and interpretations applicable in the future		Endorsement	Mandatory application for the Semperit-Group	Effects on the Semperit-Group
New standards and interpretations				
IFRS 17	Insurance contracts	ongoing	01 January 2021	no
Amended standards				
IFRS 3	Amendments to business combinations: definition of a business	ongoing	01 January 2020	no
IAS 1/8	Amendments to the definition of materiality	29 November 2019	01 January 2020	no
IAS 1	Amendments to the presentation of financial statements: classification of liabilities as current or non-current	ongoing	01 January 2022	no
Misc.	Amendments to references to the framework concept in IFRS standards	29 November 2019	01 January 2020	no
Misc.	Amendments to IFRS 9, IAS 39 and IFRS 7 – reform of LIBOR and other reference interest rates (IBOR reform)	15 January 2020	01 January 2020	no

1.6. Amendments to disclosures and to comparative information

Amendments to disclosures in the consolidated income statement

Reporting differences between the individual group companies of the Semperit-Group became apparent during introduction of a new IFRS consolidated chart of accounts and the resulting with regard to external personnel, consumption of spare parts and external maintenance services newly allocate local accounts per group company. In the 2019 financial year, all significant shifts in the income statement were adjusted and therefore represented uniformly across the entire group; the income statement was adapted accordingly.

The comparative figures for the 2018 financial year were adjusted accordingly and are summarised in the following table:

in EUR thousand	2018 as reported	Expenses for external personnel	Expenses for consumption of spare parts	Production-related maintenance expenses	2018 adjusted
Operating revenue	**877,561**	**0**	**0**	**0**	**877,561**
Other operating income	5,409	0	0	0	5,409
Cost of material and purchased services	–512,266	2,431	–3,260	–11,903	–524,998
Personnel expenses	–178,018	–11,898			–189,916
Other operating expenses	–146,787	9,468	3,260	11,903	–122,157
Share of profits from associated companies	530	0	0	0	530
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**46,428**	**0**	**0**	**0**	**46,428**

Expenses for the use of contract personnel, which are considered employees from an economic point of view, are reported under personnel expenses. The remaining expenses for the use of external personnel are reported under other operating expenses.

In addition, expenses for the consumption of production-related spare parts are consistently allocated to the cost of materials, while expenses associated with external maintenance performed, if it is directly related to production, are consistently allocated to the cost of purchased services. The remaining expenses for servicing and maintenance are reported under other operating expenses.

The comparative figures for for personnel expenses in the 2018 financial year are summarised in the following table:

in EUR thousand	2018 as reported	Expenses for external personnel	2018 adjusted
Wages	66,769	10,529	77,298
Salaries	72,922	1,369	74,291
Severance payments	2,434	0	2,434
Retirement benefit expenses	972	0	972
Statutory social security expenses and other compulsory wage-related payments	30,339	0	30,339
Other social security expenses	4,582	0	4,582
Personnel expenses	**178,018**	**11,898**	**189,916**

Changes in comparative information in the consolidated statement of the changes in equity

The cumulative currency translation differences must be reclassified to profit/loss for the period when associated companies, joint ventures and subsidiaries in foreign currencies are deconsolidated. It became apparent during the process of introducing a new consolidation solution that these reclassifications were in part not correctly taken into account during the historical deconsolidations/disposals (prior to 01 January 2018). This led to a transfer within equity in the amount of EUR 4,295 thousand between the revenue reserves and the currency translation reserve. Comparative information had to be adjusted retrospectively in the current financial year as a result in accordance with IAS 8. No 'third balance sheet' was presented at the beginning of the comparative period, since the transfer amount as at 01 January 2018 is identical to the balance-sheet as 31 December 2018 and can be seen in the consolidated statement of the changes in equity.

2. Performance

2.1. Segment reporting

In accordance with IFRS 8, segment reporting takes place in line with internal reporting to the Semperit AG Holding's Management Board, which is the Chief Operating Decision Maker. The Chief Operating Decision Maker decides on the allocation of resources towards the business segments.

The segments were determined on the basis of product groups. They are taxed separately and correspond to Semperit-Group's business activities. Therefore, the Semperit-Group has four reportable segments as at 31 December 2019:

- **Sempermed:** the Sempermed segment produces gloves by means of dipping technology, sells these and also trades in gloves worldwide. The product portfolio encompasses gloves for examinations and operations in the medical sector as well as protective gloves for the industrial sector. The Semperit-Group will be focusing on the industrial segments in the future as part of the strategic realignment. As a consequence, the Management Board and Supervisory Board decided on 28 January 2020 to divest itself of the Sempermed segment. The requirements for disclosure as a discontinued operation have not (yet) been fulfilled as at the reporting date.

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

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

- **Semperform:** Semperform produces and sells moulded and extruded products. Its product portfolio includes elastomeric and sealing strips, escalator handrails, vibration absorption film for skis and snowboards, customised injection moulding parts with isolating or absorption functions, rubber rings for cableways as well as elastomeric plates and wear resistance plates. Sealing profiles and elastomer sheetings are to be managed as a separate segment under the name 'Semperseal' as of 01 January 2020.

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

Segmentation according to business areas

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

2019 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Corporate Center	Group Eliminations	Total
Revenue	293,332	222,666	133,981	190,590	0	0	840,568
Share of profits from associated companies	462	0	0	0	0	0	462
EBITDA	5,471	47,946	13,507	26,009	–25,250	155	67,837
EBIT	–50,185	35,989	8,918	15,968	–27,328	155	–16,483
Depreciation and amortisation of tangible and intangible assets	–6,878	–11,957	–3,469	–10,040	–2,078	0	–34,422
Impairments of tangible assets and intangible assets	–48,779	0	–1,119	0	0	0	–49,898
Trade Working Capital	57,211	43,981	29,198	28,519	–3,711	0	155,199
Additions to tangible and intangible assets[1]	8,048	10,173	4,723	7,850	561	0	31,355

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

Impairment losses in the segments Sempermed and Sempertrans are outlined in Chapters 3.1 and 3.2 respectively.

2018 in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Corporate Center	Group Eliminations	Total
Revenue	311,461	230,048	144,762	192,211	0	0	878,482
Share of profits from associated companies	530	0	0	0	0	0	530
EBITDA	–3,914	48,911	517	21,895	–20,476	–505	46,428
EBIT	–69,565	38,444	–7,066	13,213	–22,207	–505	–47,687
Depreciation and amortisation of tangible and intangible assets	–9,869	–10,421	–3,467	–8,659	–1,730	0	–34,146
Impairments of tangible assets and intangible assets	–55,783	–46	–4,116	–24	0	0	–59,969
Trade Working Capital	65,370	56,985	30,915	34,374	–3,318	0	184,325
Additions to tangible and intangible assets	12,423	30,069	26,850	10,698	1,046	0	81,086

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

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

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

Geographic Segmentation

The Group's business activities are conducted mainly in Europe, Asia and the Americas. In accordance with IFRS 8, the information on revenues is presented by customer location, and information on non-current assets and additions to tangible and intangible assets is presented in line with the respective locations of the Semperit-Group companies. Information on non-current assets does not include deferred tax assets, securities or investments in associated companies. Consolidating entries were made according to geographical region wherever possible.

The Semperit-Group does not generate more than 10% of its revenues with any given external customer.

	2019			2018		
in EUR thousand	Non-current assets	Additions to tangible and intangible assets[1)]	Revenue	Non-current assets	Access to tangible and intangible assets	Revenue
Europe	262,664	20,788	579,548	263,377	67,077	619,151
thereof EU	262,664	20,788	523,924	263,377	67,077	561,346
thereof Austria	45,065	4,547	33,007	44,672	5,795	36,795
thereof EU not including Austria	217,599	16,241	490,917	218,705	61,282	524,551
thereof Rest of Europe	0	0	55,623	0	0	57,805
Asia	40,240	10,406	115,259	88,186	13,514	95,732
The Americas	5,441	159	129,885	4,142	493	132,141
Rest of the world	32	2	15,876	3	1	31,457
Group	**308,376**	**31,355**	**840,568**	**355,708**	**81,086**	**878,482**

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

2.2. Revenue

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

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

The agreed transaction price is generally billed upon distribution. Revenue from deliveries is recognised in accordance with the Incoterm agreed for the delivery of the goods once the customer obtains power of disposal over the goods. The payment terms normally granted are between 14 and 90 days.

As in the previous year, no revenues were generated in the 2019 financial year from contracts containing a significant financing component.

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

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

Revenues from the costs of contractual fulfilment, such as tool costs, are recognised over the useful lives of the tools. The costs of contract fulfilment consist of tool costs. The tools are capitalised in accordance with the provisions of IAS 16 Property, Plant and Equipment and depreciated over a useful life of one to ten years.

The costs of contract initiation are capitalised in cases where the contractual terms exceed 12 months, provided that these costs are material. As in the previous year, there were also no cases where this was applied in the 2019 financial year.

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

in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Group
2019					
Western Europe	153,272	120,715	32,671	135,421	442,079
Eastern Europe	35,139	46,997	32,540	22,792	137,469
Asia	29,444	21,020	43,788	21,007	115,259
North America	58,294	29,553	13,464	9,586	110,897
Central and South America	10,763	2,856	4,138	1,231	18,988
Africa	2,565	1,260	5,671	462	9,958
Australia	3,855	264	1,709	91	5,919
Revenue	**293,332**	**222,666**	**133,981**	**190,590**	**840,568**

in EUR thousand	Sempermed	Semperflex	Sempertrans	Semperform	Group
2018					
Western Europe	162,365	135,056	50,470	135,734	483,625
Eastern Europe	35,639	46,093	28,628	25,166	135,527
Asia	31,478	18,445	25,693	20,116	95,732
North America	67,074	23,820	10,759	9,664	111,317
Central and South America	9,415	1,745	8,453	1,211	20,824
Africa	1,950	2,195	7,139	214	11,498
Australia	3,539	2,696	13,618	106	19,959
Revenue	**311,461**	**230,048**	**144,762**	**192,211**	**878,482**

2.3. Other operating income

in EUR thousand	2019	2018
Insurance claims	2,899	1,474
Income from the disposal of tangible assets	1,364	0
Sale of by-products and waste materials	473	506
Rental income	234	201
Research reward	704	720
Other	2,346	2,509
Total	**8,020**	**5,409**

Other operating income includes, inter alia, income of EUR 1,288 thousand from the sale of machinery and technical equipment from the production site closed in the previous year, Sempertrans Best (ShanDong) Belting Co. Ltd. (see Chapter 3.4).

A fire broke out on 12 February 2019 at the mixed operation facilities at Sempertrans India Pte. Ltd. This affected the production facilities of the mixed operation plant as well as the inventories stored there. The income from the resulting insurance claims totalled EUR 1,898 thousand in the 2019 financial year (thereof recognised as other receivables as at 31 December 2019: EUR 1,567 thousand). A fire broke out on 14 March 2019 at Sempermed's production facilities belonging to Semperit Technische Produkte Gesellschaft m.b.H. This affected a chain dipping line. The return from the resulting insurance compensation amounted to EUR 404 thousand in the 2019 financial year (fully paid as at 31 December 2019).

2.4. Cost of material and purchased services

in EUR thousand	2019	2018[1)]
Cost of materials	398,084	456,449
Energy expenses	51,169	51,509
Production-related maintenance expenses	9,511	11,903
Purchased services	6,889	5,137
Total	**465,653**	**524,998**

[1)] The comparison figures have been adjusted (see Chapter 1.6).

2.5. Personnel expenses

in EUR thousand	2019	2018[1)]
Wages	76,348	77,298
Salaries	79,846	74,291
Severance payments	1,502	2,434
Retirement benefit expenses	1,227	972
Statutory social security expenses and other compulsory wage-related payments	32,151	30,339
Other social security expenses	5,622	4,582
Total	**196,696**	**189,916**

[1)] The comparison figures have been adjusted (see Chapter 1.6).

Research and development expenses amounted to around EUR 15,520 thousand in the 2019 financial year (previous year: EUR 14,000 thousand); these are mainly attributable to personnel expenses. The personnel expenses also include the costs for temporary staff. The average number of temporary staff in the 2019 financial year was 584 employees (previous year: 783). Severance and pension payments for executives totalled EUR 72 thousand in the 2019 financial year (previous year: EUR 56 thousand). Please refer to Chapter 12.1 for further information on the remuneration of members of the Management Board.

In Austria, the average number of employees was 896 (previous year: 866). The average number of employees in the Semperit-Group is broken down as follows:

	2019	2018
Blue collar workers	5,251	5,091
White-collar workers	1,716	1,700
Total	**6,967**	**6,791**

2.6. Other operating expenses

in EUR thousand	2019	2018[1)]
Outgoing freight	31,529	30,967
Legal, consulting and auditing fees	20,575	25,278
Maintenance and services	10,709	16,445
Travel expenses	7,379	7,586
Commission and advertising costs	4,737	5,897
Insurance premiums	4,515	4,790
Expenses for software licences	3,049	2,833
Complaint costs	2,863	2,827
Energy costs not for production	2,321	1,417
Rental and leasing expenses	2,274	5,630
Waste disposal	2,081	2,059
Training and education expenditures	1,469	1,322
Communications	1,243	1,395
Fees, subscriptions and donations	1,197	1,136
Office equipment	1,117	1,127
Bank expenses	492	650
Valuation allowance	257	1,179
Result from deconsolidation	0	287
Other taxes	–1,093	3,347
Other	9,628	5,983
Total	**106,346**	**122,156**

[1)] The comparison figures have been adjusted (see Chapter 1.6).

Consulting expenses in both financial years include the implementation of projects as part of the restructuring and transformation process and the use of interim managers. In the 2019 financial year, this figure includes in particular costs for strategic projects in connection with the fundamental strategic decision to separate from the medical sector and the 'SemperGrowth200' growth strategy.

The following fees were recorded as expenses for the services rendered in the 2019 financial year by the auditor of the consolidated financial statements, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., as well as the companies forming part of the global Ernst & Young network:

in EUR thousand	2019	2018
Auditing of consolidated financial statements and thereto related audit opinion	877	969
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	334	396
Other confirmation services	249	113
Other services	101	121
Total	**1,227**	**1,203**

There was a change in the content of rental and lease expenses under other operating expenses as part of the process of the mandatory first-time adoption of IFRS 16. The rental and lease expenses for the 2019 financial year of EUR 2,274 thousand include rental expenses of EUR 1,559 thousand that do not meet the recognition criteria (e.g. identified asset). The remaining rental and lease expenses consist of IFRS 16 expenses and are composed of short term lease agreements of EUR 523 thousand on the one hand, and lease agreements for low value leasing items (small ticket leases) of EUR 192 thousand on the other. See Chapter 1.5 for more detailed information on leasing agreements and the respective effects on the 2019 financial year.

Other taxes include the income from the release of a provision for tax proceedings relating to transaction taxes in Brazil for the assessment years 2008 to 2010. The duty (PIS/COFINS) is levied on the import and resale of goods in Brazil. With regard to the import-PIS/COFINS, the Conselho de Administração de Recursos Fiscais (CARF) issued its final decision in favour of the Semperit-Group on 12 November 2019. The corresponding provision in the amount of EUR 3,985 thousand had thus to be reversed accordingly. For the resale PIS/COFINS, a deposit was made in the financial year 2017 after unsuccessful appeals in the administrative proceedings for the further handling of the case in the courts. The provision in the amount of EUR 3,380 thousand continues to be offset by a corresponding receivable from a reimbursement of a deposit made with the civil court.

Miscellaneous other operating expenses for the 2018 financial year include costs in connection with the closure of the Chinese production site in the amount of EUR 1,799 thousand (see Chapter 3.2).

2.7. Financial result

in EUR thousand	2019	2018
Finance income		
Income from securities	40	88
Interest and related income	906	1,070
	946	**1,158**
Finance expenses		
Interest expense	–8,327	–9,179
	–8,327	**–9,179**
Other financial result		
Net foreign exchange result	1,605	–1,743
Net result from the valuation categories FVPL and FV – Hedging instrument	–2,973	–621
Other	–344	–935
	–1,712	**–3,298**
Profit / loss attributable to redeemable non-controlling interests	**–4,067**	**–4,251**
Financial result	**–13,160**	**–15,571**

Interest expenses include expenses from leasing liabilities under IFRS 16 in the amount of EUR 251 thousand (previous year: EUR 0 thousand due to the modified retrospective recognition, see Chapter 1.5).

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

in EUR thousand	2019	2018
Interest and related income	906	1,070
Valuation allowance	–257	–1,179
Net foreign exchange result	–3,800	2,176
Net result from the valuation category AC (at cost)	**–3,152**	**2,067**

The impairments for financial assets at amortised cost are recorded under other operating expenses. These also include impairment reversals of financial assets recognised in profit or loss at amortised cost.

The net earnings from financial instruments in the valuation category at fair value (FVPL) in profit or loss are categorized as follows:

in EUR thousand	2019	2018
Income from foreign exchange transactions	230	1,574
Expenses from foreign exchange transactions	–3,626	–1,159
Income/expenses arising from the measurement and disposal of securities	366	–185
Net result from the valuation category FVPL (Fair Value through Profit and Loss)	**–3,031**	**230**

in EUR thousand	2019	2018
Cash flow hedges – reclassification from OCI including costs from the hedge provision	–104	–869
Cash flow hedges – ineffective portion of changes in fair value	162	18
Net result from the valuation category FV – hedging instrument	**58**	**–851**

Of the interest expenses included in the financial result, EUR 8,327 thousand (previous year: EUR 9,179 thousand) are attributable to liabilities measured at amortised cost (valuation category AC (At Cost)). In the liabilities from redeemable non-controlling interests, the part of the earnings recorded in the consolidated income statement at the amount of EUR 4,067 thousand (previous year: EUR 4,251 thousand) represents the effective interest expense.

The net exchange result from financial liabilities at amortised cost amounts to EUR –5,180 thousand (previous year: EUR –5,116 thousand).

2.8. Income taxes

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

in EUR thousand	2019	2018
Current tax expense (+) / tax income (–)		
for the current period	10,979	13,218
for previous periods	0	–1,625
Total current tax expense (+) / tax income (–)	**10,979**	**11,593**
Deferred tax expense (+) / tax income (–)		
from the origination or reversal of temporary differences	537	–11,815
from value adjustment of tax loss carryforwards and temporary differences	18,964	30,260
other deferred tax effects	–15,203	–12,934
Total deferred tax expense (+) / tax income (–)	**4,298**	**5,511**
Total	**15,277**	**17,104**

The financial year 2018 includes an income from taxes for previous periods, which results primarily from the release of a provision for proceedings at the subsidiary Latexx Partners Berhard, Malaysia, with the Malaysian tax authorities, which had ended as the deadline had expired.

The other deferred tax effects primarily include the loss carryforwards arose in the current financial year and changes to the deferred tax claims on usable tax credits and tax concessions, as well as deferred tax for previous periods.

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

2.9. Earnings per share

in EUR		2019	2018
Earnings after tax	in EUR	–44,920,340	–80,362,194
Result from hybrid capital attributable to the shareholders of Semperit AG Holding	in EUR	–6,937,561	–5,327,292
Result attributable to non-controlling interests	in EUR	439,197	718,519
Results attributable to ordinary shares	**in EUR**	**–51,418,704**	**–84,970,967**
Average number of shares issued	**in units**	**20,573,434**	**20,573,434**
Earnings per share (diluted and undiluted)	**in EUR**	**–2.50**	**–4.13**

There were no dilution effects to be taken into account as at 31 December 2018 or 31 December 2019.

The earnings from hybrid capital attributable to the shareholders of Semperit AG Holding relate to "interest" accrued on the hybrid capital. Semperit AG Holding does not have to pay "interest" on the hybrid capital. However, interest payments on the hybrid capital that are treated as dividend payments in accordance with IFRS must be made in particular if dividends are paid to shareholders or if management decides to pay 'interest' irrespective of any dividend payment. 'Interest' at the amount of EUR 10,545 thousand was paid in the 2019 financial year (previous year: EUR 0 thousand)

2.10. Consolidated cash flow statement

The operating cash flow is prepared using the indirect method. The valuation effects in trade working capital are now shown under other non-cash expenses or income, and the currency translation-related changes in net working capital are allocated to the individual items, following the introduction of a new consolidation solution. No adjustment was made for the comparable period due to a lack of available data. The cash flow from investing and financing activities are based on direct determination. Interest received are stated in the cash flows from investing activities, while the interest paid are stated in the cash flow from financing activities (see Chapter 1.6).

The additions stated in the changes to intangible assets and tangible assets (see Chapters 3.1 and 3.2) totalling EUR 30,199 thousand (previous year: EUR 81,086 thousand) include expenses of EUR 4,957 thousand (previous year: EUR 9,344 thousand) which did not yet result in any cash payments in the 2019 financial year.

In addition, prepayments for fixed assets in the amount of EUR 618 thousand were made in the 2019 financial year (previous year: EUR 3,324 thousand).

The focus was placed primarily on investments aimed at maintaining capacity as well as investments aimed at improvement and expansion at the plants in Malaysia (EUR 9,589 thousand), the Czech Republic (EUR 4,941 thousand) and Poland (EUR 7,445 thousand).

The cash flow from financing activities includes payments in the amount of EUR 18,970 thousand following the repayment of corporate *Schuldschein* loans (previous year: EUR 46,191 thousand).

Liabilities from financing activities

in EUR thousand	Financial liabilities	Liabilities from redeemable non-controlling interests	Derivative financial liabilities	Leasing liabilities	Effects from equity	Other	Total
As at 01.01.2018	**326,598**	**13,276**	**908**	**–**			
Financing cash flows	–103,021	–4,742	0	–	129,810	24	22,071
Effect of changes in foreign exchange rates	3,180	591	0	–	0	0	3,771
Changes in fair values	0	0	819	–	0	0	819
Other changes	7,477	4,251	0	–	0	0	11,728
As at 31.12.2018	**234,233**	**13,376**	**1,727**	**–**			
Adjusted as at 01.01.2019	**234,233**	**13,376**	**1,727**	**9,304**			
Financing cash flows	–29,540	–415	0	–2,668	–10,804	–6	–43,433
Effect of changes in foreign exchange rates	1,479	1,402	0	13	0	0	2,894
Changes in fair values	0	0	176	0	0	0	176
Other changes	8,640	4,094	0	1,957	0	0	14,691
As at 31.12.2019	**214,813**	**18,457**	**1,903**	**8,606**			

The effects on equity in the 2019 financial year consist of the payment of 'interest' on the hybrid capital (see Chapters 2.9 and 5.2) and dividends paid to non-controlling shareholders (as in the previous year). The effects from equity in the 2018 financial year also included the raising of hybrid capital.

The cash flow from financing activities stated under the Other item mainly includes the acquisition of non-controlling interests in subsidiaries.

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

3. Non-current assets

3.1. Intangible assets

Acquired intangible assets

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

Internally generated intangible assets

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

Intangible assets acquired as part of business combinations

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

Emissions certificates

Semperit Technische Produkte Gesellschaft m.b.H. and Semperflex Optimit s.r.o. are subject to the respective Emission Certificates Acts in Austria [EZG Emissionszertifikatsgesetz] and the Czech Republic, and are awarded emissions certificates free of charge from the public sector. The emissions certificates are recognised at a cost of acquisition of zero in the balance sheet (net method). As in the previous year, there were no sales in the 2019 financial year.

Goodwill

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

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

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

in EUR thousand	31.12.2019	31.12.2018
Segment Semperflex	1,677	1,677
Segment Sempertrans	71	71
Total	**1,749**	**1,749**

Management determined the recoverable amount as at 30 September 2019 for the impairment tests of the goodwill in the Semperflex and Sempertrans segments. The recoverable amount was calculated as value in use. The calculation was based on the most recent medium-term planning using updated cash flow forecasts from 30 September 2019 until the end of 2024, which took into account both the status quo of the ongoing restructuring and transformation process and the uncertainties that can be observed in business development. The cash flows after the 2024 financial year were extrapolated based on a sustainable growth rate of 0.75% (previous year Sempertrans: 0.75%; previous year Semperflex: 0.75%). The growth rate reflected the competition and the price pressure in the market as well as an assumption of moderate market growth. The weighted average cost of capital (WACC) was determined as the discount rate using the capital asset pricing model. A uniform group of comparison companies (peer group) was imputed with this for the industrial sector (Semperflex, Sempertrans and Semperform segments). The discount rate before tax determined for the Semperflex segment is 10.6% (previous year: 10.9%), and for the Sempertrans segment it is 10.6% (previous year: 10.4%). The discount rate after tax is 8.2% for both segments (previous year: 8.8%).

The main assumptions used when determining the recoverable amount of the Semperflex or Sempertrans segments relate to the future development of the EBITDA margin in view of the ongoing restructuring and transformation process and the increased business slowdown expected in 2020. In the detailed planning phase, the margin was expected to improve gradually in order to achieve an EBITDA margin of around 15.2% for the Sempertrans segment and 21.1% for the Semperflex segment in the pay-out phase (i.e. from 2025 onwards). The return on invested capital (ROIC) was above WACC in the Semperflex und Sempertrans segments at the end of the detailed planning phase. The planning was initially based on management's assumptions regarding market development, the market shares for the Semperflex and Sempertrans segments, along with strategic product and customer initiatives. Planned measures to improve earnings from the current restructuring and transformation process were also taken into account. Planned measures aimed at improving earnings that require an increase in capacity or an improvement in infrastructure as well as those that have not yet been specified to a sufficient extent, were not taken into account in determining the value in use. The changes in trade working capital were planned depending on sales and are based on a three-year average. Investments in property, plant and equipment have the effect of sustaining capacities in both segments; they approximate to the scheduled depreciation.

The impairment test confirmed the recoverability of goodwill for the Semperflex and Sempertrans segments.

No impairment test had to be carried out for the Semperform segment due to a lack of any indications of impairment loss, as it does not contain any goodwill or intangible assets with an indefinite useful life.

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

The change in intangible assets is as follows:

in EUR thousand	Software licences, industrial property rights and similar rights	Goodwill	Intangible assets under development	Total
Acquisition / production costs				
As at 01.01.2018	**48,067**	**43,898**	**1,437**	**93,402**
Currency translation differences	265	50	0	315
Additions	889	0	570	1,459
Disposals	–358	0	0	–358
Disposals resulting from changes in the scope of consolidation	–203	–16	0	–219
Transfers	723	0	–593	130
As at 31.12.2018	**49,383**	**43,932**	**1,413**	**94,729**
Currency translation differences	432	13	0	445
Additions	512	0	416	929
Disposals	–790	0	–1	–791
Transfers	377	0	–794	–417
As at 31.12.2019	**49,914**	**43,946**	**1,035**	**94,895**
Depreciation / impairment losses / impairment reversal				
As at 01.01.2018	**33,755**	**42,134**	**0**	**75,888**
Currency translation differences	192	50	0	242
Depreciation and amortisation	5,494	0	0	5,494
Impairment loss	1,454	0	0	1,454
Disposals	–105	0	0	–105
Disposals resulting from changes in the scope of consolidation	–182	0	0	–182
Transfers	2	0	0	2
As at 31.12.2018	**40,610**	**42,184**	**0**	**82,794**
Currency translation differences	411	13	0	425
Depreciation and amortisation	4,068	0	0	4,068
Impairment loss	168	0	153	322
Disposals	–790	0	0	–790
Transfers	6	0	0	6
As at 31.12.2019	**44,474**	**42,197**	**153**	**86,824**
Carrying amount				
Carrying amount 01.01.2018	14,312	1,764	1,437	17,513
Carrying amount 31.12.2018	8,773	1,749	1,413	11,935
Carrying amount 31.12.2019	**5,441**	**1,749**	**881**	**8,071**

Impairment losses on intangible assets in the 2019 financial year amount to EUR 322 thousand (previous year: EUR 1,446 thousand) attributable to software, licenses, industrial property rights and similar rights in the Sempermed segment. Please refer to Chapter 3.2 for further information on impairment losses in the Sempermed segment. No impairment losses were recognised on intangible assets in the Sempertrans segment in the 2019 financial year (previous year: EUR 8 thousand from the closure of the Chinese production facility, see Chapter 3.4).

Please refer to Chapter 1.5 for further information on the first-time adoption of IFRS 16.

3.2. Tangible assets

Tangible assets are measured at acquisition or production costs less cumulative depreciation and impairment.

They are depreciated by distributing the acquisition or production costs less their expected residual values in a straight line over the expected useful life. Assumptions and estimates were required in determining the useful lives, with these assumptions and estimates being reviewed and, if necessary, adjusted at each reporting date. The expected useful lives assumed for each category of tangible asset are within the following ranges:

Tangible assets not including rights-of-use assets	Useful life in years
Land	n/a
Technical plants and other operational buildings	10–50
Technical equipment, plant and machinery	2–30
Office furniture and equipment	2–25
Vehicles	5–10

The assumed useful lives of the rights-of-use assets contained within the tangible assets lie within the following ranges:

Rights-of-use assets	Useful life in years
Land and buildings, including on land owned by third parties	2–13
Technical equipment, plant and machinery	3–5
Office furniture and equipment	3–8
Vehicles	1–6

Impairment loss and impairment reversal

Following indications of impairment, tangible assets are reviewed to see whether the carrying amount of the asset or the relevant cash generating unit exceeds the recoverable amount in accordance with IAS 36. Impairment is recognised accordingly if the carrying amount is above the recoverable amount. Evaluation of recoverability and determination of the recoverable amount are subject to essential estimates and assumptions (see Chapter 1.4). These relate in particular to assumptions regarding corporate planning, future inflation and growth rates as well as exchange rates, the capital cost rate for discounting future cash flows, the expected economic development of each individual cash generating unit as well as the separate recoverable amounts for individual assets as the lower limit of any impairment.

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

Any write-ups are included in the impairment of tangible assets as well as intangible assets in the consolidated income statement.

Impairment need in the Sempermed segment

There were indications in the third quarter of 2019 that the relative competitive position of the Sempermed segment was deteriorating or had already deteriorated: the investment intensity of the main competitors increased beyond expectation due to capacity expansion and production automation; the market environment is developing at a very dynamic pace. Although the Sempermed segment achieved clear progress by improving the operating key performance figures, it is expected that the pressure on prices due to overacapcities on the market will have a considerably negative impact of the profitability compared to the previous planning. Against this background, the Semperit management determined the recoverable amount for the cash-generating unit of the Sempermed segment as at 30 September 2019. The recoverable amount was determined as the value in use based on the most recent medium-term planning. In the (extended) detailed planning phase, the margin was expected to improve gradually in order to achieve an EBITDA margin of around 3.9% for the Sempermed segment in the pay-out phase (i.e. from 2029 onwards). The capitalization interest rate after tax was 7.9%. The resulting value in use was considerably lower than the trade working capital of EUR 59,005 thousand, which would have resulted in full impairment of non-current segment assets. However, the impairment expense allocated cannot be higher than the fair values separately determined (less costs of sale) or values in use of the assets forming the cash-generating unit. The calculation for the separate values was done based on the following assumptions and methods:

- For intangible assets separate, recoverable amounts were not allocable; it’s recoverabe amount was supposed to be zero.
- Properties and buildings, including buildings on land owned by third parties, were predominantly valued by experts based on comparable values respectively replacement costs less discounts for functional and economic obsolescence of the buildings. Individual characteristics of the industrial land, such as expected contamination, were also taken into account by means of appropriate deductions determined by experts.
- Technical equipment, plant and machinery were assessed by experts. The valuation was done based on replacement costs for comparable assets, with functional and economic obsolescence taken into account by means of appropriate discounts.
- For other equipment, factory and office equipment was considered partially, that the fair value corresponds approximately to the carrying amounts. As the recovery can only take place bit by bit in this case via lengthy sale and disposal processes was taken into account by deducting the corresponding costs of sale.
- An assessment was carried out for rights-of-use assets taking into account their future use or alternative use.
- Separate recoverable amounts were determined for the assets of FormTech Engineering (M) Sdn Bhd in Nilai (MY) and the associated Synergy Health Allershausen GmbH in Allershausen (DE).
- The costs of sale were determined based on empirical values.

The fair values determined represent fair values categorised as stage 3. Changes in assumptions with regard to the factors influencing the valuation may lead to write-downs or write-ups in the future. The Management Board and Supervisory Board decided on 28 January 2020 to divest itself of the Sempermed segment (see Chapter 2.1). The prices that may be achieved for segment assets in a possible sales transaction may differ from the values shown in the balance sheet.

The sum of the recoverable amounts of the assets constituting the cash-generating unit amounted to EUR 77,348 thousand as at 30 September 2019 and was therefore below the provisional carrying amount of EUR 124,985 thousand (thereof trade working capital excluding trade payables related to investments in plant and equipment: EUR 59,004 thousand). The resulting impairment need of EUR 47,637 thousand as at 30 September 2019 was allocated to non-current segment assets, recognised in the functional currencies of the subsidiaries belonging to the Sempermed segment and translated into euros at the respective average foreign exchange rates. This resulted in an impairment loss of EUR 46,763 thousand based on the average foreign exchange rates for 2019. Given the continuing indications of impairment, the additions to fixed assets in the fourth quarter in the amount of EUR 1,922 thousand could not be considered to be recoverable. The change in the foreign exchange mid-rate resulted in a further EUR 94 thousand of impairment of intangible assets and technical equipment. The impairment expense therefore totalled EUR 48,779 thousand in the 2019 financial year (previous year: EUR 55,783 thousand) and was allocated to non-current segment assets as follows:

in EUR thousand	2019	2018
Other intangible assets	–322	–1,446
Tangible assets	–48,457	–54,337
Impairment expense in the Sempermed segment	**–48,779**	**–55,783**

Impairment need in the Sempertrans segment

The impairment loss in the Sempertrans segment amounted to a total of EUR 1,119 thousand in the 2019 financial year (previous year: EUR 3,949 thousand). EUR 834 thousand of this amount related to land and buildings belonging to Sempertrans Best (ShanDong) Belting Co. Ltd. which had to be devaluated as part of the reclassification according to IFRS 5 (see Chapter 3.4). Following the decision taken by the Management Board of Semperit AG Holding in June 2018 to shut down the conveyor belt production and liquidate Sempertrans Best (ShanDong) Belting Co. Ltd., impairment of intangible assets and technical equipment was recognised in the previous year in the amount of EUR 3,949 thousand. The remaining EUR 286 thousand of impairment losses in the 2019 financial year related to non-functioning machinery at the Polish plant and to fire damages at the plant in India (see Chapter 2.3).

The change in tangible assets is as follows:

in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Assets under construction	Total
Acquisition / production costs					
As at 01.01.2018	**185,296**	**506,035**	**76,243**	**16,929**	**784,503**
Currency translation differences	–134	81	509	–388	68
Additions	8,280	35,520	4,022	31,805	79,627
Disposals	–1,226	–8,653	–2,062	–216	–12,156
Disposals resulting from changes in the scope of consolidation	–2,249	–4,131	–1,039	0	–7,419
Transfers	2,709	15,862	191	–18,890	–128
As at 31.12.2018	**192,677**	**544,714**	**77,864**	**29,239**	**844,495**
Initial adjustment under IFRS 16	**7,358**	**0**	**1,979**	**0**	**9,337**
Adjusted as at 01.01.2019	**200,035**	**544,714**	**79,843**	**29,239**	**853,832**
Currency translation differences	2,597	8,152	1,649	190	12,588
Additions	3,429	11,676	4,142	15,237	34,485
Disposals	–1,867	–17,583	–4,688	–76	–24,214
Reclassification as non-current assets held for sale	–10,316	0	0	0	–10,316
Transfers	8,719	23,097	746	–32,145	416
As at 31.12.2019	**202,597**	**570,056**	**81,692**	**12,445**	**866,790**
Depreciation / impairment losses / impairment reversal					
As at 01.01.2018	**82,524**	**298,576**	**56,094**	**–38**	**437,156**
Currency translation differences	–117	85	341	–3	306
Depreciation and amortisation	3,712	20,481	4,459	0	28,652
Impairment loss	13,504	39,046	5,460	505	58,515
Disposals	–67	–8,030	–1,917	–23	–10,037
Disposals resulting from changes in the scope of consolidation	–959	–3,567	–934	0	–5,460
Transfers	0	477	–477	0	0
As at 31.12.2018	**98,597**	**347,066**	**63,027**	**441**	**509,132**
Initial adjustment under IFRS 16	**0**	**0**	**0**	**0**	**0**
Adjusted as at 01.01.2019	**98,597**	**347,066**	**63,027**	**441**	**509,132**
Currency translation differences	1,340	5,664	1,390	4	8,398
Depreciation and amortisation	5,173	20,651	4,529	0	30,354
Impairment loss	11,861	31,757	5,310	649	49,576
Disposals	–129	–16,261	–4,265	0	–20,654
Reclassification as non-current assets held for sale	–4,554	0	0	0	–4,554
Transfers	305	3,047	–3,106	–252	-6
As at 31.12.2019	**112,594**	**391,925**	**66,885**	**842**	**572,246**
Carrying amount					
Carrying amount 01.01.2018	102,772	207,460	20,149	16,967	347,348
Carrying amount 31.12.2018	94,079	197,648	14,838	28,798	335,363
Carrying amount 31.12.2019	**90,004**	**178,131**	**14,806**	**11,604**	**294,544**

EUR 5,956 thousand of the carrying amount reported for land and buildings, including on land owned by third parties (previous year: EUR 7,894 thousand) is attributable to land (land value).

The effect of capitalised borrowing costs as part of the production costs of qualified assets was immaterial in the 2019 financial year (previous year: EUR 210 thousand, financing rate 1.8%).

The rights-of-use assets from leasing agreements included in the tangible assets developed as follows in the 2019 financial year:

	Rights-of-use assets			
in EUR thousand	Land and buildings, including on land owned by third parties	Technical equipment and machinery	Other equipment, office furniture and equipment	Total
Acquisition / production costs				
As at 01.01.2019	**7,358**	**0**	**1,979**	**9,337**
Currency translation differences	19	2	6	26
Additions	2,741	203	1,115	4,059
Disposals	–1,741	0	–308	–2,048
Transfers	–29	0	0	–29
As at 31.12.2019	**8,349**	**204**	**2,791**	**11,345**
Depreciation / impairment losses / impairment reversal				
As at 01.01.2019	**0**	**0**	**0**	**0**
Currency translation differences	10	1	2	13
Depreciation and amortisation	1,871	82	804	2,756
Impairment loss	773	0	0	773
Disposals	–4	0	–21	–26
Transfers	–22	0	0	–22
As at 31.12.2019	**2,627**	**83**	**784**	**3,494**
Carrying amount				
Adjusted as at 01.01.2019	**7,358**	**0**	**1,979**	**9,337**
Carrying amount 31.12.2019	**5,722**	**122**	**2,007**	**7,850**

The following amounts from leasing agreements were recognised through profit or loss in the 2019 financial year (see also Chapters 2.6 and 2.7):

in EUR thousand	2019
Depreciation expense for rights-of-use assets	2,756
Impairment for rights-of-use assets	773
Interest expense for leasing liabilities	251
Expenses for leasing agreements with short terms	523
Expenses for leasing agreements of low value leasing items	192
Total amount recognised through profit or loss	**4,495**

The cash outflows of the Semperit-Group for leasing agreements (including leasing agreements with short terms and leasing agreements of low value leasing items) amounted to EUR 3,631 thousand in the 2019 financial year.

No tangible assets were pledged as collateral for liabilities as at 31 December 2019 and 31 December 2018.

There were contractual obligations to purchase tangible assets amounting to EUR 5,553 thousand as at 31 December 2019 (previous year: EUR 15,987 thousand).

3.3. Other financial assets (non-current)

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

in EUR thousand	31.12.2019	31.12.2018
Financial assets recognised at fair value through profit or loss		
Shares in funds, shares, other securities	6,554	6,188
Derivatives	0	240
	6,554	**6,429**
Financial assets recognised at amortised cost		
Loans to associated companies	563	563
Receivables to employees	23	20
Other financial assets	825	641
	1,411	**1,224**
Total	**7,965**	**7,653**

Fund units relate to 97,500 units (previous year: 97,500 units) in PIA TopRent, a bond fund suitable for covering pension provisions which predominantly invests in fixed-income and floating-rate government bonds in the eurozone.

The receivables from employees essentially include advance payments to employees.

Disclosures on financial instruments – non-current and current assets

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

in EUR thousand	Valuation category IFRS 9[1)]	Stage	Note	Carrying amount 31.12.2019	Carrying amount 31.12.2018
Trade receivables	AC	–	4.2	94,555	101,645
Other financial assets			3.3, 6.5		
Securities	FVPL	1		6,554	6,188
Loans to associated companies	AC	–		563	563
Derivative financial instruments	FVPL	2		52	4,211
Derivative financial instruments	FV – Hedging Instrument	2		0	263
Other financial assets	AC	–		3,611	4,129
Cash and cash equivalents			6.6		
Cash on hand, cheques and cash deposits in banks	AC	–		141,356	121,549

1) FVPL (fair value through profit or loss); FVOCI (fair value through other comprehensive income); AC (At Cost)

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

Non-current financial assets measured at fair value

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

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

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

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 recognised immediately through profit or loss in the other financial result within the consolidated income statement.

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

3.4. Non-current assets held for sale

The conveyor belt production at the Semperit-Group plant in Taierzhuang, China, was shut down in the 2018 financial year. The liquidation committee is responsible for the liquidation of the associated production company, Sempertrans Best (ShanDong) Belting Co. Ltd.; this committee consists of representatives of the Semperit-Group and the 16.1% minority shareholder Shandong Wang Chao Coal & Electricity Group Co. Ltd., a company close to the state. The district government is ensuring the legality of the procedure. The machinery and technical equipment was successfully sold in the first quarter of 2019 (see Chapter 2.3). Following removal of the machinery and technical equipment, the land and buildings of the former production company were in a condition that enabled an immediate sale under normal and customary terms and conditions, and were therefore stated as held for sale for the first time as at 30 June 2019. The impairment test to be carried out in connection with the reclassification resulted in an impairment need in the amount of EUR 834 thousand, which was recognised in the EBIT of the Sempertrans segment (see Chapter 3.2). The carrying amount was EUR 4,603 thousand as at 31 December 2019. The land and buildings were auctioned off in the fourth quarter of 2019. The proceeds from the auction were in fact equal to the carrying amount. A disposal of the land and buildings is expected for the 2020 financial year, although this has been delayed due to the coronavirus epidemic.

Production activities were discontinued in the 2017 financial year at the French plant of Sempertrans France Belting Technology S.A.S. Options for selling the property including the buildings located upon it were examined from the 2018 financial year onwards, with offers explored from interested parties once the social plan and other legal requirements had been completed. On this basis, the Management Board approved the conclusion of a purchase option for a property developer in July 2019, which runs until October 2020 and is subject to several terms and conditions. A number of key contractual terms and conditions have been fulfilled since the agreement was entered into, which is why it is highly probable for the first time as at 31 December 2019 that all conditions will be met and that the property will be sold towards the end of the option term. The purchase price due upon transfer of title is higher than the carrying amount of EUR 759 thousand.

Due to the planned integration of the Dalheim plant into the Hückelhoven/Baal plant, a decision was taken in July 2019 to sell the corresponding properties. In line with this, two properties with a carrying amount of EUR 347 thousand were stated as non-current assets held for sale for the first time as at 30 September 2019. The impairment test to be carried out in connection with the reclassification did not result in an impairment need. Management assumes that the sale can be completed within 12 months as planned.

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

in EUR thousand

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

4. Trade Working Capital

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

4.1. Inventories

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

in EUR thousand	31.12.2019	31.12.2018
Raw materials and supplies	34,545	43,877
Work in progress	16,778	23,137
Finished goods and merchandise	70,503	83,234
Refund assets	41	19
Prepayments	290	158
Total	**122,157**	**150,425**

in EUR thousand	31.12.2019	31.12.2018
Inventories		
thereof at acquisition / production costs	66,889	116,823
thereof at net realisable value	55,268	33,603
Total	**122,157**	**150,425**

When determining the net realisable values as part of the inventory measurement at the reporting date, specific customer contracts are used. If the contracts are not available, then existing list prices are used. Estimates are also required from the relevant segment management related to the recoverable prices and market developments. These are evaluated regularly and adjusted as necessary. The inventory valuation allowance recognised in expense amounted to EUR 1,992 thousand (previous year: EUR 5,416 thousand).

4.2. Trade receivables

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

The trade receivables are made up of the following:

in EUR thousand	31.12.2019 Gross	Allowance	Net	31.12.2018 Gross	Allowance	Net
Receivables not overdue	78,884	–58	78,827	79,641	–209	79,433
Up to 30 days overdue	10,921	–5	10,917	14,108	–100	14,007
30 to 90 days overdue	2,453	–3	2,451	5,700	–272	5,428
More than 90 days overdue	4,949	–2,589	2,361	6,540	–3,763	2,777
Total	**97,208**	**–2,654**	**94,555**	**105,989**	**–4,344**	**101,645**

The group assesses their creditworthiness based on internal valuation guidelines. When determining the extent of the impairment need, the Semperit-Group assesses the defaults from the past four years by segment and uses this analysis to create an impairment matrix based on time lines. The payment terms normally granted are between 14 and 90 days. The analysis of the past did not identify an elevated default risk for receivables that are past due by more than 90 days. As a result, the group does not deem an overdue period of more than 90 days to be an indicator that a loss event has occurred, which would imply an allocation to Stage 3 of the impairment model according to IFRS 9. Loss events are for example a significant downgrade of creditworthiness by credit rating agencies, the commissioning of collection services or the insolvency of the customer.

The group has credit insurance coverage for a significant portion of the trade receivables (86.7%; previous year 86.2%). This insurance coverage includes an excess if a loss occurs. The maximum impairment recognised for a credit loss is the insurance excess for these receivables.

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

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

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

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

	31.12.2018			
	Not overdue	**1–30 days**	**31–90 days**	**>90 days**
Semperflex	0.00-0.13%	0.07-1.07%	0.28-4.01%	0.9-11.17%
Sempermed	0.00-1.51%	0.02-5.20%	0.04-10.31%	0.09-20.08%
Semperform	0.02%	0.14-0.30%	0.81-1.39%	3.62-5.90%
Sempertrans	0.00-0.44%	0.03-0.97%	0.06-2.09%	0.14-9.71%

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

in EUR thousand	**lifetime expected credit loss based on portfolio valuation, value adjusted (stage 2)**	**lifetime expected credit loss based on single valuation, value adjusted (stage 3)**	**Total**
As at 31.12.2017	973	2,827	3,800
Adjustment IFRS 9	–581	0	–581
As at 01.01.2018	**392**	**2,827**	**3,219**
Release	–231	–71	–301
Currency translation difference	–2	81	79
Written down due to irrecoverability	0	–11	–11
Additions	142	1,216	1,358
As at 31.12.2018	**301**	**4,042**	**4,344**
Release	–282	–1,288	–1,571
Currency translation difference	0	2	2
Written down due to irrecoverability	0	–411	–411
Additions	5	284	289
As at 31.12.2019	**24**	**2,629**	**2,654**

Receivables determined to be unrecoverable are derecognised if the receivable loss has been determined conclusively, with the impairment provision formed beforehand used. Trade receivables of EUR 10 thousand (previous year: EUR 133 thousand) which were not written down, were derecognised in the 2019 financial year.

4.3. Trade payables

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

The carrying amount of trade payables totalled EUR 61,640 thousand as at 31 December 2019 (previous year: EUR 67,746 thousand).

5. Equity

5.1. Share capital and reserves

Share capital

The share capital of Semperit AG Holding as at 31 December 2019 remained unchanged compared to the previous year at EUR 21,358,997. This is broken down into 20,573,434 fully paid-in no-par-value ordinary shares of which each has an equal participation in the share capital. Each share is entitled to a voting right and they are all entitled to receive a dividend.

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

The Management Board was authorised by the Annual General Meeting on 25 April 2018 to buy back and if necessary to redeem the company's own shares up to the legally permissible amount of 10% of the share capital for a period of 30 months from the date that the resolution was passed in the Annual General Meeting pursuant to Section 65 (1) no. 8 of the Stock Corporation Act (AktG) with agreement from the Supervisory Board. At the same Annual General Meeting the Management Board was also authorised pursuant to Section 65 (1b) AktG and with agreement from the Supervisory Board to decide on a different type of sale than via the stock exchange or through a public offering, and to decide on an exclusion of the repurchase option (purchase right) on the part of shareholders. There is no share buyback programme in place at present, the company does not hold any treasury shares.

Capital reserves

The capital reserves essentially result from the amount generated beyond the proportional amount of the share capital following the issue of shares (share premium). As in the previous year the capital reserves also include EUR 21,503 thousand in appropriated reserves as at 31 December 2019. These may only be released to offset any balance sheet loss otherwise stated in the corporate law annual financial statements of Semperit AG Holding, unless there are any free reserves available to cover such a loss.

Revenue reserves

The distribution of revenue reserves is as follows:

Revenue reserves

in EUR thousand	Retained earnings	Revaluation reserve	Hedge reserve	IAS 19 reserve	Total revenue reserves
As at 01.01.2018	**255,164**	**117**	**–76**	**–10,740**	**244,464**
Initial adjustment under IFRS 9	538	–117	0	0	422
Retrospective adjustment from IAS 8 – correction of reserves	4,295				4,295
Adjusted as at 01.01.2018	**259,997**	**0**	**–76**	**–10,740**	**249,180**
Earnings after tax	–79,644	0	0	0	–79,644
Other comprehensive income	0	0	–217	–396	–613
total recognised comprehensive income	–79,644	0	–217	–396	–80,257
Acquisition of non-controlling interests	1	0	0	0	1
Other	0	0	0	0	0
As at 31.12.2018	**180,354**	**0**	**–293**	**–11,136**	**168,925**
As at 01.01.2019	**180,354**	**0**	**–293**	**–11,136**	**168,925**
Earnings after tax	–44,481	0	0	0	–44,481
Other comprehensive income	0		366	–1,902	–1,536
total recognised comprehensive income	–44,481	0	366	–1,902	–46,017
Payments of hybrid coupons	–10,545	0	0	0	–10,545
Acquisition of non-controlling interests	–499	0	0	0	–499
Other	0	0	0	0	0
As at 31.12.2019	**124,830**	**0**	**73**	**–13,038**	**111,865**

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

In accordance with IAS 39, the remeasurement reserves contain the cumulative fair value changes in financial assets available for sale until the assets are derecognised or impaired. Financial assets previously classified as available for sale are now measured at fair value through profit or loss since the first-time adoption of IFRS 9 as at 01 January 2018.

The hedging reserve comprises the portion of the cumulative net changes in the fair value of hedging instruments used to hedge payment flows (cash flow hedge) until the subsequent recognition of the hedged cash flows or underlying transactions through profit or loss.

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

Currency translation reserve

The currency translation reserve records translation differences resulting from converting the subsidiaries' financial statements from their functional currency to euros until the subsidiaries in question are sold or disposed of by other means.

5.2. Hybrid capital

The Management Board of Semperit AG Holding signed an agreement on 12 December 2017 regarding hybrid capital of up to EUR 150,000 thousand with B&C Holding GmbH, a wholly-owned subsidiary of B&C Industrieholding GmbH. The agreed interest rate is 5.25% p.a. and the commitment fee is 1.75% p.a. The expense resulting from the commitment fee is reported under other financial result. The hybrid capital is a subordinated source of financing with an unlimited term on which the Semperit-Group was originally able to draw in multiple tranches until 31 December 2018. In the meantime, the hybrid capital line was extended until 31 December 2020. Under the agreement, the creditor does not have a redemption or conversion right. Semperit AG Holding reserves right to repay EUR 5,000 thousand or a multiple of that amount plus pro-rata "interest" at the end of each quarter. In March 2018, EUR 130,000 thousand were drawn from the hybrid capital.

Due to the contractual terms and conditions, the hybrid capital is reported as equity capital in accordance with IAS 32. Since the hybrid capital is categorised as equity, corresponding payments are treated as distributions to shareholders. The payment of "interest" is e.g. triggered by dividend payments and is also recognised as such in equity once the resolution has been passed on the dividend. 'Interest' at the amount of EUR 10,545 thousand was paid in the 2019 financial year (previous year: EUR 0 thousand)

5.3. Non-controlling interests

The non-controlling interests and their corresponding share of earnings after tax, or comprehensive income respectively, in the 2019 financial year relate to Latexx Partners Berhad (group holding: 98.86%) and FormTech Engineering (M) Sdn Bhd (group holding: 69.88%). Dividends in the amount of EUR 259 thousand (previous year: EUR 190 thousand) were paid in the 2019 financial year to the non-controlling interests of FormTech Engineering (M) Sdn Bhd.

An additional 0.01% of the shares in Latexx Partners Berhad amounting to EUR 5 thousand (previous year: EUR 47 thousand) were acquired during the 2019 financial year for EUR 6 thousand. The group holding as at 31 September 2019 thereby amounted to 98.86% following the 98.85% as at 31 December 2018.

The remaining shares in Total Glove Company Sdn Bhd amounting to EUR –499 thousand were also acquired in the 2019 financial year for EUR 0 thousand (previous year: holding of 50.01%). There are plans to liquidate Total Glove Company Sdn Bhd in the near future.

5.4. Dividends and treasury shares

The shareholders are entitled to a distribution of Semperit AG Holding's net profit for the year. Semperit AG Holding reported a net loss in the 2019 financial year, meaning that no dividend will be paid. A net loss was also recorded in the previous year.

Semperit AG Holding did not hold any treasury shares at 31 December 2019 or at 31 December 2018.

6. Net debt

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

6.1. Liabilities from redeemable non-controlling interests

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

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

The pro-rata measurement-related cash flows were derived from the latest medium-term forecasts for determining the fair value of the redeemable, non-controlling interests in Semperflex Asia Corp. Ltd. (stage 3). The detailed planning period extends until the end of 2025. The pro-rata measurement-related cash flows after the 2025 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 discount rate after tax is 8.6%. The main assumptions used in determining the fair value relate in particular to the market-dependent future development of the EBITDA margin and the increased slowdown expected for business in 2020.

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

Liabilities from redeemable non-controlling interests changed as follows:

in EUR thousand	2019	2018
Carrying amount 01.01.	13,376	13,276
Dividends	–415	–4,743
Share of annual income after tax	4,067	4,251
Currency translation differences	1,402	591
Other changes	27	0
Carrying amount 3112	**18,457**	**13,376**
thereof Semperflex Asia Corp. Ltd., Thailand	17,591	12,583
thereof Sempertrans Best (ShanDong) Belting Co. Ltd., China	866	793
Fair Value 31.12.	**66,258**	**55,476**

6.2. Financial liabilities

in EUR thousand	31.12.2019	Thereof non-current	Thereof current	31.12.2018	Thereof non-current	Thereof current
Corporate *Schuldschein* loan	208,830	172,689	36,142	226,492	212,106	14,386
Liabilities to banks	5,983	1,075	4,908	7,742	1,195	6,547
Total	**214,813**	**173,763**	**41,050**	**234,233**	**213,301**	**20,933**

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.

Corporate *Schuldschein* loan

Between 2013 and 2016, Semperit AG Holding issued several corporate *Schuldschein* loans, some with fixed and some with variable interest rates, in EUR as well as in the foreign currencies US dollars (USD), Polish zlotys (PLN) and Czech korunas (CZK). The loans had a total volume of EUR 344,466 thousand; variable-interest-rate tranches dating back to 2013 in the amount of EUR 72,000 thousand were repaid in 2015. EUR 13,500 thousand of EUR-denominated corporate *Schuldschein* loans was repaid on time as it fell due in July 2018. A further USD 37,000 thousand of USD-denominated corporate *Schuldschein* loans (equating to EUR 32,691 thousand) was repaid ahead of time in November 2018. There were early repayments of fixed-interest tranches from 2013 and 2015 in the amount of EUR 3,500 thousand and EUR 3,000 thousand respectively in the 2019 financial year.

The current tranches in EUR have terms of five, seven, ten and fifteen years, while those in foreign currencies have terms of three, five and seven years. The current total nominal value is EUR 213,908 thousand (previous year: EUR 225,033 thousand), of which around 56% is attributable to euros and around 44% to the three foreign currencies.

Accrued interest of EUR 1,160 thousand is reported as a other current financial liability as at 31 December 2019 (previous year: EUR 1,816 thousand). The differences between the carrying amounts excluding interest (clean price) and the nominal amounts are the transaction cost of the *Schuldschein* offerings, which are allocated over the terms of the corporate *Schuldschein* loan tranches in accordance with the effective interest rate method.

31.12.2019	Effective interest rate	Currency	Nominal value in foreign currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	1.77%-3.65%	EUR thousand	119,500	114,116	78,372	35,744
Fixed-interest corporate bond	1.29%	CZK thousand	180,000	7,094	7,080	14
Variable-interest corporate bond	2.82%	CZK thousand	180,000	7,119	7,081	38
Variable-interest corporate bond	3.24%	PLN thousand	118,000	27,762	27,692	70
Variable-interest corporate bond	3.41%	USD thousand	59,000	52,739	52,464	275
Total				**208,830**	**172,689**	**36,142**

31.12.2018	Effective interest rate	Currency	Nominal value in foreign currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest corporate bond	1.77%-3.65%	EUR thousand	119,500	120,642	119,290	1,351
Fixed-interest corporate bond	1.29%	CZK thousand	180,000	7,005	6,991	14
Variable-interest corporate bond	2.45%-2.50%	CZK thousand	360,000	14,042	6,992	7,050
Variable-interest corporate bond	3.04%-3.24%	PLN thousand	142,000	33,044	27,389	5,655
Variable-interest corporate bond	4.06%	USD thousand	59,000	51,758	51,443	315
Total				**226,492**	**212,106**	**14,386**

Liabilities to banks

In December 2014, a framework credit agreement for an initial EUR 250,000 thousand was concluded with a consortium of six banks, revised to EUR 200,000 thousand in the 2017 financial year. This agreement comprises two tranches, one for EUR 100,000 thousand, revised to EUR 50,000 thousand in the 2017 financial year with a five-year term, and another in the amount of EUR 150,000 thousand with a seven-year term (original term of five years with the option of two one-year extensions, both of which have already been exercised). Framework credit of EUR 50,000 thousand was repaid with the hybrid capital made available in March 2018 and is therefore no longer available. An amount of EUR 0 thousand (previous year: EUR 0 thousand) of the framework credit had been utilised as at the reporting date.

The following liabilities to banks also exist as at the reporting date:

						31.12.2019
	Effective interest rate	Currency	Nominal value in foreign currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Fixed-interest liabilities to banks	4.10%	EUR thousand	2,000	1,195	1,075	120
Variable-interest liabilities to banks	0.00%	EUR thousand	0	7	0	7
	4.0 – 6.0%	MYR thousand	42,100	4,781	0	4,781
Total				**5,983**	**1,075**	**4,908**

						31.12.2018
	Effective interest rate	Currency	Nominal value in foreign currency	Carrying amount in EUR thousand	Thereof non-current	Thereof current
Variable-interest liabilities to banks	0.0 – 4.1%	EUR thousand	2,000	1,315	1,195	120
	4.0 – 6.0%	MYR thousand	42,100	6,427	0	6,427
Total				**7,742**	**1,195**	**6,547**

6.3. Other financial liabilities

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

Liabilities to personnel (including bonuses and commission) are recognised at the cash value of the amount expected to be paid out insofar as they relate to services already rendered.

in EUR thousand	31.12.2019	Thereof non-current	Thereof current	31.12.2018	Thereof non-current	Thereof current
Sales incentives and penalty fees	1,242	0	1,242	6,838	0	6,838
Personnel liabilities	4,572	0	4,572	5,543	25	5,518
Derivatives	1,903	725	1,178	1,727	1,284	443
Accrued commissions	1,622	0	1,622	1,006	0	1,006
Loans from non-controlling shareholders	0	0	0	126	0	126
Leasing liabilities	8,606	5,886	2,720	70	42	29
Remaining other financial liabilities	4,290	462	3,828	6,642	666	5,976
Total	**22,235**	**7,073**	**15,161**	**21,952**	**2,017**	**19,935**

The leasing liabilities in accordance with IFRS 16 as at 31 December 2019 are facing liabilities from finance leases as at 31 December 2018.

6.4. Disclosures on financial instruments – liabilities

in EUR thousand	Valuation category IFRS 9[1)]	Stage	Note	Carrying amount 31.12.2019	Carrying amount 31.12.2018
Liabilities from redeemable non-controlling interests	AC	–	6.1	18,457	13,376
Corporate *Schuldschein* loan	AC	3	6.2	208,830	226,492
Liabilities to banks	AC	–	6.2	5,983	7,742
Trade payables	AC	–	4.3	61,640	67,746
Other financial liabilities			6.3, 6.5		
Derivative financial liabilities	FVPL	2		1,178	241
Derivative financial liabilities	FV – Hedging Instrument	2		725	1,486
Leasing liabilities	AC	–		8,606	70
Remaining other financial liabilities	AC	–		11,726	20,155

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

Liabilities measured at fair value

The financial instruments measured at fair value are derivative financial instruments. The derivative financial instruments (freestanding financial instruments) relate to foreign exchange forward contracts as at 31 December 2019. The derivative financial instruments, which are held for hedging purposes, relate to a cross currency swap.

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 at the reporting date. In addition, the carrying amount is adjusted to take into account the credit risk of the respective counterparty. When doing so, positive exposures are measured considering the default risk of the counterparty, while negative exposures are measured considering the Group’s own default risk.

Liabilities not measured at fair value

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

in EUR thousand	Valuation category IFRS 9[1)]	Fair Value 31.12.2019	Fair Value 31.12.2018	Stage
Liabilities				
Corporate *Schuldschein* loan	AC	212,461	220,026	3

[1)] AC (At cost)

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

6.5. Other financial assets (current)

in EUR thousand	31.12.2019	31.12.2018
Financial assets recognised at fair value through profit or loss		
Derivatives	52	4,234
Financial assets recognised at amortised cost		
Receivables to employees	342	344
Accruals and deferrals	335	1,846
Other financial assets	2,086	1,277
	2,763	**3,467**
Total	**2,816**	**7,702**

The other financial assets include restricted funds in the amount of EUR 208 thousand (previous year: EUR 364 thousand), rent deposits of EUR 158 thousand and time deposits of EUR 147 thousand.

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

6.6. Cash and cash equivalents

in EUR thousand	31.12.2019	31.12.2018
Cash on hand	28	24
Cash deposits in banks	141,040	121,526
Current investments	288	0
Total	**141,356**	**121,549**

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

7. Provisions

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

Retirement benefit plans – defined benefit plans

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

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

Pension commitments

Based on an existing pension statute of Semperit AG Holding and Semperit Technische Produkte Gesellschaft m.b.H., company pensions in the form of a fixed amount are granted to employees who joined the company before 01 January 1991, with the amount of this dependent on the relevant employee's number of years of service. The statute stipulates that only retired former employees or their surviving dependants are now entitled to these pensions. The obligations in accordance with this statute are not funded by plan assets.

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

Severance payment commitments

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

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

Actuarial assumptions

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

Interest rate p.a. in %	31.12.2019	31.12.2018
Austria – pensions	0.80% / 0.90%	1.60% / 1.80%
Austria – severance payments	1.00%	1.80%
Germany – pensions	0.90% / 0.98%	1.80% / 1.90%
Other countries – severance payments		
France	1.00% – 1.20%	1.90% – 2.10%
Poland	2.00%	3.00%
India	7.10%	7.40%
Thailand	1.24% – 2.49%	1.73% – 4.38%

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

Salary increases p.a. in %	31.12.2019	31.12.2018
Austria – pensions	0.00% / 1.75%	0.00% / 1.75%
Austria – severance payments	3.00%	3.00%
Germany – pensions	1.80% / 3.40%	1.80% / 3.40%
Other countries – severance payments		
France	2.00% / 2.20% / 2.50%	2.00% / 2.50%
Poland	2.00%	2.00%
India	0.00% / 5.00% / 12.00%	5.00% / 12.00%
Thailand	3.00% / 4.00%	3.00% / 5.00%

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

Fluctuation deductions p.a. in %	31.12.2019	31.12.2018
Austria – pensions	0.00%	0.00%
Austria – severance payments	0.00% – 2.50%	0.00% – 2.50%
Germany – pensions	0.00%	0.00%
Other countries – severance payments		
France	0.00% – 7.00%	0.00% – 7.00%
Poland	5.30%	5.25%
India	0.00% / 2.00% / 8.00%	2.00%
Thailand	0.00% – 35.00%	0.00% – 30.00%

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

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 (previous year: Heubeck 2005G)
- France: TH 00-02 / TF 00-02
- Poland: Life Expectancy Table of Poland 2016
- India: Indian Assured Lives Mortality (2012–2014) (previous year: Indian Assured Live Mortality (2006–2008))
- Thailand: Thailand TM017

The provisions for pension and severance payments comprise the following:

in EUR thousand	Total 31.12.2019	Thereof non-current	Thereof current	Total 31.12.2018	Thereof non-current	Thereof current
Provisions for pensions	17,751	16,225	1,526	17,827	16,208	1,619
Provisions for severance payments	19,174	18,010	1,164	18,689	17,177	1,512
Total	**36,925**	**34,235**	**2,690**	**36,516**	**33,385**	**3,131**

Provisions for pensions

in EUR thousand	31.12.2019	31.12.2018
Present value of funded defined benefit obligations	3,469	3,440
Fair value of the plan assets	–345	–293
Deficit	3,124	3,147
Present value of unfunded defined benefit obligations	14,626	14,680
Provisions for pensions as of 31.12	**17,751**	**17,827**

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

in EUR thousand	2019	2018
Present value of the obligations (DBO) as at 01.01.	18,120	18,951
Current service costs	11	10
Interest expense	317	294
Total expenses for pensions	**328**	**303**
Remeasurements	1,302	506
Payments/Transfers	–1,654	–1,640
Present value of the obligations (DBO) as at 31.12.	**18,096**	**18,120**

The expenses shown in the tables are recognised as retirement benefits under personnel expenses in the consolidated income statement (see Chapter 2.5).

Plan assets measured at fair value consist of the following:

in EUR thousand	31.12.2019	31.12.2018
Cash funds	80	28
Other receivables	265	265
Fair value of the plan assets as at 31.12.	**345**	**293**

Plan assets changed as follows:

in EUR thousand	2019	2018
Fair value of the plan assets as at 01.01.	293	503
Interest and related income from plan assets	0	2
Remeasurements of plan assets	–12	5
Payments/Transfers	65	–217
Fair value of the plan assets as at 31.12.	**345**	**293**

Provisions for severance payments

in EUR thousand	2019	2018
Present value of the obligations (DBO) as at 01.01.	18,689	19,857
Current service costs	325	348
Past service costs	118	31
Interest expense	350	341
Total expenses for severance payments	**793**	**721**
Remeasurements	759	–320
Payments	–1,107	–797
Currency translation differences	41	4
Changes in the scope of consolidation	0	–776
Present value of the obligations (DBO) as at 31.12.	**19,174**	**18,689**

Remeasurements

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

in EUR thousand	2019	2018
Pensions		
Remeasurements of obligations		
from changes to demographic assumptions	–44	–248
from changes to financial assumptions	–1,466	328
Experience adjustments	208	–586
	–1,302	**–506**
Remeasurements of plan assets	–12	5
Total pensions	**–1,314**	**–500**
severance payments		
Remeasurements of obligations		
from changes to demographic assumptions	565	–296
from changes to financial assumptions	–1,469	1,115
Experience adjustments	145	–499
Severance payments total	**–759**	**320**
Total remeasurements	**–2,073**	**–180**

Other comprehensive income from remeasurements recognised in the 2018 financial year included EUR 881 thousand in expenses resulting from the revision of the Austrian mortality tables (AVÖ 2018-P ANG).

Sensitivity analysis

Sensitivity analyses were performed for pension and severance plans regarding the effect of significant actuarial assumptions. Sensitivities were determined based on the same actuarial assumptions used to value the provisions for pension and severance payments, with one parameter changing here. The remaining parameters remained unchanged.

A change of one percentage point in each of these parameters has the following impact on the present value of pension obligations totalling EUR 18,096 thousand (previous year: EUR 18,120 thousand) and on the present value of severance payment obligations in the amount of EUR 19,174 thousand (previous year: EUR 18,689 thousand):

		Present value of obligation (DBO) 31.12.2019		Present value of obligation (DBO) 31.12.2018	
in EUR thousand	Change in parameter	increase in parameter	decrease in parameter	increase in parameter	decrease in parameter
Pensions					
Interest rate	+/– 1 percentage point	16,478	20,033	16,566	19,966
Increases in salaries	+/– 1 percentage point	19,548	17,214	19,114	17,277
Life expectancy	+/– 1 year	19,105	17,109	19,059	17,192
severance payments					
Interest rate	+/– 1 percentage point	17,478	21,384	16,876	20,816
Increases in salaries	+/– 1 percentage point	21,233	17,563	20,675	16,952

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

Weighted average duration	31.12.2019	31.12.2018
Austria – pensions	9.1	9.3
Austria – severance payments	10.5	10.8
Germany – pensions	9.9	10.0
Other countries – severance payments		
France	13.9	15.4
Poland	10.5	10.3
India	8.4	10.5
Thailand	14.0	13.7

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

in EUR thousand	31.12.2019	31.12.2018
Severance payments		
under 1 year	1,164	1,512
1 to 5 years	3,413	4,251
6 to 10 years	6,056	5,755
over 10 years	15,002	15,851
Pensions		
under 1 year	1,526	1,619
1 to 5 years	5,799	6,148
6 to 10 years	4,142	4,552
over 10 years	7,290	8,197

Retirement benefit plans – defined contribution plans

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

Semperit AG Holding is required to contribute to a pension fund for all current members of the Management Board. A total of 1/10th of the respective fixed remuneration or an amount fixed by contract is paid into a pension fund (APK Pensionskasse AG) each year. In the 2019 financial year, the expense for these contributions amounted to EUR 88 thousand (previous year: EUR 95 thousand).

One former member of the Management Board and selected executives were granted pensions in the past that are covered by reinsurance policies with Generali Versicherung AG, with the pension entitlement matching the amount covered by the reinsurance. Total expenses of EUR 180 thousand (previous year: EUR 308 thousand) were incurred for these contributions in the 2019 financial year, consisting of expenses attributable to Semperit Technische Produkte Gesellschaft m.b.H. in the amount of EUR 109 thousand (previous year: EUR 70 thousand) and expenses attributable to Semperit AG Holding in the amount of EUR 159 thousand (previous year: EUR 238 thousand).

Employees whose employment is subject to Austrian law and who entered into this employment relationship after 31 December 2002 are not entitled to severance payments from their employer. For these employees and all current members of the Management Board, contributions amounting to 1.53% (previous year: 1.53%) of their wages or salaries are paid into a staff pension fund. In the financial year 2019, the expense for these contributions totalled EUR 643 thousand (previous year: EUR 582 thousand).

For employees in the USA, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2019 financial year, the expense for these contributions amounted to EUR 317 thousand (previous year: EUR 107 thousand).

For employees in Singapore, contributions amounting to a fixed percentage of the annual salary are paid into a pension fund. In the 2019 financial year, the expense for these contributions amounted to EUR 188 thousand (previous year: EUR 105 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 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

The carrying amounts of the other provisions are as follows:

in EUR thousand	31.12.2019	Thereof non-current	Thereof current	31.12.2018	Thereof non-current	Thereof current
Long-service bonuses	4,517	4,232	285	4,066	3,824	241
Guarantees	6,753	1,291	5,462	6,097	1,310	4,786
Bonuses and other personnel provisions	12,936	216	12,720	9,686	471	9,214
Other	6,295	5,136	1,159	12,960	9,182	3,778
Total	**30,501**	**10,875**	**19,626**	**32,808**	**14,788**	**18,020**

The other provisions changed as follows:

in EUR thousand	01.01.2019	Currency translation differences	Release	Use	Additions	31.12.2019
Long-service bonuses	4,066	1	0	–232	683	4,517
Guarantees	6,097	41	–2,348	–826	3,790	6,753
Bonuses and other personnel provisions	9,686	79	–205	–9,157	12,534	12,936
Other	12,960	–25	–5,000	–2,797	1,157	6,295
Total	**32,808**	**96**	**–7,553**	**–13,013**	**18,163**	**30,501**

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

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 its amount can be estimated reliably.

The timings of the expected payment flows from other provisions (except long-service bonuses) largely reflects the maturities outlined above. At 31 December 2019 undiscounted payment flows for provisions for long-service bonuses arise in the amount of EUR 287 thousand due within a year (previous year: EUR 243 thousand) and EUR 9,070 thousand (previous year: EUR 8,956 thousand) due in over a year.

Long-service bonuses

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

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

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

in EUR thousand	Change in parameter	Present value of obligation (DBO) 31.12.2019 increase in parameter	Present value of obligation (DBO) 31.12.2019 decrease in parameter	Present value of obligation (DBO) 31.12.2018 increase in parameter	Present value of obligation (DBO) 31.12.2018 decrease in parameter
Interest rate	+/– 1 percentage point	4,132	4,974	3,734	4,455
Increases in salaries	+/– 1 percentage point	4,871	4,211	4,366	3,803

Guarantees

The provisions for guarantees are based largely on a case-by-case assessment of the risks. In addition, provisions are allocated on a portfolio basis and according to experience, based on the revenue of the previous financial year. 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.

Other provisions

The remaining other provisions include a provision for transaction taxes in Brazil in respect of the assessment years 2008-2010 in the amount of EUR 3,380 thousand (previous year: EUR 6,768 thousand). The duty (PIS/COFINS) is levied on the import and resale of goods in Brazil.

With regard to the import-PIS/COFINS, the Conselho de Administração de Recursos Fiscais (CARF) issued its final decision in favour of the Semperit-Group on 12 November 2019. The corresponding provision in the amount of EUR 3,985 thousand had to be released. For the resale PIS/COFINS, a deposit was made in the financial year 2017 after unsuccessful appeals in the administrative proceedings for the further handling of the case in the courts. The provision in the amount of EUR 3,380 thousand (previous year: EUR 2,892 thousand) continues accompanying by a corresponding demand for a reimbursement of the deposit made with the civil court.

In addition, provisions were formed for expected litigation costs in connection with the tax proceedings in Brazil in the amount of EUR 411 thousand (previous year: EUR 1,250 thousand). For the assessment years 2011 and 2012, management is assuming that the period of limitation has expired.

The closure of the Chinese production site Sempertrans Best (ShanDong) Belting Co. Ltd., as decided in the 2018 financial year, resulted in a provision in the amount of EUR 260 thousand (previous year: EUR 1,239 thousand) for the completion of the liquidation process.

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

Detailed information on the specific financial impact would seriously weaken the position of the Semperit-Group in asserting its interests in the 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	31.12.2019	Thereof non-current	Thereof current	31.12.2018	Thereof non-current	Thereof current
Accrued expenses	4,617	127	4,490	5,265	401	4,863
Prepayments	1,527	521	1,006	3,683	3,325	359
Tax receivables	10,819	3,633	7,185	11,117	3,160	7,957
Other non-financial receivables	1,043	69	974	897	60	837
Total	**18,005**	**4,350**	**13,654**	**20,963**	**6,946**	**14,017**

The long-term advance payments made are essentially attributable to advance payments for tangible assets.

8.2. Other non-financial liabilities

in EUR thousand	31.12.2019	Thereof non-current	Thereof current	31.12.2018	Thereof non-current	Thereof current
Liabilities from taxes and social security contributions	9,849	0	9,849	9,799	0	9,799
Contract liabilities	11,864	0	11,864	4,848	0	4,848
Unused holidays and overtime balances	5,447	132	5,315	5,797	200	5,597
All other liabilities	1,725	51	1,675	1,595	361	1,234
Total	**28,885**	**183**	**28,702**	**22,040**	**561**	**21,478**

The contract liabilities in the amount of EUR 11,864 thousand (previous year: EUR 4,745 thousand) were incurred entirely in the 2019 financial year. The previous years value was recognised as sales revenue.

9. Taxes

Tax reconciliation statement

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

in EUR thousand	2019	2018
Earnings before tax	**–29,643**	**–63,258**
Tax expense / income (-/+) at 25%	**7,411**	**15,815**
Tax rates in other countries	504	2,345
Share of profits from associated companies	116	132
Profit / loss attributable to redeemable non-controlling interests	–1,017	–1,063
Non-deductible expenses	–3,539	–3,239
Non-taxable income, tax exemptions and tax deductibles	358	334
Tax-deductible expenses for hybrid coupons	1,730	1,332
Reduction of current tax expenses on the basis of yet unused tax loss carryforwards	1,383	950
Non-recognised deferred tax assets on new losses carryforwards and temporary differences in the financial year	–19,186	–13,463
Value adjustment of deferred tax assets from loss carryforwards or temporary differences arising and recognised in previous years	–1,161	–17,747
Change to outside-basis differences	–3	–767
Tax effects on write-downs and write-ups of holdings of fully consolidated companies	1,117	–90
Withholding taxes	–1,800	–2,719
Taxes for previous periods	–240	1,625
Other	–950	–550
Income taxes according to the consolidated income statement	**–15,277**	**–17,104**

in EUR thousand	2019	2018
Earnings before tax	–29,643	–63,258
Profit / loss attributable to redeemable non-controlling interests	4,067	4,251
Total	**–25,576**	**–59,007**
Income taxes as per consolidated income statement	15,277	17,104
Effective tax rate in %	**–59.7%**	**–29.4%**

The reduction in deferred taxes from available tax credits and tax allowances is stated in the item "Value adjustment of deferred tax assets from loss carryforwards or temporary differences arising and recognised in previous years".

The income in the 2018 financial year from taxes for previous periods essentially results from the release of a provision for proceedings with the Malaysian tax authorities for the subsidiary Latexx Partners Berhad, Malaysia, that ended as the deadline had expired.

Deferred tax

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

in EUR thousand	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities	31.12.2018 Deferred tax assets	31.12.2018 Deferred tax Taxes
Intangible assets	1,297	19	1,424	228
Tangible assets	11,194	12,681	2,962	5,516
Securities and financial assets	24	93	12	20
Inventories	2,570	59	2,821	0
Receivables	258	9,385	1,520	3,466
Other assets	59	105	31	1,125
Provisions for personnel	5,847	0	5,405	0
Other provisions	1,532	17	1,256	0
Trade payables	160	636	63	22
Other liabilities	4,608	829	790	1,938
Temporary differences in connection with shares in subsidiaries (outside-basis differences)	0	1,893	0	1,842
Tax loss carryforwards and as yet unused tax credits	80,566	n/a	66,399	n/a
Total deferred tax assets and liabilities	**108,115**	**25,717**	**82,685**	**14,157**
Valuation allowance for deferred tax assets	–89,508	n/a	–71,284	n/a
Offset of deferred tax assets and liabilities	–15,394	–15,394	–7,037	–7,037
Net deferred tax assets	**3,212**		**4,364**	
Net deferred tax liabilities		**10,323**		**7,120**

The valuation allowance for deferred tax assets in the amount of EUR 89,508 thousand (previous year: EUR 71,284 thousand) includes the valuation allowance for deferred tax assets related to temporary differences in the amount of EUR 19,657 thousand (previous year: EUR 11,952 thousand) and the valuation allowance for deferred tax assets related to loss carry-forwards and unused tax credits in the amount of EUR 69,852 thousand (previous year: EUR 59,333 thousand). The impairment also includes deferred tax assets that arose but were not recognised in the financial year 2019.

The valuation allowance for deferred tax assets includes the temporary differences and loss carryforwards from the group of companies in accordance with Section 9 of the Austrian Corporation Tax Act (KStG), whose parent company is Semperit AG Holding. A total of EUR 31,158 thousand (previous year: EUR 25,591 thousand) is attributable to this group of companies. Due to the Austrian tax group's history of losses in the recent past, there are stringent IFRS requirements for a reliable tax planning. The recognition of deferred tax assets (not covered by deferred tax liabilities) on temporary differences and loss carryforwards requires additional substantial evidence that, in the upcoming financial years, tax results will be generated that can be used for future tax relief. The deferred tax assets of the Austrian tax group are hence not eligible for recognition in view of the history of losses of the Austrian tax group in the recent past, the restructuring and transformation phase in which the Semperit-Group finds itself and in view of the increased business slowdown expected in 2020. The same applies in particular to the tax loss carryforwards and tax credits not yet used in Malaysia and Singapore.

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

Of the changes to the deferred taxes included on the balance sheet, EUR –4,298 thousand (previous year: 5,511 thousand) is included in the tax expense and EUR 97 thousand (previous year: EUR –192 thousand) in other comprehensive income.

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

in EUR thousand	2019	2018
Initial adjustment under IFRS 9		
Initial adjustment under IFRS 9	n/a	57
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)	171	–215
Other comprehensive income that will be recognised through profit and loss in future periods		
Deferred taxes related to cash flow hedges	–125	135
Currency translation differences related to deferred taxes	51	–168
	–74	**–33**
Total	**97**	**–191**

Deferred taxes with a term of more than 5 years which resulted from the remeasurement of defined benefit plans were adjusted.

Further deductible temporary differences exist as at the balance sheet date in the amount of EUR 80,790 thousand (previous year: EUR 47,989 thousand) as well as tax loss carry-forwards and unused tax losses amounting to EUR 190,158 thousand (previous year: EUR 178,097 thousand), for which no deferred tax assets were recognised. Of these unused tax losses, EUR 15,643 thousand (previous year: EUR 11,894 thousand) expire within the next five years and EUR 34,344 thousand (previous year: EUR 14,984 thousand) expire within 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 year or the previous year that exceed the deferred tax liabilities in the relevant group companies by a total of EUR 2,000 thousand (previous year: EUR 2,968 thousand). Deferred tax assets are recognised based on the assumption that there will be sufficient taxable profit in the coming years.

Deferred tax liabilities of EUR 9,832 thousand (previous year: EUR 16,500 thousand) were not recognised for taxable temporary differences of EUR 56,938 thousand (previous year: EUR 66,224 thousand) in connection with interests in subsidiaries, as the parent company is able to control when the temporary difference is reversed, and as it is unlikely that the temporary differences will be reversed in the foreseeable future. There are also deductible temporary differences in the amount of EUR 151,703 thousand (previous year: EUR 150,161 thousand) for which deferred tax assets of EUR 29,759 thousand (previous year: EUR 29,106 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

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

The scope of consolidation of Semperit AG Holding developed in financial year 2019 as follows:

	Fully consolidated companies	Associated companies
As at 01.01.2019	**44**	**1**
First-time consolidations/deconsolidations	0	0
As at 31.12.2019	**44**	**1**

	Fully consolidated companies	Associated companies
As at 01.01.2018	**47**	**1**
Deconsolidation	3	0
As at 31.12.2018	**44**	**1**

The deconsolidations in the 2018 financial year essentially relate to the sale of Semperflex Roiter S.r.l, Rovigo, Italy effective as of 28 December 2018. The companies PA 82 WT Holding GmbH, Vienna, Austria and Worldmed Manufacturing Sdn Bhd, Kamunting, Malaysia were also liquidated in 2018.

The effects of the deconsolidation of Semperflex Roiter S.r.l, Rovigo, Italy on the 2018 financial year are stated in the following tables:

in EUR thousand	2018
Consideration received as cash and cash equivalents	2,726
Less disposal costs	–227
Less net assets sold thereof goodwill disposed of in the Semperflex segment in the amount of EUR 16 thousand	–2,786
Deconsolidation result	**–287**

in EUR thousand	2018
Consideration received as cash and cash equivalents less disposal costs	2,499
Less cash and cash equivalents sold	–1,324
Net inflow of cash and cash equivalents	**1,175**

The deconsolidation result is included in the previous year under other operating expenses.

10.2. Fully consolidated companies

		31.12.2019				31.12.2018			
	Currency	Autho-rised share capital in ´000s	Direct holding in %	Group holding in %		Autho-rised share capital in ´000s	Direct holding in %	Group holding in %	
Europe									
Semperit Aktiengesellschaft Holding, Vienna, Austria	EUR	21,359				21,359			
Semperit Technische Produkte Gesellschaft m.b.H., Vienna, Austria	EUR	61,701	100.00	100.00		61,701	100.00	100.00	
Semperit Import & Services GmbH, Vienna, Austria	EUR	36	100.00	100.00		36	100.00	100.00	
Semperflex Rivalit GmbH, Waldböckelheim, Germany	EUR	1,281	100.00	100.00		1,281	100.00	100.00	
Semperit Profiles Deggendorf GmbH, Deggendorf, Germany	EUR	11,050	100.00	100.00		11,050	100.00	100.00	
Semperit Profiles Leeser GmbH, Hückelhoven, Germany	EUR	81	100.00	100.00		81	100.00	100.00	
Semperit Profiles Leeser Verwaltungs GmbH, Germany	EUR	25	100.00	100.00		25	100.00	100.00	
Semperit (France) S.A.R.L., Levallois Perret, France	EUR	495	100.00	100.00		495	100.00	100.00	
Sempertrans France Belting Technology S.A.S., Argenteuil, France	EUR	2,542	100.00	100.00		10,165	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	66,394	100.00	100.00		66,394	100.00	100.00	
Semperflex Optimit s.r.o., Odry, Czech Republic	CZK	470,318	100.00	100.00		470,318	100.00	100.00	
Semperflex A.H. s.r.o., Odry, Czech Republic	CZK	100	100.00	100.00		100	100.00	100.00	
Elastomer Technology Kmenta s.r.o., Husava, Czech Republic	CZK	2,848	87.50	87.50	2)	2,848	75.00	75.00	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	

		31.12.2019				31.12.2018			
	Currency	Autho-rised share capital in ´000s	Direct holding in %	Group holding in %		Autho-rised share capital in ´000s	Direct holding in %	Group holding in %	
The Americas									
Sempermed Brasil Promoção de Vendas Ltda., Piracicaba, Brasil	BRL	15,247	100.00	100.00		12,547	100.00	100.00	
Semperit Brasil Produtos Tècnicos Ltda., Sao Paulo, Brazil	BRL	641	100.00	100.00		641	100.00	100.00	
Sempermed USA Inc., Clearwater, Florida, USA	USD	4,000	100.00	100.00		4,000	100.00	100.00	
Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA	USD	1	100.00	100.00		1	100.00	100.00	
Sempertrans North America Investments Corp., Atlanta, USA	USD	9,000	100.00	100.00		9,000	100.00	100.00	
Sempertrans USA, LLC, Atlanta, USA	USD	0	100.00	100.00		0	100.00	100.00	
Semperit Productos Técnicos SpA, Santiago de Chile, Chile	CLP	46,000	100.00	100.00		46,000	100.00	100.00	
Asia									
Semperflex Shanghai Ltd., Shanghai, China	USD	15,000	100.00	100.00		15,000	100.00	100.00	
Semperit (Shanghai) Management Co. Ltd., Shanghai, China	USD	2,570	100.00	100.00		2,000	100.00	100.00	
Sempertrans Best (ShanDong) Belting Co. Ltd., Shandong, China	EUR	24,800	83.87	83.87	1)	24,800	83.87	83.87	1)
Shanghai Semperit Rubber & Plastic Products Co. Ltd., Shanghai, China	EUR	2,471	100.00	100.00		2,471	100.00	100.00	
Shanghai Sempermed Glove Sales Co Ltd., Shanghai, China	USD	0	100.00	100.00	3)	1,000	100.00	100.00	
Shanghai Changning Sempermed Glove Trading Co. Ltd., Shanghai, China	USD	2,305	100.00	100.00		310	100.00	100.00	
Sempertrans India Pte. Ltd., Roha, Maharashtra, India	INR	662,769	100.00	100.00		662,769	100.00	100.00	
FormTech Engineering (M) Sdn Bhd, Nilai, Malaysia	MYR	8,300	69.88	69.88		8,300	69.88	69.88	
Latexx Partners Berhad, Kamunting, Malaysia	MYR	256,150	98.86	98.86		256,150	98.85	98.85	
Latexx Manpower Services Sdn Bhd, Kamunting, Malaysia	MYR	6,378	100.00	98.85		0.002	100.00	98.85	
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	223,421	100.00	98.85		121,264	100.00	98.85	
Medtexx Manufacturing Sdn Bhd, Kamunting, Malaysia	MYR	5,000	100.00	98.85		5,000	100.00	98.85	
Total Glove Company Sdn Bhd, Kamunting, Malaysia	MYR	4,575	100.00	100.00		10	50.01	49.43	
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	665	100.00	100.00		665	100.00	100.00	
Semperit Investments Asia Pte Ltd., Singapore	EUR	319,800	100.00	100.00		209,000	100.00	100.00	
Sempermed Singapore Pte Ltd., Singapore	USD	14,540	100.00	100.00		13,360	100.00	100.00	
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	THB	380,000	50.00	50.00	1)	380,000	50.00	50.00	1)

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

With respect to Semperflex Asia Corp. Ltd. (SAC) the Semperit-Group's capital investment and voting rights amount to 50%. The management of the Semperit-Group has conducted and continues to conduct an ongoing analysis of its interest in SAC in order to determine whether control exists within the meaning of IFRS 10 and if full consolidation would therefore be justified. On the basis of past and current analyses, the management of the Semperit-Group remained, at 31 December 2019, of the opinion that SAC should be incorporated into the consolidated financial statements of the Semperit-Group as a fully consolidated subsidiary. This judgemental decision is based on the underlying contractual agreements, the investigation of the relevant activities and the facts and circumstances relating to SAC. The following key points were evaluated:

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

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

10.3. Associated companies

The financial interest of the Semperit-Group in assets accounted for using the equity method consists solely of investments in associated companies.

Foreign	Currency	Authorised share capital in ´000s	Group holding in %
Synergy Health Allershausen GmbH, Allershausen, Germany	EUR	512	37.5

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

in EUR thousand	2019	2018
As at 01.01.	**2,653**	**2,124**
Proportionate period result	462	530
Dividends	–750	0
As at 31.12.	**2,366**	**2,653**

The reporting date of the company is 31 March. The update at 31 December is based on the company's internal reporting, which is then submitted for the consolidated financial statements of the Semperit-Group.

As at 31 December 2019 group companies had the following assets and liabilities against the associated company as at 31 December 2019, and their business relationships resulted in the following income and expenses:

in EUR thousand	2019	2018
Other operating expenses	84	105
Finance income	6	6

	31.12.2019	31.12.2018
Other financial assets	563	563
Trade payables	16	4

The loan to associated companies stated as other financial asset in the amount of EUR 563 thousand (previous year: EUR 563 thousand) bore a standard market interest rate of 1.12% (previous year: 1.12%) as at 31 December 2019 and is attributable to Synergy Health Allershausen GmbH, Allershausen, Germany, a company that is recognised in the consolidated financial statements in accordance with the equity method.

11. Risk management

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

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

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

11.1. Capital risk management

The objectives of capital management are to ensure the company's ability to continue as a going concern, to enable growth-oriented organic and non-organic investment activities as necessary in accordance with the "SemperGrowth200" growth strategy, and allow for a compatible respective dividend policy. In connection with loan agreements, standard clauses (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 and that could therefore result in a potential negative effect on the company's business, asset, financial and earnings position.

From a capital risk management perspective, the total capital of the Semperit-Group consists of equity, including non-controlling interests in subsidiaries, the hybrid capital, the redeemable non-controlling interests and the net financial debt defined in the covenants.

The Semperit-Group is not subject to any legal requirements with regard to minimum equity, minimum equity ratios or maximum levels of gearing; however, it is subject to certain credit agreement stipulations. These do relate to a minimum equity ratio and maximum level of gearing. All relevant covenants were complied with as at 31 December 2019 as well as at 31 December 2018.

11.2. Liquidity risk management

Within the scope of liquidity risk management, the existing covenants are monitored and the options for drawing (from the framework credit agreement and the hybrid capital line) and reserve liquidity are made available in addition to the ongoing liquidity planning. A cash pool was also introduced in euros in the 2019 financial year for material Group companies.

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

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

The derivatives stated above relate to undiscounted cash flows from the cross currency swap to hedge the corporate *Schuldschein* loan in Polish zlotys (PLN). Cash outflows are offset by incoming payments received from the cross currency swap amounting to EUR 28,391 thousand (4 to 12 months EUR 696 thousand and 1 to 5 years EUR 27,695 thousand).

31.12.2018						
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	250,529	0	0	13,528	190,902	46,100
Liabilities to banks	7,982	2,931	3,529	87	751	683
Trade payables	67,746	45,310	18,354	2,359	1,395	327
Sales incentives and penalty fees	6,838	1,727	1,099	1,134	2,877	0
Derivatives	35,530	0	0	6,369	29,161	0
Liabilities from finance leases	71	18	3	8	42	0
Other financial liabilities	13,036	7,105	1,676	4,192	31	32

11.3. Default / Credit risk management

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

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

The default risk associated with non-insured receivables from customers can therefore be considered as minor, as customer creditworthiness is monitored continuously and the group's diversified customer structure implies that risk is not concentrated with individual customers. However, the default risk is assumed to increase significantly if there are negative effects on credit ratings due to the occurrence of bankruptcy or the start of insolvency proceedings. Default is assumed if recoverability is no longer seen as realistic and payment is therefore no longer expected. This resulted in write-offs totalling EUR 91 thousand in the 2019 financial year (previous year: EUR 369 thousand).

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

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

in EUR thousand	31.12.2019	31.12.2018
Derivative financial instruments	52	4,474
Loans to associated companies	563	563
Other financial assets	3,611	4,122
Other financial assets – securities	6,554	6,188
Trade receivables	21,920	22,525
Cash and cash equivalents	141,356	121,549

11.4. Interest rate risk management

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

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

Cross currency swaps were in place related to the financing issued for a subsidiary in Malaysian ringgit (MYR), and these were accounted for partly as cash flow hedges and partly as freestanding derivatives. Those cross currency swaps had interest rate floors added. These loans were repaid in the 2019 financial year; the cross currency swaps were reversed accordingly. The related hedge reserve of EUR 74 thousand was reclassified to the other financial result in the consolidated income statement.

Two cross currency swaps were concluded in the 2018 financial year to hedge the corporate *Schuldschein* loan issued in Polish zlotys (PLN). These cross currency swaps will be used to hedge all future cash flows, i.e. both interest and principal payments. The 3-year tranche of this corporate *Schuldschein* loan was repaid on schedule in the 2019 financial year. A cross currency swap was also terminated as planned as a result of the repayment. The related hedge reserve in the amount of EUR 30 thousand was reclassified to the other financial result in the consolidated income statement. The remaining cross currency swap was classified as a cash flow hedge and recognised at fair value. The balance of the relevant hedge reserve amounted to EUR 97 thousand as at 31 December 2019 (previous year: EUR –329 thousand). The other comprehensive income in the 2019 financial year included valuation losses of EUR 387 thousand (previous year: EUR 1,362 thousand) and reclassifications to the other financial result in the consolidated income statement in the amount of EUR 30 thousand (previous year: EUR 1,032 thousand). The extent of the ineffectiveness recorded in the other financial result is immaterial.

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

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

	31.12.2019		**31.12.2018**	
in EUR thousand	**fixed interest**	**variable interest**	**fixed interest**	**variable interest**
Financial assets	37,249	104,994	9,969	77,192
Financial liabilities	122,405	92,409	127,773	106,657

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

The effects of the simulations on the financial result are shown below:

	31.12.2019			**31.12.2018**		
		Sensitivity to changes in interest rates by			**Sensitivity to changes in interest rates by**	
in EUR thousand	**Balance**	**+100 basis points**	**–100 basis points**[1]	**Balance**	**+100 basis points**	**–100 basis points**[1]
Variable-interest financial assets	104,994	1,050	–38	77,192	772	–141
Variable-interest financial liabilities	92,409	–924	924	106,657	–1,067	1,067

[1] For interest rates below 1%, negative interest rates are not taken into account.

11.5. Currency risk management

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

The translation of foreign financial statements into the euro reporting currency results in currency translation differences (translation risk) amounting to EUR 983 thousand (previous year: EUR 896 thousand), which were recognised in other comprehensive income. EUR –9 thousand thereof is attributable to non-controlling interests (previous year: EUR 75 thousand).

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

The following breakdown of the Semperit-Group's revenue according to key currencies (as a percentage of overall revenue) shows that, in the 2019 financial year, 40.4% (previous year: 36.2%) of total revenue was generated in a foreign currency.

as % of the Semperit-Group's total sales	2019	2018
EUR	59.6%	63.8%
USD	27.0%	26.4%
CNY	3.2%	3.3%
INR	2.1%	1.6%
GBP	3.7%	2.6%
PLN	2.5%	0.1%
CZK	0.1%	0.1%
MYR	0.6%	0.8%
THB	0.2%	0.2%
Other	1.0%	1.2%

A significant portion of the Semperit-Group's earnings is generated by subsidiaries that are not registered in the eurozone (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 hedged transaction and hedged currency. These derivative financial instruments involve forward sales and cross currency swaps.

31.12.2019	Country	Type of transaction	Currency	Hedge amount[1)]	Hedge rate[2)]	Fair value in EUR thousand 31.12.2019	Range of remaining times to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	1,240,000	34.0119	5	43-161
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	USD	4,890,213	30.3890	45	45-157
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	65,000,000	4.1970	–986	325
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	EUR	15,000,000	4.6675	–105	129
Semperit Investments Asia Pte Ldt., Singapore	Singapore	Forward exchange	GBP	3,181,000	1.2822	–85	15-106
Semperit AG Holding	Austria	Cross currency swap[3)]	EUR/PLN	28,291,256 / 118,000,000	4.1709	–725	674

1) Refers to the total amount of all existing derivative financial instruments at the end of the reporting date.
2) Refers to the weighted average rate derived from all existing derivative financial instruments at the end of the reporting date.
3) Hedge accounting is applied to this hedging relationship.

In the 2019 financial year the effective portion of cash flow hedges in the amount of EUR 387 thousand (previous year: EUR –1,221 thousand) was recognised in other comprehensive income, while EUR 104 thousand (previous year: EUR 869 thousand) was reclassified to the consolidated income statement. The cash flow hedge reserve from these foreign exchange forward contracts is EUR 73 thousand as at 31 December 2019 (previous year: EUR –293 thousand).

31.12.2018	Country	Type of transaction	Currency	Hedge amount[1)]	Hedge rate[2)]	Fair value in EUR thousand 31.12.2018	Range of remaining times to maturity in days
Semperflex Asia Corp. Ltd., Hat Yai, Thailand	Thailand	Forward exchange	EUR	1,161,268	37.93	16	110-186
Latexx Manufacturing Sdn Bhd, Kamunting, Malaysia	Malaysia	Forward exchange	USD	15,000,000	4.21	–199	135
Semperit Investments Asia Pte Ldt., Singapore	Singapore	Forward exchange	EUR	456,000	1.20	–18	2-58
Semperit Investments Asia Pte Ldt., Singapore	Singapore	Cross currency swap	EUR/MYR	30,000,000 / 141,150,000	4.71	32	350
Semperit AG Holding	Austria	Cross currency swap[3)]	EUR/PLN	28,291,256 / 118,000,000	4.17	–1,284	1,039
Semperit AG Holding	Austria	Cross currency swap[3)]	EUR/PLN	5,754,153 / 24,000,000	4.17	–202	308
Semperit AG Holding	Austria	Cross currency swap[3)]	EUR/MYR	1,749,973 / 8,000,000	4.57	23	88
Semperit AG Holding	Austria	Cross currency swap[3)]	EUR/MYR	6,625,881 / 30,000,000	4.53	240	1,186
Semperit AG Holding	Austria	Cross currency swap	EUR/MYR	25,641,026 / 100,000,000	3.90	4,163	354

1) Refers to the total amount of all existing derivative financial instruments at the end of the reporting date.
2) Refers to the weighted average rate derived from all existing derivative financial instruments at the end of the reporting date.
3) Hedge accounting is applied to this hedging relationship.

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

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

The following table shows the effects of the appreciation and depreciation of major foreign currencies versus the euro.

	2019			2018		
	Calculated fluctuation range	Impact on profit from currency appreciation	Impact on profit from currency depreciation	Calculated fluctuation range	Impact on profit from currency appreciation	Impact on profit from currency depreciation
Change in currency in relation to EUR	in %	in EUR thousand	in EUR thousand	in %	in EUR thousand	in EUR thousand
USD	2%	376	–376	6%	3,621	–3,621
THB	6%	–10	10	3%	85	–85
PLN	2%	–343	343	3%	–576	576
CZK	1%	–333	333	2%	–725	725
HUF	3%	59	–59	4%	71	–71
GBP	5%	8	–8	2%	28	–28
CNY	3%	13	–13	4%	52	–52
INR	3%	–2	2	5%	–14	14
MYR	2%	–2,332	2,332	2%	–753	753
CHF	3%	3	–3	3%	4,204	–4,204

	2019			2018		
	Calculated fluctuation range	Impact on profit from currency appreciation	Impact on profit from currency depreciation	Calculated fluctuation range	Impact on profit from currency appreciation	Impact on profit from currency depreciation
Change in currency in relation to USD	in %	in EUR thousand	in EUR thousand	in %	in EUR thousand	in EUR thousand
THB	4%	–99	99	4%	269	–269
PLN	3%	182	–182	8%	453	–453
CZK	3%	9	–9	7%	81	–81
HUF	6%	0	0	9%	–188	188
GBP	5%	–129	129	7%	188	–188
CNY	4%	88	–88	7%	94	–94
INR	3%	3	–3	9%	–49	49
MYR	2%	–8,730	8,730	5%	–2,542	2,542
AUD	4%	–69	69	7%	–74	74
SGD	2%	–1	1	4%	21	–21

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. Balances and transactions with associated companies are explained in more detail in Chapter 10.3.

B&C Semperit 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 shareholder holding an indirect majority stake which draws up and publishes consolidated financial statements in which the Semperit-Group is consolidated. According to IAS 24, B&C Privatstiftung and all its subsidiaries, joint ventures and associated companies are related parties of the Semperit-Group.

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

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

			2019			2018
in EUR thousand	Supervisory Board members	Management Board members	Total	Supervisory Board members	Management Board members	Total
Short-term benefits	873	2,365	3,238	518	1,977	2,495
Benefits after termination of employment relationship	0	124	124	0	124	124
Total	**873**	**2,489**	**3,362**	**518**	**2,101**	**2,619**

The benefits after termination of the employment relationship in the 2019 financial year relate to payments to the employee severance fund (MVK) and to pension fund APK Pensionskasse AG. Payments to former members of the Management Board and their survivors in the 2019 financial year totalled EUR 654 thousand (previous year: EUR 642 thousand).

The Annual General Meeting approved the remuneration structure and level of remuneration for the Supervisory Board on 08 May 2019 for the 2018 financial year and for the first time for the 2019 financial year. Supervisory Board remuneration consists of basic compensation, compensation for membership on each committee and compensation for attendance at each meeting. The total remuneration paid to the Supervisory Board in the 2019 financial year amounted to EUR 430 thousand for 2018 and EUR 443 thousand for 2019 (previous year: EUR 518 thousand for 2017) .

The following transactions/balances existed with the following other related companies as at the reporting date: transactions were completed with unit-it GmbH in the 2019 financial year in the amount of EUR 651 thousand (previous year: EUR 605 thousand). These transactions relate to the maintenance of SAP licences and were conducted at arm's length conditions. No outstanding liabilities were owed to unit-it GmbH as at 31 December 2019 (previous year: EUR 0 thousand).

Transactions amounting to EUR 73 thousand were concluded with Grohs Hofer Rechtsanwälte GmbH & Co KG. in the 2019 financial year (previous year: EUR 16 thousand). These transactions relate to legal consulting services and were conducted at arm's length conditions. There are outstanding liabilities owed to Grohs Hofer Rechtsanwälte GmbH & Co KG amounting to EUR 28 thousand as at 31 December 2019 (previous year: EUR 3 thousand).

The group concluded transactions with B&C Industrieholding GmbH in the amount of EUR 49 thousand in the 2019 financial year (previous year: EUR 43 thousand). These transactions relate to management and other services, and internal charging, and were conducted at arm's length conditions. There are liabilities and services not yet invoiced in relation to B&C Industrieholding GmbH in the amount of EUR 22 thousand as at 31 December 2019 (previous year: EUR 39 thousand) .

The group concluded transactions with B&C Holding GmbH in the amount of EUR 355 thousand in the 2019 financial year (previous year: EUR 886 thousand). These transactions relate to the commitment fee for the hybrid capital line (see Chapter 5.2). This transaction was conducted at arm's length conditions. 'Interest' (payment of hybrid coupons) in the amount of EUR 10,545 thousand was paid in the 2019 financial year (previous year: EUR 0 thousand). No outstanding liabilities were owed to B&C Holding GmbH as at 31 December 2019 (previous year: EUR 0 thousand).

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

12.2. Other commitments and risks

Contingent liabilities and other financial obligations

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

Legal disputes

Various companies in the group are defendants in cases in which the plaintiffs claim to have incurred damages caused by products of the defendant. The Semperit-Group rejects all of these claims as being unjustified. However, in light of current insurance coverage, Semperit management does not expect these cases to impair the Semperit-Group's asset, financial or earnings position significantly either.

See Chapter 7.2 for all legal disputes for which provisions have been formed.

12.3. Events after the reporting date

Two fixed-interest tranches of a corporate *Schuldschein* loan from 2013 were repaid prematurely in January 2020 at the amounts of EUR 3,000 thousand and EUR 4,000 thousand (see Chapter 6.2 for information on corporate *Schuldschein* loans).

The Management Board and Supervisory Board of Semperit AG Holding decided on 28 January 2020 to divest itself of the Sempermed segment (see Chapter 2.1).

The liquidated group company Shanghai Sempermed Glove Sales Co, Ltd. was removed from the commercial register on 19 February 2020.

Vienna, 19 March 2020

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Kristian Brok
Chief Technical Officer

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, 2019, 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, 2019, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the 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 is sufficient and appropriate to provide a basis for our opinion.

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 within 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)] The consolidated financial statements with our Independent Auditor’s Report may only be published or otherwise disclosed in the version approved us. This audit opinion is only applicable to the German-language complete consolidated financial statements, including the management report for the Group. Section 281 paragraph 2 of the Austrian Commercial Code (UGB) applies to any other versions.

Below we describe the Key Audit Matters:

Impairment of assets in the Sempermed segment

Risk

Indications of a need for impairment were identified in the Sempermed segment (cash generating unit, CGU) in September 2019. EUR 48.8 million were impaired in the Sempermed segment in the financial year based on the impairment test carried out as at 30 September 2019. Thereof EUR 0.3 million were related to intangible assets, EUR 48.5 million to tangible assets.

Key assumptions and estimates regarding future cash flows and discount rates must be made for the purpose of this impairment test, which is carried out on the basis of the value in use applying the discounted cash flow method. The material risk here involves the estimation of the future cash flows. In addition, in accordance with IAS 36.105 the net realisable values of the material fixed assets of the segment were determined by commissioning external experts. The material risk here relates to the assessment of the valuation parameters used in the valuation report.

The corresponding disclosures of the Semperit Group regarding the impairment are included in "3.1 Intangible assets" and "3.2 Tangible assets" in the notes.

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:

Audit response

- Assessment of the concept and design of the process for reviewing the recoverability of the assets in the Sempermed segment
- Audit of the methodology applied and the computational accuracy of the documentation and calculations provided, as well as assessment of the plausibility of the discount rate with the assistance of our valuation specialists for the purposes of calculating the segment's value in use
- Verification of whether the revenue and earnings forecasts for the Sempermed segment are derived from the plans submitted to the Supervisory Board, and whether these items are in compliance with the requirements of IAS 36
- Review of the planning documentation and completion of a plausibility analysis of the key value drivers (sales, expenses, capital expenditure, changes in trade working capital and cash flow) in order to assess the adequacy of these plans
- Review of the external expert opinions and discussion of these with the relevant external experts as well as plausibility reviews of the key valuation parameters and assessment of the competence, ability and objectivity of the external experts appointed by the management

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 the 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 wheter as management report for the Group was prepared in accordance with 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.

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 management report for the Group and the auditor's report thereon, which we obtained prior to the date of this auditor's report and which is expected to be made available to us after that date. 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 8, 2019. We were appointed by the Supervisory Board on August 5, 2019. 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 19, 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher mp
Wirtschaftsprüfer / Certified Public Accountant

ppa Mag. Martina Geisler mp
Wirtschaftsprüfer / Certified Public Accountant

*) 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.

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 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and the performance of the business and the 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 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of Semperit AG Holding as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 19 March 2020

The Management Board

Martin Füllenbach
Chairman

Frank Gumbinger
Chief Financial Officer

Felix Fremerey
Member of the Management Board

Kristian Brok
Chief Technical Officer

Milestones of Semperit Group

2018
Start of the restructuring and transformation programme SemperMOVE10

2017
Termination of almost all joint ventures with Thai partner

2015
Acquisition of Leeser, Germany

2012
Acquisition of Latexx Partners, Kamunting, Malaysia

2011
Construction of a porcelain mouldings production with joint venture partners in Malaysia

2007
Opening of a new hose factory in China

2001
Acquisition of a majority interest in an Indian conveyor belt plant

2000
Acquisition of the plant in Bełchatów, Poland

1998
Acquisition of the plant in Odry, Czech Republick

1996
Opening of the locations in Thailand and China

1985
Sale of tire production and focus on Industrial and Medical Sectors

1920
Start of latex glove production

1912
Semperit Group established following the merger of several factories

1900
Company name Semperit is used for the first time

1890
Semperit goes public on the Vienna Stock Exchange

1852
Construction of the first European factory for rubber products in Wimpassing, Austria

1824
Johann Nepomuk Reithoffer receives the patent for waterproof fabrics

Glossary

C

Compliance
Conformity with regulations; adherence to rules, guidelines and voluntary codes within a company.

Corporate Governance
Rules for the responsible management and control of a company; laid out in the Austrian Corporate Governance Code.

D

Directors’ Dealings / Managers' transactions
Share transactions conducted by the management of exchange-listed companies in the companies’ own shares.

Directors and Officers (D&O) Insurance
Liability insurance taken out by a company for its boards and executives.

Dividend ex day
The day on which the amount of the dividend is deducted from the share price.

Dividend payout ratio
Distribution ratio; share of the profit that is distributed to shareholders in the form of dividends.

E

EBIT
Earnings before interest and tax; operating result.

EBIT margin
EBITDA in relation to revenue.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

EBITDA margin
EBITDA in relation to revenue.

Equity ratio
The ratio of shareholders’ equity to total assets.

Elastomer
Form stable but elastically deformable plastics.

Equity consolidation / Equity method
The share in earnings after tax prorated according to the proportion of ownership interest is disclosed in the income statement under the item “Investments in joint ventures and associated companies”.

F

Full consolidation
All assets and liabilities, expenses and income of the subsidiaries are included in full in the consolidated financial statements. If the shareholding is less than 100% the share in equity not attributable to the group is reported either in equity under non-controlling interests or in debt under redeemable non-controlling interests.

I

IFRS (International Financial Reporting Standards)
Accounting standards developed by the International Accounting Standards Board (IASB). In addition to the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the IASB, it also incorporates the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Interpretations of the Standing Interpretations Committee (SIC).

Industrial Sector
The Industrial Sector comprises the Semperflex, Sempertrans and Semperform segments.

M

Market capitalisation
Number of shares multiplied by the share price; market value of a company in absolute terms.

Medical Sector
The Medical Sector consists of the segment Sempermed.

N

Natural latex
Milky juice of the rubber tree that is obtained by grazing the bark.

Nitrile
Comprehensive term for a group of chemical compounds – basic material for Semperit's synthetic gloves.

O

Organisation for Economic Cooperation and Development (OECD)
An organisation of 30 industrial states aiming to promote economic growth and global trade.

P

Payout ratio
See dividend payout ratio.

Provisions
Accounting provisions for future obligations, the extent and maturity of which cannot be determined explicitly.

R

Return on equity
The return on equity in terms of earnings after tax.

Contact

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Financial Calendar 2020

20.03.2020	Publication of 2019 annual financial statements
20.05.2020	Report on the first quarter of 2020
12.07.2020	Record Date Annual General Meeting
22.07.2020	Annual general meeting, Vienna
24.07.2020	Ex-dividend day
27.07.2020	Record Date Dividend (= day, on which settled positions are struck at CSD Austria at close of business to determine the entitlement) [1)]
28.07.2020	Dividend payment day[1)]
14.08.2020	Half-year financial report 2020
19.11.2020	Report on the first three quarters of 2020

[1)] No dividend proposed for FY 2019 to AGM on 22nd July 2020.

Addresses of the Semperit Group
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Contacts of the Semperit Group
Ownership and publisher: Semperit Aktiengesellschaft Holding, Modecenterstrasse 22, 1031 Vienna, Austria, Produced in-house with firesys GmbH, www.firesys.de

Disclaimer
The terms “Semperit” or “Semperit Group” in this report refer to the group; “Semperit AG Holding” or “Semperit Aktiengesellschaft Holding” is used to refer to the parent company (individual company).

We have prepared this report and verified the information it contains with the greatest possible care. Nevertheless, rounding, typesetting and printing errors cannot be ruled out. Rounding of differences in the summation rounded amounts and percentages may arise from the automatic processing of data.

The forecasts, plans and forward-looking statements contained in this report are based on the knowledge and information available and the assessments made at the time that this report was prepared (editorial deadline: 19 March 2020). As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements. Words such as “expect,” “want”, “believe,” “anticipate,” “includes,” “plan,” “assumes,” “estimate,” “projects,” “intends,” “should,” “will,” “shall,” or variations of such words are generally part of forward-looking statements.

Furthermore, there is no guarantee that the contents are complete.

Statements referring to people are valid for both men and women.

This report has been written in German and English. In case of doubt, the German version shall take precedence.

SEMPERIT

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