We are the accelerator of change

# for a better world

through protective packaging solutions.


schur flexibles

financial report 2020

# Index

# Management Report for the Group

## 1. Foundations of the Group

**1.1 Business model**
Schur Flexibles Group (also referred to as the "Group") is a leading European manufacturer of high-quality flexible packaging solutions for the European consumer goods industry, in particular for food, confectionery, aroma protection as well as for hygiene items and the pharmaceutical industry. Despite the European focus, some of the products are also distributed globally. The value chain is entirely covered within the Group, ranging from mono and co-extrusion of films, lamination and printing of films using gravure and flexo print processes to converting (e.g. pouch production or roll slitting). The Group also operates a trading business, with polymer granulates being the most important raw material for extrusion.

The Group operates 22 production facilities throughout Europe.

The consolidated Group covers the entities listed in Note 3.3 of the notes to the consolidated financial statements.

**1.2 Objectives and strategy**
The strategic objective of Schur Flexibles Group for the next five years is to further expand its already high market share and its position as a leading manufacturer of packaging solutions in Europe within the European market for high-quality flexible packaging solutions. This objective continues to be pursued by means of an expansive growth strategy. At the same time, organic growth is accelerated by investing in future technologies, optimising locations and thus increasing production efficiencies as well as strengthening the sales structure. In April 2021, Schur Flexibles Group was able to announce the acquisition of Sidac SpA. This acquisition extends the network by a powerful competence centre in the Italian market for customised and sustainable packaging solutions. The focus is primarily on complex laminates which are supplied in rolls and used in the ready-to-eat meals and animal feed segments (stand-up pouches).

Particularly revenue and EBITDA, the most important financial performance indicators, are considered as the most significant management instruments. For a definition of key figures, refer to the chapter "Results of operations, financial situation and assets and liabilities".

All disclosures on the results of operations contained in the Management Report for the Group relate to continued operations and therefore do not include the result from discontinued operations.

| in EUR m | 2020 | 2019 |
|---|---|---|
| Revenue | 490.5 | 496.8 |
| EBITDA | 78.8 | 83.2 |
| EBITDA in % of revenue | 16.1% | 16.7% |





## 2. Economic report

**2.1 Macroeconomic and industry-related conditions**
The International Monetary Fund (IMF) predicted global economic growth of 3.3% at the beginning of 2020 and adjusted the prediction in April 2020 to a decline of 3% for 2020 due to the outbreak of the COVID-19 pandemic. In fact, the actual development was below the forecasts at an estimated -3.3%.

In terms of volume, the flexible packaging solutions market is generally relatively insensitive to changes in the macroeconomic development, showing a steady growth. Research shows that the global flexible packaging solutions market grew by 2.4% in 2020 in terms of volume. In terms of value, the global market for consumer packaging achieved growth of 1.8% in 2020. In 2020, the European market for flexible packaging solutions dipped by -1.0% in terms of value in Western Europe, but grew by 2.5% in Eastern Europe (excluding Russia).*

**2.2 Business performance**
Market conditions and competition in the relevant market segments of Schur Flexibles Group in the financial year 2020 were characterised by the challenges due to COVID-19. Despite this, business showed a positive development.

In some product segments, demand was positively influenced by the COVID-19 pandemic, while other segments reported a decline in revenue. There were, for example, considerable shifts in demand due to the fact that people had less income at their disposal and/or also spent it more cautiously, due to increased inventory levels before and during the lockdowns as well as the lack of travel and the resulting lack of duty free business. End users tended to choose cheaper products as well as products with a longer durability. Regarding the various end markets served by Schur Flexibles, the following products are among those benefiting from COVID-19: packaging solutions for

- aroma protection, wet wipes,
- tea and coffee, and
- frozen and dried food.

However, a decline in revenue was reported, among others, for packaging solutions in the following segments:

- fresh meat,
- confectionery, and
- cotton pads.

Schur Flexibles Group employed an average of 1,955 staff members in the financial year 2020 (prior year: approx. 1,923). Our staff members' performance and skills constitute the pillar of the Group's success.

**Results of operations, financial situation and assets and liabilities**
Definition of key figures:

**EBITDA (Earnings before interest, income taxes, depreciation and amortisation):** EBIT plus amortisation, depreciation and impairment losses on property, plant and equipment and intangible assets.

**Equity ratio:** Equity divided by total assets.

**Trade working capital:** Trade receivables plus inventories minus trade payables.

2.2.1 Results of operations
The financial year under review was characterised by the challenges of the global COVID-19 pandemic. As a result of a difficult economic environment, declining raw material prices as well as crisis-induced exchange rate fluctuations, revenue of Schur Flexibles Group decreased from EUR 496.8m in 2019 to EUR 490.5m in 2020, of which EUR 71.0m (prior year: EUR 78.8m) relate to the trading business. Taking into consideration the economically challenging overall environment, the decline in revenue at Group level is only 1.3%. At EUR 419.0m, revenue in the flexibles segment (adjusted by effects of raw material prices and exchange rate fluctuations) is almost at the same level as in the prior year (EUR 422.8m, -0.9%).

* Source: The Future of Global Packaging to 2026, Smithers Information Ltd.

Overview of results of continued operations:

| in EUR m | 2020 | 2019 |
|---|---|---|
| Revenue | 490.5 | 496.8 |
| EBITDA | 78.8 | 83.2 |
| EBIT | 18.9 | 33.8 |
| Loss/profit for the period | -1.7 | 13.4 |

The slight year-on-year decline was considerably impacted by the COVID-19 pandemic.

Positively impacted entities included, above all, Schur Flexibles ABR SA (Greece), Schur Flexibles Benelux BV (the Netherlands), Schur Flexibles Uni Flexo SAS and Schur Flexibles Uni Coextrusion SA (both France) as well as Hänsel Flexible Packaging GmbH and Schur Flexibles Dixie GmbH (both Germany), which were able to record considerable increases in sales in their main business segments.

Gross profit amounted to EUR 100.8m (prior year: EUR 113.9m) or 20.6% (prior year: 22.9%) of revenue. The decrease is mainly due to the development of revenue as well as the impact of COVID-19.

Cost of goods sold (including amortisation, depreciation and impairment), which mainly comprises cost of materials, amounted to EUR 389.7m (prior year: EUR 382.9m) or 79.4% (prior year: 77.1%) of revenue and thus represents the main cost driver. Administrative expenses amounted to EUR 51.0m (prior year: EUR 56.0m) or 10.4% (prior year: 11.3%) of revenue, and distribution costs were EUR 32.7m (prior year: EUR 34.5m) or 6.7% (prior year: 6.9%) of revenue.

Other operating income in the amount of EUR 2.5m is significantly below the prior-year figure of EUR 16.1m. In 2019, Schur Flexibles Group recorded a claim for compensation in the amount of EUR 6.9m. Reference is made to the information provided in Note 7.5 in the notes to the consolidated financial statements in this regard. Furthermore, receivables of Schur Flexibles Holding GmbH in the amount of EUR 2.6m from the previous owners of UNI Packaging Group were recorded as income in 2019. Additionally, proceeds from the sale of property, plant and equipment in the amount of EUR 2.8m were recognised in other operating income in the prior year (December 31, 2020: EUR 0.2m).

EBITDA amounted to EUR 78.8m in the financial year under review (prior year: EUR 83.2m). This corresponds to 16.1% (prior year: 16.7%) of revenue. The loss/profit for the period from continued operations amounted to EUR -1.7m (prior year: EUR 13.4m) or -0.4% (prior year: 2.7%) of revenue.

At the reporting date, order backlog was between two and three months which is normal for the industry and allows efficient resource management as well as production and sales planning.

The financial performance indicators revenue and EBITDA developed as predicted in the prior year. As compared to the growth of Schur Flexibles Group predicted at 1–2% above European market growth in the prior year (before any impact resulting from COVID-19), a growth in revenue of 1.4% before COVID-19 effects was generated in 2020, while the European market for flexible packaging solutions did not report growth (in terms of volume). The growth in revenue in the flexibles segment even amounts to 3.5% before COVID-19 effects. The resulting EBITDA increased by 8.1% year on year.

### 2.2.2 Financial situation

At December 31, 2020, the equity ratio amounted to 22.6% (prior year: 24.0%). Investment grants received but not yet recognised as income amounted to 0.1% (prior year: 0.1%) of total assets. The total financial liabilities (including lease liabilities and supplier financing liabilities) corresponded to 27.5% (prior year: 21.5%) of total assets.

Cash flow from operating activities before interest and tax amounted to EUR 111.7m (prior year: EUR 84.5m).

Cash flow from operating activities totalled EUR 95.0m (prior year: EUR 67.2m).

Cash flow from investing activities amounted to EUR -40.4m (prior year: EUR -61.8m). The main changes result from the investments made in machinery in 2020 amounting to EUR 27.9m (prior year: EUR 38.4m) and in intangible assets equalling EUR 9.0m (prior year: EUR 14.9m). In 2019, changes included investments in subsidiaries (refer to Note 5 Business combinations in the notes to the consolidated financial statements), which amounted to EUR 6.0m.

Cash flow from financing activities totalled EUR -16.4m (prior year: EUR 26.4m). In the prior year, taking up shareholder loans in the amount of EUR 114.5m made up a major part of the positive cash flow from financing activities. At the end of 2019, a supplier finance programme with external payment service providers was used. Under this programme, the external payment service provider pays Schur Flexibles Group's trade payables to its suppliers. In the consolidated statement of cash flows, Schur Flexibles Group separately presents proceeds from and payments for the supplier financing programme in cash flow from operating activities and cash flow from financing activities. This means that payments received from the supplier financing partner are presented net of the payments made to suppliers (without affecting cash) in the cash flow from operating activities. Payments made to the supplier financing partner are presented in the cash flow from financing activities and amount to EUR -63.3m (prior year: EUR -0.4m). Furthermore, repayments of financial liabilities in the amount of EUR 17.5m (prior year: EUR 20.3m) are included.

In the financial year under review, the Group was solvent at all times and is still solvent without any restrictions at this point in time. In the previous year, we took several measures to counteract the impact of COVID-19 on the financial situation of Schur Flexibles Group. This includes initiatives in order to protect our value chain such as immediately paying our suppliers by implementing the supplier financing programme and building up safety stocks for our customers in the first half of the year. In the second half of the year, a NWC initiative was launched to reach pre-crisis levels and to achieve a sustainable improvement of the net working capital.

### 2.2.3 Assets and liabilities

Total assets amount to EUR 596.8m as at December 31, 2020 (prior year: EUR 582.1m). Trade working capital amounts to EUR 28.2m as at December 31, 2020 (prior year: EUR 14.2m). Trade working capital mainly changed due to the decrease in trade payables from EUR 98.2m to EUR 77.7m.

Non-current assets amount to EUR 338.5m as at December 31, 2020 (prior year: EUR 332.1m).

There are no further significant obligations besides the obligations recognised and disclosed in the consolidated financial statements. In 2019, the judgement with regard to the counterclaim in connection with the acquisition of the Slovakian entity in 2014 was set aside in the second instance as defective and not proper and remitted for reconsideration to the court of first instance with significant findings in favour of the defendant.
The point of view of Schur Flexibles Group's management has not changed as compared to the prior year: the enforcement of the claim against Schur Flexibles Group seems to have no prospect of success. In addition, the legal dispute with regard to the claim for compensation amounting to EUR 12.2m plus interest against the previous owners of the Slovakian entity was decided in favour of Schur Flexibles GmbH in April 2018 before the International Court of Arbitration. Based on this decision by the arbitration tribunal, an executory title amounting to a total of EUR 16.6m (consisting of a principal amount of EUR 12.2m, interest of EUR 3.6m and procedural costs of EUR 0.8m) was issued in 2019. Management expects a cash inflow of at least EUR 7.7m including interest (prior year: EUR 6.9m) from the executory title (EUR 16.6m including interest and procedural costs). Please also refer to Note 7.5 in the notes to the consolidated financial statements in this context.
There are no further significant proceedings with Schur Flexibles Group as plaintiff or defendant that could have negative legal or financial consequences for the Group.

### 2.3 Staff

Schur Flexibles Group employs an average of 1,955 staff members in the financial year 2020 (prior year: 1,923). Our staff members' performance and skills constitute the pillar of the Group's success. The Group acknowledges that investments in the training and know-how of staff members are essential in order to remain successful on the market.

Due the Group's Europe-wide presence, staff members from all countries can benefit and learn from the know-how in other countries.

In order to find and develop the right staff members, Group management and local management jointly elaborated different programmes including trainee and development programmes which are available.

These programmes will continue to be a focus in the financial year to come.

### 2.4 Sustainability

Schur Flexibles Group is committed to protecting the environment and improving living conditions across the world. Based on our vision to be an accelerator of change, we intend to assume a leading role and make a valuable contribution in the fight against climate change and global social issues. As a Group, we endorse the UN Global Compact, the UN sustainability goals as well as initiatives pursued by private businesses such as "Operation Clean Sweep".

In the course of our business operations, we can see on a daily basis how much we depend on the availability of resources such as water, electricity and/or energy as well as clean air, and what the consequences of our consumption behaviour are. Based on our previous experience in environmental protection, we designed a forward-looking sustainability strategy under a holistic approach, comprising the areas of environment, social issues and economy, and we have committed ourselves to making this strategy a success in the coming years. In doing so, we focus on the 5Rs as strategic thrusts: Responsibility, Replacement, Reduction, Recycling and Renewal. Based on our strategy, we have already derived the following exemplary initiatives which we are currently pursuing as Schur Flexibles.

- Environment:
  - Use of renewable, bio-based raw materials in production to reduce our consumption of fossil resources
  - Development of further protective packaging solutions to prevent food waste
  - Use and generation of renewable energy to reduce harmful greenhouse gas emissions

- Social issues:
  - Promotion of gender equality and inclusion by improving the exchange of ideas among our staff and offering workshops
  - Continuous improvement of our staff members' health and safety by offering comprehensive training
  - Promotion of professional and academic education options using various programmes

- Economy:
  - Further development of our sustainable product portfolio using new technologies and materials
  - Cooperation along the value chain with strong partners to implement the circular economy
  - Selection of our suppliers based on sustainability criteria

Our product innovations such as MonoFlow$^{re}$, VACUflex$^{re}$ und FlexiClose$^{re}$ have already shown that we are able to meet current challenges with new and visionary solutions, making a contribution to environmental protection.

Once again and as presented on our website, our forward-looking and sustainable product portfolio won the German Packaging Award 2020 as well as the WorldStar Award 2021. This serves as a confirmation that we are on the right path with our sustainability strategy, and that we are currently already in a strong position as market leader in an important pioneering field.

### 2.5 Research and development

Schur Flexibles Group carries out research and development (R&D) activities with a view to developing sustainable and resource-friendly packaging concepts. The Group operates development centres in the Allgäu region, in Finland and Denmark for key projects with customers or external research partners. The teams assigned to the projects consist of developers and application engineers who are closely connected with each other through a matrix organisation within the Group.

Schur Flexibles Group has an interlinked sales department to enable close cooperation between all departments. The research and development department has a centralised structure, using the know-how of the entire Group with more than 35 staff members. Sustainability is not a process, but an integral component of the organisation. This is why sustainability has been established as a separate role, challenging the entire R&D process.

Tight interlinking within the Group enables, on the one hand, a very close relationship with the customers in the respective market segments and, on the other hand, the recognition of user trends at an early stage, while simultaneously also considering different development trends for projects throughout all product groups. Key projects in all manufacturing technology steps (extrusion, printing, lamination, converting) as well as new production developments are rapidly implemented within this organisational form.

Based thereon, Schur Flexibles Group has a market-leading materials know-how especially for mono-polymer materials, which was generated by an early launch. This is demonstrated by award-winning mono-polymer products such as the MonoFlow$^{re}$, which won the World Packaging Award in 2021. Schur Flexibles is now able to offer a recyclable mono-polymer solution for all relevant end markets.

In the financial year, non-capitalisable research and development costs were recognised in administrative expenses in the amount of EUR 3.1m (prior year: EUR 2.7m). The carrying amount of capitalised development costs amounted to EUR 6.4m as at December 31, 2020 (prior year: EUR 8.2m). Furthermore, part of the Group's strategy is to break new and sustainable ground in the flexible packaging industry and to notably increase the shelf-life of packaged foods. This is not only intended to avoid the waste of food but also to protect resources used in the cultivation and production of food. These trends as well as the ongoing quest to optimise products and production together lead to increased research and development activities in the Group's development centres.

### 2.6 Summary

In summary, management considers the business performance to be very good, given the positive increase in revenue and the relatively stable EBIT. This was also very favourable for the implementation and conclusion of numerous projects. For example, the business acquisition of Scandiflex Pac launched in the prior year was successfully concluded and important business optimisation measures were implemented.

# 3. Risk, opportunities and forecast report

### 3.1 Risk report

With regard to finance and accounting, the internal control and risk management system is to ensure proper accounting and financial reporting processes. The system includes principles and procedures as well as preventive and detective controls. It aims to identify potential sources of error and mitigate the risks arising therefrom. Among other things, it is regularly assessed whether Group-wide guidelines on financial reporting, measurement and accounting are applied, whether intra-group transactions are fully recognised and eliminated accordingly in the consolidated financial statements, whether accounting-relevant issues are identified and presented accordingly and whether the processes with regard to the separation of functions and the principle of dual control are observed.

The risk management system is integrated into all planning, controlling and reporting structures. Management regularly deals with risk management topics. The significant risks arise from the default, liquidity as well as the interest and foreign exchange risks. Corporate management establishes and reviews risk management guidelines for each of these risks which are presented below. In doing so, risks are classified into risk levels (low, medium, high, threatening the company's position as a going concern), depending on their probability of occurrence and extent of damage.

As a result of the strong inorganic growth of the last years, Schur Flexibles Group faces the risk that the synergies and planned contributions to the result of the Group that are expected to arise from the acquisitions will not be attained, be it due to incorrect assumptions or the lack of a proper post-merger inclusion of local management and staff members into the Group. Prior to and during the post-closing phase of each acquisition, Group management elaborates clear integration plans with detailed action plans, including responsibilities, together with its staff and continuously sets measures and control steps in order to minimise this risk. Furthermore, the Group makes sure that the expected synergies in the pre-acquisition phase are based on sound due diligence information, thus reducing the risk as much as possible. Each acquisition, however, entails the risk that the planned profit contributions, in particular due to external influencing factors, cannot be achieved. This includes the risk that assets of the respective cash generating units might become significantly impaired in subsequent periods in the course of annual impairment tests. Schur Flexibles Group reduces this risk to an acceptable level through continuous budget monitoring and the implementation of appropriate measures in a timely manner. We refer to the disclosures in Note 3.3.6 in the notes to the consolidated financial statements on the sensitivity analysis with regard to the impairment tests.

#### COVID-19 – Risks for Schur Flexibles Group

Schur Flexibles' flexible packaging solutions for the food, pharmaceutical and hygiene industries were recognised as part of the supply chain for essential goods in the European countries, with the authorities therefore mandating manufacturers of packaging solutions to ensure production and delivery of goods.

As regards demand, curfews in Europe starting at the beginning of March 2020 resulted in an increase in customer orders. This is due to both corporate customers and end users stocking up. Following this boost, a slight increase in demand was reported in the second quarter, but declined in the following quarters. For Schur Flexibles Group as a whole, there were COVID-19 winner and loser segments (see chapter 2.2.1).

As regards raw materials, transport route restrictions and the simultaneous increase in demand in the industry affected both availability and prices of raw materials primarily in the first half of 2020. All Schur Flexibles production facilities were asked to increase their raw material inventories in order to be able to go ahead with production for a period of about four to six weeks regardless of any potential shortages of supply. It became evident in March that purchase prices for isopropyl alcohol (IPA) and ethanol, for instance, had multiplied due to strong demand and that they were generally difficult to obtain. Due to shortages of supply from India as regards chemicals and ink, European suppliers have also been added to the supplier portfolio but were not always selected as preferred partners for financial reasons. However, after demand for crude oil collapsed, purchase prices for raw materials (primarily for resin and films) were substantially lower in the first half of 2020. Prices increased again in the second half of 2020.

As regards production, Schur Flexibles Group implemented additional hygiene rules (e.g. disinfectant, face masks, COVID-19 tests, etc.) quite early on. Due to COVID-19, absences due to illness increased across all factories in 2020. However, production was guaranteed at all times.

For 2021, increased costs for additional hygiene measures (e.g. face masks, COVID-19 tests, etc.) are expected to be incurred again but will be overcompensated by lower travel expenses.

No long-term procurement forecasts can be made due to the ongoing lockdowns and the tense situation in the procurement markets (force majeure in the United States). However, 2020 showed that the flexible packaging industry and Schur Flexibles in particular are able to show a very resilient response to such tense situations.

#### Credit risk

Credit risk is defined as the risk of an economic loss which arises when a contracting party does not meet its contractual payment obligations. Hence, credit risk comprises both the direct default risk and the risk of a deterioration in the credit standing combined with the risk of a concentration of individual risks. The default risk is monitored through control procedures on an ongoing basis.

Group guidelines ensure that the credit risk is limited vis-à-vis all counterparties. The maximum default risk is reflected by the carrying amounts of financial assets recognised in the consolidated statement of financial position, minus the insured amount (continuing involvement in connection with factoring constitutes an exception). Beyond the impairment losses already recognised, Schur Flexibles Group does not expect any losses relating to counterparties being unable to fulfill their contractual obligations.

Experience has shown that default risk on the market of Schur Flexibles Group is low. Customers are granted appropriate credit lines after an individual assessment. Due to the introduction of IFRS 9 in 2018, the impairment risk is now assessed on the basis of expected credit losses and no longer on the basis of incurred losses whereby more forward-looking information is included in the assessment. In order to avoid payment defaults, the Group, among others, gathers external credit information and/or information with regard to the current or expected negative business development which could prevent borrowers from fulfilling their obligations. Commercial credit insurances are taken out for some trade receivables which thus reduce the maximum credit default risk. As at the reporting date, approx. 90% of trade receivables are insured. The deductible rate amounts to 0–10%. Various Schur Flexibles entities are part of a factoring programme.

The Group carefully selects financial institutions when investing liquid funds. The default risk is mitigated by choosing only banks and financial institutions as counterparties which have an investment grade rating at the time the transaction is concluded.

Prior to submitting binding offers, newly acquired companies are regularly subjected to a tried and tested due diligence process in order to limit the Group's exposure to a minimum in the event that a risk occurs or even to avoid it completely. For each group company, an annual assessment is carried out as to whether it has an adequate insurance cover in place with regard to liability risks and in the event of damage.

Taken as a whole, the credit risk and the potential impact arising therefrom are considered to be low. Due to an insurance policy for trade receivables, there is only minor risk of default on receivables.

#### Liquidity risk

The liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It also includes the risk that the Group cannot obtain sufficient liquidity under the expected conditions when needed (refinancing risk) or that as a result of insufficient market depth or market disruptions transactions cannot be closed or settled, or only by incurring losses (market liquidity risk).

The Group's liquidity management is to ensure that sufficient liquid funds are available at any time so that obligations can be settled under normal or even stressed conditions when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group generally manages liquidity at the level of Schur Flexibles Group, as Group financing takes place at this level. Schur Flexibles GmbH as the parent company reported unused credit lines in the amount of EUR 100m as at December 31, 2020. Schur Flexibles Holding GesmbH, which is also the parent company of Schur Flexibles Holding Group, is part of this Group financing, securing the liquidity of Schur Flexibles Holding Group. The Group manages liquidity development in the context of the annual budgeting as well as on a monthly basis. Within the cash pool established in 2015, the Group companies were granted credit lines for which compliance is monitored on a daily basis. Liquidity requirements and surpluses are compensated on a daily basis and optimised through working capital measures. The Group's forward-looking liquidity planning and management also takes into account cash inflows and outflows from operating and investing activities as well as repayments of financial liabilities.

In the financial year under review, the Group's solvency was fully given at all times. Upon the outbreak of the COVID-19 pandemic in February/ March 2020, the owners Lindsay Goldberg Vogel and Schur Flexibles management team anticipated market developments (potential payment default by customers, payments due prematurely due to an increased credit default risk in the market) and proactively strengthened Schur Flexibles Group's financial stability by way of a capital injection.

This strong signal was received quite positively by the market. Due to this financial stability, Schur Flexibles Group was able to obtain raw materials and guarantee uninterrupted production at all times.

#### Interest rate risk

Interest rate risks arise from interest-bearing financial instruments recognised and not recognised in the statement of financial position and depend on market interest volatilities. Market interest volatilities include changes in the interest rate level as well as changes in the yield curve.

Interest rate hedges (swaps) against interest-related cash flow risk are in place for some non-current financial liabilities with variable interest rates. Such interest rate swaps have the economic effect of converting loans bearing variable interest rates into fixed-interest loans. With regard to such interest rate swaps, the Group and the other parties undertake to swap the difference between fixed and variable interest derived from the agreed principal amounts on a regular basis. For further information on derivatives, refer to Note 9 in the notes to the consolidated financial statements. Current credit lines are linked to EURIBOR and are subject to the usual interest rate risk.

Taken as a whole, the risk and the potential impact are considered to be low.

#### Foreign exchange risk

Foreign exchange risks result from financial instruments being denominated in a foreign currency which is not the Group's functional currency. Exchange rate related differences arising from the translation of financial statements into the Group's presentation currency are not considered. However, financial instruments in the functional currency as well as non-monetary items do not exhibit a foreign exchange risk.

Due to its international operations, the Group is generally exposed to foreign exchange risks. Total foreign exchange risk further increased due to the acquisition of Scandiflex Pac whose functional currency is the Swedish krone. However, currency hedges are currently not deemed necessary as the Group's transactions are still mostly carried out in euros. Corporate management monitors the development as regards foreign exchange risk on an ongoing basis to be able to take risk mitigating measures in case the risk increases.

#### Other risks

Risks arising from taxes, competition, patents or environment and other regulations are limited by using professional advice. Adequate provisions for legal risks relating to past events are set up and regularly reviewed.

We consider the risk arising from the potential loss of know-how owners as low. There are currently no discernible individual or aggregate risks which might endanger the Company's position to continue as a going concern.





### 3.2 Opportunities report

Besides the continuous development of internal synergy and improvement potentials as well as the further expansion of the Group structure and the value chain expanded in the past, new opportunities to extend the Company's presence have emerged due to the realignment of supplier-consumer relations with regard to larger packaging. Investments in the sales structure and in technical resources will contribute to target growth opportunities. The acquisition of Sidac SpA, Italy, performed during the first half of 2021 is to further drive the existing growth strategy. Through the acquisition, Schur Flexibles Group further expanded its market presence in Italy. A dedicated M&A team continuously performs in-depth market analyses so as to early identify trends and potential white spots as regards end markets, technologies or geography, and to remove such white spots through acquisitions.

### 3.3 Forecast report

In its World Economic Outlook dated April 2021, the IMF predicted world economic growth of 6% for 2021 (following a 3.3% decline in 2020). However, the IMF explicitly emphasises the uncertainty of this outlook. This means that the future development depends on the course of the health crisis (such as whether the new COVID-19 strains turn out to be sustainably vulnerable to vaccinations), the effectiveness of political measures to limit the lasting economic damage as well as the development of financial framework conditions and raw material prices, and the adaptability of the economy. Additionally, economic recovery varies widely from one country to another (depending on the implementation of medical measures and the effectiveness of political decisions, amongst other factors). For Europe, the IMF predicts an overall weaker economic growth of 4.5% for 2021.

The market for flexible packaging solutions in Europe as well as the majority of the various industries are all sustainably affected by the consequences of the ongoing COVID-19 pandemic. However, the impact on the individual end markets varies widely. For example, towards the end of the first quarter 2021, the Group reported an increased demand as our products' end users bought larger amounts. It cannot be predicted or quantified how demand will develop until the end of the year.

The IMF expects global growth of approx. 4.4% for 2022. For the euro zone, the IMF predicts a growth rate of 3.8% in 2022. For the overall market for flexible packaging solutions in Europe, management assumes the medium-term growth rate to amount to up to 2.5%, with 1.9% growth expected for Western Europe and stronger growth of up to 4.2% for Eastern Europe (excluding Russia). Market growth might show a more negative development than predicted in this forecast due to the market environment affected by COVID-19.

For the year 2021, management expects an increase in revenue for Schur Flexibles Group approx. 1–2% above the European growth rate for flexible packaging solutions and thus a significant increase in EBITDA. The assessment substantially depends on the further economic development related to the COVID-19 pandemic.

Wiener Neudorf, April 30, 2021

**Michael Schernthaner**
CEO

**Friedrich Humer**
CSO

**Juan Luis Martinez Arteaga**
COO

* Sources: IMF, January & April 2021, "World Economic Outlook".

# Consolidated Financial Statements






## Consolidated statement of financial position as at December 31, 2020

| in EUR '000 | Notes | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 7.1 | 92,356 | 92,983 | 87,492 |
| Property, plant and equipment | 7.1 | 206,081 | 189,408 | 154,101 |
| Assets under construction | 7.1 | 19,996 | 34,102 | 21,178 |
| Financial assets | | 47 | 47 | 62 |
| Deferred tax assets | 8.10 | 3,854 | 5,382 | 323 |
| Shareholder loans issued | 7.2 | 16,165 | 10,165 | 4,165 |
| **Non-current assets** | | **338,500** | **332,087** | **267,321** |
| Inventories | 7.3 | 69,322 | 70,011 | 67,321 |
| Trade receivables | 7.4 | 36,542 | 42,374 | 42,558 |
| Income tax receivables | 8.10 | 660 | 2,131 | 295 |
| Non-current assets held for sale | | 0 | 1,604 | 698 |
| Other current assets | 7.5 | 41,122 | 61,177 | 30,350 |
| Cash and cash equivalents | 7.6 | 110,646 | 72,688 | 40,951 |
| **Current assets** | | **258,293** | **249,985** | **182,173** |
| **Total assets** | | **596,792** | **582,072** | **449,494** |
| **Liabilities and equity** | | | | |
| Share capital | 7.7 | 35 | 35 | 35 |
| Capital reserves | 7.7 | 65,060 | 61,934 | 61,928 |
| Retained earnings | 7.7 | 59,536 | 67,622 | 51,230 |
| Other reserves | 7.7 | -1,250 | 214 | -121 |
| *Equity attributable to the owners of the parent company* | | 123,380 | 129,804 | 113,072 |
| Non-controlling interests | 7.7 | 11,771 | 9,861 | 8,399 |
| **Equity** | | **135,151** | **139,665** | **121,471** |
| *Shareholder loans* | 7.8 | 145,886 | 140,983 | 31,500 |
| *Non-current subsidies* | 7.15 | 309 | 262 | 494 |
| Financial liabilities | 7.9 | 56,669 | 53,983 | 31,168 |
| Other non-current liabilitites | 7.13 | 1,793 | 2,911 | 4,004 |
| Provisions | 7.14 | 855 | 862 | 778 |
| Deferred tax liabilities | 8.10 | 22,010 | 23,797 | 12,941 |
| *Non-current provisions and payables* | | 81,327 | 81,553 | 48,891 |
| **Non-current liabilities** | | **227,521** | **222,798** | **80,885** |
| *Investment grants* | 7.15 | 176 | 79 | 79 |
| Trade payables | 7.10 | 77,676 | 98,234 | 74,054 |
| Supplier financing liabilities | 7.12 | 22,749 | 9,477 | 0 |
| Current financial liabilities | 7.9 | 84,529 | 61,401 | 124,593 |
| Contract liabilities | 7.11 | 3,806 | 4,595 | 5,417 |
| Other liabilities | 7.13 | 37,689 | 39,601 | 30,396 |
| Income tax payables | 8.10 | 2,451 | 1,559 | 935 |
| Provisions | 7.14 | 5,046 | 4,663 | 11,664 |
| *Current provisions and payables* | | 233,944 | 219,530 | 247,059 |
| **Current liabilities** | | **234,120** | **219,609** | **247,139** |
| **Liabilities** | | **461,641** | **442,408** | **328,023** |
| **Total equity and liabilities** | | **596,792** | **582,072** | **449,494** |

# Consolidated statement of comprehensive income 2020

| in EUR '000 | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue | 8.1 | 490,484 | 496,776 |
| Cost of goods sold | 8.2 | -389,660 | -382,886 |
| **Gross profit** | | **100,823** | **113,890** |
| Other operating income | 8.3 | 2,527 | 16,045 |
| Distribution costs | 8.4 | -32,658 | -34,493 |
| Administrative expenses | 8.5 | -51,005 | -55,988 |
| Other operating expenses | 8.6 | -767 | -5,667 |
| **EBIT** | | **18,920** | **33,786** |
| Interest income and similar income | 8.9 | 3,098 | 2,212 |
| Interest expense and similar expenses | 8.9 | -19,057 | -14,719 |
| **Profit before tax** | | **2,961** | **21,280** |
| Income tax | 8.10 | -4,694 | -7,877 |
| **Profit/loss for the period from continued operations** | | **-1,734** | **13,403** |
| Result from discontinued operations | 6 | -3,110 | -12,719 |
| **Profit/loss for the period** | | **-4,843** | **684** |
| thereof owners of the parent company | | -6,755 | -743 |
| thereof non-controlling interests | | 1,911 | 1,428 |
| **Profit/loss for the period** | | **-4,843** | **684** |
| *Items that may be reclassified to profit or loss* | | | |
| Currency translation adjustments | | -1,514 | 336 |
| Revaluation of cash flow hedges | 9.1.5 | 47 | 10 |
| Resulting changes in deferred taxes | | -12 | -5 |
| **Other comprehensive income** | | **-1,479** | **342** |
| **Total comprehensive income** | | **-6,322** | **1,027** |
| thereof owners of the parent company | | -8,219 | -408 |
| thereof non-controlling interests | | 1,896 | 1,435 |
| **Total comprehensive income** | | **-6,322** | **1,027** |






# Consolidated statement of cash flows 2020

| in EUR '000 | Notes | 2020* | 2019* |
|---|---|---|---|
| Profit before tax from continued operations | | 2,961 | 21,280 |
| Loss before tax from discontinued operations | | -3,033 | -12,896 |
| **Profit/loss before tax including result from discontinued operations** | | **-73** | **8,384** |
| Interest result | | 15,989 | 12,559 |
| Depreciation and amortisation | 7.1 | 59,936 | 53,375 |
| Gain(-)/loss(+) on the disposal of non-current assets | | -140 | -406 |
| Other non-cash expenses and income | | -814 | -9,664 |
| Change in trade receivables and other assets | | 5,180 | 2,840 |
| Change in inventories | | 171 | 60 |
| Change in payables | | 33,791 | 27,594 |
| Change in other working capital | | -2,358 | -10,235 |
| **Cash flow from operating activities before interest and tax** | **9.7** | **111,684** | **84,508** |
| Interest received | | 1,136 | 1,004 |
| Interest paid | 8.9 | -15,223 | -14,114 |
| Income tax paid | | -2,569 | -4,243 |
| **Cash flow from operating activities** | **9.7** | **95,029** | **67,155** |
| Proceeds from the sale of financial assets | | 9 | 1 |
| Proceeds from the sale of property, plant and equipment | | 3,431 | 3,521 |
| Proceeds from the sale of intangible assets | | 104 | 10 |
| Investments in property, plant and equipment | 7.1 | -27,870 | -38,428 |
| Investments in intangible assets | 7.1 | -8,965 | -14,931 |
| Investments in shareholder loans issued | 7.8 | -6,000 | -6,000 |
| Investments in financial assets | 5,7.7 | -9 | -10 |
| Investments in subsidiaries less cash of acquired subsidiaries | 5 | -1,056 | -5,993 |
| **Cash flow from investing activities** | **9.7** | **-40,357** | **-61,831** |
| Capital increases and other contributions to equity | 7.7 | 0 | 33 |
| Proceeds from profit and loss transfer | 9.4.1 | 19,439 | 9,126 |
| Payments from profit and loss transfer | 9.4.1 | -2,304 | -3,129 |
| Proceeds from shareholder loans | 7.8 | 13,053 | 114,483 |
| Repayments of shareholder loans | 7.8 | -5,000 | -5,000 |
| Proceeds from bank overdrafts and cash pool | 7.9 | 28,157 | 266 |
| Repayments of bank overdrafts and cash pool | 7.9 | -711 | -72,694 |
| Payments of supplier financing liability | 7.12 | -63,254 | -445 |
| Proceeds from financial liabilities | 7.9 | 11,739 | 4,004 |
| Repayments of financial liabilities | 7.9 | -17,474 | -20,261 |
| **Cash flow from financing activities** | **9.7** | **-16,356** | **26,382** |
| **Change in cash and cash equivalents** | | **38,316** | **31,706** |
| Changes in exchange rates | | -359 | 31 |
| Cash at period start | | 72,688 | 40,951 |
| Cash at period end | 7.6/9.7 | 110,646 | 72,688 |

* The cash flow statement 2020 presents the cash flow from continued operations including the discontinued operations. The cash flow from discontinued operations is presented in chapter 6 "Discontinued operations". Depreciation charges include EUR 59,859k (prior year: 49,384) from continued operations.

# Consolidated statement of changes in equity as at December 31, 2020

| in EUR '000 | Notes | Total equity | Share capital | Capital reserves | Retained earnings | Other reserves | Equity attributable to owners of the parent company | Non-controlling interests |
|---|---|---|---|---|---|---|---|---|
| **01/01/2019** | | **121,471** | **35** | **61,928** | **51,230** | **-121** | **113,072** | **8,399** |
| Capital increases | 7.7 | 33 | 0 | 6 | 0 | 0 | 6 | 27 |
| Capital increase from profit and loss transfer agreements | 9.4.1 | 19,439 | | | 19,439 | 0 | 19,439 | |
| Capital decrease from profit and loss transfer agreements | 9.4.1 | -2,304 | | | -2,304 | 0 | -2,304 | |
| Profit for the period | 7.7 | 684 | | 0 | -743 | 0 | -743 | 1,428 |
| Revaluation of cash flow hedges | 9.1.5 | 10 | | | 0 | 10 | 10 | |
| Resulting changes in deferred taxes | | -5 | | | 0 | -5 | -5 | |
| Changes in exchange rates | | 336 | | | 0 | 329 | 329 | 7 |
| Total comprehensive income | | 1,027 | 0 | 0 | -743 | 335 | -408 | 1,435 |
| **12/31/2019** | | **139,665** | **35** | **61,934** | **67,622** | **214** | **129,804** | **9,861** |
| Capital increases | 7.7 | 3,048 | 0 | 3,126 | -91 | 0 | 3,035 | 14 |
| Capital increase from profit and loss transfer agreements | 9.4.1 | 3,081 | | | 3,081 | 0 | 3,081 | |
| Capital decrease from profit and loss transfer agreements | 9.4.1 | -4,320 | | | -4,320 | 0 | -4,320 | |
| Loss for the period | 7.7 | -4,843 | | | -6,755 | 0 | -6,755 | 1,911 |
| Revaluation of cash flow hedges | 9.1.5 | 47 | | | 0 | 47 | 47 | |
| Resulting changes in deferred taxes | | -12 | | | 0 | -12 | -12 | |
| Changes in exchange rates | | -1,514 | | | 0 | -1,499 | -1,499 | -15 |
| Total comprehensive income | | -6,322 | 0 | 0 | -6,755 | -1,464 | -8,219 | 1,896 |
| **12/31/2020** | | **135,151** | **35** | **65,060** | **59,536** | **-1,250** | **123,380** | **11,771** |

# Notes to the consolidated financial statements as at December 31, 2020

## 1. Information on the Group

The Group's parent company is Schur Flexibles Holding GesmbH, incorporated and domiciled in Wiener Neudorf, Austria (IZ NÖ-Süd, Straße 1, Obj. 50C, House C, 2351 Wiener Neudorf).

The reporting entity's direct parent company is Schur Flexibles GmbH, Berlin, a 100% subsidiary of Atlas Flexibles GmbH.

The financial year corresponds to the calendar year. On April 30, 2021, the Management Board prepared the consolidated financial statements of Schur Flexibles Holding GesmbH (hereinafter also referred to as "Schur Flexibles Group" or the "Group") as at December 31, 2020, and the management report for the Group for the financial year 2020. It will be submitted to the Austrian Company Register within the statutory deadline.

Schur Flexibles Group is a leading European manufacturer of high-quality flexible packaging solutions for the European consumer goods industry, in particular for food, confectionery, aroma protection, as well as for hygiene items and pharmaceuticals. Despite the European focus, some of the products are also distributed globally. The value chain is entirely covered within the Group, ranging from mono and co-extrusion of films, lamination and printing of films using gravure and flexo print processes to converting (e.g. pouch production or roll slitting).

## 2. First-time preparation of consolidated financial statements pursuant to IFRS 1

For the financial year 2020, Schur Flexibles Holding GesmbH prepares consolidated financial statements for the first time. Due to the first-time preparation, the consolidated financial statements are within the scope of application of IFRS 1 "First-time Adoption of International Financial Reporting Standards".

At the level of Schur Flexibles Holding GesmbH, the Company never prepared consolidated financial statements under local GAAP (Austrian Company Code, UGB) or pursuant to IFRS before, as the Company and/or the subgroup was included in the consolidated financial statements of Schur Flexibles GmbH, Berlin. It is therefore not possible to present any reconciliations pursuant to IFRS 1.24 to explain the impact on the Group's assets and liabilities, financial situation and results of operations as well as its cash flows.

Assets and liabilities are measured at the carrying amounts included in the parent company's (Schur Flexibles GmbH) consolidated financial statements based on its date of transition to IFRS.





## 3. Accounting policies

### 3.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of Schur Flexibles Group as at December 31, 2020 were prepared in accordance with section 245a UGB, observing the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, applicable as at the reporting date, as well as the statements made by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU. Amendments and changes to IFRS were applied insofar as they have been endorsed by the European Commission for the financial year 2020.

Except for interest rate hedges, trade receivables subject to a factoring agreement and assets held for sale measured at the lower of carrying amount and fair value less costs to sell, the consolidated financial statements of Schur Flexibles Group are prepared on the basis of the historical cost principle. The consolidated financial statements are presented in euros.

Amounts were rounded to the nearest thousand euros. For calculatory reasons, tables and references may contain rounding differences to the mathematically exact amounts (monetary units, percentages, etc.).

### 3.2 Principles of consolidation

The consolidated financial statements comprise the financial statements of Schur Flexibles Holding GesmbH and its subsidiaries as at December 31, 2020.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group controls an entity if all of the following conditions are met:

- power over the entity (i.e. due to currently existing rights, the Group is able to direct those activities of the entity that have a significant effect on its return),
- exposure, or rights, to variable returns from its involvement with the entity, and
- the ability to use its power over the entity to affect the amount of the entity's return.

Subsidiaries are fully consolidated from the date of acquisition, i.e. as at the date the Group obtains control. Consolidation ceases when the parent company loses control of the subsidiary.

The financial statements of the subsidiaries included in the consolidated financial statements are prepared based on uniform accounting policies and reporting periods ending on the reporting date of the parent company.

Intra-group balances as well as transactions and intra-group profits and losses resulting therefrom were fully eliminated.

#### Scope of consolidation

In the financial year 2020, the following subsidiaries were included in the consolidated financial statements by way of full consolidation. The percentages represent capital investments under corporation law, with prior-year percentages indicated in brackets.

| Consolidated subsidiary | Capital investment | |
|---|---|---|
| Schur Flexibles Germany GmbH, Berlin, Germany | 100% | (100%) |
| Schur Flexibles Dixie GmbH, Kempten, Germany | 100% | (100%) |
| Schur Flexibles Dixie Verwaltungs GmbH, Kempten, Germany | 100% | (100%) |
| Schur Flexibles Produktions GmbH Co KG, Kempten, Germany | 100% | (100%) |
| Schur Flexibles Vacufol GmbH, Bad Grönenbach, Germany | 100% | (100%) |
| Schur Flexibles Flexofol GmbH, Kempten, Germany | 100% | (100%) |
| Dixie Iberia SLU, Cerdanyola Del Valles, Spain | 100% | (100%) |
| Schur Flexibles Polen Sp.z.o.o., Bogucin, Poland | 100% | (100%) |
| Schur Flexibles Moneta s.r.o., Trebisov, Slovakia | 99% | (99%) |
| Schur Flexibles ABR SA, Komotini, Greece | 80% | (80%) |
| Prisma SA, Komotini, Greece | 80.1% | (80.1%) |
| OOO Schur Flexibles Rus, St. Petersburg, Russia | 100% | (100%) |
| Danapak Flexibles A/S, Slagelse, Denmark | 100% | (100%) |
| Schur Flexibles Benelux B.V., Leek, the Netherlands | 100% | (100%) |
| Schur Flexibles Denmark A/S, Bjert, Denmark | 100% | (100%) |
| Schur Flexibles Finnland oy, Jakobstad, Finnland | 100% | (100%) |
| PS Polymer Sourcing GmbH, Warburg, Germany | 90% | (90%) |
| Drukkerij Zwart B.V., Amersfoort, the Netherlands | 96.78% | (96.78%) |
| Zwart LLC, St. Petersburg, Russia | 96.78% | (96.78%) |
| TSO Packaging Printers B.V, Goirle, the Netherlands | 100% | (100%) |
| Cats Flexible Packaging B.V., Rotterdam, the Netherlands | 100% | (100%) |
| Hänsel Flexible Packaging GmbH, Freitag, Germany | 100% | (100%) |
| Schur Flexibles Uni Roto SAS, Averdoingt, France | 80% | (70%) |
| Schur Flexibles Uni Flexo SAS, Fontenay-le-comte, France | 80% | (70%) |
| Schur Flexibles Uni Pouches SARL, La Ferte-Bernard, France | 80% | (70%) |
| Schur Flexibles Uni Coextrusion SA, Vendome, France | 80% | (70%) |
| Schur Flexibles Uni UK Converting Limited, St Helens, United Kingdom | 64% | (56%) |
| Schur Flexibles Uni Logistics SASU, La Ferte-Bernard, France | 80% | (70%) |
| Schur Flexibles Uni UK Limited, Midlothian, United Kingdom | 80% | (70%) |
| Oui 3 Ltd, Liverpool, United Kingdom | 71.52% | (62.58%) |
| Schur Flexibles Uni Österreich GmbH, Pottendorf, Austria | 80% | (70%) |
| Schur Flexibles Uni SAS, Averdoingt, France | 80% | (70%) |
| RPD Liegenschafts GmbH, Pottendorf, Austria | 80% | (70%) |
| Scandiflex Pac AB, Landskrona, Sweden | 100% | (100%) |





The following entities are not consolidated due to their minor relevance to the understanding of the Group's assets and liabilities, financial situation and results of operations:

| Non-consolidated subsidiaries | Capital investment | |
|---|---|---|
| Unicelt Packaging Ltd, Cork, Ireland | 80% | (70%) |
| Unipac AB, Norrköping, Sweden | 80% | (70%) |
| UNI Packaging GmbH, Aachen, Germany | 80% | (70%) |
| Fastighets AB Bilrutan, Landskrona, Sweden | 100% | (100%) |

RPD Liegenschafts GmbH was deconsolidated as at December 31, 2020.

Schur Flexibles Dixie Verwaltungs GmbH as well as Schur Flexibles Dixie Films GmbH & Co. KG were consolidated for the first time in 2019.

Nimax B.V. as well as Nimax Onroerend Goed B.V. were merged with Drukkerij Zwart B.V. This did not result in an impact on the consolidated financial statements.

Changes in the scope of consolidation as compared to the prior year are disclosed in Notes 5 "Business combinations" and 6 "Discontinued operations".

## 3.3 Summary of significant accounting policies

### 3.3.1 Business combinations as well as goodwill

Pursuant to IFRS 3, the acquisition method is applied to account for business combinations. Entities acquired or disposed in the course of the financial year are included in the consolidated financial statements from the acquisition date, and deconsolidated at the date the Group loses control. Incidental costs in connection with business combinations are recognised as expenses when they arise.

Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The excess of the cost of a business combination over the acquisition-date fair values of the identifiable assets acquired and liabilities assumed is defined as goodwill and recognised as an intangible asset. The Company separately assesses whether to apply the full or partial goodwill method for each acquisition.

If the fair value of the net assets acquired exceeds the consideration transferred, the Group once again assesses if it has fully identified all assets acquired and liabilities assumed at an appropriate fair value, and evaluates the method used to calculate the amounts to be reported at the acquisition date. If the fair value of the net assets acquired still exceeds the total consideration transferred after reassessment, the negative difference (synergies from business combinations) is recognised in profit or loss.

For each business combination, non-controlling interests are either recognised at fair value (full goodwill method) or the proportionate share (partial goodwill method) of the non-controlling interest in the net assets of the acquired entity.

If symmetrically designed call or put options for the acquisition/disposal of the remaining or of part of the remaining non-controlling interests are agreed at the acquisition date, it is to be assessed whether all risks and opportunities coming with ownership of the non-controlling interests were already fully transferred to the acquirer at the acquisition date.

If that is the case, the business combination is to be presented as if 100% of the interests had already been acquired, and no non-controlling interests are presented. If the risks and opportunities have not already been transferred at the acquisition date, the Group has the option to report the corresponding non-controlling interests or instead to recognise the acquisition of 100% of the interests already at the acquisition date. The Group decided not to report non-controlling interests in such a case. This option is applied consistently.

Irrespective of whether non-controlling interests are presented, a financial liability is to be recognised for the options to the acquisition of the remaining or of part of the remaining non-controlling interests, with this liability measured at the settlement amount through profit or loss at the respective reference date.

### 3.3.2 Discontinued operations and non-current assets (disposal groups) held for sale

A discontinued operation is a component of an entity that has either been abandoned, disposed of or classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Results from discontinued operations are separately presented in profit or loss.

An option exists for eliminating intra-group transactions between discontinued and continued operations

- without adjusting the elimination to continued and discontinued operations,
- by adjusting the elimination to discontinued operations, or
- based on individual decisions per area of operations that an elimination under continued or discontinued operations would best present the Group's results of operations after the area of operations has been discontinued.

In the latter case, the Group has to estimate the likelihood of transactions between the continued and discontinued operations still occurring in the future after the area of operations has been discontinued. If it is assumed that transactions will occur in the future, eliminations are presented under discontinued operations. If it is assumed that no transactions will occur in the future, eliminations are presented under continued operations. The Group will decide on the basis of the individual discontinued operation how an elimination best presents the Group's results of operations after the area of operations has been discontinued. For these consolidated financial statements, any required eliminations with the affected entities were presented under continued operations.

Non-current assets (disposal groups) are classified as held for sale if the respective carrying amount is realised mainly through a disposal transaction and not through continued use. They are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale are not subject to amortisation/depreciation. Interest and similar expenses relating to liabilities of a disposal group held for sale are still recognised.

Non-current assets classified as held for sale (including the assets that are part of a disposal group held for sale) are separately stated in the statement of financial position. Liabilities that are part of a disposal group classified as held for sale are also separately stated in the statement of financial position.

### 3.3.3 Foreign currency translation

The consolidated financial statements are presented in euros, the parent company's functional currency and the Group's presentation currency. Each entity within the Group determines its functional currency based on the primary economic environment in which it operates. The items contained in the respective entity's financial statements are measured using this functional currency. Foreign currency transactions are initially translated from the foreign currency into the functional currency at the spot rate applicable on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date. All exchange differences in this regard are recorded in the profit for the period.

The functional currency of the foreign entities is the euro, except for Schur Flexibles Poland Sp.z.o.o. whose functional currency is the Polish zloty, OOO Schur Flexibles Rus and Zwart LLC, Russia, with the Russian ruble as functional currency, Schur Flexibles Uni UK Converting Limited and Schur Flexibles Uni UK Limited with the British pound, Danapak Flexibles A/S and Schur Flexibles Denmark A/S with the Danish krone as functional currency, as well as Scandiflex Pac AB with the Swedish krone as the functional currency. At the reporting date, these subsidiaries' assets and liabilities are translated into the Group's presentation currency (euro) at the prevailing exchange rate. Income and expenses are translated at the rate prevailing at the transaction date or, for the purposes of simplification, at







the respective average monthly rate. Currency translation differences arising in the course of translation are recognised within other reserves in equity as currency translation adjustments.

### 3.3.4 Intangible assets

Intangible assets not acquired in a business combination are stated at cost upon initial recognition. Cost of intangible assets acquired in a business combination corresponds to the fair value at the acquisition date. In subsequent periods, intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

The Group distinguishes between intangible assets with finite and those with indefinite useful lives. In subsequent periods, intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives particularly consist of software and customer relations. They are amortised on a straight-line basis over their expected useful life and tested for impairment if there are any indications that the intangible asset may be impaired. The amortisation period and the amortisation method of intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in amortisation method or amortisation period resulting from changes in the expected useful life or the expected consumption of the future economic benefit of the asset are treated as changes in estimates.

Intangible assets with indefinite useful lives within the Group particularly include goodwill and trade mark rights, and are not subject to amortisation. The carrying amount of these intangible assets is tested for impairment at least once a year. In order to regularly test these assets for impairment, cash-generating units, to which the assets can be allocated, are defined. A cash-generating unit in the context of impairment testing is defined under IAS 36.6 et seq. in conjunction with IAS 36.65 et seq. as smallest identifiable group of assets that generates cash inflows and cash outflows that are independent of the use of other assets or other cash-generating units.

Internally generated intangible assets are stated at the cost that can reliably be measured. Internally generated intangible assets mainly relate to software and development projects. This only refers to the cost incurred in the development phase after the asset has been deemed technologically and commercially feasible until it has been completed. Capitalised production costs include costs directly and indirectly attributable to the development phase. Capitalised production costs mainly consist of staff costs and an appropriate portion of overheads as well as cost of materials and cost of external service providers. Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over the estimated useful life of the respective development project from the date the asset is available for use. The useful life depends on the respective circumstances, particularly the individual project's future economic benefit, and is between two and seven years.

Specifically, the Group reports the following intangible assets with the following useful lives:

| | Years |
|---|---|
| Software | 3–5 |
| Customer relations | 6–15 |
| Development projects | 2–7 |
| Trade mark rights | Indefinite |

### 3.3.5 Property, plant and equipment

Property, plant and equipment is recognised at cost and depreciated to its residual value on a straight-line basis according to its estimated useful life. Cost includes expenses directly attributable to the purchase or manufacturing of the items. Subsequent cost is included in an asset's carrying amount or recognised as a separate asset if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. At Schur Flexibles, this particularly concerns the matters described below.

Schur Flexibles uses printing plates and cylinders for the printing processes applied. They have to be equipped with specific unique printing patterns so they can be used for customer orders (tooling). Costs incurred for the purchase/manufacturing of these printing patterns are capitalised and subsequently depreciated over the respective useful life.

As Schur Flexibles' products are usually customer-specific and some of them are also subject to various regulatory requirements with regard to their specific design (e.g. aroma protecting pouches), machinery has to be adapted regularly to be able to manufacture the products in accordance with the respective requirements. Costs incurred in connection with machinery adaptations are capitalised as components of the respective machines that have to be replaced at regular intervals. These costs are capitalised and subsequently depreciated over the respective useful life.

Additionally, Schur Flexibles has incurred some costs in connection with the improvement of production facilities (particularly after acquisitions). Costs in connection with the improvement (increase in efficiency, modernisation, etc.) of production facilities are capitalised as part of the respective production facility. The costs incurred are depreciated on a straight-line-basis of the remaining useful life of the respective production facility.

If the criteria pursuant to IAS 16 are met, major inspections/repairs or even spare parts are capitalised. Spare parts are generally recognised as inventory assets and stated as expense when utilised. However, essential spare parts are treated as property, plant and equipment if they meet the definition of property, plant and equipment, i.e. if they are held for use in production and expected to be used during more than one period. Costs for major inspections/repairs are subsequently depreciated over the period until the next major inspection/repairs take place. Spare parts fulfilling the requirements of IAS 16 are depreciated over their respective useful life or the remaining useful life of the underlying asset (whichever is shorter). Costs for ongoing repairs and maintenance are immediately recognised as expenses.

Depreciation is charged over the following useful lives:

| | Years |
|---|---|
| Buildings | 25–50 |
| Machinery | 8–20 |
| Components of machinery | 2–10 |
| Tooling | 2–7 |
| Other | 2–8 |

Useful life, depreciation method and residual value of property, plant and equipment is reviewed on an annual basis to ensure that the depreciation method and the depreciation period are in line with the expected development of the economic benefit associated with property, plant and equipment items.

If an item's recoverable amount is below its carrying amount, the carrying amount is written down to the recoverable amount.

Gains or losses on disposal are calculated by comparing the disposal proceeds with the carrying amount and recognised in profit or loss. Gains or losses on the disposal of property, plant and equipment are recognised in other operating income or expenses.







### 3.3.6 Impairment of non-current non-financial assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For goodwill and intangible assets with indefinite useful lives, an impairment test is performed at least at the end of each reporting period. In order to perform an impairment test, first the recoverable amount of the asset or the cash-generating unit (CGU) is to be determined. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is defined as the price that can be achieved in the sale of an asset or a cash-generating unit between two knowledgeable business partners that are willing to enter into a transaction and are independent of each other, less costs to sell. Value in use is determined based on expected future cash flows derived from medium-term planning.

Schur Flexibles Group calculated the recoverable amount based on the value in use. The underlying detailed medium-term planning has a planning horizon of three years and was approved by Group management. This plan considers an annual EBITDA margin (EBITDA-to-sales ratio) between 4.0% and 27.9% (prior year: between 2.5% and 25.5%) based on the results achieved, the effects on earnings already known as well as expected effects on earnings arising from synergies. Cash flows after this planning period are taken into account at a growth rate of 1.0% (prior year: 1 .0%). The discount rate (before tax) is calculated based on the weighted average cost of capital and is between 5.8% and 7.7% (prior year: between 5.6% and 6.9%) depending on the CGU. The discount rate reflects current market assessments and was estimated based on the weighted average cost of capital typical in the industry.

Goodwill amounts to a total of EUR 23,216k (prior year: EUR 23,216k) and is presented in the table below. The following disclosures are made with regard to the assumptions for the impairment test of goodwill. The operating segments Pharma, Films and aroma protection were summarised under Other CGUs for materiality reasons, as the main part of goodwill is attributable to the Confectionery and Tea Tags and Coffee segments.

#### Assumptions for impairment tests for CGUs with significant goodwill

| | 12/31/2020 | | |
|---|---|---|---|
| in EUR '000 | Carrying amount | EBITDA margin | Discount rate |
| Confectionery | 19,431 | 25.20% | 7.70% |
| Tea Tags and Coffee | 2,293 | 22.60% | 6.03% |
| Other CGUs | 1,492 | 4.00%–27.90% | 5.80%–6.60% |

#### Assumptions for impairment tests for CGUs with significant goodwill

| | 2019 | | | |
|---|---|---|---|---|
| in EUR '000 | Carrying amount 01/01 | Carrying amount 12/31 | EBITDA margin | Discount rate |
| Confectionery | 19,431 | 19,431 | 22.30% | 6.90% |
| Tea Tags and Coffee | 2,293 | 2,293 | 22.30% | 5.80% |
| Other CGUs | 1,492 | 1,492 | 13.00%–26.00% | 5.60%–6.20% |

The following sensitivity analyses were carried out in the context of impairment testing:

## Goodwill 2020

| in EUR '000 | Confectionary | Tea Tags and Coffee | Other CGUs |
|---|---|---|---|
| **Goodwill 2020** | **19,431** | **2,293** | **1,492** |
| Impairment in case of increase of the discount rate by 1 percentage point | - | - | - |
| Impairment is given in case of increase of discount rate | 7.6 percentage points | 8.6 percentage points | 4.5–29.0 percentage points |
| Impairment in case of decrease by 1 percentage point of EBITDA margin | - | - | - |
| Impairment is given in case of decrease of EBIDTA margin | 10.0 percentage points | 10.2 percentage points | 2.8–19.0 percentage points |

Capitalised trade mark rights break down as follows:

| in EUR '000 | 12/31/20 | 12/31/19 | 01/01/19 |
|---|---|---|---|
| Schur Flexibles Holding GesmbH (word mark and combined word/ figurative mark) | 1,953 | 1,953 | 1,953 |
| Schur Flexibles Dixie GmbH (word mark and combined word/ figurative mark) | 196 | 196 | 196 |
| Schur Flexibles ABR SA (word mark) | 1,115 | 1,115 | 1,115 |
| Danapak Flexibles AS (word mark and combined word/ figurative mark) | 442 | 442 | 442 |
| **Total capitalised trade mark rights** | **3,705** | **3,705** | **3,705** |

The useful lives of the trade mark rights of Schur Flexibles Holding GesmbH, Schur Flexibles ABR SA, Schur Flexibles Dixie GmbH and Danapak AS are estimated to be indefinite as they have a history and they can and should continue to be used on a long-term basis.

For a full overview of intangible assets, please refer to the statement of movements in non-current assets in Note 7.1.

Impairment losses are reversed if changes in the expected cash flows used to determine the recoverable amount have occurred since the most recent impairment loss was recorded, and if the value in use exceeds the asset's carrying amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss is not to exceed the carrying amount that would have been determined had no impairment loss been recognised, net of depreciation. Impairment losses on goodwill are not reversed.





### 3.3.7 Inventories

Inventories are stated at cost. Cost is mainly determined based on the FIFO (first in, first out) method. Production costs include all costs directly related to the units of production as well as production-related overheads. Inventories at the reporting date are measured at the respective lower of cost and net realisable value. Net realisable value is the estimated selling price less the costs to be incurred up to the sale. The net realisable value of work in progress is determined retroactively based on the net realisable value of the finished goods, taking into account the remaining costs of completion. If the reasons that caused a write-down of inventories no longer apply, the write-down is reversed accordingly.

### 3.3.8 Financial assets and liabilities

Financial assets mainly comprise cash and cash equivalents, trade receivables as well as other financial assets. Financial liabilities mainly comprise trade payables, supplier financing liabilities, bank loans and overdrafts and lease liabilities. Initial recognition in the statement of financial position as well as the disposal of purchases and sales carried out at arm's length is performed at the settlement date. Financial assets and liabilities are initially measured at fair value. Trade receivables not containing a significant financing component are initially stated at their transaction price. Subsequent measurement depends on the allocation to the categories pursuant to IFRS 9 and is either performed at amortised cost or at fair value.

Financial assets and liabilities are only offset if there is currently a legally enforceable right to set off the amounts and the Group intends to settle on a net basis.

*Classification of financial assets*

As a matter of principle, classification at fair value through profit or loss is mandatory for investments in equity instruments. Only at initial recognition, an irrevocable election to present changes in fair value in other comprehensive income may be made. Schur Flexibles Group does not make use of this option.

Classification of debt instruments is based on the entity's business model and the characteristics of the financial asset's contractual cash flows (solely payments of principal and interest, so-called SPPI criterion). In this context, all instruments fulfilling the cash flow criterion and held in the business model "hold to collect" are measured at amortised cost, and all instruments fulfilling the cash flow criterion and held in the business model "hold to collect and sell" are measured at fair value through other comprehensive income. All other debt instruments are to be measured at fair value through profit or loss.

Assets are only reclassified if there is a change of the business model managing them.

The Group classifies its financial assets according to the following measurement categories pursuant to IFRS 9:

- At fair value through profit or loss, recognising changes in value in the profit for the period (FVPL). At Schur Flexibles, this category includes financial assets not fulfilling the cash flow criterion and derivatives not subject to hedge accounting. At the same time, part of the receivables portfolio is put up for sale under a factoring programme. Trade receivables held for sale and thus allocated to the business model "Other" are also classified in this category.
- At amortised cost, applying the effective interest method (AC). This category includes all other financial assets held by Schur Flexibles as they fulfill the cash flow criterion and are held under the business model "hold to collect".

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has entered into a contractual obligation to immediately pay cash flows to a third party, transferring substantially all risks and rewards.

If, in a transfer of financial assets, Schur Flexibles Group neither transfers nor retains substantially all the risks and rewards, it continues to recognise the transferred asset under "Other assets" to the extent of its continuing involvement and also recognised an associated liability. As defined by the main technical committee of the Institute of Public Auditors in Germany in its Statement IDW HFA 48, these items are considered "sui generis" items.

*Classification of financial liabilities*
Financial liabilities (including trade payables) within the scope of IFRS 9 are generally measured at amortised cost, applying the effective interest method. This does not apply, among others, to derivative financial instruments measured at FVPL or subject to hedge accounting.

Financial liabilities are derecognised when the contractual obligation is discharged, the debtor is released from responsibility for the obligation, or the obligation expires.

*Financial liabilities at amortised cost*
Financial liabilities are initially recognised at fair value less transaction costs. Financial liabilities are subsequently stated at amortised cost, using the effective interest method. Gains and losses are recognised in profit or loss if the liabilities are derecognised as well as in the context of amortisation based on the effective interest method. Amortised cost is calculated taking into account a premium or discount upon acquisition as well as fees and points that are an integral part of the effective interest rate. Amortisation based on the effective interest method is included in profit or loss as part of finance cost.

Derivatives
*Subject to hedge accounting*
To hedge interest rate risk, the Group entered into derivative financial instruments (interest rate swaps) used under cash flow hedges. Derivative financial instruments are stated at fair value when the contract is concluded and measured at fair value in subsequent periods. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. When entering into the interest rate swap to hedge the risk of cash flow fluctuations, they were allocated to certain underlying transactions. Under a hedge, the effective portion of the change in market values of the hedging instruments is recorded in other comprehensive income. Ineffective portions are generally recognised in profit or loss but none were reported in the reporting period or in the prior year. The underlying effectiveness is measured based on the hypothetical derivative approach at each reporting date. The amounts recognised in total comprehensive income are reclassified to profit or loss during the period in which the hedged transaction has an influence on the profit for the period, e.g. when hedged finance income or cost is recognised.

*Not subject to hedge accounting (freestanding derivatives)*
If the derivatives do not fulfill the requirements for hedge accounting, they are to be accounted for at fair value through profit or loss. At Schur Flexibles, this applies to one interest rate swap whose underlying transaction lapsed in 2018. The fair value option pursuant to IFRS 9 to measure financial liabilities at fair value is not exercised.

*Impairment of financial assets*
IFRS 9 stipulates an impairment model based on expected losses. This impairment model requires the recognition of impairment losses based on the expected credit loss model. Determining the extent of risk provisions is based on the following three-stage model:

1) Generally, a risk provision at the amount of the expected losses within the next twelve months is set up and recorded as an expense.
2) If credit risk has increased significantly (without a loss event having occurred), a risk provision at the amount of the expected losses over the entire remaining life of the financial instrument is set up.
3) If there is objective evidence for impairment (loss event), the calculation of the interest rate is based on the net carrying amount (gross carrying amount less risk provision), with the effective interest rate remaining unchanged. Impairment losses are also recorded at the amount of the expected loses over the entire remaining life of the financial instrument.

In order to assess as to whether the credit risk has significantly increased (Stage 2), Schur Flexibles compares the default risk of the financial instrument at the reporting date with the one on the date of initial recognition. In doing so, the Group takes into account appropriate forward-looking information, considering particularly the following indicators:

- External credit ratings (if available).
- Current or expected adverse business developments, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations.
- Significant increases in the credit risk on other financial instruments of the same borrower.
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group or changes in the operating results of the borrower.







Regardless of the above stated analysis, a significant increase in credit risk is assumed if the borrower's payments are more than 30 days past due.

Impairment losses are recorded for financial assets if there is no reasonable expectation as to their recovery, e.g. if external or internal information indicates that Schur Flexibles will likely not receive the full outstanding amount. Recovery is also not expected if the counterparty is continuously unable to meet its contractual obligations.

These rules apply to financial assets measured at amortised cost, debt instruments measured at FVOCI, contractual assets pursuant to IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

For trade receivables without a significant financing component and for contract assets, impairment is determined based on the simplified approach to generally calculate expected credit losses at the amount of the lifetime expected losses.

Please refer to Chapter 9.2 of these Notes for the assessment of the default risk within the Group.

### 3.3.9 Provisions
A provision is recognised if the Group has a present (legal, contractual or constructive) obligation arising from a past event, the settlement of which is expected to result in an outflow of resources, and if the amount of the obligation can be reliably estimated. Provisions are reviewed at each reporting date and adjusted to the best current estimate. Where the corresponding interest effect is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the increase in the provision reflects the passage of time and is recognised as borrowing cost.

### 3.3.10 Investment grants
Investment grants received are recognised in the statement of financial position as deferred income when all requirements for payment have been met and it can be assumed that the grant is actually ready to be collected. Reflecting the depreciation of the goods supported by investment grants, deferred income is recognised as other operating income at an amount of EUR 233k (prior year: EUR 224k). This results in a closing balance of EUR 485k (prior year: EUR 342k).

Grants related to income are offset against the respective subsidised expense and presented in profit or loss.

### 3.3.11 Leases
For leases, a right-of-use asset and the associated lease liability is recognised. Initial recognition is to take place at the commencement date, i.e. from the time the leased asset is made available for use to the Group. The lease liability and the right-of-use asset are calculated based on the total payments to be made under the lease.

The lease liability comprises the present value of the following payments:

- Fixed lease payments less any lease incentives payable,
- Variable lease payments that depend on an index or an interest rate,
- Residual value guarantees,
- Exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease early.

Variable lease payments or additional payments (e.g. excess or fewer mileage) are recognised directly in the consolidated statement of comprehensive income and not taken into account in calculating the lease liability.

The Group applies the practical expedient pursuant to IFRS 16.15 and accounts for each lease and service component as a single lease contract pursuant to IFRS 16. The lease liability and the right-of-use asset are calculated based on the total payments to be made under the lease.

Lease payments are discounted at the lessee's incremental borrowing rate as the rate implicit in the lease is not included in the Group's leases and cannot be determined. The current time value of money resulting from the subsequent measurement of the lease liability is recognised under finance costs – net in the consolidated statement of comprehensive income.

The right-of-use asset is stated at cost, comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated on a straight-line basis over the shorter of its useful life and the term of the lease. In determining the lease term, termination and extension options whose exercise is reasonably certain are to be taken into account. An assessment of the estimate regarding the exercise of the options as well as a remeasurement, if required, are performed on an annual basis. Likewise, the other contractual parameters are continuously monitored, with adjustments in the form of remeasurements or modifications being made if necessary.

The Group does not make use of the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. Additionally, lease-purchase contracts focusing on machinery are concluded within the Group. For such transactions, the first step is to carry out an analysis as to whether control has actually been transferred pursuant to the criteria of IFRS 15 and whether the lessor has obtained control of the underlying asset. If control is not transferred, the transaction does not fall within the scope of IFRS 16 and constitutes mere financing (no sale and leaseback), i.e. the seller-lessee continues to recognise the sold assets at their carrying amounts and present the consideration received as financial liability. If the criteria for a transfer of control have been fulfilled, IFRS 16 applies to the assets leased back. Any sales proceeds are to be reduced at the proportion the asset is leased back.

As regards the recognition of deferred taxes on assets and liabilities arising from the application of IFRS 16, Schur Flexibles Group currently assumes it has a de-facto option to apply the initial recognition exemption pursuant to IAS 12. The Group thus applies the initial recognition exemption and does not recognise any deferred taxes in connection with assets and liabilities arising from leases pursuant to IFRS 16.

### 3.3.12 Recognition of revenue and cost

Schur Flexibles Group generates revenue by producing and shipping packaging solutions. The business model is primarily based on framework agreements that individually do not, however, constitute a contract pursuant to IFRS 15. Only a specific call-off together with the framework agreement constitutes a contract within the meaning of IFRS 15.

With regard to performance obligations, production and shipping of packaging solutions are to be regarded as the only material separate performance components. Due to the Incoterms agreed, transport services are only to be regarded as separate performance obligations for very few contracts that only account for a minor part of total revenue. Due to minor impact, they are therefore not recognised as a distinct performance component. Services such as gravures or die-cutting exclusively constitute fulfillment activities and are therefore not to be presented as separate performance obligations. Revenue arising from the cost of such tooling services passed on is accrued over the term of the underlying customer contracts. For the associated deferred proceeds item, refer to Note 7.11.

A fixed transaction price is generally agreed in contracts with customers. Additionally, discounts are granted to certain customers on a retroactive basis if they have ordered a predefined volume of goods within the billing period. These discounts are to be presented as variable consideration pursuant to IFRS 15 and to be initially estimated based on past experience at contract inception. Revenue to be realised is to be reduced and the expected discount payment to be recorded as liability.





Payments are to be made by the end of the payment term. However, there is no significant financing component due to short payment terms. As the consideration for the goods/services transferred corresponds to the stand-alone selling price, no allocation between the individual performance components is required. Revenue is recognised at a point in time when control of the goods has been transferred to the customer.

Costs are recognised when the service is rendered or at the time they are incurred.

### 3.3.13 Income taxes

#### Current income taxes

Current income tax receivables and payables for the period and for previous periods are to be measured at the amount expected to be received from or payable to taxation authorities. The calculation of this amount is based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Complex tax regulations may lead to uncertainties with regard to their interpretation as well as the amount and timing of future taxable income. For obligations to the respective national taxation authorities uncertain as to their amounts and likelihood of occurrence, tax provisions are set up based on reasonable estimates. This calculation takes into account such factors as past experience with previous tax audits as well as different legal interpretations by taxpayers and taxation authorities with regard to the respective matter.

*Deferred taxes*

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable or that there is convincing substantive evidence that taxable profit will be available against which the deductible temporary differences, unused tax loss carryforwards and unused tax credits can be utilised. The following exceptions apply:

- deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or a liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit/loss at the time of the transaction,
- deferred tax assets from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, unless it is probable that the temporary differences will reverse in the foreseeable future, and
- deferred tax assets are not recognised if they result from temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of that deferred tax asset to be utilised. Deferred tax assets not recognised are reviewed at each reporting date and stated to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

To assess as to whether deferred tax assets from tax loss carryforwards are utilisable, i.e. recoverable, the Company's results planning as well as specifically implementable tax strategies are used. The planning period observed for the purposes of assessing probability is determined according to the circumstances at the respective group company and usually is between five and seven years.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply to the period in which an asset will be realised or a liability settled. This is based on the tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. Income taxes are generally recognised as an expense unless they relate to items recognised in equity without affecting profit or loss. In such a case, they are either recognised in other comprehensive income or directly in equity.

As regards the differences between net assets and the carrying amount under tax law of subsidiaries and associates (so-called outside basis differences), deferred tax liabilities were not recognised at the reporting date to the extent that Schur Flexibles can control the timing of reversals and that it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, no deferred tax liabilities were recognised on these outside basis differences. All subsidiaries are foreign investments in Europe whose dividend distributions are to be regarded as exempt from taxation. Taxation would therefore only apply in the case of disposal or liquidation of the subsidiaries which, however, can be controlled accordingly by the Group.

There are tax groups in place within the Group in France (corporate income tax), the Netherlands (corporate income tax) and Denmark (corporate income tax). There is also a tax group in place in Germany (corporate income tax, trade tax, value added tax). While the head of the tax group, Schur Flexibles GmbH, is not within the scope of consolidation, the tax group also comprises the German subsidiaries included in the scope of consolidation. These subsidiaries therefore do not set up any deferred tax assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off a current tax asset against a current tax liability and if they relate to income taxes of the same taxable entity levied by the same taxation authority.

### 3.3.14 Value added tax

Revenue, expenses and assets are recognised after deducting value added tax, except for the following circumstances:

- If the value added tax incurred upon purchase of assets or services is not recoverable from the taxation authority, value added tax is recorded as part of production costs of the asset or as part of expenses.
- Receivables and liabilities are stated including the amount of value added tax contained therein.

The amount of value added tax refunded by or paid to the taxation authority is recorded in the consolidated statement of financial position under other assets or other liabilities.

### 3.3.15 Pensions and other employee benefits

The entities included in the Group's scope of consolidation report defined contribution plans. All expenses for employee benefits are stated under staff costs.

Annual leave obligations are measured at the amount of the daily rates or the average hourly rate including any social security contributions due.

### 3.3.16 Fair value measurement

Some assets and liabilities are measured at fair value either upon initial recognition or subsequent measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The Group must have access to the principal or most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group applies valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which a fair value is determined or stated in the consolidated financial statements are categorised according to the below stated fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:







Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Used inputs not based on observable market data for measuring the asset and the liability (unobservable inputs).

### 3.3.17 New and amended standards and interpretations of IFRS

The accounting policies applied are generally the same as the policies applied in the prior year.

Additionally, the Group applied the new or amended standards effective for periods beginning on or after January 1, 2020.

### 3.3.18 New and amended standards applied in 2020

In preparing the consolidated financial statements, the Group observed the following amendments to existing IAS, IFRS or interpretations as well newly issued standards and interpretations, provided that they had been published in the Official Journal of the European Union by April 30, 2020, and had become effective by that date:

| Standard | Description | Effective from |
|---|---|---|
| IFRS 16 | COVID-19-Related Rent Concessions | June 2020 |
| IFRS 3 | Definition of a Business | January 2020 |
| IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform (IBOR Reform) - Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7 | January 2020 |
| IAS 1, IAS 8 | Definition of Material | January 2020 |
| IFRS Conceptual Framework | Revised IFRS Conceptual Framework | January 2020 |

**IFRS 16 "COVID-19-Related Rent Concessions"**

As a consequence of the coronavirus pandemic, lessees were granted rent concessions of various types (e.g. payment exemptions and deferral of lease payments). In May 2020, the IASB published the COVID-19-related amendments to IFRS 16. The amendments allow for an optional, temporary COVID-19-related practical expedient for lessees. Under certain conditions, a lessee may thus elect not to assess whether a rent concession pursuant to IFRS 16 is a lease modification, instead accounting for the rent concession as if it were not a modification but a variable lease payment. This practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if certain conditions are met.

Entities using this practical expedient are to disclose this fact as well as whether the expedient was applied to all qualifying leases and if it was not, to which types of leases it was applied. Additionally, the amount arising from rent concessions recorded in profit or loss is to be disclosed.

In accordance with IAS 8, a lessee applies this amendment retrospectively but is not required to adjust prior-year figures.

Schur Flexibles Group did not use this practical expedient. Therefore, these amendments do not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**IFRS 3 "Definition of a Business"**

In order for a business to be considered as such, an acquisition must include inputs and a substantive process that together significantly contribute to the ability to create outputs. The new provisions offer guidance to help entities assess whether a substantive process has been acquired. For example, in order for start-ups that have not yet generated any revenue to meet the definition of a business in the future, they will have to take over a unionised workforce.

The definition of "output" is narrowed and now only refers to goods and services for customers, generating investment and other income, while returns in the form of lower costs and other economic benefits will be excluded in the future.

Additionally, an assessment of whether market participants are capable of replacing any inputs and processes not taken over, or of integrating the acquired set of activities and assets, will no longer be required.

Entities will be able to perform an optional "concentration test". This is a test as to whether substantially the entire fair value of the gross assets acquired is concentrated in one asset or a group of similar assets. If this is the case, the conclusion is drawn that no business was acquired, with no further test necessary.

In the course of the financial year under review, there were no business combinations in the context of which this amendment would have been crucial. Therefore, these amendments do not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Interest Rate Benchmark Reform (IBOR Reform) – Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7**

The amendments of the first phase of the IASB project on the reform of interest rate benchmarks stipulate a temporary exemption from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. As a consequence, hedging relationships that otherwise would have had to be discontinued due to the uncertainty as to when and how interest rate benchmarks are replaced in the course of the IBOR reform, are to be continued. However, any ineffectiveness is still to be recognised in profit or loss. Given the prevalence of hedging relationships with IBOR-based contracts, these practical expedients will affect entities in all industries.

The only interest rate benchmark relevant within the Group is the EURIBOR which is still being continued. There is no hedging relationship in place to hedge changes to the interest rate. Therefore, these amendments do not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Amendments to IAS 1 and IAS 8: "Definition of Material"**

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" as well as the respective resulting amendments to other IFRS:

(i) align the definition of material in all IFRS as well as in the Conceptual Framework for Financial Reporting,
(ii) include clarifications as to the definition of "material" and
(iii) on obscuring material information with information that can be omitted.

The amended definition is as follows:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that the reference to obscuring information refers to situations where omitting or misstating such information can have a similar effect. It is also indicated that an entity is to assess materiality in the context of the financial statements taken as a whole.

Additionally, the meaning of "primary users of general purpose financial statements" is clarified, defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

These amendments do not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Revised IFRS Conceptual Framework**

The IASB has published a revision of its Conceptual Framework for Financial Reporting, which is the direct foundation for developing new standards and interpretations. Material changes include:

- increase in importance of management's accountability or responsibility (stewardship) for the objective of financial reporting (providing information useful in making decisions with regard to the allocation of resources),






- emphasis of the principle of prudence, which is defined as the exercise of caution when making judgements under conditions of uncertainty, supporting neutrality,
- definition of a reporting entity which may be a legal entity or a portion of a legal entity,
- revised definition of an asset as a present economic resource controlled by the entity as a result of past events,
- revised definition of a liability as a present obligation of an entity to transfer an economic resource as a result of past events,
- removal of probability thresholds in recognising assets and liabilities as well as inclusion of additional guidance on the derecognition of assets and liabilities,
- inclusion of additional guidance on different measurement models and which factors to take into account in selecting them, and
- determination of profit or loss as the primary financial performance indicator and conclusion that income and expenses presented in other comprehensive income generally are to be reclassified to profit or loss (recycled) if this will increase the relevance or faithful representation of the financial statements.

No existing IFRS are amended as a result of the revised Conceptual Framework. The revised Conceptual Framework will be used in the development of new standards and interpretations in the future. The Conceptual Framework may also help preparers of financial statements in developing accounting policies and issues, which are not yet addressed by any IFRS provisions.

These amendments do not have a material impact on the Group's assets and liabilities, financial situation and results of operations.

### 3.3.19 Standards, interpretations and amendments to published standards, which are not yet effective for 2020 and have not been applied early

Until and including April 30, 2020, the following standards and interpretations were introduced or amended but were not yet effective for the financial year 2020. There are no plans for early application.

| Standard | Description | Adopted and effective from |
|---|---|---|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform (IBOR-Reform) – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | January 2021 |
| IFRS 4 | Temporary Exemption from Applying IFRS 9 | January 2021 |

| Standard | Description | Not adopted and effective from |
|---|---|---|
| IFRS 17 | Insurance Contracts | Deferred to January 2023 |
| IAS 1 | Amendments to IAS 1: Classification of Liabilities as Current or Non-current | Deferred to January 2023 |
| IAS 16 | Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use | January 2022 |
| IFRS 3 | Amendments to IFRS 3: Reference to the IFRS Conceptual Framework | January 2022 |
| IAS 37 | Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract | January 2022 |
| Annual Improvements to IFRS | 2018–2020 Cycle | January 2022 |

## Standards and interpretations already adopted by the EU but not applied early

### Interest Rate Benchmark Reform (IBOR Reform) – Phase 2: Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16

The phase 2 amendments of the reform of interest rate benchmarks refer to the actual replacement of interest rate benchmarks.

*Accounting of changes in the basis for determining the contractual cash flows as a result of the IBOR reform*

As a practical expedient for financial instruments measured at amortised cost a change in the basis for determining the contractual cash flows due to the IBOR reform is to be accounted for by updating the effective interest rate pursuant to the provisions of IFRS 9.B5.4.5. This does not immediately result in the recognition of a profit or loss. This practical expedient only applies to the above stated change and only to the extent that the change is necessary as a direct consequence of the IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

*End date for phase 1 practical expedients for non-contractually specified risk components in hedging relationships*

Pursuant to the phase 2 amendments, the phase 1 practical expedients with regard to non-contractually specified risk components according to which the non-contractually specified risk components was modified or the hedging relationship was discontinued, are not applied prospectively.

*Additional temporary exemptions from applying specific hedge accounting requirements*

For hedging relationships directly affected by the IBOR reform, the phase 2 amendments additionally stipulate temporary exemptions with regard to applying specific hedge accounting requirements of IAS 39 and IFRS 9:

- Modifications with regard to the designation and hedge documentation: necessary modifications to the designation and documentation of a hedging relationship do not result in the discontinuation of the same. After removal of the phase 1 practical expedients, the hedge documentation is to be adjusted to the modifications becoming necessary as a result of the IBOR reform, with this adjustment to be made by the end of the reporting period in which the modifications were made.
- Amount accumulated in the cash flow hedge reserve: a change in the basis for determining the contractual cash flows does not result in a reclassification of the cash flow hedge reserve to profit or loss. If the description of a hedged item is amended in the hedge documentation, the amount accumulated in the cash flow hedge reserve is deemed to be based on the new interest rate benchmark on which the hedged future cash flows are determined.
- Retrospective effectiveness assessment (IAS 39 only): for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, an entity may reset to zero, on an individual hedging relationship basis, the cumulative fair value changes of the hedged item and hedging instrument when ceasing to apply the practical expedients with regard to the retrospective effectiveness assessment stipulated by the phase 1 amendments (IAS 39 only).
- Groups of items: in the case of changes to the hedging relationships for groups of items, the hedged items are allocated to subgroups based on the interest rate benchmark being hedged. The interest rate benchmark is designated as hedged risk for each subgroup.
- Risk components – requirement of separate identifiability: the “separately identifiable” criterion for the new interest rate benchmark is deemed as fulfilled if the entity reasonably expects that it will be separately identifiable within 24 months from the date it is designated for the first time. The 24-month period applies to each interest rate benchmark separately. However, it must be possible to reliably measure the risk component.

*Additional IFRS 7 disclosures in connection with the IBOR reform*

The amendments stipulate that the entity is to disclose:

(i) how the entity is managing the transition to new interest rate benchmarks, its progress and the risks to which it is exposed because of the transition,
(ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark, and
(iii) a description of all changes to the risk management strategy as a consequence of the IBOR reform.





The only interest rate benchmark relevant within the Group is the EURIBOR which is still being continued. Therefore, these amendments do not have a material impact on the Group’s assets and liabilities, financial situation and results of operations.

### IFRS 4 “Temporary Exemption from Applying IFRS 9”

The amendments to IFRS 4 are intended to clarify temporarily occurring accounting issues as a result of the different effective dates of IFRS 9 Financial Instruments and the future IFRS 17 Insurance Contracts. In order to align the effective date of IFRS 9 with the effective date of IFRS 17, particularly the temporary exemption from applying IFRS 9 is extended until 2023.

Therefore, insurers are permitted to apply IAS 39 Financial Instruments: Recognition and Measurement instead of IFRS 9 to annual periods beginning before January 1, 2023. An insurer that applies the temporary exemption from applying IFRS 9 is to:

- use the requirements in IFRS 9 that are necessary to provide the disclosures required in paragraphs 39B–39J of IFRS 4, and
- apply all other applicable IFRSs to its financial instruments, except as described in paragraphs 20A–20Q, 39B–39J and 46–47 of IFRS 4.

If an entity no longer qualifies for the temporary exemption from applying IFRS 9 as a result of a reassessment, then the entity is permitted to continue to apply this exemption only until the end of the annual period that began immediately after that reassessment. Nevertheless, the entity must apply IFRS 9 for annual periods beginning on or after January 1, 2023.

As a result of the amendment to paragraph 20O of IFRS 4, the entity is permitted to retain the relevant accounting policies applied by the associate or joint venture pursuant to paragraphs 35–36 of IAS 28 for annual periods beginning before January 1, 2023.

This provision is not relevant to Schur Flexibles Group. Therefore, these amendments are not expected not have a material impact on the Group’s assets and liabilities, financial situation and results of operations.

## Standards and interpretations not yet adopted by the EU

### IFRS 17 “Insurance Contracts”

IFRS 17 was published in May 2017 as a replacement for IFRS 4 “Insurance Contracts”. The measurement model of IFRS 17 is based on determining the present fulfillment cash flows of insurance contracts so that its amounts are to be adjusted for each reporting period due to changes in estimates. Generally, insurance contracts are measured according to a building block approach. The following building blocks are considered in the course of measurement:

- discounted probability-weighted expected cash flows,
- an explicit risk adjustment, and
- a contractual service margin representing the unearned profit arising from the contract and recognised as income over the period during which the entity provides coverage for insured events.

The standard grants the option to record the impact of changes to the discount rates either in profit or loss or directly in other comprehensive income. Exercising this option is expected to reflect the manner in which insurers account for their financial assets pursuant to IFRS 9.

For certain insurance contracts with short durations, entities have the option to apply a simplified approach (so-called premium allocation approach) for determining the provision for future insurance coverage. Such short-term contracts are often concluded by non-life insurers and accident insurers.

To certain contracts of life insurers whose policyholders participate in the returns of the underlying items, the general measurement model of the standard in the form of the “variable fee approach” applies. In applying this approach, the entity’s share in the fair value changes of the underlying items is included in the contractual service margin. The results of insurers applying this model are therefore assumed to be less volatile than those applying the general model.

The new rules will affect the financial statements and key figures of all entities issuing insurance contracts or investment contracts with discretionary participation features.

Due to its business model, Schur Flexibles Group does not expect this to have a material impact on its assets and liabilities, financial situation and results of operations.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

The narrow-scope amendment to IAS 1 clarifies that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period. The classification is both unaffected by management expectations and by any events after the end of the reporting period (e.g. receipt of a waiver or breach of contract after the end of the reporting period). The amendment also clarifies the meaning of "settlement" of a liability in IAS 1.

It may have an impact if entities have previously taken into account the intentions of management in determining the classification of liabilities. This also applies to some liabilities that can be converted to equity.

In accordance with IAS 8, the amendment is to be applied with retrospective effect.

In July 2020, the IASB published a deferral of the amendment's effective date by one year to January 1, 2023.

From today's perspective, these amendments are not expected to have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use**

The amendment to IAS 16 prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management (such as proceeds from the sale of samples produced in a test facility). The amendment also clarifies the meaning of "costs of testing". These include costs to determine whether the asset is technically and physically capable of serving its intended use. However, achieving a certain financial capacity (e.g. a profit margin pursued by management) is not relevant to the assessment.

The amendment requires proceeds and expenses related to produced items not resulting from the entity's ordinary operations to be stated separately, and to disclose the item of the statement of comprehensive income under which these proceeds are recorded.

Schur Flexibles Group sometimes produces goods during the testing phase of facilities, facility expansions or supplements that can be sold on to customers and would thus be within the scope of the presented amendment to IAS 16. The impact the Group's assets and liabilities, financial situation and results of operations will be quantified in 2021.

**Amendments to IFRS 3: Reference to the IFRS Conceptual Framework**

Minor amendments were made to IFRS 3 to update the references to the revised IFRS Conceptual Framework and to add to IFRS 3 the requirement that, for liabilities assumed that are within the scope of IAS 37 or IFRIC 21, an acquirer is to apply the provisions of IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify these liabilities assumed. Without this new provision, an entity would have recognised several liabilities for a business combination that are not permitted to be accounted for under IAS 37 and/or IFRIC 21 and therefore would have had to be derecognised through profit or loss immediately after acquisition. Furthermore, an explicit prohibition to recognise contingent assets acquired is added to IFRS 3.

From today's perspective, these amendments are not expected to have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract**

The amendment to IAS 37 clarifies that the cost of fulfilling a contract comprises all costs that directly relate to the contract. Such costs include either incremental costs of fulfilling that contract (e.g. direct labor costs and cost of materials) or an allocation of other costs that relate directly to fulfilling the contract.

It is also clarified that any primary impairment also extends to the assets used to fulfill the contract (previously: assets that relate to the contract).





From today's perspective, these amendments are not expected to have a material impact on the Group's assets and liabilities, financial situation and results of operations.

**Annual Improvements to IFRS (2018–2020 Cycle)**

The following improvements to standards were published in May:

- IFRS 9 – Clarification which fees an entity is to include when it applies the 10 per cent test on derecognising financial liabilities.
- IFRS 16 – Amendment to Illustrative Example 13 accompanying IFRS 16 which included statements on payments made by the lessor to the lessee for the purposes of reimbursement of leasehold improvements which often lead to misunderstandings.
- IFRS 1 – The requirement according to which subsidiaries that become a first-time adopter of IFRS at a later point in time than their parent company have the option to measure assets and liabilities at the carrying amounts previously recognised for this purpose in the consolidated financial statements of the parent company (without any consolidation adjustments and adjustments due to the impact of the business combination) (exception: investment entities) is extended to include the subsidiary's accumulated currency translation adjustments. The amendment also applies to associates and joint ventures making use of the corresponding IFRS 1 provision.
- IAS 41 – Removal of exclusion of taxation cash flows when measuring the fair value of a biological asset pursuant to IAS 41. This aligns the requirements of IAS 41 with those of IFRS 13 and harmonises them with an amendment to IAS 41 in 2008 according to which it is not mandatory to use a pre-tax rate for discounting in the course of determining the fair value.

From today's perspective, these amendments are not expected to have a material impact on the Group's assets and liabilities, financial situation and results of operations.

## 4. Significant estimates, assumptions and judgments

In preparing the consolidated financial statements, management makes estimates, assumptions and judgments as to the amount of income, expenses, assets and liabilities stated at the reporting date as well as the disclosure of contingent liabilities. However, the uncertainties related to these estimates and assumptions may give rise to results that lead to considerable adjustments to the carrying amount of the assets or liabilities concerned in future periods.

Stated below are the most significant forward-looking assumptions as well as other main sources of estimation uncertainties that exist at the reporting date and due to which there is a considerable risk that a significant adjustment of carrying amounts of assets and liabilities may become necessary within the next financial year.

The timing of revenue recognition depends on the respective Incoterms agreed and is based on the point in time that control is transferred to the customer. Schur Flexibles Group determines this point in time based on the transfer of risks and ownership. Additionally, some contracts include variable components that may affect the transaction price. This variable component is determined based on the expected value method. Expected values are reviewed on a regular basis and adjusted if necessary.

In the course of purchase price allocations carried out in accordance with IFRS 3, the fair values of acquired assets were determined based on standard methods. The methods are based on cash flow planning for Schur Flexibles Group as well as expectations with regard to market development. The planning period reflects the long-term business plan. Reported cash flows were derived from past information as well as from existing customer relations and order backlogs. Current economic conditions were taken into account in cash flow planning. Goodwill is recognised if the purchase price is higher than the fair value of the purchased assets. However, if the purchase price is lower than the fair value, so-called synergies from business combinations are recognised as other operating income in profit or loss. In the financial year 2020, goodwill in the amount of EUR 0k (prior year: EUR 343k) and synergies from business combinations in the amount of EUR 0k (prior year: EUR 0k) were recognised.

Useful lives of property, plant and equipment as well as intangible assets were determined based on assumptions as to the expected period of use of the individual assets. Useful lives may be reduced due to faster wear and tear of the machinery included in property, plant and equipment as well as due to technological progress.

The estimate as to whether extension and termination options will be exercised, in connection with determining the terms of the leases, has an impact on the amount of the lease liability and the corresponding right-of-use asset. In this context, the Group mainly focuses on termination options in connection with indefinite terms for real estates such as production buildings, warehouses and factory premises. In doing so, the Group makes a technical and economic estimate as to the condition and usability of the corresponding assets in order to determine the economic useful life as the term of the corresponding lease. The Group evaluates its estimate of the technical and economic condition on an ongoing basis. Based on the assessment of the termination options in connection with indefinite terms, the Group currently assumes that no termination and extension options will be exercised that would result in any future cash outflows.

In accordance with IAS 36, non-current non-financial assets are tested for impairment on an annual basis. The basis for the impairment test is future excess cash generated for the individual assets or groups of assets aggregated under cash-generating units. The impairment test is based on cash flow planning for Schur Flexibles Group as well as expectations with regard to market development. The planning period reflects the long-term business plan. The economic conditions prevailing at the reporting date were taken into account in future cash flow planning. Significant non-current assets tested annually for impairment are the intangible assets as well as property, plant and equipment reported by the Group. Assumptions made by Group management as to the business development trend in the industry match the expectations of industry experts and market observers.

In the financial year 2020, impairment losses on non-current non-financial assets in the amount of EUR 0k (prior year: EUR 0k) were recorded.

Impairment losses on bad debts are determined based on estimates and assessments of individual receivables, taking into account the respective customer's credit standing, current economic developments, an analysis of historical default and, in particular, country-specific factors. Total impairment losses on trade receivables amounted to EUR 4,639k as at December 31, 2020 (prior year: EUR 3,469k).

Schur Flexibles GmbH acquired Schur Flexibles Moneta s.r.o., a Slovakian entity, in the financial year 2014. Immediately after acquisition, a serious breach of contract regarding the purchase of the entity was identified. The claim arising from the acquisition of a Slovakian entity in the financial year 2014 in the amount of EUR 12m plus interest and costs requested by Schur Flexibles Moneta s.r.o. in 2015 and awarded in 2018 via the ICC arbitration tribunal was judicially accepted in Slovakia, and an executory title against the previous owners was issued. As a legally enforceable right based on a judgement and an executory title against the previous owners of the Slovakian entity exists as at December 31, 2019 in the amount of EUR 16m, and as a cash inflow of at least EUR 7m is almost certain from management's point of view, a receivable was recognised as income as at December 31, 2019 (please also refer to Notes 7.5 and 8.3 in this context). In the financial year 2020, the receivable is also considered to be recoverable. To this end, management performed an analysis with regard to the executable assets' collectability and recoverability. According to the result of this analysis, an amount of at least EUR 7m is covered by existing assets, and management therefore assumes that it will be able to collect at least this amount in the course of the execution. In the financial year 2020, a fiduciary account was identified, access to which has been secured in the meantime. Also, assets at the entity Moneta S were identified. With regard to the remaining amount, management does not consider the likelihood of collectability to be almost certain, resulting in a contingent receivable being recorded at the remaining amount. An estimation uncertainty exists insofar as management's assumptions are based on information available up until the time of preparation and it may turn out in the further course of the execution that the executable assets may result in executory revenue below the estimated amount or that over time even a part of the claim awarded by the court that has previously not been categorised as almost certain may be categorised as almost certain after all, resulting in claims to be recognised in the future.







For further information in this regard, we refer to the comments made in Notes 7.5 and 8.3.

Provisions for costs related to warranties are set up at the time the underlying products or the services to be rendered are sold, or at the time a warranty claim becomes known. Measurement upon initial recognition is based on past experience. The original cost estimate as regards warranties is reviewed on an annual basis. Provisions for warranty claims were recorded at an amount of EUR 303k as at December 31, 2020 (prior year: EUR 354k).

# 5. Business combinations

No business combinations were made in the financial year under review.

### Acquisition of Scandiflex Pac in 2019

On February 28, 2019, 100% of the interests in Scandiflex Pac, Landskrona, Sweden, were acquired. The purchase price amounted to EUR 6.000k and was entirely paid for in cash. No funds were borrowed to finance the acquisition. After closing, information came to light that customer relations were impaired by EUR 954k and inventories by EUR 219k already at the acquisition date, and that due to contractual provisions, the Group is therefore entitled to a purchase price reduction. In the course of purchase price allocation, this matter and further negotiations therefore resulted in a reduction of net assets by EUR 1,173k and a purchase price reduction of EUR 1,460k which is still accounted for as an outstanding receivable as at December 31, 2019. Within the measurement period, there were no changes as compared to December 31, 2019.

## Acquisition

| in EUR '000 | Fair value |
|---|---|
| Customer relations | 3,640 |
| Other intangible assets | 147 |
| Land and buildings | 1,167 |
| Machinery | 2,850 |
| Furniture, fixtures and office equipment | 145 |
| Inventories | 2,499 |
| Deferred tax assets, trade receivables, other assets | 2,789 |
| Cash and cash equivalents | 7 |
| **Total assets** | **13,245** |
| Financial liabilities | 4,139 |
| Deferred tax liabilities | 1,037 |
| Trade payables | 2,409 |
| Other liabilities/provisions | 1,463 |
| **Total liabilities** | **9.048** |
| **Net assets** | **4,197** |
| Consideration | 4,540 |
| Non-controlling interests | |
| **Goodwill** | **343** |

Goodwill resulting from the transaction is attributable to the expected synergies and strategic advantages arising from the extension of the operating business and the market expansion that comes with it. It is not deductible for tax purposes.

In 2019, Scandiflex contributed EUR 11,104k to the Group's revenue and EUR -827k to its profit for the period. Had the business combination occurred at the beginning of the reporting period, the entire Group revenue in the financial year 2019 would have amounted to EUR 500,186k and Group profit for the period from continued operations would have been EUR 6,179k.

The gross amount of trade receivables taken over amounted to EUR 2,388k, of which EUR 16k was expected to be classified as bad debts.

Costs in the amount of EUR 300k were incurred in connection with this transaction and recognised as other operating expenses.

## 6. Discontinued operations

In 2019, the area of operations and product segment Coffee Wrap Arounds as well as the geographical market of Austria were abandoned. Schur Flexibles Uni Austria GmbH (formerly UPA GmbH) was the only entity within Schur Flexibles Group serving the geographical market of Austria. The full discontinuation of this production site in 2019 therefore goes hand in hand with abandoning a geographical market that is unique and major to Schur Flexibles Group, meeting the requirements of IFRS 5 to present it as a discontinued operation as at December 31, 2019. The first operating activities were already abandoned in the first half of 2019. The production site was wound up and the machinery that can be used elsewhere in the Group to serve the remaining markets was relocated. Essential assets were relocated within the Group and continue to be used to serve other geographical areas of operations. The discontinuation was essentially completed in December 2019, with the final costs related to the winding up of the entity still incurred in the financial year 2020.

As at December 31, 2019, land with a carrying amount of EUR 869k related to the discontinued area of operations was reclassified into the category "held for sale". The land was measured and recognised in accordance with IFRS 5. The land was sold for this price in the financial year 2020. The entity RPD Liegenschafts GmbH, which pertains to the geographical market of Austria and which held the land, was deconsolidated as at December 31, 2020. The deconsolidation effect is therefore also attributable to the loss from discontinued operations.

Furthermore, as at December 31, 2019, a printing press with a carrying amount of EUR 735k related to the discontinued area of operations was reclassified into the category "held for sale". The machine was measured and recognised in accordance with IFRS 5. As at December 31, 2019, the Group was already involved in negotiations. The machine was sold in January 2020 at a purchase price of EUR 735k.

The Caudry factory was home to Coffee Wrap Arounds, a unique and major area of operations within Schur Flexibles. Coffee Wrap Arounds is a product segment only manufactured at the Caudry factory, being subject to very specific both technical and economic requirements. The strategic goal used to be to gain a foothold in this field through the acquisition of Caudry, and to expand. This was also one of the main reasons for acquiring the UNI Packaging Group. For strategic reasons and due to a realignment of the Group's product portfolio towards sustainability, this product segment previously essential to the Group was fully discontinued in 2019, meeting the requirements of IFRS 5 to present it as a discontinued operation as at December 31, 2019. The first operating activities were already abandoned in the first half of 2019. In the course of winding up the production site, the machinery was relocated to Averdoingt. There, the machinery was modified in the second half of the year to be able to produce protein and cheese for the Averdoingt factory's core business. The discontinuation of the Coffee Wrap Arounds area of operations was thus fully completed in December 2019. Subsequently, the Company worked on utilising the still available inventories elsewhere within the Group and on fully closing the site. The rented building (original end of lease term 2021) was temporarily used as a warehouse for the other sites. Ultimately, however, a new lessee was found for the building in the financial year under review, and an early termination of the contract was agreed. The material items included in the loss from discontinued operations are impairment losses on inventories which can no longer be used (EUR 212k), storage and scrap costs (EUR 660k) in this context as well as the impairment loss on leasehold improvements in the leased building (EUR 802k). The Caudry site was fully closed as at December 31, 2020.







Austrian market

Financial performance and cash flow information

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Revenue | 92 | 2,419 |
| Expenses | -393 | -4,964 |
| Loss before tax | -301 | -2,545 |
| Income tax income/expense | -76 | 177 |
| Loss after tax | -377 | -2,367 |
| **Result from discontinued area of operations** | **-377** | **-2,367** |

The result from the discontinued area of operations is entirely attributable to the owners of the parent company.

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Cash flow from operating activities | -335 | 487 |
| Cash flow from investing activities | 1,649 | 243 |
| Cash flow from financing activities | -1,457 | -676 |
| **Net increase in cash and cash equivalents generated by the subsidiary** | **-143** | **54** |

### Coffee Wrap Arounds

Financial performance and cash flow information

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Revenue | | 191 |
| Expenses | -2,733 | -10,542 |
| Loss before tax | -2,733 | -10,351 |
| Income tax income | | |
| Loss after tax | -2,733 | -10,351 |
| **Result from discontinued area of operations** | **-2,733** | **-10,351** |

The result from the discontinued area of operations is entirely attributable to the owners of the parent company.

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Cash flow from operating activities | -1,931 | -10,350 |
| Cash flow from investing activities | 0 | -1 |
| Cash flow from financing activities | | |
| **Net increase in cash and cash equivalents generated by the subsidiary** | **-1,931** | **-10,351** |





# 7. Notes on the consolidated statement of financial position

### 7.1 Intangible assets and property, plant and equipment

As regards the development of non-current assets in the financial year ended December 31, 2020, please refer to the following development of intangible assets and property, plant and equipment.

## Intangible assets

| in EUR '000 | Total | Goodwill | Customer relations | Trade mark rights | Other intangible assets |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance 01/01/2019** | **121,554** | **27,201** | **69,492** | **4,148** | **20,714** |
| Currency effects | 40 | | 26 | 0 | 14 |
| Initial consolidation | 4,131 | 343 | 3,640 | | 147 |
| Additions | 15,824 | | | | 15,824 |
| Disposals | -472 | | | | -472 |
| Reclassifications | -2,664 | | | | -2,664 |
| **Balance 12/31/2019** | **138,412** | **27,544** | **73,158** | **4,147** | **33,563** |
| Currency effects | -188 | | 69 | 3 | -260 |
| Additions | 8,577 | | | | 8,577 |
| Disposals | -3,571 | | | | -3,571 |
| Reclassifications | 6,000 | | | | 6,000 |
| **Balance 12/31/2020** | **149,230** | **27,544** | **73,227** | **4,151** | **44,309** |
| **Amortisation** | | | | | |
| **Balance 01/01/2019** | **34,062** | **4,328** | **25,919** | **442** | **3,374** |
| Currency effects | 17 | | 14 | 0 | 3 |
| Additions | 11,837 | 0 | 5,409 | 0 | 6,428 |
| Disposals | -463 | | | | -463 |
| Reclassifications | -23 | | | | -23 |
| **Balance 12/31/2019** | **45,430** | **4,328** | **31,341** | **442** | **9,319** |
| Currency effects | -78 | 0 | -49 | 2 | -30 |
| Additions | 15,012 | 0 | 3,563 | 0 | 11,450 |
| Disposals | -3,467 | | 0 | | -3,467 |
| Reclassifications | -23 | | | 0 | -23 |
| **Balance 12/31/2020** | **56,875** | **4,328** | **34,856** | **443** | **17,248** |
| **Carrying amounts** | | | | | |
| Balance 01/01/2019 | 87,492 | 22,873 | 43,573 | 3,706 | 17,340 |
| Balance 12/31/2019 | 92,983 | 23,216 | 41,817 | 3,705 | 24,244 |
| **Balance 12/31/2020** | **92,356** | **23,216** | **38,372** | **3,707** | **27,061** |

## Property, plant and equipment

| in EUR '000 | Total | Land and buildings | Machinery | Furniture, fixtures and office equipment |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance 01/01/2019** | **233,181** | **59,694** | **161,768** | **11,719** |
| Currency effects | 666 | 168 | 387 | 110 |
| Initial consolidation | 4,162 | 1,167 | 2,850 | 145 |
| Additions | 52,924 | 19,204 | 25,110 | 8,609 |
| Disposals | -42,829 | -1,170 | -38,742 | -2,917 |
| Reclassifications | 26,593 | 3,362 | 22,970 | 261 |
| Assets held for sale | -2,731 | -1,184 | -1,546 | |
| **Balance 12/31/2019** | **271,966** | **81,241** | **172,797** | **17,927** |
| Currency effects | -1,842 | -517 | -1,956 | 631 |
| Additions | 26,875 | 2,657 | 17,535 | 6,683 |
| Disposals | -11,548 | -490 | -7,290 | -3,768 |
| Reclassifications | 34,365 | 158 | 34,143 | 65 |
| **Balance 12/31/2020** | **319,816** | **83,049** | **215,229** | **21,538** |
| **Depreciation** | | | | |
| **Balance 01/01/2019** | **79,080** | **9,455** | **65,096** | **4,530** |
| Currency effects | 382 | 51 | 279 | 51 |
| Additions | 41,538 | 6,884 | 29,691 | 4,964 |
| Disposals | -37,339 | -203 | -34,482 | -2,654 |
| Reclassifications | 23 | 72 | 0 | -49 |
| Assets held for sale | -1,127 | -315 | -811 | |
| **Balance 12/31/2019** | **82,557** | **15,943** | **59,772** | **6,842** |
| Currency effects | -764 | -148 | -882 | 265 |
| Additions | 44,924 | 5,234 | 33,531 | 6,158 |
| Disposals | -12,907 | -2,128 | -6,985 | -3,794 |
| Reclassifications | -75 | -804 | 0 | 729 |
| **Balance 12/31/2020** | **113,734** | **18,098** | **85,436** | **10,200** |
| **Carrying amounts** | | | | |
| Balance 01/01/2019 | 154,101 | 50,239 | 96,672 | 7,190 |
| Balance 12/31/2019 | 189,408 | 65,298 | 113,025 | 11,085 |
| **Balance 12/31/2020** | **206,081** | **64,951** | **129,793** | **11,338** |





## Assets under construction

| in EUR '000 | Total | Intangible assets under construction | Property, plant and equipment under construction |
|---|---|---|---|
| **Cost** | | | |
| **Balance 01/01/2019** | **21,178** | | **21,178** |
| Currency effects | 87 | | 87 |
| Additions | 36,486 | 6,000 | 30,486 |
| Disposals | 282 | | 282 |
| Reclassifications | -23,929 | | -23,929 |
| **Balance 12/31/2019** | **34,102** | **6,000** | **28,102** |
| Currency effects | -158 | | -158 |
| Additions | 28,066 | 6,603 | 21,463 |
| Disposals | -1,551 | | -1,551 |
| Reclassifications | -40,463 | -6,000 | -34,463 |
| **Balance 12/31/2020** | **19,996** | **6,603** | **13,393** |
| **Carrying amounts** | | | |
| Balance 01/01/2019 | 21,178 | 0 | 21,178 |
| Balance 12/31/2019 | 34,102 | 6,000 | 28,102 |
| **Balance 12/31/2020** | **19,996** | **6,603** | **13,393** |

The Group performs an impairment test with regard to non-current assets at each reporting date (see also Note 3.3.5). These impairment tests did not result in any impairment losses or reversals of impairment losses on non-current assets for the financial year 2020 or for the prior year.

As at December 31, 2020, property, plant and equipment in the amount of EUR 52,765k (December 31, 2019: EUR 56,624k; January 1, 2019: EUR 34,237k) was pledged as collateral for own obligations.

The Group reports significant research and development projects for all stages of production. All non-capitalisable research and development costs were recognised as expenses in the amount of EUR 3,051k (December 31, 2019: EUR 2,699k; January 1, 2019: EUR 1,558k) under administrative expenses. The carrying amount of capitalised development costs was EUR 6,358k as at December 31, 2020 (December 31, 2019: EUR 8,236k; January 1, 2019: EUR 6,321k). The year-on-year decrease mainly results from depreciation and lower additions. In the prior year, the high amount of additions was due to higher customer demand for sustainable products and ingredients as well as careful use of resources in production. Furthermore, part of the Group's strategy is to break new ground in the flexible packaging industry and to notably increase the shelf-life of packaged foods. This is not only intended to avoid waste of food but also to protect resources used in cultivation and production of food. These trends as well as the ongoing quest to optimise products and production lead to increased research and development activities in Schur Flexibles Group's development centres.

### 7.1.1 Leases

The Group leases machinery required for its operating activities. Additionally, lease agreements for various office and warehouse buildings as well as vehicles are in place. Lease agreements are usually concluded for fixed periods of time but may have extension options. In particular, a number of the Group's real estate lease contracts contain extension and termination options. Such contractual terms and conditions are used to maintain maximum operational flexibility for the Group with regard to its contracts.

The recognised right-of-use assets refer to the following assets:

### Right-of-use assets

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Land and buildings | 18,101 | 14,665 | 16,436 |
| Machinery | 25,645 | 41,025 | 28,117 |
| Furniture, fixtures and office equipment | 2,116 | 2,254 | 1,328 |
| **Total right-of-use assets** | **45,862** | **57,944** | **45,881** |

In the financial year 2020, right-of-use assets decreased by EUR 12,082k. The decrease is due to amortisation and expiring leases.

### Lease liabilities

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Current lease liabilities* | 10,785 | 15,177 | 9,340 |
| Non-current lease liabilities** | 35,889 | 41,949 | 34,754 |
| **Total lease liabilities** | **46,674** | **57,126** | **44,094** |

* Current lease liabilities are reported in the consolidated statement of financial position under current financial liabilities.
** Non-current lease liabilities are reported in the consolidated statement of financial position under non-current financial liabilities.

Amounts recorded in the **consolidated statement of comprehensive income:**

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Depreciation land and buildings | 3,035 | 2,872 |
| Depreciation machinery | 4,642 | 1,818 |
| Depreciation furniture, fixtures and office equipment | 1,168 | 960 |
| **Total depreciation** | **8,845** | **5,650** |
| Expenses for variable lease payments | 0 | 0 |
| Interest expenses on lease liabilities | 1,341 | 755 |
| **Total expenses** | **10,186** | **6,404** |

In the financial year 2020, **repayments** relating to leases amounted to EUR 11,704k (2019: EUR 14,344k).

No lease-purchase contracts meeting the criteria of IFRS 15 for a transfer of control were in place in the financial year 2020 or in the prior year. Consequently,







no revenue was recognised and a right-of-use asset pursuant to IFRS 16 was recorded for the underlying assets of these contracts. The respective assets were recognised at their carrying amounts and the consideration received was presented as financial liability.

## 7.2 Shareholder loans issued

Schur Flexibles GmbH received a loan from Schur Flexibles Group in the amount of EUR 16,165k (December 31, 2019: EUR 10,165k; January 1, 2019: EUR 4,165k).

## 7.3 Inventories

Inventories are broken down as follows:

### Inventories

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Raw materials and supplies | 28,812 | 31,395 | 28,227 |
| Finished goods and work in progress | 40,510 | 38,616 | 39,093 |
| **Inventories** | **69,322** | **70,011** | **67,321** |

Impairment on inventories amounted to EUR -3,088k as at December 31, 2020 (December 31, 2019: EUR -3,055k; January 1, 2020: EUR -5,294k), EUR -2,295k (prior year: EUR -2,087k) of which was recognised as an expense. Cost of materials recognised in profit or loss amounted to EUR -259,699k in the financial year (prior year: EUR -274,203k).

## 7.4 Trade receivables

Trade receivables are broken down as follows:

### Trade receivables

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Trade receivables – gross | 41,181 | 45,842 | 43,352 |
| Individual impairment losses | -4,639 | -3,469 | -794 |
| **Trade receivables – net** | **36,542** | **42,374** | **42,558** |

The development of impairment recorded for trade receivables is presented in the table below:

### Impairment on trade receivables

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Balance January 1 | 3,469 | 794 |
| Addition recognised as expense | 1,372 | 2,927 |
| Utilisation | -173 | -147 |
| Reversal recognised as income | -7 | -107 |
| Currency effects | -22 | 2 |
| **Balance December 31** | **4,639** | **3,469** |

An analysis of gross carrying amounts of trade receivables past due is presented below:

### Gross carrying amounts of trade receivables past due

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Up to 30 days | 7,047 | 9,655 | 6,976 |
| Between 31 and 90 days | 1,983 | 2,217 | 2,269 |
| Between 91 and 180 days | 1,084 | 1,274 | 248 |
| Between 181 and 360 days | 1,112 | 2,397 | 147 |
| More than 360 days | 3,960 | 2,024 | 356 |
| **Balance December 31** | **15,187** | **17,567** | **9,997** |

For further information on the default risk of trade receivables, please refer to Note 9.2.1 and Note 3.3.8 for indicators.

**Transfer of financial assets**
Factoring agreements are concluded within the Group. The notional amount of existing transfers of receivables is EUR 32,301k at the reporting date (December 31, 2019: EUR 28,793k; January 1, 2019: EUR 23,181k).

In the course of factoring programmes in place with various banks, entities of Schur Flexibles Group regularly offer for purchase certain trade receivables due in the short term to the buyer of the receivables. The relevant risks for risk assessment are credit risk and late payment risk. Credit risk is the risk of defaulted receivables and is entirely transferred against payment of a fixed purchase price reduction. Late payment risk, however, is retained at the full amount by Schur Flexibles Group. The maximum risk of losses resulting from these receivables is not significant. Substantially all risks and rewards are transferred to the factor. Therefore, receivables arising from these factoring agreements are derecognised.

Additionally, there are individual factoring agreements in place between group companies and their local banks. Also under these agreements, trade receivables are offered for purchase on a regular basis. The relevant risks for risk assessment are credit risk and late payment risk. Credit risk is the risk of defaulting receivables and is largely secured via credit insurance. A deductible of 5% or 10% usually remains with Schur Flexibles Group. Late payment risk and foreign exchange risk, however, are retained at the full amount by Schur Flexibles Group. For these agreements, receivables are fully derecognised and then stated as continuing involvement, representing the maximum risk of losses from the guarantees issued in the course of the receivables transfers. The continuing involvement amounts to EUR 1,116k as at December 31, 2020 (December 31, 2019: EUR 7,647k; January 1, 2019: EUR 5,749k) and is presented in other assets. Additionally, an associated liability is recognised at the same amount. Based on payment behaviour and default history, Schur Flexibles Group expects that these guarantees will only have to be used to a minor extent.





## 7.5 Other assets

Other assets developed as follows:

### Other assets

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Miscellaneous | 18,104 | 31,483 | 18,668 |
| Receivables arising from legal disputes | 11,714 | 10,900 | 0 |
| Continuing involvement | 1,116 | 7,647 | 5,749 |
| Taxes | 4,916 | 5,984 | 2,539 |
| Prepaid expenses | 2,254 | 3,188 | 1,867 |
| Outstanding supplier bonuses | 1,678 | 1,225 | 914 |
| Advance payments | 609 | 142 | 222 |
| Creditors with debt balances | 602 | 432 | 279 |
| Receivables from staff members | 130 | 176 | 111 |
| **Total other assets** | **41,122** | **61,177** | **30,350** |

The item “Miscellaneous” includes receivables from profit and loss transfer agreements concluded with Schur Flexibles GmbH amounting to EUR 3,081k (December 31, 2019: EUR 19,439k; January 1, 2019: EUR 9,126k) and reserved amounts resulting from the factoring agreements amounting to EUR 1,681k (December 31, 2019: EUR 1,847k; January 1, 2019: EUR 1,069k). Incentives include receivables in France amounting to EUR 2,089k (December 31, 2019: EUR 2,856k; January 1, 2019: EUR 1,856k). A receivable from a former UNI Packaging entity in the amount of EUR 580k (December 31, 2019: EUR 606k; January 1, 2019: EUR 1,054k) continues to be included. Deposits amount to EUR 553k this year (December 31, 2019: EUR 714k; January 1, 2019: EUR 733k).

Receivables arising from legal disputes include a receivable from the buyers of Schur Flexibles Moneta s.r.o. amounting to EUR 7,681k (including interest) (December 31, 2019: EUR 6,867k; January 1, 2019: EUR 0k) (Note 3), a receivable of the UNI Packaging Group from the previous owners of the UNI Packaging Group arising from investments not made and further costs amounting to EUR 2,099k (December 31, 2019: EUR 2,573k; January 1, 2019: EUR 0k) and a receivable arising from a purchase price reduction in the course of the business acquisition of Scandiflex Pac amounting to EUR 1,460k (December 31, 2019: EUR 1,460k; January 1, 2019: EUR 0k).

Continuing involvement amounting to EUR 1,116k (December 31, 2019: EUR 7,647k; January 1, 2019: EUR 5,749k) constitutes the residual risk arising from sales of receivables under the factoring agreements described in Note 7.4. At the same amount, an associated liability was recognised under other liabilities (see Note 7.13).

Individual impairment losses in the amount of EUR 98k (prior year: EUR 138k) were recorded on other assets. There are no receivables due or impaired.

### 7.6 Cash and cash equivalents
Cash and cash equivalents break down as follows:

## Cash and short-term deposits

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Cash at banks | 110,599 | 72,667 | 40,926 |
| Cash on hand | 47 | 22 | 25 |
| **Total cash and short-term deposits** | **110,646** | **72,688** | **40,951** |

Changes in cash and cash equivalents are presented in the consolidated statement of cash flows. At December 31, 2020, an amount of EUR 50k (December 31, 2019: EUR 180k; January 1, 2019: EUR 1,647k) was subject to restricted availability. The amounts as at December 31, 2020 as well as December 31, 2019 exclusively relate to an account pledged as a security for bank loans. As at January 1, 2019, this amount constituted customer payments for trade receivables to a Group bank account. These receivables were sold to a factoring bank by way of an undisclosed assignment. Other current liabilities to the factoring bank existed at the same amount. They were repaid using automatic regular debiting from the bank account stated.

### 7.7 Equity
The components of and changes in equity are presented in the consolidated statement of changes in equity.

*Subscribed capital*
The share capital of Schur Flexibles Group recorded in the Austrian Company Register amounts to EUR 35k (December 31, 2019: EUR 35k; January 1, 2019: EUR 35k) and is fully paid in.

*Capital reserves*
Capital reserves arise from payments and contributions made by the owners of Schur Flexibles Holding GesmbH.

To increase equity, loans issued by Schur Flexibles GmbH were converted to equity.

The capital reserves of Schur Flexibles Group include a perpetual loan granted by Atlas Flexibles GmbH which is classified as equity due to a lack of repayment obligation. The loan's notional amount is EUR 14,800k (December 31, 2019: EUR 14,800k; January 1, 2019: EUR 14,800k). Payment of interest rests on Schur Flexibles Group and is tied to the distribution of dividends.

*Other reserves*
Other reserves consist of currency translation effects in the amount of EUR -1,132k (December 31, 2019: EUR 367k; January 1, 2019: EUR 38k) as well as reserves with regard to the measurement of financial instruments in the amount of EUR -118k (December 31, 2019: EUR -153k; January 1, 2019: EUR -158k).






*Retained earnings*
Generated equity includes the results generated by the entities included in the consolidated financial statements.

In Germany, profit and loss transfer agreements are in place between Schur Flexibles GmbH, which is not included in the scope of consolidation, and the German subsidiaries. These agreements stipulate that the German subsidiaries transfer 100% of their local results under the German Commercial Code (Handelsgesetzbuch, HGB) to Schur Flexibles GmbH. The results arising from this matter are presented in retained earnings.

*Non-controlling interests*
As regards the ownership structure concerning non-controlling interests, please refer to Note 3.2.

At the reporting date, non-controlling interests with regard to Schur Flexibles ABR SA amount to EUR 10,676k (December 31, 2019: EUR 8,932k; January 1, 2019: EUR 7,847k), with regard to Prisma SA EUR 601k (December 31, 2019: EUR 496k; January 1, 2019: EUR 372k), with regard to PS Polymer Sourcing GmbH EUR 35k (December 31, 2019: EUR 44k; January 1, 2019: EUR 39k), with regard to Schur Flexibles Uni UK Converting Ltd EUR 234k (December 31, 2019: EUR 193k; January 1, 2019: EUR 53k), with regard to Schur Flexibles Moneta s.r.o. EUR 129k (December 31, 2019: EUR 113k; January 1, 2019: EUR 48k) and with regard to Oui 3 Ltd EUR 95k (December 31, 2019: EUR 83k; January 1, 2019: EUR 40k).

The financial information on subsidiaries with significant non-controlling interests breaks down as follows:

Due to its size, significant non-controlling interests are reported by the Greek entity Schur Flexibles ABR SA, Komotini. The non-controlling interest amounts to 20% (prior year: 20%). This subsidiary's profits attributable to non-controlling interests amount to EUR 1,744k (prior year: EUR 1,085k).

The financial information of this subsidiary is summarised as follows. This presentation is based on disclosures before consolidation.

## Summarised income statement

| in EUR '000 | Schur Flexibles ABR SA 2020 | Schur Flexibles ABR SA 2019 |
|---|---|---|
| Revenue | 67,000 | 61,992 |
| Cost of goods sold | -50,790 | -49,326 |
| **Gross profit** | **16,210** | **12,665** |
| Other operating income | 221 | 274 |
| Distribution costs | -1,814 | -1,746 |
| Administrative expenses | -4,468 | -5,041 |
| Other operating expenses | -287 | -167 |
| **EBIT** | **9,863** | **5,986** |
| Interest and similar income | 1,948 | 1,381 |
| Interest and similar expenses | -724 | -371 |
| **Profit before tax** | **11,087** | **6,995** |
| Income tax expense | -2,365 | -1,572 |
| **Profit for the period from continued operations** | **8,722** | **5,423** |
| Non-controlling interests | 1,744 | 1,085 |

## Summarised statement of financial position

| in EUR '000 | Schur Flexibles ABR SA 2020 | Schur Flexibles ABR SA 2019 |
|---|---|---|
| Property, plant and equipment and other non-current assets | 47,892 | 42,358 |
| Inventories | 5,908 | 6,451 |
| Trade receivables and other current assets | 10,678 | 9,855 |
| Cash and cash equivalents | 12,408 | 5,119 |
| **Total assets** | **76,886** | **63,783** |
| Equity | 49,444 | 40,722 |
| Non-current liabilities | 11,654 | 6,808 |
| Current liabilities | 15,788 | 16,253 |
| **Total liabilities** | **76,886** | **63,783** |
| Equity attributable to | | |
| Owners of the parent company | 39,555 | 32,578 |
| Non-controlling interests | 9,889 | 8,144 |

## Summarised statement of cash flows

| in EUR '000 | Schur Flexibles ABR SA 2020 | Schur Flexibles ABR SA 2019 |
|---|---|---|
| Cash flow from operating activities | 24,612 | 11,277 |
| Cash flow from investing activities | -4,572 | -5,580 |
| Cash flow from financing activities | -12,743 | -3,118 |
| **Change in cash and cash equivalents** | **7,297** | **2,579** |

### 7.8 Shareholder loans

Shareholder loans in the amount of EUR 145,886k (December 31, 2019: EUR 140,983k; January 1, 2019: EUR 31,500k) relate to loans granted by Schur Flexibles GmbH, the parent company of Schur Flexibles Holding GesmbH. These loans are not secured by collateral and have a term of seven years beginning on December 10, 2020. The interest rate is 6.76%. Repayment is due at maturity.







### 7.9 Financial liabilities

The following table shows financial liabilities according to type of lender.

## Financial liabilities

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| Bank loans, overdrafts and payables to cash pooling | 94,524 | 58,259 | 130,013 |
| Lease liabilities | 46,674 | 57,126 | 25,748 |
| **Financial liabilities** | **141,198** | **115,384** | **155,761** |
| **Shareholder loans** | **145,886** | **140,983** | **31,500** |

#### 7.9.1 Bank loans, overdrafts and payables to cash pool providers

Bank loans and overdrafts include utilised cash pooling liabilities to Schur Flexibles GmbH in the amount of EUR 66,498k (December 31, 2019: EUR 38.889k; January 1, 2019: EUR 107,520k), short-term credit lines totalling EUR 2,453k (December 31, 2019: EUR 2,547k; January 1, 2019: EUR 4,377k) as well as long-term bank loans with local banks in the amount of EUR 20,780k (December 31, 2019: EUR 12,034k; January 1, 2019: EUR 12,879k).

#### 7.9.2 Lease liabilities

Disclosures on lease liabilities are described and presented together with right-of-use assets in Note 7.1.1.

### 7.10 Trade payables

The decrease in trade payables from EUR 98,234k in 2019 to EUR 77,676k in 2020 mainly results from the expansion of the Payment Terms programme set up in 2018.

In 2018, Schur Flexibles Group set up a centralised payment terms programme to improve the efficiency of payment processing and further expanded this programme in 2019. Schur Flexibles Group benefits from favourable payment conditions of its suppliers, as cash discounts and other rebates can be used.

### 7.11 Contract liabilities

Contract liabilities in the amount of EUR 3,806k (December 31, 2019: EUR 4,595k; January 1, 2019: EUR 5,417k) mainly result from the deferral of proceeds from the cost of tooling services passed on.

### 7.12 Supplier financing liabilities

Other financial liabilities include supplier financing liabilities where Schur Flexibles Group makes use of supplier finance programmes in order to improve the conditions of its suppliers. A new centralised programme entered into with an external payment service provider has been in place since the end of 2019 in this regard. Under this programme, the external payment service provider pays Schur Flexibles Group's trade payables to its suppliers. As the payment effected by the payment service provider to the suppliers and service providers of Schur Flexibles has been designed to discharge Schur Flexibles of its obligations, the respective trade payable is derecognised and a new liability to the payment service provider (supplier financing liabilities) established. The liabilities resulting therefrom amounted to EUR 22,749k at the end of 2020 (December 31, 2019: EUR 9,477k; January 1, 2019: EUR 0k).

### 7.13 Other liabilities

Other liabilities break down as follows:

#### Other liabilities

| in EUR '000 | 12/31/2020 | 12/31/2019 | 01/01/2019 |
|---|---|---|---|
| **Other non-current liabilities** | **1,793** | **2,911** | **4,004** |
| **Current** | | | |
| Payables to staff members | 13,823 | 13,158 | 12,511 |
| Miscellaneous other liabilities | 14,661 | 9,876 | 9,005 |
| Liabilities from business combinations | 3,155 | 1,985 | 688 |
| Associated liability | 1,116 | 7,647 | 5,749 |
| Prepayments received | 2,473 | 2,939 | 1,385 |
| Other taxes | 375 | 415 | 310 |
| Outstanding invoices | 1,252 | 2,741 | 338 |
| Fair value of financial instruments | 151 | 197 | 208 |
| Debtors with credit balances | 683 | 643 | 202 |
| **Total other current liabilities** | **37,689** | **39,601** | **30,396** |
| **Total other liabilities** | **39,482** | **42,513** | **34,400** |

Payables to staff members relate to unconsumed annual leave, overtime and outstanding wages and salaries as well as bonus payments.

Liabilities from business combinations include put options in connection with the acquisition of the UNI Packaging Group in 2018. In the course of the acquisition, two call options and two put options on the acquisition and disposal of non-controlling interests, designed symmetrically, were taken over. The call options entitle Schur Flexibles to purchase the remaining 30% in two tranches. The first 10% were acquired in May 2020, the remaining 20% can be acquired in May 2033. Additionally, an "early sale" clause was agreed, enabling Schur Flexibles to already acquire the remaining interests from 2020 onwards. Schur Flexibles expects that it will make use of this early sale clause for the remaining 20% in 2021 and accordingly took this into account when calculating the consideration transferred. Likewise, the put options entitle the holders of the non-controlling interests to sell their interests to Schur Flexibles at the same dates. The option includes a minimum price (EUR 2,667k). The calculation of the exercise price is based on the put/call agreement concluded. An exercise price exceeding the minimum price is taken into account in the measurement of financial liabilities arising from the existing option agreements in accordance with the underlying business plan.

Miscellaneous other liabilities mainly include liabilities to Schur Flexibles GmbH arising from profit and loss transfer agreements in the amount of EUR 4,320k (December 31, 2019: EUR 2,305k; January 1, 2019: EUR 3,129k), VAT payables in the amount of EUR 3,848k (December 31, 2019: EUR 2,949k; January 1, 2019: EUR 1,737k) and liabilities to the factoring banks in the amount of EUR 0k (December 31, 2019: EUR 0k; January 1, 2019: EUR 1,610k). This item further includes liabilities arising from interest payments in the amount of EUR 1,005k (December 31, 2019: EUR 122k; January 1, 2019: EUR 68k) and liabilities arising from customer bonuses in the amount of EUR 470k (December 31, 2019: EUR 721k; January 1, 2019: EUR 588k).

The associated liability arises from sales of receivables where Schur Flexibles Group continues to recognise the receivables derecognised when accounting for the factoring programmes at the amount of its continuing involvement (see Note 7.4).

Both in the financial year and in the prior year, other current liabilities are due within one year and other non-current liabilities within two to five years.







### 7.14 Provisions

Provisions developed as follows in 2020:

#### Provisions

| in EUR '000 | Balance 01/01/2020 | Other changes | Utilisation | Reversal | Addition | Balance 12/31/2020 |
|---|---|---|---|---|---|---|
| **Non-current** | | | | | | |
| Staff-related | 862 | 3 | -136 | -10 | 135 | 855 |
| **Total non-current provisions** | **862** | **3** | **-136** | **-10** | **135** | **855** |
| **Current** | | | | | | |
| Staff-related provisions | 2,803 | -8 | -2,334 | -17 | 2,422 | 2,867 |
| Warranty claims | 354 | -11 | -270 | 0 | 229 | 303 |
| Legal and consulting costs | 122 | -8 | -80 | -15 | 196 | 214 |
| Provisions for customer bonuses | 817 | -10 | -777 | -12 | 1,023 | 1,042 |
| Miscellaneous provisions | 567 | 2 | -429 | 0 | 478 | 619 |
| **Total current provisions** | **4,663** | **-33** | **-3,889** | **-44** | **4,349** | **5,046** |
| **Provisions** | **5,525** | **-31** | **-4,025** | **-54** | **4,484** | **5,900** |

Provisions for warranty claims include expenses arising from warranty obligations for products sold. Measurement is based on past experience with replacement deliveries and complaint credit notes. It is expected that the majority of these expenses will be incurred within the next financial year. The underlying assumptions of the calculations are based on the current sales level and currently available information on complaints.

It is expected that the provisions will be fully utilised within the next twelve months.

*Contingent liabilities*

The previous owners of the Slovakian entity filed a counterclaim with an amount in dispute of EUR 10.000k against Schur Flexibles in May 2016 which is currently still being dealt with by the District Court Michalovce. The management of Schur Flexibles Group regards this counterclaim as unjustified as the grounds stated in the complaint are not deemed proper. In 2019, the judgement with regard to the counterclaim was set aside in second instance as defective and not proper, and remitted for reconsideration to the court of first instance with significant findings in favour of the defendant. From the point of view of Schur Flexibles Group's management, the situation in this regard improved considerably as compared to the prior year, with enforcement of the counterclaim seeming to have no prospect of success.

### 7.15 Investment grants

Investment grants in the amount of EUR 485k (December 31, 2019: EUR 342k; January 1, 2019: EUR 573k) exclusively relate to subsidies of non-current assets that had not been fully depreciated as at December 31, 2020.

# 8. Notes on the consolidated statement of profit or loss

The consolidated statement of profit or loss was prepared using the cost of sales method.

### 8.1 Revenue

Revenue is broken down as follows:

#### Breakdown of revenue

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Goods | 488,604 | 494,811 |
| Miscellaneous | 1,049 | 959 |
| Services | 830 | 1,007 |
| **Revenue** | **490,484** | **496,776** |

Schur Flexibles Group is currently operating mainly in Europe. Revenue is currently generated in the following geographical markets:

| Region | 2020 | 2019 |
|---|---|---|
| DACH | 24% | 25% |
| Benelux and UK | 23% | 23% |
| Southern Europe | 19% | 17% |
| Nordics and CEE | 18% | 19% |
| South-East Europe | 5% | 6% |
| Other | 11% | 10% |

### 8.2 Cost of goods sold

Cost of goods sold are broken down as follows:

#### Disclosures on cost of goods sold

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Cost of materials | 259,699 | 274,203 |
| Staff costs | 67,404 | 58,672 |
| Miscellaneous | 21,129 | 14,790 |
| Amortisation, depreciation and impairment losses | 41,429 | 35,221 |
| **Cost of goods sold** | **389,660** | **382,886** |





### 8.3 Other operating income

Other operating income breaks down as follows:

#### Other operating income

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Miscellaneous operating income | 2,154 | 5,976 |
| Income from legal disputes | 0 | 9,440 |
| Income from the disposal of non-current assets | 140 | 406 |
| Investment grants recognised in profit or loss | 233 | 224 |
| **Other operating income** | **2,527** | **16,045** |

Miscellaneous operating income includes subsidies, reimbursement related to supplier claims as well as reversals of provisions. In 2019, claims vis-à-vis the sellers of Schur Flexibles Moneta s.r.o. were reported under income from legal disputes.

### 8.4 Distribution costs

Distribution costs are disclosed as follows:

#### Disclosures on distribution costs

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Outgoing freights | 17,493 | 17,587 |
| Staff costs | 10,226 | 10,656 |
| Miscellaneous | 4,225 | 5,642 |
| Amortisation, depreciation and impairment losses | 715 | 609 |
| **Distribution costs including outgoing freights** | **32,658** | **34,493** |

### 8.5 Administrative expenses

Administrative expenses are disclosed as follows:

#### Disclosures on administrative expenses

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Miscellaneous | 9,134 | 25,260 |
| Staff costs | 24,155 | 17,174 |
| Amortisation, depreciation and impairment losses | 17,716 | 13,554 |
| **Administrative expenses** | **51,005** | **55,988** |

The decrease in miscellaneous administrative expenses is mainly due to higher consulting costs in the prior year. Furthermore, travel expenses in the amount of EUR 1,344k (prior year: EUR 3,697k) are included. The increase in staff costs is mainly due to the strengthening of central functions.

With regard to the amount of amortisation of intangible assets as part of amortisation and depreciation, please refer to Note 7.1.

### 8.6 Other operating expenses

Other operating expenses amount to EUR 767k (prior year: EUR 5,667k). In the prior year, this item mainly included losses on the disposal of non-current assets.

### 8.7 Staff costs

Staff costs break down as follows:

#### Staff costs

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 77,266 | 64,543 |
| Social security contributions | 15,370 | 12,723 |
| Pension schemes | 3,649 | 3,722 |
| Other staff costs | 1,515 | 1,432 |
| **Staff costs** | **97,800** | **82,421** |

The increase in staff costs is mainly due to the strengthening of central functions.

### 8.8 Amortisation, depreciation and impairment losses

As in the prior year, no impairment losses were recorded in 2020. With regard to the distribution of amortisation and depreciation of intangible assets and property, plant and equipment, please refer to the presentation of movements in non-current assets in Note 7.1.

### 8.9 Finance costs – net

Net finance costs break down as follows:

#### Finance costs – net

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Currency translation gains | 1,962 | 1,087 |
| Interest income | 1,136 | 1,125 |
| **Finance income** | **3,098** | **2,212** |
| Interest expenses | 15,859 | 13,961 |
| Currency translation losses | 2,959 | 677 |
| Cash flow hedge effects reclassified from other comprehensive income and recognised in profit or loss | 240 | 81 |
| **Finance costs** | **19,057** | **14,719** |
| **Finance costs – net** | **-15,959** | **-12,506** |





### 8.10 Income tax expense

Income tax expense includes taxes on income paid or payable as well as deferred taxes. Taxes on income amount to 25% (prior year: 25%).

Income tax expense breaks down as follows:

#### Income tax expense

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Current | -5,043 | -2,945 |
| Deferred | 273 | -4,755 |
| **Total income tax expense** | **-4,770** | **-7,699** |

Income tax expense is allocated to continued and discontinued operations as follows:

#### Income tax expense

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Continued operations | -4,694 | -7,877 |
| Discontinued operations | -76 | 177 |
| **Total income tax expense** | **-4,770** | **-7,699** |

The tax expense resulting from applying the tax rate of Schur Flexibles Holding GesmbH is reconciled with the reported income tax expense as follows:

## Loss/profit before tax

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Continued operations | 2,961 | 21,280 |
| Discontinued operations | -3,033 | -12,896 |
| **Loss/profit before tax** | **-73** | **8,384** |
| **Reconciliation of income tax expense** | | |
| Loss/profit before tax including discontinued operations | -73 | 8,384 |
| **Theoretical income tax expense (25%)** | **18** | **-2,096** |
| Deviating tax rates | -169 | 791 |
| Non-deductible operating costs | -2,726 | -3,506 |
| Tax loss carryforwards not capitalised | -3,939 | -2,249 |
| Other | 645 | 539 |
| Tax-free income | 495 | 4 |
| Tax expense for previous years | -93 | -1,676 |
| Capitalisation of tax losses carried forward from previous years | -17 | 494 |
| Effect of changes in tax rate on deferred taxes | 1,015 | |
| **Reported income tax expense** | **-4,770** | **-7,699** |







Deferred tax assets and liabilities from temporary differences and tax loss carryforwards are as follows:

## Breakdown and offsetting of deferred taxes

| in EUR '000 | Assets | Liabilities | Balance 2019 | Assets | Liabilities | Balance 2020 | Change |
|---|---|---|---|---|---|---|---|
| Intangible assets | 788 | 18,881 | -18,093 | -337 | 14,417 | -14,754 | 3,339 |
| Buildings and land | 375 | 3,118 | -2,742 | 83 | 2,345 | -2,262 | 480 |
| Machinery | 1,890 | 16,775 | -14,885 | 1,450 | 15,992 | -14,542 | 343 |
| Other non-current assets | | 1,801 | -1,801 | | 2,384 | -2,384 | -583 |
| Inventories | 499 | 472 | 27 | 515 | 1,084 | -569 | -596 |
| Other current assets | 77 | 2,588 | -2,511 | 1,168 | 2,526 | -1,358 | 1,153 |
| Liabilities | 3,013 | -13 | 3,026 | 1,586 | 812 | 774 | -2,252 |
| **Total temporary differences** | **6,643** | **43,622** | **-36,978** | **4,464** | **39,559** | **-35,095** | **1,883** |
| Tax loss carryforwards capitalised | 14,603 | | 14,603 | 17,294 | | 17,294 | 2,691 |
| **Total deferred taxes (before offsetting)** | **21,246** | **43,622** | **-22,376** | **21,757** | **39,559** | **-17,802** | **4,574** |
| Offsetting of deferred taxes | 15,864 | 19,824 | | 17,903 | 17,549 | | |
| **Deferred taxes (offset)** | **5,382** | **23,797** | | **3,854** | **22,010** | | |
| Changes affecting profit or loss | | | -4,755 | | | 272 | |
| Currency effects arising from consolidation | | | -13 | | | -7 | |
| Business combinations | | | -1,020 | | | | |
| Financial instruments recognised in other comprehensive income | | | -9 | | | -6 | |
| **Total changes in deferred taxes** | | | **-5,797** | | | **259** | |

There are tax groups in place within the Group in France (corporate income tax), the Netherlands (corporate income tax) and Denmark (corporate income tax). There is also a tax group in place in Germany (corporate income tax, trade tax, value added tax). While the head of the tax group in Germany, Schur Flexibles GmbH, is not within the scope of consolidation, the tax group also comprises the German subsidiaries included in the scope of consolidation. These subsidiaries therefore do not set up any deferred tax assets and liabilities.

Deferred tax assets include an amount of EUR 15,779k (prior year: EUR 13,405k) relating to tax loss carryforwards of the French tax group as well as the Austrian Schur Flexibles Holding GesmbH. The French tax group reported losses in 2018 and 2019 as a result of being integrated into the Group and ongoing reorganisation. The Group concluded that, using the estimated future taxable income, deferred tax assets are recoverable; this is based on business plans and budgets for the subsidiaries approved by management and the Advisory Board which rely on the same assumptions as the impairment test. The planning period reflects the long-term business plan which is based on expectations as regards market development. Losses may be carried forward without limitation and will not expire. The tax projection is based on the Group's general business plan which was adjusted with regard to additional taxable amounts and deductions and reflects the reversal of the taxable entities' deferred tax assets and liabilities already recognised.

In the reporting period, tax loss carryforwards in the amount of EUR 3,939k (prior year: EUR 2,204k) were not capitalised as they would have to be used in a period for which sufficient taxable profits are not expected at the level of the respective taxable entity.

# 9. Other disclosures

## 9.1 Financial instruments

### 9.1.1 Carrying amounts and fair values of financial instruments

The Group classifies financial instruments by analogy with the respective items in the consolidated statement of financial position. Fair values for short-term financial instruments are not disclosed pursuant to IFRS 7.29a. The following overview shows a reconciliation of the classes to the categories pursuant to IFRS 9 and the respective fair values.

### Assets 2020

| In EUR '000 | Carrying amount | Measurement approach | Amortised cost (AC) | Fair value through profit or loss (FVPL) | Derivatives subject to hedge accounting | Fair value | Fair value level |
|---|---|---|---|---|---|---|---|
| **Nun-current assets** | | | | | | | |
| Financial assets | 47 | AC | 47 | | | n/a* | n/a |
| Shareholder loans issued | 16,165 | AC | 16,165 | | | n/a* | n/a |
| **Current assets** | | | | | | | |
| Trade receivables | 36,542 | AC | 36,542 | | | n/a* | n/a |
| Other assets | 41,122 | | | | | | |
| Other financial assets | 24,322 | AC | 24,322 | | | n/a* | n/a |
| Other non-financial assets | 16,800 | n/a | | | | n/a | n/a |
| Cash and cash equivalents | 110,646 | AC | 110,646 | | | n/a* | n/a |
| **Total** | **204,522** | | **187,722** | | | | |

* Carrying amounts represent reasonable approximations of fair value.






### Liabilities 2020

| In EUR '000 | Carrying amount | Measurement approach | Financial liabilities at amortised cost (FLAC) | Fair value through profit or loss (FVPL) | Derivatives subject to hedge accounting | Measurement pursuant to IFRS 16 | Fair value | Fair value level |
|---|---|---|---|---|---|---|---|---|
| Shareholder loans | 145,886 | AC | 145,886 | | | | 145,886 | 2 |
| **Non-current liabilities** | | | | | | | | |
| Non-current financial liabilities | 56,669 | | | | | | | |
| Non-current bank loans and overdrafts | 20,780 | AC | 20,780 | | | | 20,780 | 2 |
| Non-current lease liabilities | 35,889 | n/a | | | | 35,889 | n/a | n/a |
| Non-current other liabilities | 1,793 | | | | | | | |
| Non-current other financial liabilities | 631 | AC/FVPL | 237 | 394 | | | 394 | 3 |
| Non-current other non-financial liabilities | 1,162 | n/a | | | | | n/a | n/a |
| **Current liabilities** | | | | | | | | |
| Trade payables | 77,676 | AC | 77,676 | | | | n/a* | n/a |
| Supplier financing liabilities | 22,749 | AC | 22,749 | | | | n/a* | n/a |
| Current financial liabilities | 84,529 | | | | | | | |
| Current bank loans and overdrafts | 73,744 | AC | 73,744 | | | | n/a* | n/a |
| Current lease liabilities | 10,785 | n/a | | | | 10,785 | n/a | n/a |
| Current other liabilities | 37,689 | | | | | | | |
| Derivatives | 151 | Fair value | | | 151 | | 151 | 2 |
| Miscellaneous other financial liabilities | 29,120 | AC/FVPL | 26,453 | 2,667 | | | 2,667 | 3 |
| Miscellaneous other non-financial liabilities | 8,417 | n/a | | | | | n/a | n/a |
| **Total** | **426,989** | | **367,524** | **3,061** | **151** | **46,674** | | |

## Assets 2019

| In EUR '000 | Carrying amount 01/01 | Carrying amount 12/31 | Measurement approach | Amortised cost (AC) | Fair value through profit or loss (FVPL) | Derivatives subject to hedge accounting | Fair value | Fair value level |
|---|---|---|---|---|---|---|---|---|
| **Nun-current assets** | | | | | | | | |
| Financial assets | 62 | 47 | AC | 47 | | | n/a* | n/a |
| Shareholder loans issued | 4,165 | 10,165 | AC | 10,165 | | | n/a* | n/a |
| **Current assets** | | | | | | | | |
| Trade receivables | 42,558 | 42,374 | AC | 42,374 | | | n/a* | n/a |
| Other assets | 30,350 | 61,177 | | | | | | |
| Other financial assets | 24,418 | 50,123 | AC | 50,123 | | | n/a* | n/a |
| Other non-financial assets | 5,933 | 11,054 | n/a | | | | n/a | n/a |
| Cash and cash equivalents | 40,951 | 72,688 | AC | 72,688 | | | n/a* | n/a |
| **Total** | **118,087** | **186,451** | | **175,397** | | | | |

* Carrying amounts represent reasonable approximations of fair value.





## Liabilities 2019

| In EUR '000 | Carrying amount 01/01 | Carrying amount 12/31 | Measurement approach | Financial liabilities at amortised cost (FLAC) | Fair value through profit or loss (FVPL) | Derivatives subject to hedge accounting | Measurement pursuant to IFRS 16 | Fair value | Fair value level |
|---|---|---|---|---|---|---|---|---|---|
| Shareholder loans | 31,500 | 140,983 | AC | 140,983 | | | | 140,983 | 2 |
| **Non-current liabilities** | | | | | | | | | |
| Non-current financial liabilities | 31,168 | 53,983 | | | | | | | |
| Non-current bank loans and overdrafts | 12,879 | 12,034 | AC | 12,034 | | | | 12,034 | 2 |
| Non-current lease liabilities | 18,290 | 41,949 | n/a | | | | 41,949 | n/a | n/a |
| Non-current other liabilities | 4,004 | 2,911 | | | | | | | |
| Non-current other financial liabilities | 4,004 | 2,911 | AC/FVPL | 172 | 2,739 | | | 2,739 | 3 |
| Non-current other non-financial liabilities | 0 | 0 | n/a | | | | | n/a | n/a |
| **Current liabilities** | | | | | | | | | |
| Trade payables | 74,054 | 98,234 | AC | 98,234 | | | | n/a* | n/a |
| Supplier financing liabilities | 0 | 9,477 | AC | 9,477 | | | | n/a* | n/a |
| Current financial liabilities | 124,593 | 61,401 | | | | | | | |
| Current bank loans and overdrafts | 117,134 | 46,225 | AC | 46,225 | | | | n/a* | n/a |
| Current lease liabilities | 7,459 | 15,177 | n/a | | | | 15,177 | n/a | n/a |
| Current other liabilities | 30,396 | 39,601 | | | | | | | |
| Derivatives | 208 | 197 | Fair value | | | 197 | | 197 | 2 |
| Miscellaneous other financial liabilities | 27,802 | 33,184 | AC/FVPL | 31,887 | 1,297 | | | 1,297 | 3 |
| Miscellaneous other non-financial liabilities | 2,387 | 6,220 | n/a | | | | | n/a | n/a |
| **Total** | **295,716** | **406,590** | | **339,012** | **4,036** | **197** | **57,126** | | |

If financial instruments are quoted in an active market, such as primarily shares held and bonds, the respective quotation in this market represents the fair value. If no active market exists, fair value is determined based on simplified actuarial methods.

Fair values of interest rate swaps correspond to the respective market value determined using simplified actuarial methods such as discounting expected future cash flows, taking into account the corresponding applicable market interest rates.

For cash and cash equivalents, current trade receivables, other current assets, current trade payables and other current liabilities, the carrying amount is to be assumed as realistic estimate of fair value due to their short-term maturities.

Fair values of non-current financial assets as well as other non-current financial liabilities correspond to the present values of the cash flows associated with the assets, taking into account the respective current interest parameters which reflect market-based and partner-based changes in conditions and expectations.

Furthermore, other financial liabilities include two put options in connection with the acquisition of the UNI Packaging Group in 2018 as well as of Drukkerij Zwart BV which were partially measured based on significant unobservable parameters. These unobservable parameters comprise both the predicted EBITDA and the discount rate. The following table presents the development of Level 3 items in the consolidated statement of financial position measured at fair value which exclusively consist of the put liabilities presented.

| in EUR '000 | 01/01/2020 | Additions | Disposals | Changes not affecting profit or loss | Changes affecting profit or loss | 12/31/2020 |
|---|---|---|---|---|---|---|
| Other financial liabilities (put options) | 4,036 | 0 | -1,330 | 0 | 355 | 3,061 |

| in EUR '000 | 01/01/2019 | Additions | Disposals | Changes not affecting profit or loss | Changes affecting profit or loss | 12/31/2019 |
|---|---|---|---|---|---|---|
| Other financial liabilities (put options) | 3,802 | 0 | 0 | 0 | 234 | 4,036 |

The significant unobservable input parameters considered in this case are the assumptions as regards the operational development of the UNI Packaging Group (EBITDA). The EBITDA was calculated based on medium-term planning. As the option is planned to be drawn in 2021, the calculation is based on EBITDA for 2020. A variation in EBITDA by +/- 1 percentage point would not have an impact on the other financial result as the minimum purchase price agreed would come into play both for current EBITDA as well as a variation by +/- 1 percentage point.

Changes in the amount of Level 3 financial instruments measured at fair value are reported in the item "Interest and similar expenses".







### 9.1.2 Net results according to measurement categories

The following tables show the net profits or losses (before tax) of financial instruments recognised in profit or loss, broken down by the measurement categories of IFRS 9:

| in EUR '000 | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Financial assets pertaining to category AC | -68 | 17 |
| Financial assets pertaining to category FVPL | 0 | 0 |
| Financial liabilities pertaining to category AC | -1,747 | -1,612 |
| Financial liabilities pertaining to category FVPL | -355 | -234 |
| **Total** | **-2,170** | **-1,829** |

The net result in the measurement category "loans and receivables"/"at amortised cost" includes gains or losses from the addition and reversal of impairment losses on trade receivables, results from bank charges, impairment losses on bad debts, results from foreign currency translation as well as interest income.

In 2020 and 2019, the Group did not report any significant effects arising from the fair value measurement of financial assets and liabilities at FVTPL.

The net result of the measurement category "financial liabilities measured at amortised cost"/ "at amortised cost" includes the result from interest expenses to third parties, current account loans and long-term loans as well as commissions on bank guarantees.

Net interest expense arising from financial instruments measured at amortised cost is presented as follows:

| in EUR '000 | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Interest income | 1,136 | 1,125 |
| Interest expense | -15,889 | -14,014 |
| **Total** | **-14,753** | **-12,888** |

### 9.1.3 Offsetting financial assets and financial liabilities

With regard to financial assets, there are no set-off options, enforceable master netting agreements or similar arrangements.

### 9.1.4 Other disclosures on derivatives

The Group had taken up loans and leases at variable interest rates, securing its interest-related cash flow risk by swaps. Such interest rate swaps have the economic effect of converting loans bearing variable interest rates into fixed-interest loans. With regard to such interest rate swaps, the Group and the other parties undertake to swap the difference between fixed and variable interest derived from the agreed principal amounts on a regular basis.

| in EUR '000 | Principal amount 12/31/2020 | Principal amount 12/31/2019 | Principal amount 01/01/2019 | Fair values 12/31/2020 Positive | Fair values 12/31/2020 Negative | Fair values 12/31/2019 Positive | Fair values 12/31/2019 Negative | Fair values 01/01/2019 Positive | Fair values 01/01/2019 Negative |
|---|---|---|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | | | | |
| thereof subject to hedge accounting | 2,433 | 4,046 | 7,059 | 0 | 151 | 0 | 197 | 0 | 208 |
| thereof not subject to hedge accounting | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2,433** | **4,046** | **7,059** | **0** | **151** | **0** | **197** | **0** | **208** |

### 9.1.5 Other disclosures on hedge accounting

In the financial year 2020, changes in equity arising from cash flow hedges in the amount of EUR 46k (prior year: EUR 10k) before tax were recognised as hedge reserve in equity without affecting profit or loss.

Changes in fair value arising from the derivative financial instruments held by the Group as at December 31, 2020 were recognised in equity after taking into account deferred taxes of EUR -118k (December 31, 2019: EUR -153k; January 1, 2019: EUR -159k). Changes in market interest rates secured by hedges are expected to be realised by 2024 at the latest. Gains and losses recorded in the hedging reserve in other comprehensive income are recognised in profit or loss in the period in which the hedged transaction has an effect on profit or loss.

Prospective effectiveness is calculated according to the critical term match method, retrospective effectiveness according to the dollar offset method based on the hypothetical derivative approach. There were no ineffective portions during the reporting period.

## 9.2 Financial risk management

With regard to finance and accounting, the internal control and risk management system is to ensure proper accounting and financial reporting processes. The system includes principles and procedures as well as preventive and detective controls. It aims to identify potential sources of error and mitigate the risks arising therefrom. Among other things, it is regularly assessed whether group-wide guidelines on financial reporting, measurement and accounting are applied, whether intra-group transactions are fully recognised and eliminated accordingly in the consolidated financial statements, whether accounting-relevant issues are identified and presented accordingly and whether the processes with regard to the separation of functions and the principle of dual control are observed.

The risk management system is integrated into all planning, controlling and reporting structures. Management regularly deals with risk management topics. The significant risks arise from the default, liquidity as well as the interest and foreign exchange risk. Corporate management establishes and reviews risk management guidelines for each of these risks which are presented below.





### 9.2.1 Default risk

Credit risk is defined as the risk of an economic loss which arises when a contracting party does not meet its contractual payment obligations. Hence, credit risk comprises both the direct default risk and the risk of a deterioration in the credit standing combined with the risk of a concentration of individual risks. The default risk is monitored through control procedures on an ongoing basis.

Group guidelines ensure that the credit risk is limited vis-à-vis all counterparties. The maximum default risk is reflected by the carrying amounts of financial assets recognised in the consolidated statement of financial position. Schur Flexibles Group does not expect any losses relating to counterparties being unable to fulfill their contractual obligations.

Experience has shown that default risk on the market of Schur Flexibles Group is low. Customers are granted appropriate credit lines after an individual assessment. Credit information or historical data from previous business relations are used to avoid payment default. Commercial credit insurances are taken out for some trade receivables which thus reduce the maximum credit default risk. As at the reporting date, 90% of trade receivables are insured. The deductible rate amounts to 0–10%.

Default risks are taken into account by recording impairment on an individual and on a collective basis. Historical default on receivables was insignificant. It is assumed that impairment for default on receivables covers the actual risk. For further information on impairment of trade receivables, please refer to Note 7.4. Until payment, goods sold are generally subject to retention of title, guaranteeing the Group's legal claim in case of non-payment. In addition, credit insurance as well as potentially requested bank guarantees serve to mitigate risk.

The default risk is mitigated by choosing only banks and financial institutions as counterparties which have an investment grade rating at the time the transaction is concluded. In order to further reduce risk, assets are spread among several credit institutions.

For all financial assets except for trade receivables (see Note 7.4), the carrying amounts stated below represent the maximum default risk. The following table assigns assets to relative default risk. Schur Flexibles Group expects all receivables to be properly repaid. For reasons of immateriality, no impairment losses were therefore recorded on such financial instruments.

### Financial assets

| | Credit risk | Impairment approach | Gross carrying amount |
|---|---|---|---|
| **12/31/2020** | | | |
| Cash and cash equivalents | low | 12M ECL | 110,645,809 |
| Loans granted | low | 12M ECL | 16,165,000 |
| Other financial assets | low | n/a because FVTPL | 46,667 |
| **12/31/2019** | | | |
| Cash and cash equivalents | low | 12M ECL | 72,688,470 |
| Loans granted | low | 12M ECL | 10,165,000 |
| Other financial assets | low | n/a because FVTPL | 46,687 |
| **01/01/2019** | | | |
| Cash and cash equivalents | low | 12M ECL | 40,951,215 |
| Loans granted | low | 12M ECL | 4,165,000 |
| Other financial assets | low | n/a because FVTPL | 62,076 |

### 9.2.2 Liquidity risk

The liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It also includes the risk that the Group cannot obtain sufficient liquidity under the expected conditions when needed (refinancing risk) or that as a result of insufficient market depth or market disruptions transactions cannot be closed or settled, or only by incurring losses (market liquidity risk).

The Group's liquidity management is to ensure that sufficient liquid funds are available at any time so that obligations can be settled under normal or even stressed conditions when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages the liquidity development in the context of the annual budgeting as well as on a monthly basis. Within the cash pool established in 2015, the group companies were granted credit lines for which compliance is monitored on a daily basis. Liquidity requirements and surpluses are compensated on a daily basis. The Group's forward-looking liquidity planning and management also takes into account cash inflows and outflows from operating and investing activities as well as repayments of financial liabilities.

The following overview of maturities shows all contractually agreed payments for repayment, redemption and interest arising from financial liabilities recognised in the consolidated statement of financial position, including derivative financial instruments with a negative fair value. If a counterparty can choose the time an amount is paid, the liability is to be allocated to the earliest period. For derivative financial instruments for which a gross settlement has been agreed in general, the analysis of maturities shows gross cash flows while undiscounted cash flows for the next financial years are stated for all other liabilities. Included are all financial instruments held by the Group at the reporting date and for which payments had already been contractually agreed. Budget figures for future new liabilities were not taken into account in this overview.

## Maturities of non-derivative financial liabilities

| in EUR '000 | < 1 year | Prior year | Between 2 and 5 years | Prior year | > 5 years | Prior year |
|---|---|---|---|---|---|---|
| Financial liabilities | 74,424 | 46,325 | 16,622 | 8,283 | 3,478 | 3,650 |
| Lease liabilities | 11,460 | 17,123 | 31,915 | 34,325 | 3,298 | 5,678 |
| Trade payables | 77,676 | 98,234 | | | | |
| Supplier financing liabilities | 22,749 | 9,477 | | | | |
| Other liabilities | 15,448 | 16,564 | | | | |
| **Total** | **201,758** | **187,723** | **48,538** | **42,608** | **6,777** | **9,328** |

In addition to liquid funds amounting to EUR 110,646k (December 31, 2019: EUR 72,688k; January 1, 2019: EUR 40,951k), Schur Flexibles Group also has further liquidity reserves available on a short-term basis. In addition to existing cash, another component of these liquidity reserves are credit lines of Schur Flexibles GmbH not yet used as at December 31, 2020 in the amount of EUR 100,000k (December 31, 2019: EUR 25,000k; January 1, 2019: EUR 25,000k) which are also available to Schur Flexibles Group based on the cash pooling agreement.







Furthermore, the following cash outflows from interest rate swaps at negative fair value are to be taken into account:

## Maturities of derivative financial liabilities

| in EUR '000 | < 1 year | Prior year | Between 2 and 5 years | Prior year | > 5 years | Prior year |
|---|---|---|---|---|---|---|
| Interest rate swaps | 61 | 94 | 90 | 103 | 0 | 0 |
| **Total** | **61** | **94** | **90** | **103** | **0** | **0** |

### 9.2.3 Interest rate risk

Interest rate risks arise from interest-bearing financial instruments recognised and not recognised in the statement of financial position and depend on market interest volatilities. Market interest volatilities include changes in the interest rate level as well as changes in the yield curve.

The total impact determined by the sensitivity analysis relates to the interest-bearing portfolio of financial instruments at the reporting date and shows the effect on equity as well as net interest income/expense via a parallel shift of the yield curve and a remeasurement of fixed-interest financial instruments measured at fair value. Non-derivative financial instruments with variable interest rates have an effect on net interest income/expense in the sensitivity analysis. Financial instruments with fixed interest rates generally have no effect on net interest income/expense in profit or loss.

As at December 31, 2019, interest rate hedges (swaps) were in place for all significant non-current financial liabilities with variable interest rates. Most of them expired in the financial year 2020. As at December 31, 2020, there were no longer any significant interest rate hedges in place. Current credit lines are linked to EURIBOR and are subject to the usual interest rate risk. With regard to the interest rate of unhedged financial liabilities, an interest rate increase or decrease by 1% would have caused interest expense to grow by EUR 1,459k (2019: EUR 1,468k) or interest income to grow by EUR 162k (prior year: increase in interest income by EUR 103k). A 1% increase in the market interest rate would have negatively affected equity at an amount of EUR 24k (prior year: EUR 168k) due to the measurement of interest rate swaps. A reduction in the market interest rate would have positively affected equity at an amount of EUR 24k (prior year: EUR 168k).

### 9.2.4 Foreign exchange risk

Foreign exchange risks within the meaning of IFRS 7 result from financial instruments being denominated in a foreign currency which is not the Group's functional currency. Exchange rate related differences arising from the translation of financial statements into the Group's presentation currency are not considered. However, financial instruments in the functional currency as well as non-monetary items do not exhibit a foreign exchange risk.

Due to its international operations, the Group is generally exposed to foreign exchange risks. However, currency hedges are currently not deemed necessary as the Group's transactions are mostly carried out in euros. Corporate management monitors the development as regards foreign exchange risk on an ongoing basis to be able to take risk mitigating measures in case the risk increases.

### 9.3 Capital management

Capital management of Schur Flexibles Group is conducted outside of the scope of consolidation at the level of Schur Flexibles GmbH which is the entity that concluded significant financing with third parties. Refinancing for the Group took place in December 2020.

The financial covenants specified in the loan agreement are therefore to be taken into consideration in the course of capital management:

Total leverage = net debt divided by EBITDA according to the definition of the respective loan agreement.

In accordance with the previous loan agreement and also the new loan agreement, the financial covenants were/are to be calculated each quarter for the purposes of the refinancing in December 2020 and to be reported to the financing banks via certificate of compliance.

Schur Flexibles monitors the achievement of the defined financial covenants on an ongoing basis and only makes such investments and only takes on such new financial instruments as are permitted under the loan agreement and that ensure there is no early repayment of the loan due to a violation of the covenant requirements.

In addition to the financial covenants, there are information covenants under which the Group is required to submit statements of financial position, statements of profit or loss, statements of cash flows as well as consolidated financial statements on an annual basis. Late submission may also lead to a violation of covenant requirements which may cause the risk that the loan is declared payable in the short term.

### 9.4 Related party disclosures

Related parties are entities and persons having the ability to control Schur Flexibles Group or to exert a significant influence on its financial and operating policies.

#### 9.4.1 Related parties - entities

The entities included in the consolidated financial statements are to be regarded as related parties. The parent company of Schur Flexibles Holding GesmbH is Schur Flexibles GmbH. The ultimate controlling party is Goldberg Lindsay LLC, United States. Further related parties are:

- Schur Flexibles GmbH, Germany
- Atlas Flexibles GmbH, Germany
- Atlas Flexibles Coöperatief U.A. (formerly Atlas Flexibles B.V.), the Netherlands
- Paccor Holdings GmbH, Germany, including subsidiaries
- Lindsay Goldberg Europe GmbH (formerly Lindsay Goldberg Vogel GmbH), Germany
- Goldberg Lindsay & Co. LLC, United States

Schur Flexibles GmbH issued loans to Schur Flexibles Holding GesmbH as well as to its subsidiaries. They are reported in the consolidated statement of financial position as shareholder loans and amount to EUR 145,886k as at December 31, 2020 (December 31, 2019: EUR 140,983k; January 1, 2019: EUR 31,500k). Interest in the amount of EUR 9,789k related to these loans was charged in 2020.

Schur Flexibles GmbH received a loan from Schur Flexibles Group in the amount of EUR 16,165k (December 31, 2019: EUR 10,165k; January 1, 2019: EUR 4,165k). Interest in the amount of EUR 619k related to these loans was charged in 2020.

The capital reserves of Schur Flexibles Group include a perpetual shareholder loan granted by Atlas Flexibles GmbH which is classified as equity due to a lack of repayment obligation. The loan's notional amount is EUR 14,800k (December 31, 2019: EUR 14,800k; January 1, 2019: EUR 14,800k). Payment of interest rests on Schur Flexibles Group and is tied to the distribution of dividends.

Various costs are passed on between Schur Flexibles Group and Schur Flexibles GmbH. As at the reporting date, trade receivables in the amount of EUR 2,995k (December 31, 2019: EUR 456k; January 1, 2019: EUR 261k) and trade payables in the amount of EUR 3,109k (December 31, 2019: EUR 4,078k; January 1, 2019: EUR 2,319k) were recorded in this context.

Schur Flexibles Holding GesmbH passed on expenses of EUR 2,375k related to the refinancing to Schur Flexibles GmbH.

Overall, a payable to Schur Flexibles GmbH in the amount of EUR 1,240k was reported as at December 31, 2020 based on profit and loss transfer agreements in place between Schur Flexibles GmbH and subsidiaries of Schur Flexibles Holding GesmbH. As at December 31, 2019, overall, a receivable from Schur Flexibles GmbH in the amount of EUR 17,134k was reported (January 1, 2019: EUR 5,997k). The payables/receivables affect cash flow in the subsequent financial year.

There is a group-wide cash pool in place at the level of Schur Flexibles GmbH, which is not included in the scope of consolidation, serving as a means of financing for the entities of the Group. These items are included in cash and cash equivalents at an amount of EUR 91,474k (December 31, 2019: EUR 62,319k; January 1, 2019: EUR 30,998k) and in current financial liabilities at an amount of EUR 66,498k (December 31, 2019: EUR 38,889k; January 1, 2019: EUR 107,520k).

Furthermore, the entities perform IC transactions with regard to product management, manufacturing of primary products, financing and management activities among one another.

#### 9.4.2 Related parties – natural persons

The members of the management of Schur Flexibles Holding GesmbH, which are key management personnel, are:

- Michael Schernthaner
- Friedrich Humer
- Juan Luís Martínez Arteaga

Furthermore, the following persons hold non-controlling interests in individual group companies and also perform management activities there but are not key management personnel:

- Christos Argyropoulos (Alfa Beta Roto SA, Komotini, Greece)
- Wolfgang Klare (PS Polymers Sourcing GmbH, Warburg, Germany)
- Dennis Goldsteijn (Drukkerij Zwart BV, Amersfoort, the Netherlands)
- Sander Wiesman (Drukkerij Zwart BV, Amersfoort, the Netherlands)
- Christophe Caresmel (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)
- Cathy Caresmel (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)
- Henri Caresmel (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)
- Franck Caresmel (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)
- Nathalie Caresmel (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)
- Benoit Filiot (Schur Flexibles Uni SAS (formerly UNI Packaging SAS), Averdoingt, France)

The above stated persons receive remuneration for their current management functions at the respective local entities.

Furthermore, a voluntary Advisory Board was appointed at the level of Schur Flexibles Holding GesmbH, Wiener Neudorf, Austria. This Advisory Board consists of the following members:

- Dieter H. Vogel
- Thomas Ludwig
- Thomas Unger
- Michael Dees

The members of the Advisory Board received function compensation or other remuneration amounting to EUR 200k in 2020 (prior year: EUR 200k) for their activities on the Board. Beyond this amount, the Advisory Board did not bill any further services.

### 9.4.3 Remuneration

## Remuneration of key management personnel

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Salaries and other short-term benefits | 1,870 | 1,870 |
| Post-employment benefits | 0 | 0 |
| Other benefits due in the long-term | 0 | 0 |
| Termination benefits | 0 | 0 |
| Share-based payment | 0 | 0 |
| **Remuneration of key management personnel** | **1,870** | **1,870** |

## 9.5 Staff

The average number of staff at Schur Flexibles Group was 1,955 in the financial year 2020 (prior year: 1,923 members of staff).

## 9.6 Other financial obligations and contingent liabilities

### 9.6.1 Other financial obligations

As at December 31, 2020, the Group did not report any other financial obligations.

### 9.6.2 Contingent liabilities arising from existing contracts

At the reporting date, leases as well as mortgages are secured by collateral at an amount of EUR 38.0m (prior year: EUR 43.1m). As at February 26, 2021, the significant group companies became parties to the new loan agreement as guarantors at a liability volume up to EUR 340.0m.





## 9.7 Notes on the consolidated statement of cash flows

Cash flow from operating activities amounted to EUR 95,029k (prior year: EUR 67,155k).

Cash flow from investing activities of EUR -40,357k (prior year: EUR -61,831k) is mainly due to investments made in machinery amounting to EUR -27,870k (prior year: EUR -38,428k) and investments in subsidiaries amounting to EUR -1,056k (prior year: EUR -5,993k).

Cash flow from financing activities amounted to EUR -16,356k (prior year: EUR 26,382k) and mainly results from the repayment of financial liabilities in the amount of EUR -17,474k (prior year: EUR  20,261k). Additionally, supplier financing amounting to EUR 22,749k (prior year: EUR 9,447k) was taken up. In the consolidated statement of cash flows, Schur Flexibles Group separately presents proceeds from and payments for the supplier financing programme in cash flow from operating activities and cash flow from financing activities. This means that payments received from the supplier financing partner are presented net of the payments made to suppliers (without affecting cash) in the cash flow from operating activities; payments made to the supplier financing partner are presented in the cash flow from financing activities.

With regard to the maturities of financial liabilities, we refer to Note 9.2.2. in the notes to the consolidated financial statements.

Changes in financial liabilities affecting cash flow and not affecting cash flow break down as follows:

## Reconciliation of financial liabilities and supplier financing

| in EUR '000 | | Changes affecting cash flow | | Changes not affecting cash flow | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 01/01/2020 | Take-up | Repayment | Acquisitions | Additions from leases | Exchange-rate related changes | Reclassifications | Interest expense | 12/31/2020 |
| Non-current financial liabilities | 12,034 | 10,160 | -1,676 | | | 56 | 200 | 6 | 20,780 |
| Current financial liabilities | 46,225 | 29,358 | -4,807 | | | 61 | 2,908 | | 73,744 |
| Lease liabilities | 57,126 | 379 | -11,704 | | 4,115 | -134 | -3,108 | 0 | 46,674 |
| Supplier financing liabilities | 9,477 | | -63,254 | | | | 76,525 | | 22,749 |
| Shareholder loans | 140,983 | 13,053 | -5,000 | | | | -3,150 | | 145,886 |
| **Total** | **265,844** | **52,950** | **-86,440** | **0** | **4,115** | **-17** | **73,376** | **6** | **309,833** |

## Reconciliation of financial liabilities and supplier financing

| in EUR '000 | | Changes affecting cash flow | | Changes not affecting cash flow | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 01/01/2019 | Take-up | Repayment | Acquisitions | Additions from leases | Exchange-rate related changes | Reclassifications | Interest expense | 12/31/2019 |
| Non-current financial liabilities | 12,879 | 2,393 | -2,971 | 751 | | 4 | -817 | -204 | 12,034 |
| Current financial liabilities | 117,134 | 1,877 | -75,640 | 2,126 | | 10 | 817 | -100 | 46,225 |
| Lease liabilities | 25,748 | | -14,344 | 1,137 | 44,559 | 25 | 0 | | 57,126 |
| Supplier financing liabilities | | | -445 | | | | 9,922 | | 9,477 |
| Shareholder loans | 31,500 | 114,483 | -5,000 | | | | | | 140,983 |
| **Total** | **187,261** | **118,753** | **-98,400** | **4,014** | **44,559** | **39** | **9,922** | **-304** | **265,844** |

In the financial year under review, the Group's solvency was fully given at all times. Taking into account the recognised credit transaction costs as well as other financial items of minor amounts, such as other liabilities from derivative financial instruments, cash flow from financing activities results in a negative total of EUR -16,356,399 (prior year: EUR 26,382,399).

### 9.8 Events after the reporting date

Acquisition of Sidac SpA

On April 1, 2021, 100% of the shares in Sidac SpA, Forli, Italy, were acquired. Sidac is a producer of flexible packaging solutions primarily in the food, drinks, confectionery and animal feed segments, securing Schur Flexibles Group's expansion in a key market. The purchase price amounted to EUR 28,300k, some of which was paid using liquid funds.

The recognition and measurement of assets and liabilities as well as the purchase price allocation for the business combination has not yet been completed at the time the consolidated financial statements were approved. The Group was therefore unable to present the corresponding disclosures for the 2020 consolidated financial statements.

### 9.9 Auditor's fees

The following fees for services provided by the auditing firm PwC Wirtschaftsprüfung GmbH were recorded for the financial year 2020.

#### Auditor's fees

| in EUR '000 | 2020 | 2019 |
|---|---|---|
| Audit of the consolidated financial statements | 231 | 199 |
| Other assurance services | 140 | 110 |
| Other consulting services | 273 | 352 |
| **Auditor's fees** | **644** | **661** |

Neither in the financial year 2020 nor in the prior year did the engaged group auditing firm provide any tax consulting services.

### 9.10 Exemption from the publication requirement for the financial statements

The following entities use the option exempting them from the publication of their respective financial statements as at December 31, 2020 pursuant to section 264 para. 3 HGB:

Financial statements of
- Schur Flexibles Germany GmbH, Berlin, Germany
- Schur Flexibles Dixie GmbH, Kempten, Germany
- Schur Flexibles Flexofol GmbH, Kempten, Germany
- Schur Flexibles Vacufol GmbH, Bad Grönenbach, Germany
- PS Polymer Sourcing GmbH, Warburg, Germany

For the subgroup consolidated financial statements of Schur Flexibles Germany GmbH, Berlin, Germany, the option exempting it from the preparation, audit and publication of the consolidated financial statements as at December 31, 2020 pursuant to section 291 para. 2 HGB is applied.

Wiener Neudorf, April 30, 2021

**Michael Schernthaner**
CEO

**Friedrich Humer**
CSO

**Juan Luis Martinez Arteaga**
COO






We draw attention to the fact that the English translation of this Auditor's Report according to section 274 UGB (Austrian Company Code) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

# Auditor's Report

## Report on the Consolidated Financial Statements

### Audit Opinion

We have audited the consolidated financial statements of Schur Flexibles Holding GesmbH, Wiener Neudorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

### Basis for Opinion

We conducted our audit in accordance with Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions 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 Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the Auditor's Report is sufficient and appropriate to provide a basis for our opinion by this date.

### Emphasis of matter

We draw attention to the fact that Schur Flexibles Holding GesmbH, Wiener Neudorf, did not prepare any consolidated financial statements for the financial year ended December 31, 2019 due to the Company being eligible for the exemption option under section 245 UGB as it was included in higher-level foreign consolidated financial statements. Therefore, no consolidated financial statements were audited. The consolidated financial statements of Schur Flexibles Holding GesmbH, Wiener Neudorf, as at December 31, 2020 were prepared for the first time pursuant to the provisions of IFRS 1 and the additional regulations of the UGB. The amounts for the opening statement of financial position and the carrying amounts of the comparative periods were determined using the predecessor accounting method and derived from the audited higher-level consolidated financial statements of Schur Flexibles GmbH, Berlin, as at December 31, 2019 and December 31, 2018.

Our opinion is not modified in respect of this matter.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is 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.

### 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 Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will 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 consolidated financial statements.

As part of an audit in accordance with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism 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 risks 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.







### Comments on the Management Report for the Group

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

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

We conducted our audit in accordance with Austrian standards on auditing for the audit of the Management Report for the Group.

*Opinion*

In our opinion, the Management Report for the Group was prepared in accordance with the applicable legal regulations 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 obtained understanding concerning the Group and its circumstances no material misstatements in the Management Report for the Group came to our attention.

Vienna
April 30, 2021

**PwC Wirtschaftsprüfung GmbH**

signed:

**Horst Bernegger**
Austrian Certified Public Accountant


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