SURTECO

SOCIETAS EUROPAEA

16

ANNUAL REPORT 2016

SURTECO WORLDWIDE

- 23 production and sales locations
- 14 additional sales locations

EUROPE

Angers/ FR
Ashbourne/ UK
Burnley/ UK
Gislaved/ SE
Istanbul/ TR
Madrid/ ES
Moscow / RU
Prague/ CZ
Sosnowiec/ PL
Stourport-on-Severn/ UK
Venice/ IT
Wolverhampton/ UK

AMERICA

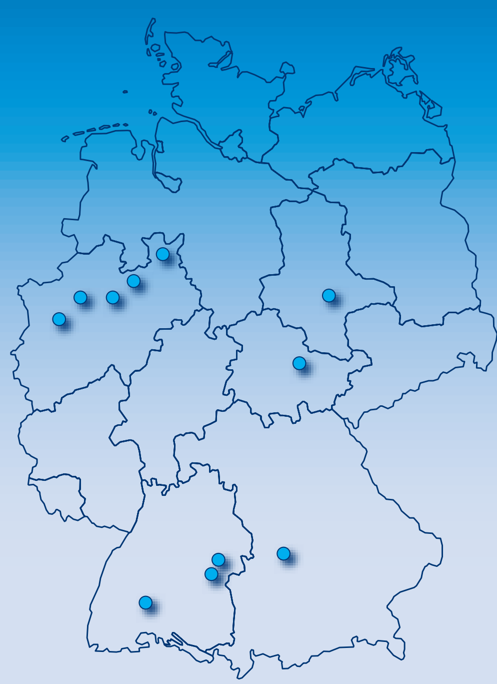
Agawam/ US
Brampton/ CA
Chihuahua/ MX
East Longmeadow/ US
Greensboro/ US
Myrtle Beach/ US
Santiago/ CL

ASIA / OCEANIA

Batam/ ID
Brisbane/ AU
Melbourne/ AU
Perth/ AU
Singapore/ SG
Sydney/ AU
Tokyo/ JP

GERMANY

Buttenwiesen-Pfaffenhofen
Bönen
Dunningen
Gladbeck
Halle (Saale)
Heroldstatt
Hüllhorst
Laichingen
Sassenberg
Weimar
Willich



AT A GLANCE
SURTECO SE

[€ million]	2015*)	2016	Δ %
Sales revenues	638.4	**639.8**	-
Foreign sales in %	72	**73**	
EBITDA	65.0	**74.3**	+14
EBITDA margin in %	10.2	**11.6**	
Depreciation and amortization	-33.8	**-33.4**	
EBIT	31.1	**40.9**	+31
EBIT margin in %	4.9	**6.4**	
Financial result	-4.3	**-5.9**	
EBT	26.8	**35.0**	+31
Consolidated net profit	17.7	**23.9**	+35
Earnings per share in €	1.14	**1.54**	+35
Number of shares	15,505,731	**15,505,731**	
Additions to fixed assets	31.6	**34.5**	
Balance sheet total	655.7	**673.9**	+3
Equity	334.4	**346.6**	+4
Equity ratio in %	51.0	**51.4**	+0.4 pts
Net financial debt at 31 December	126.6	**135.6**	+7
Level of debt at 31 December in %	38	**39**	+1 pts
Average number of employees for the year	2,727	**2,736**	-
Number of employees at 31 December	2,695	**2,833**	+5

PROFITABILITY INDICATORS IN %

Return on sales	4.2	**5.5**
Return on equity	5.5	**7.2**
Total return on total equity	5.5	**6.5**

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section "Adjustments to the Consolidated Financial Statements in accordance with IAS 8").

SALES DISTRIBUTION

2016 IN %

SURTECO GROUP

Germany	27
Rest of Europe	44
America	20
Australia	4
Asia	3
Other	2

Edgebandings	31
Foils	21
Decorative printing	18
Impregnated products/ Release papers	16
Skirtings	7
Technical extrusions	3
Other	4

STRATEGIC BUSINESS UNIT PAPER

Germany	25
Rest of Europe	50
America	22
Asia	2
Other	1

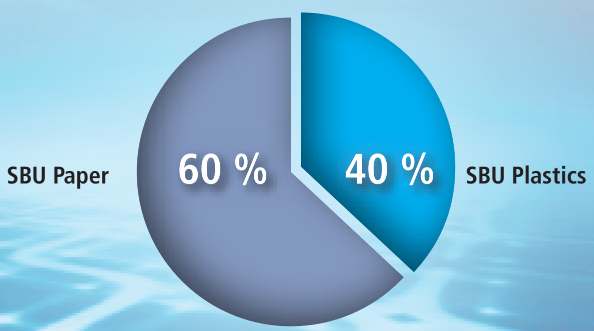
Decorative printing	29
Foils	28
Impregnated products/ Release papers	27
Edgebandings	13
Other	3

STRATEGIC BUSINESS UNIT PLASTICS

Germany	31
Rest of Europe	36
America	17
Australia	10
Asia	5
Other	1

Edgebandings	58
Skirtings	18
Foils	10
Technical extrusions	6
Commercial products/ Other	8

PERCENTAGE OF TOTAL SALES

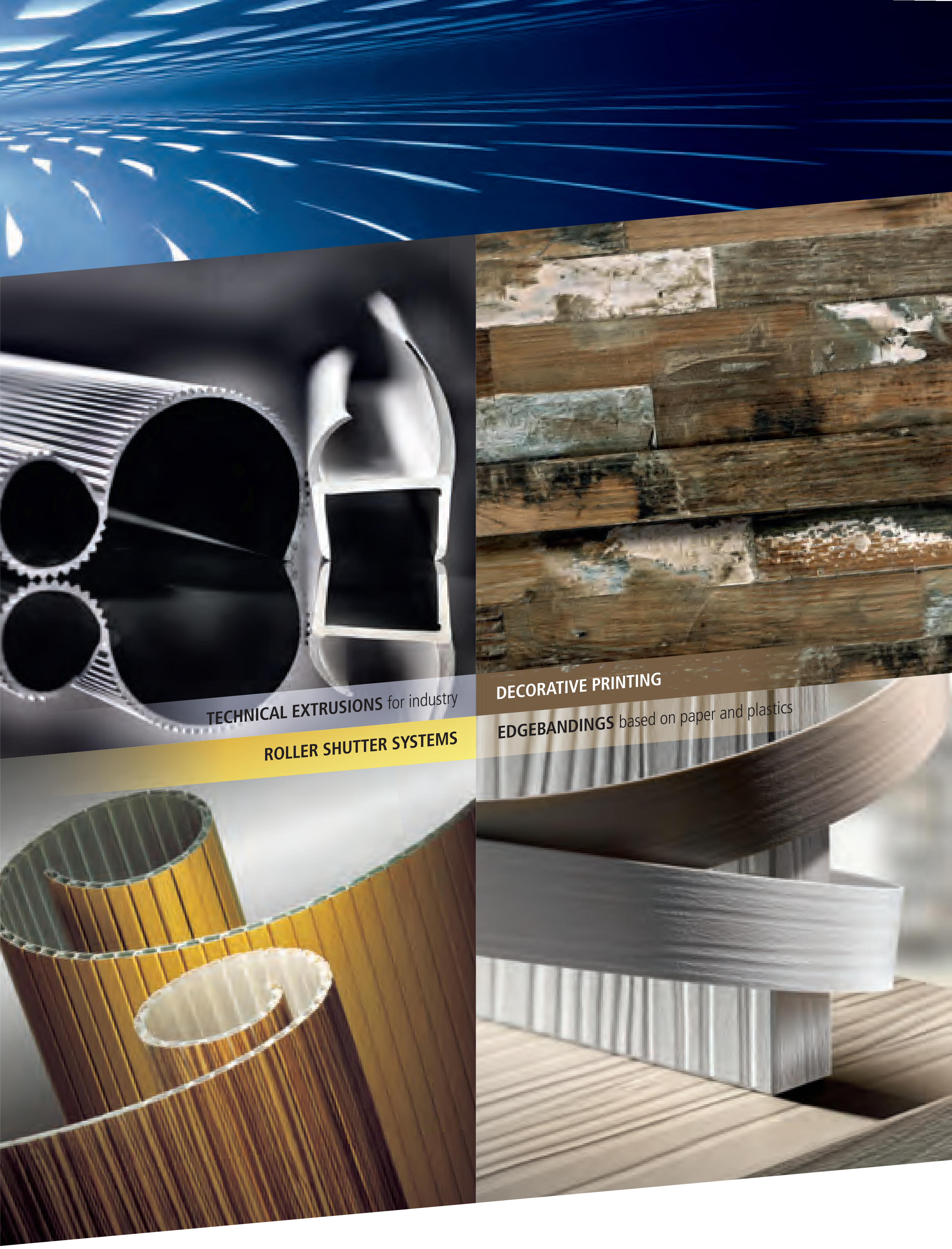


OPTIMIZING **PROCESSES** · MAXIMIZING **SERVICE** · ENHANCING **PERFORMANCE** · PERFECTING **FUNCTIONALITY** · INCREASING **QUALITY OF LIFE** · STRENGTHENING **AESTHETICS** · EXPANDING **WELLBEING** · INCREASING **SATISFACTION**

Our vision is to enrich people's lives with design and functionality. We want to structure the future in order to breathe life into that vision. We will achieve this by improving our performance and expanding and optimizing our service packages. In conjunction with our products, this will empower us to create value added for customers in the home environment, in the workplace, or during leisure their pursuits.

SURTECO SE
ISIN: DE0005176903
Ticker symbol: SUR

DESIGN & FUNCTION



PRODUCT RANGE

The high quality of the edging and surface materials of SURTECO is particularly important in the kitchen. This is because they form the final surface of the worktops and furniture and have to withstand the rigours of tough everyday use. They also look good.

KITCHEN CENTRE OF THE HOME · INDULGENCE

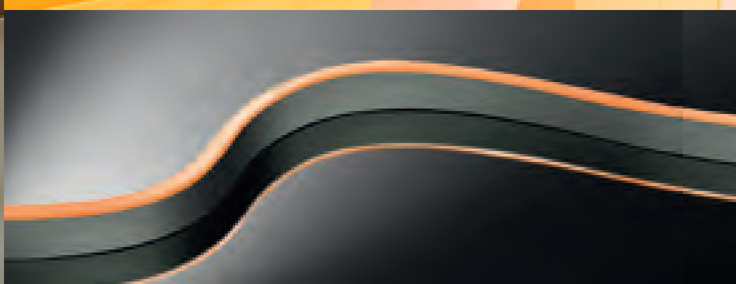
Lots of SURTECO products come together in mobile homes. Technical extrusions (profiles) and finish foils can exhibit their functionality and elegance here. They are supported by light accents of the integratable LED bands from SURTECO.

CARAVAN LEISURE · MOBILITY

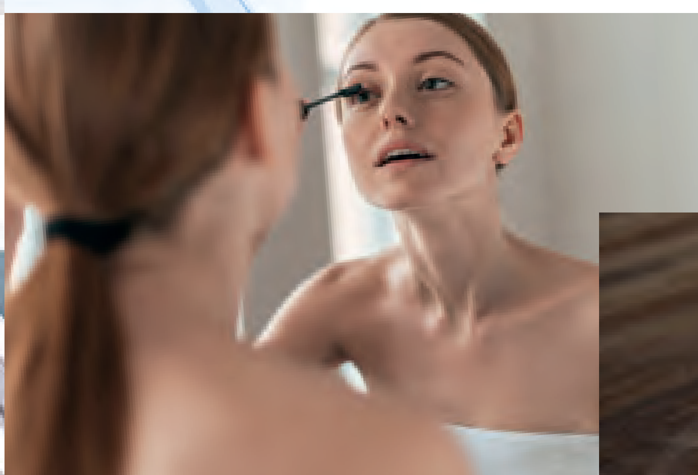
The plastic foils from SURTECO are used in a very wide range of applications. They are also applied to create brightly coloured and tough carpets.

MEETING POINT INTERACTION · MOOD

Plastic-based finish foils from SURTECO have an outstanding presence even in environments that are subject to hard wear and tear. They adorn cruise ships crossing the world's oceans as cabin cladding. Special LED bands from SURTECO also put the ships in the right light.



ON BOARD HOLIDAY · YEARNING



An appropriate visual design plays a role in the private wellness area equal to that of the functionality and long service life of the interior. Surfaces from SURTECO provide the perfect enablers for this.

BATHROOM ELEGANCE · RELAXATION

COMPANY MANAGEMENT

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann
Chairman / Shareholder of the GMH Group, Hamburg

Björn Ahrenkiel
Vice Chairman / Lawyer, Hürtgenwald

Dr. Markus Miele
Deputy Chairman / Industrial engineer, Gütersloh

Horst-Jürgen Dietzel
Employee representative / Vice Chairman of the Works Council, Laichingen
until 29 February 2016

Markus Kloepfer
Managing Director of alpha logs GmbH, Essen

Jens Krazeisen
Employee representative / Chairman of the Works Council, Buttenwiesen-Pfaffenhofen
from 1 March 2016

Christa Linnemann
Honorary Chairwoman / Businesswoman, Gütersloh

Wolfgang Moyses
Chairman of the Board of Management of SIMONA AG, Munich

Udo Sadlowski
Employee representative / Chairman of the Works Council, Essen

Dr.-Ing. Walter Schlebusch
Engineer, Munich

Thomas Stockhausen
Employee representative / Chairman of the Works Council, Sassenberg

BOARD OF MANAGEMENT

Dr.-Ing. Herbert Müller
Chairman / SBU Plastics / Engineer, Heiligenhaus

Dr.-Ing. Gereon Schäfer
SBU Paper / Engineer, Kempen

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

SBU PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Frank Bruns Peter Schulte
SURTECO AUSTRALIA PTY LTD. Sydney	Maximilian Betzler
SURTECO ASIA (SURTECO PTE LTD. + PT DÖLLKEN BINTAN) Singapore + Batam, Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	Gilbert Littner
SURTECO DEKOR A.Ş. Istanbul, Turkey	Emre Özbay
SURTECO IBERIA S.L. Madrid, Spain	Peter Schulte
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Hartwig Schwab
DÖLLKEN-WEIMAR GMBH Nohra	Hartwig Schwab Wolfgang Breuning
DÖLLKEN SP. Z O.O. Sosnowiec, Poland	Rafael Pospiech
DÖLLKEN CZ S.R.O. Prague, Czech Republic	Jan Vitu
SURTECO USA INC. Greensboro SURTECO CANADA LTD. Brampton/Ontario	Tim Valters
CANPLAST SUD S.A. Santiago de Chile	Ricardo Merino
GISLAVED FOLIE AB Gislaved, Schweden	Per Gustafsson
SURTECO OOO Moscow, Russia	Rashid Ibragimov
NENPLAS LTD. Ashbourne, UK POLYPLAS LTD. Stourport-on-Severn, UK DELTA PLASTICS LTD. Wolverhampton, UK	Robert James Butcher Gary Horrobin Stephen Jones Richard Anthony Lumb

SBU PAPER

SURTECO DECOR GMBH Buttenwiesen-Pfaffenhofen BAUSCHLINNEMANN GMBH Sassenberg DAKOR MELAMIN IMPRÄGNIERUNGEN GMBH Heroldstatt	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns Ralf Schuler
KRÖNING GMBH Hüllhorst	Wolfgang Gorißen
SURTECO UK LTD. Burnley	David Doulin Kim Hughes
BAUSCHLINNEMANN NORTH AMERICA INC. Myrtle Beach, USA SÜDDEKOR LLC Agawam, USA	Mike Phillips
SURTECO ITALIA S.R.L. Martellago	Marco Francescon
SÜDDEKOR ART DESIGN + ENGRAVING GMBH Willich	Bernd Poliwoda Dieter Baumanns

THE BRANDS OF THE SURTECO GROUP

SURTECO DECOR

DÖLLKEN

BauschLinnemann

CANPLAST

GISLAVED FOLIE AB

Kröning

Praktikus

SÜDDEKOR

DAKOR

NENPLAS PLASTIC EXTRUSIONS

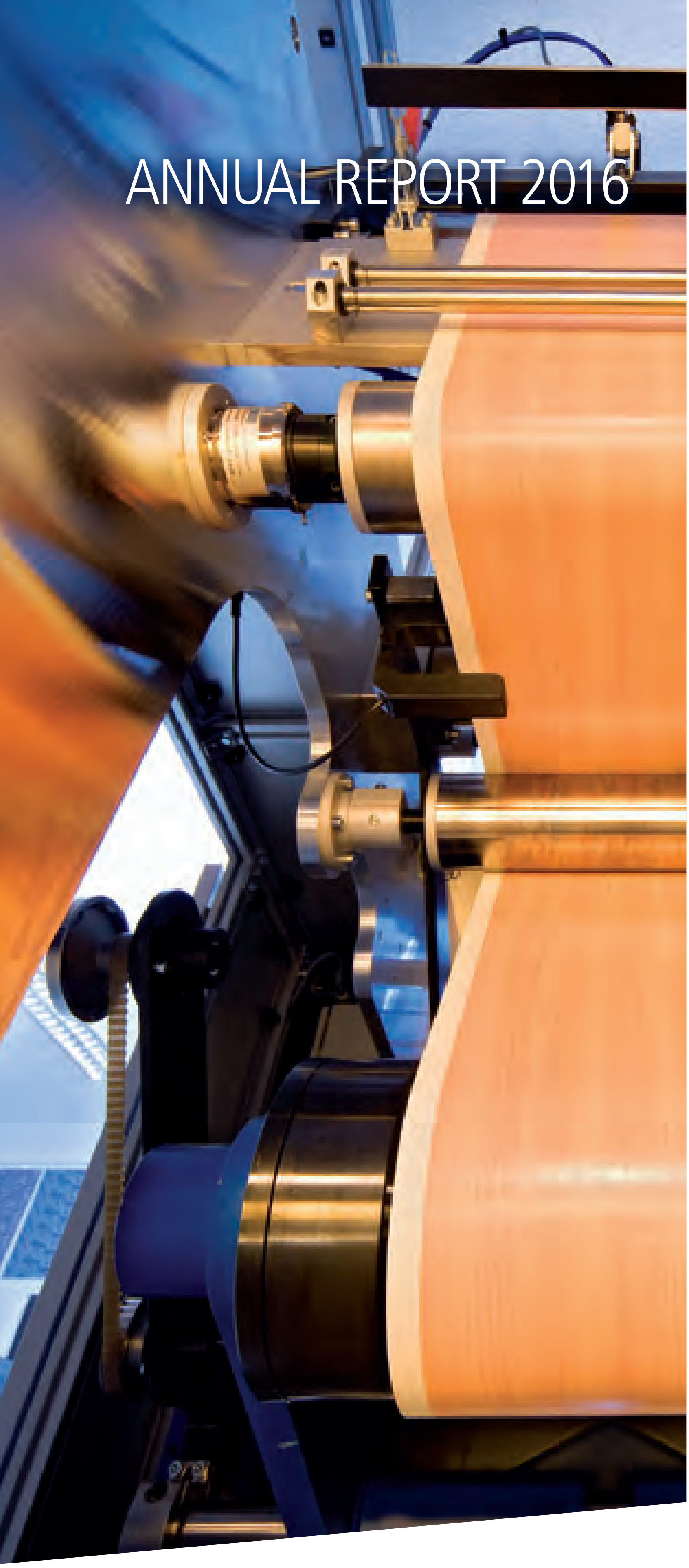


TABLE OF CONTENTS

FOREWORD OF THE BOARD OF MANAGEMENT

Dr.-Ing. Gereon Schäfer
Board of Management

Dr.-Ing. Herbert Müller
Chairman of the Board of Management

DEAR SHAREHOLDERS AND FRIENDS OF SURTECO SE

We can certainly not claim that the past year was dull. The political and social framework conditions have changed significantly at global level. This was undoubtedly tangible for us in some of our own sales markets. The future impacts on the global economic order and therefore indirectly on our business are currently difficult to assess. However, in accordance with past practice, we made plans once again to safeguard the future of SURTECO during the course of 2016. The acquisition completed at the end of 2016 gives us local production capability in the United Kingdom and allows us to serve the British market with an expanded product portfolio. The same also applies for our paper and plastics production facilities in the USA.

Progress was also made in a number of areas on the operational level in our Group during the business year 2016. For example, we have been able to successfully conclude restructuring in the decorative paper segment following integration of the Süddekor companies acquired at the end of 2013. The excessive delivery times have been consigned to the past and the measures for increasing profitability have been increasingly taking effect.

The fact that we also engaged intensively with the ongoing development of the SURTECO Group last year is evident from the satisfactory operating performance of the plastics business and the acquisition of the Nenplas Group in December 2016. Our acquisition strategy is not simply enabling us to expand our market position in the United Kingdom with these companies. We have also incorporated production capacities and a long track record of experience with technical extrusions (profiles) and highly profitable companies into our Group.

This means that we have taken another step for future growth of the group of companies. However, we are not satisfied with the virtually constant sales of € 640 million in 2016. EBIT rose by an impressive 31 % to € 40.9 million, but there is still plenty of potential here, particularly in the modernized Strategic Business Unit Paper. The consolidated net profit grew from € 17.7 million in the previous year to € 23.9 million. SURTECO regards itself as a dividend security where shareholders traditionally participate in the success of the company. For this reason, the expenses arising from concentration of the German decorative paper business did not affect the dividend payouts in the last two years. As a result, the distribution ratio rose significantly above our long-term target amounting to approximately 50 % of consolidated net profit. The decision by the Board of Management and the Supervisory Board to propose that the Annual General Meeting agree to an unchanged dividend of € 0.80 compared with the previous year was motivated by the desire to return this ratio to the target framework. Based on the year-end price of the SURTECO share, shareholders' investment therefore achieved a very respectable dividend return of approximately 3.4 %.

Our future objective is to continue to take SURTECO on a consistently upward trajectory. The competitive capability and future-proof capacity of German industry coupled with value-added generation in Germany as an industrial powerhouse will increasingly be determined by successful change in the direction of Industry 4.0 and the digital transformation. We are engaging with the challenges arising from increasing automation and networking of production and digitalization of the company by making strategic investments in all areas. Over the coming years, we will also be expanding and upgrading our production facilities. Moreover, we will be playing a proactive role in structuring the future with new products, improvements in profitability, and expansion of service packages.

We would like to express our warmest thanks to our customers, business partners and employees for the support they have given during a year that has been directed towards the future while also undoubtedly presenting challenges for all the players involved.

Our special thanks are due to you as shareholders for the trust you have placed in us. We will be delighted if you continue to support us on our exciting journey.

REPORT OF THE SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann
Chairman of the Supervisory Board
of SURTECO SE

DEAR SHAREHOLDERS,

In the business year 2016, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We regularly advised the Board of Management on the management of the company and monitored the measures it took. In this process, we were involved in all the fundamental decisions taken. The Board of Management regularly kept us informed in comprehensive written and verbal reports. We were informed promptly about the key aspects of the performance of the business and about significant business transactions. We were also given detailed information about the current income situation and planning, as well as the risks and risk management. The economic situation presented in the reports by the Board of Management and the development perspectives of the Group, the individual business areas and the most important participations in Germany and abroad, as well as the general economic environment were the subject of careful and detailed discussion in the Supervisory Board. Resolutions were adopted as far as this was necessary in compliance with statutory regulations or the Articles of Association.

The Supervisory Board convened for a total of five meetings during the course of the business year 2016. Each member of this governance body took part in at least three meetings. The Chairman of the Supervisory Board furthermore remained in regular contact with the Board of Management outside these meetings.

FOCUSES OF ADVICE

Once again in 2016, the Supervisory Board intensively addressed the reporting of the Board of Management in detail and discussed the position of the company and the business strategy on the basis of the latest business figures available for the company. The latest relevant indicators of the Strategic Business Units in the SURTECO Group (SBU Paper and SBU Plastics) and the subsidiary companies and participations were presented by the Board of Management at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures.

The economic environment in which the company is operating was subject to particularly intensive discussion. These deliberations continued with the themes of energy costs and raw material prices, as well as the availability of raw materials, and exchange rates. The situation with the most important customers, the divisions of the foreign companies, and the conduct of the key competitors in the market were also considered.

In 2016, the Supervisory Board engaged with the advanced strategic direction of the Group at a number of meetings. This trajectory is intended to increase the competitiveness of the company in a changing market environment by implementing various measures over the medium and long term. The basic concept was approved and noted by the Supervisory Board.

In 2016, the Supervisory Board was also informed about the status of integration of the Süddekor companies acquired in 2013. It also received reports on the associated construction measures and the utilization of capacity including the individual impacts on planned budget calculations for the upcoming business years.

At its meeting held on 3 November 2016, the Supervisory Board received detailed information about the US activities of the SURTECO Group including the Süddekor sites acquired in North America in 2013. The discussions focused on the capacity utilization and profitability of the US locations, the situation in relation to customers and competition in the United States, opportunities for growth and the future strategy in North America.

At its meeting on 3 November 2016, the Supervisory Board engaged intensively with the acquisition of the Nenplas Group, a specialist supplier for technical extrusions (profiles) with production sites near Birmingham in the United Kingdom. The Supervisory Board discussed the associated opportunities and risks and approved the acquisition. The focus was in particular on potential impacts caused by the exit of the United Kingdom from the European Union. The acquisition was completed according to plan in 2016.

During the reporting year 2016, the Supervisory Board once again discussed the issues associated with the corporate loan that was floated by the company as a private placement ("USPP") in the USA with a volume of around € 150 million in the business year 2007. The financial indicators whereby non-compliance could have resulted in the conditions of the loan deteriorating or such non-compliance could have led to the loan being called in by creditors were also complied with in 2016.

The Supervisory Board engaged with the necessary adjustments to the work processes and rules of procedure arising from the regulations included in the Audit Reform Act in 2016. Concrete resolutions on this matter were not yet passed by the full Supervisory Board in 2016. On 22 December 2016, the Audit Committee drew up a resolution about non-audit services provided by the auditor of the financial statements. In particular, this resolution covered approval for the ongoing tax consultancy provided by the auditor.

The plans (budget and investment plan) submitted by the Board of Management for the business year 2017 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 22 December 2016.

At its meeting held on 28 April 2016, the Supervisory Board adopted the proposals for the agenda of the Ordinary General Meeting 2016.

COMPENSATION FOR THE BOARD OF MANAGEMENT

At the meeting of the Supervisory Board held on 28 April 2016, the variable compensation elements of the Members of the Board of Management for the business year 2015 were agreed.

PERSONNEL DECISIONS BY THE SUPERVISORY BOARD

No personnel decisions were made by the Supervisory Board during the period under review.

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTEE

At its meeting on 22 December 2016, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to § 12 Section 3 of the Articles of Association at a total amount of € 31,000.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 31,000.00 was allocated to the individual members of the Audit Committee on the basis of their respective time commitment.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

During the period under review, Mr. Jürgen Dietzel stepped down from his position as an employee representative on the Supervisory Board. Mr. Jens Krazeisen, Chairman of the joint Works Council of SURTECO DECOR GmbH and BauschLinnemann GmbH at the Buttenwiesen-Pfaffenhofen site replaced him after Mr. Krazeisen was appointed to the position in accordance with the relevant regulations for making appointments to the Supervisory Board of SURTECO SE. No other personnel changes took place on the Supervisory Board during the period under review.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed in the Notes to the Consolidated Financial Statements of the Annual Report. The committees have the function of preparing issues, topics and resolutions for the meetings of the Supervisory Board. There is also a Presiding Board in accordance with the Rules of Procedure of the Supervisory Board.

The Presiding Board of the Supervisory Board prepares the resolutions of the Supervisory Board if they relate to measures requiring the consent of the Supervisory Board. In urgent cases, the Rules of Procedure permit the Presiding Board to take the place of the Supervisory Board and grant consent to specific measures and transactions requiring approval. The Presiding Board did not need to meet during the period under review.

The Audit Committee addressed issues relating to accounting and risk management, the annual financial statements and the quarterly figures, the mandatory independence of the auditor, the appointment of the auditor to carry out the audit, the determination of the focuses of the audit and the agreement of the fee. The Chairman of the Audit Committee and from time to time the other members of the committee were in regular contact with the Board of Management and the auditors. The Chairman of the Audit Committee kept the other Members of the Audit Committee informed about individual issues in writing. The Audit Committee was convened twice during the course of the business year and held one meeting at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit.

The Personnel Committee held one meeting during the year under review. In particular, the committee addressed the proposal to calculate the variable compensation elements of the Members of the Board of Management for the business year 2015 and drew up appropriate proposals for resolutions, and resolutions were passed by the plenary Supervisory Board at the meeting of the Supervisory Board held on 28 April 2016.

Reports on the meetings convened by the committees were submitted to the plenary session of the Supervisory Board.

CORPORATE GOVERNANCE

The Supervisory Board addressed the ongoing development of the corporate governance principles in the company in 2016 and also took account of the regulations of the German Corporate Governance Code made on 5 May 2015. Within the scope of the efficiency audit, the Supervisory Board regularly carries out a selfassessment of its members and discusses the results in the plenary session of the Supervisory Board. In view of only slight deviations in the individual selfassessments during previous years, the selfassessment will be carried out in a two-year cycle, i.e. most recently for the business years 2014 and 2015 at the end of 2015, and for the business years 2016 and 2017 at the end of 2017. The results of the selfassessment carried at the end of 2015 were presented and discussed at the meeting of the Supervisory Board held on 30 June 2016.

On 22 December 2016, the Board of Management and the Supervisory Board submitted a new Declaration of Compliance, which was included in the Declaration on Corporate Governance pursuant to § 289a German Commercial Code (HGB) and may be viewed on the Internet site of the company.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, AUDITING

The annual financial statements of the company were drawn up in accordance with German accounting principles. The consolidated financial statements for the fiscal year 2016 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Board of Management submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The auditor, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO SE, as well as the Management Report and the Consolidated Management Report and granted each of the documents an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management Report, and the audit reports of the auditor, and the recommendation for the appropriation of the net profit were submitted punctually to all the Members of the Supervisory Board. Intensive discussions on the financial statements were carried out in the Audit Committee meeting and at the Balance Sheet Meeting of the Supervisory Board held on 27 April 2017 in the presence of the auditor and following a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents. Furthermore, we took note of the report by the auditor. We have no objections. We therefore concur with the result of the audit. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements prepared by the Board of Management. The Annual Financial Statements have therefore been adopted. We are in agreement with the Management Reports and in particular with the assessment of the ongoing development of the company. We agree with the proposal by the Board of Management for the appropriation of net profit that recommends payment of a dividend of € 0.80 for each no-par-value share.

The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2017 and the Supervisory Board also accepted this proposal.

The Supervisory Board would like to thank the Board of Management, the executive managers, the members of the Works Councils, and all the members of staff for the work they have carried out and for their commitment during the business year 2016.

Buttenwiesen-Pfaffenhofen, in April 2017.

The Supervisory Board

Jürgen Großmann

Dr.-Ing. Jürgen Großmann
Chairman

SUMMARY MANAGEMENT REPORT

SURTECO GROUP AND SURTECO SE
FOR THE BUSINESS YEAR 2016

BASIC PRINCIPLES OF THE GROUP

OVERVIEW

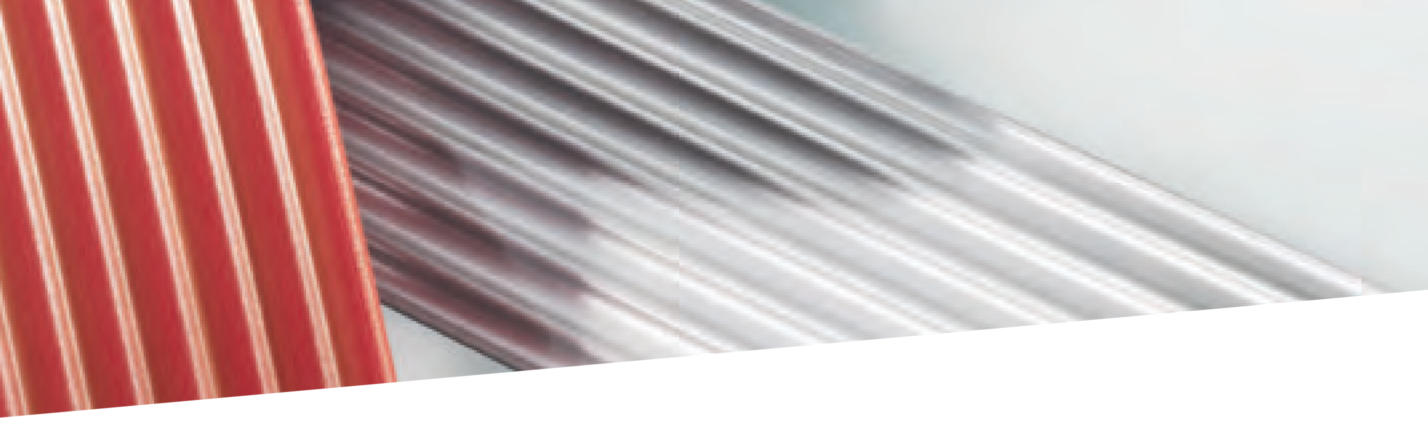
The SURTECO Group (hereinafter also referred to as SURTECO) is a Group of mutually complementary companies operating on the global stage. They have primarily specialized in the manufacture of decorative surface coatings for furniture, flooring and interior design. SURTECO SE serves within this structure as the controlling holding company. The manufactured products of the SURTECO Group are mainly used in the international flooring, wood-based and furniture industry, as well as by carpenters and artisan businesses. The products are generally used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with appealing visual and haptic properties. SURTECO also offers an appropriate supplement for flooring requirements, with skirtings for professional floorlayers, and for the retail and professional sectors of the interior-design industry. Technical extrusions (profiles) made of plastic are also supplied for all industrial sectors and roller-shutter systems are included in the product range of the SURTECO Group.

Paper and plastics-based edgebandings constitute the product group generating the strongest sales within the Group, and SURTECO ranks among the leading suppliers worldwide in this segment. This manufactured product is used to refine the narrow edges and the cut edges of wood-based boards. The offering ranges from paper-based edgebandings – also known as melamine edgebandings – in different versions through to thermoplastic edgebandings which are manufactured from a range of different plastics tailored to the area of application. SURTECO has a unique selling proposition in the market place with the production of edgebandings from plastics and paper, and this allows customers to choose from a virtually unlimited number of variations in terms of qualities, finishes, dimensions, decorative designs and colours to suit any application.

SURTECO also ranks as one of the world's leading suppliers in the product area of finish foils. These are used for coating large areas of wood-based materials and therefore play a major role in the visual and haptic appraisal of the finished products, such as items of furniture or panelling. Just as in the case of edgebandings, SURTECO's offering includes finish foils based on specialist technical papers and formed with plastics. Finish foils based on paper are supplied in two different versions with fully impregnated and pre-impregnated materials. Fully impregnated finish foils are saturated in a resin bath within the Group and subsequently dried, whereas the raw paper for pre-impregnates has already been impregnated at the paper manufacturer. SURTECO seals both versions with a layer of lacquer and if it is required refines the surface with haptic textures depending on the design version. Finish foils based on paper are typically used to manufacture furniture for living areas, bedrooms and teenage settings. They are used for profile wrappings and for the manufacture of panellings. Plastic-based finish foils from SURTECO are also used to cater for special applications, such as interior design for ships, or for furniture surfaces requiring particularly hard-wearing properties.

SURTECO is also one of the world's biggest producers of decorative papers. These specialist papers are printed with decorative designs and they are used as a material for providing a decorative finish. These papers are used within the Group for the manufacture of finish foils and impregnates. These products are also supplied directly to customers from the flooring, furniture and wood-based materials industry. New decors and designs are created every year in collaboration with the Group's in-house design studio. This steady stream of new designs complements the Group's existing very comprehensive collection of wood, stone and creative decor designs. The company produces the printing cylinders necessary for production in-house, and also some of the printing inks and lacquers.

Similar to finish foils, impregnates from SURTECO are used to refine large areas of wood-based materials. However, the final surface for impregnates is only formed in the compression stage at the manufacturer of the refined product. The base is formed by



the printed or single-colour decor paper, overlay or release paper which is impregnated, dried and cut in formats. The product range is mainly used for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. SURTECO's product portfolio also includes release papers, which are required for the compression of impregnates. This product forms a protective layer between the impregnate and the hot pressed board. It additionally gives the melamine surface the desired texture and level of gloss finish.

The skirtings manufactured by SURTECO are primarily used by the specialist flooring and wholesale trade. These high-quality products are either made entirely of plastics or they are wrapped with a wood-fibre core in a special three-part extrusion process. These products are mainly processed by professional floorlayers. SURTECO also produces plastic skirtings especially for trade and industry in the interior design sector. They are then marketed together with commercial products as a complete product range. SURTECO also has a long track record in the manufacture of a wide range of extrusion products for interior design, for roller-shutter systems for furniture, and for a wide range of different industrial applications. During the period under review, SURTECO strengthened its position in the area of technical extrusions (profiles) with the acquisition of 85 % of the Nenplas Group in the United Kingdom on 1 December 2016. The products of these companies are used in all industrial applications and are marketed primarily in the United Kingdom.

The Group markets its products by direct sales or through the Group's own sales locations, and it also has a dense network of dealers and agents on all continents of the world. The Group is increasingly using e-commerce as a sales channel. The most important sales markets for the SURTECO Group include Germany, Europe and North America. Production and sales facilities in Europe, North and South America, Australia and Asia ensure reliable and fast production tailored to the target market.

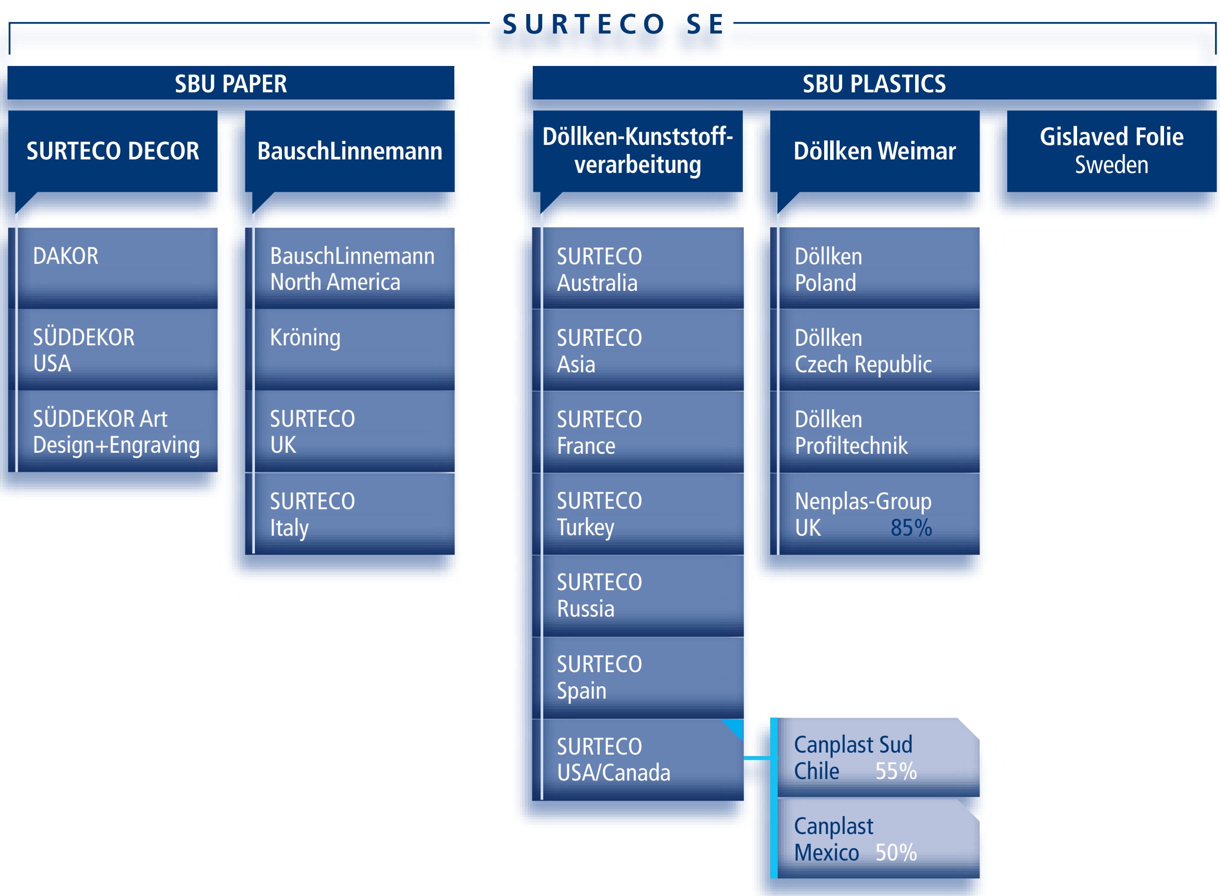
INTERNAL CORPORATE CONTROLLING SYSTEM

Central controlling for the Group is carried out by the holding company SURTECO SE with registered office in Buttenwiesen-Pfaffenhofen near Augsburg, Germany. The holding company implements strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting and investor relations activities. The individual subsidiary companies of the Group manage their business on the basis of group-wide parameters. The subsidiaries are organized in the Strategic Business Units (SBU) Paper and Plastics in line with the base materials used.

Sales revenues and earnings before financial result and income tax (EBIT) are the most important financial controlling parameters for the SURTECO Group. At the level of the holding company SURTECO SE alone, the Group also uses a summarized true and fair view of a number of indicators, the "covenants", as a key financial controlling parameter. This is comprised of the indicators equity ratio, level of debt (gearing) and interest cover factor. The covenants define threshold values which the Group does not intend to exceed or fall short of. Compliance or non-compliance with these "covenants" is monitored, and reports are regularly submitted. Non-financial controlling parameters are not used as key controlling parameters at Group level or within the holding company.

Financial and non-financial performance indicators play a subordinate role for SURTECO SE as an individual company. Compliance with statutory requirements is not affected.

OPERATING GROUP STRUCTURE AS AT 31 DECEMBER 2016



STRATEGIC BUSINESS UNIT PAPER

The SBU Paper comprises SURTECO DECOR GmbH and BauschLinnemann GmbH, including their respective subsidiary companies*.

BauschLinnemann GmbH is based in Sassenberg and produces edgebandings and finish foils at its production facility there. Meanwhile, the production facility in Buttenwiesen has focused entirely on the manufacture and refining of finish foils. The subsidiary company Kröning GmbH located in Hüllhorst is a specialist supplier for surface coatings with exceptionally complex specifications. The product portfolio comprises edgebandings, finish foils and hybrid products. In the USA, the production company for finish foils, BauschLinnemann North America, Inc., Myrtle Beach, produces and sells products specially tailored to the North American market. Semi-finished products are delivered to the sales companies located in the United Kingdom, SURTECO UK Ltd., Burnley, and in cooperation with the SBU Plastics in Italy (SURTECO Italia s.r.l., Martellago) and Russia (SURTECO OOO, Moscow). They are then finished to customers' specific orders and supplied there.

SURTECO DECOR GmbH will take over the manufacture of decor papers in Germany at its main site in Buttenwiesen. At the production location in Laichingen, finish foils and release papers are also manufactured. The subsidiary company SUDDEKOR LLC, Agawam, carries out production of decor papers in the USA and also maintains one production site there for impregnates in East Longmeadow. Dakor Melamin Imprägnierungen GmbH based in Heroldstatt carries out the manufacture and sale of impregnates in Germany.

SÜDDEKOR Art Design + Engraving GmbH in Willich is responsible for the development of new decorative designs and engraving new print cylinders, and for in-house production of printing inks. The minority shareholding of 30 % of SURTECO DECOR GmbH in Saueressig Design Studio GmbH, Mönchengladbach, was ended on 1 September 2016.

* If not separately identified, the sites of the relevant subsidiary companies are located in Germany.

STRATEGIC BUSINESS UNIT PLASTICS

The SBU Plastics includes Döllken-Kunststoffverarbeitung GmbH, Döllken-Weimar GmbH, each with their subsidiary companies,* and Gislaved Folie AB in Sweden.
Döllken-Kunststoffverarbeitung GmbH and its subsidiary companies have specialized in the production and marketing of plastic edgebandings. Manufacture is carried out at the main production facility in Gladbeck, as well as in the USA (SURTECO USA Inc., Greensboro), in Canada (SURTECO Canada Ltd., Brampton), in Australia (SURTECO Australia Pty Limited, Sydney) and Indonesia (PT Doellken Bintan Edgings & Profiles, Batam). The subsidiary company of SURTECO Canada Ltd. in Santiago, Chile (Canplast SUD S.A.), is responsible for the production and sale of plastic edgebandings in South and Central America. Another sales location of SURTECO Canada Ltd. in Mexico (Canplast Mexico S.A. de C.V., Chihuahua) operates as a joint venture to provide comprehensive support for the markets on the American continent. The subsidiary companies of Döllken-Kunststoffverarbeitung GmbH also act as sales companies in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S., Beaucouzé), Spain (SURTECO Iberia S.L., Madrid), Turkey (SURTECO DEKOR A. Ş., Istanbul) and – in cooperation with the SBU Paper – in Italy (SURTECO Italia s.r.l., Martellago) and Russia (SURTECO OOO, Moscow) for global delivery.
Döllken-Weimar GmbH based in Nohra and its subsidiary in Bönen manufacture floor strips and skirtings as well as wall edging systems for professional floorlayers, and for trade and industry in the interior design sector. The accessories and other products required for laying the products relating to all aspects of flooring are also supplied as product ranges for resale. The company maintains sales locations in Poland (Döllken Sp. z o.o., Sosnowiec) and the Czech Republic (Döllken CZ s.r.o., Prague). The subsidiary company Döllken-Profiltechnik GmbH in Dunningen manufactures technical extrusions (profiles) for a wide range of industrial applications and for furniture roller-shutter systems. An 85 % shareholding was acquired in the subsidiary company Nenplas Ltd., including its subsidiary companies Polyplas Extrusions Ltd. and Delta Plastics Ltd., all located in Ashbourne, UK, (Nenplas Group), on 1 December 2016. These companies also produce technical extrusions (profiles) made of plastic for all industrial sectors.
Gislaved Folien AB in Gislaved Sweden has taken over the production of finish foils based on plastic and technical plastic foils for further processing to form carpets and for other industrial sectors.

MANAGEMENT AND CONTROLLING

As laid down in the rules and regulations applicable to a Societas Europaea (SE), the Ordinary General Meeting of the company is held during the first six months after the end of a business year. Any amendments to the Articles of Association can only be made with legal effect following consent by the shareholders at the Annual General Meeting and subsequent entry in the Company Register.
The Supervisory Board monitors and advises the Board of Management of the company. It is made up of nine members. Six members are appointed by the Annual General Meeting as representatives of the shareholders. Three members are appointed by the Works Councils of the three domestic companies with the largest number of employees as representatives of the workforce.
The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Board of Management are appointed by the Supervisory Board and manage the affairs of the company in accordance with the statutory regulations, the Articles of Association, and the rules of procedure governing the actions of the Board of Management and the Supervisory Board. The Board of Management and the Supervisory Board base their actions and their decisions on the interests of the company. They are committed to the objective of increasing the value of the company in accordance with the interests of the shareholders, the business partners, the employees and other stakeholders.

ECONOMIC REPORT

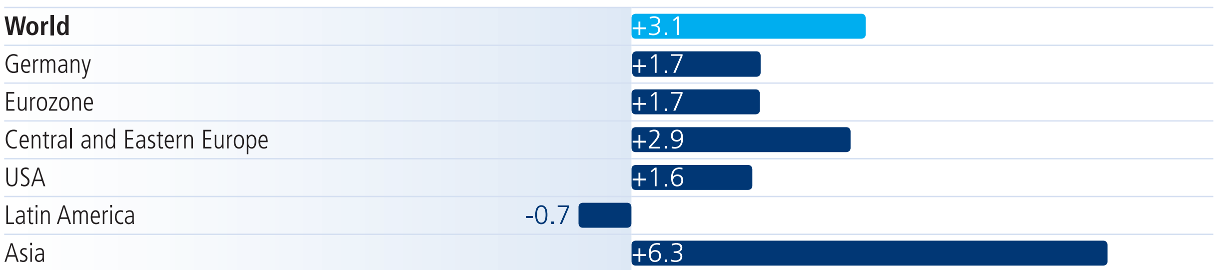
MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

Global economic growth of 3.1 % in 2016

In 2016, the global economy grew by 3.1 % according to reports by the International Monetary Fund (IMF). However, as in previous years the experts once again had to correct their forecasts downwards compared with the beginning of the year. In January 2016, the IMF was still projecting growth of 3.4 %. The reasons for this primarily related to decreasing dynamic growth in China and the USA and the negative impacts of Brexit in the United Kingdom. During the year under review, positive impulses for the economies came from the policy of low interest rates being pursued by the central banks. In summary, the developed economies posted economic growth of 1.6 %. Expansion in the emerging economies and developing countries was robust at 4.1 %.[1]

[1] Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2017.

ECONOMIC GROWTH IN 2016 IN %



Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2017

At the beginning of the year, the US economy raised hopes of stronger dynamic growth but ultimately only achieved growth of 1.6 %. The economies in the eurozone generated growth overall amounting to 1.7 %. The most important EU nations were once again able to increase growth: Germany (+1.7 %), France (+1.3 %), Italy (+0.9 %) and Spain (+3.2 %). The economic development in Central and Eastern Europe was sound at 2.9 %. China's economy continued the trend of declining economic growth in 2016. An economic expansion of 6.9 % in 2015 was followed by an increase of 6.7 % last year. The other three BRIC states showed a diverging development. While Brazil (-3.5 %) continued to be in a deep recession, Russia (-0.6 %) was able to limit the retrograde development caused by continuing sanctions against the country in 2016. By contrast, the economy in India once again expanded dynamically (+6.6 %).[1]

Sales in the German furniture industry on the threshold of € 18 billion

The German furniture industry constitutes the most important source of customers for the SURTECO Group. According to data from the Federal Statistical Office of Germany, the sales threshold of € 18 billion was almost reached in 2016. On the back of this growth, revenues increased by 3.2 % during the year under review and they even exceeded the values forecast by the associations of the German wood and furniture industries (HDH and VDM) at the beginning of the year 2016.
Powered by sound economic development, this positive trend was fostered by good development of domestic demand and by a continued upward trend in exports. The figures available at the beginning of 2017 indicate that foreign sales were slightly ahead of those generated in the domestic market. The kitchen furniture industry posted growth of 4.4 % in 2016 while office furniture achieved an upturn of 6.5 %. The steady development undergone by the construction industry exerted a positive impact in the domestic market. After sales with other furniture grew by 3.5 % during the first half year, the positive dynamic performance slowed significantly to 1.8 % after twelve months.
In 2016, SURTECO acquired the British Nenplas Group, which manufactures technical extrusions (profiles) for all industrial sectors with the focus on the prospering caravan market and the construction sector. SURTECO also benefited as a supplier through its Swedish subsidiary Gislaved from the upswing in the cruise-ship sector.

SALES AND BUSINESS PERFORMANCE

Sales slightly improved

At the Group level, sales amounting to € 639.8 million in the business year 2016 were slightly above the level of the previous year at € 638.4 million. This once again enabled new record sales to be achieved. Although the modest sales growth projected in the last Annual Report was achieved, sales revenues would have remained unchanged without consolidation of the British Nenplas Group from 1 December 2016. Improved performance was precluded by negative foreign exchange rate effects amounting to € 3.6 million. By November 2016, sales revenues were slightly above the values for the previous year in line with expectations. However, contributions to sales amounting to € 1.3 million made by Nenplas in December alone combined with positive dynamic performance in the plastics sector were unable compensate for a significant decline in demand experienced by the paper sector.
Overall, sales in Germany at € 174.3 million fell back by 2 % compared with the year-earlier value of € 177.8 million. In the rest of Europe, business increased by 1 % although the difficult political

[1] Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2017.

situation in Turkey meant that the Group was beset by major setbacks there. Significant operating growth in the United Kingdom was cancelled out by negative exchange rate effects there. Sales in North and South America eased across all segments and were situated at 2 % below the year-earlier value. Asian business remained at the level of 2015. A consistent focus on the strategy of the one-stop shop involves the entire product portfolio of the SURTECO Group being offered together with complementing commercial products. This approach generated significant growth in Australia of 12 %. Foreign sales revenues rose overall by 1 % to € 465.5 million (2015: € 460.6 million). The foreign sales ratio increased from 72 % in the previous year to 73 %.

STRATEGIC BUSINESS UNIT PAPER:

Focus on productivity increase in decorative printing

At the beginning of 2016, the Strategic Business Unit paper already had a very high order backlog with decorative printing. This increased during the first six months and resulted in long delivery times. SURTECO introduced measures to enhance the level of qualification for the significantly increased production team so as to carry out these orders as quickly as possible. These efforts brought commensurate success from the summer months of 2016 so that delivery times could be tangibly shortened as the business year progressed. Overall, the paper segment increased sales with decorative printing by 3 % in the business year 2016 compared with the previous year. Business with fully impregnated finish foils also went up by 7 % and business with release papers increased by 17 %. Conversely, sales revenues generated by preimpregnated finish foils fell back by 14 % because the Group withdrew from business with weak margins. Sales of impregnated products (-7 %) also declined. Substitution effects in favour of plastic edgebandings caused a decline of 3 % in business with paper-based edgebandings.

Overall, the paper segment generated sales amounting to € 385.4 million in the business year 2016 compared with € 394.7 million in the previous year. The self-imposed target of stable sales revenues from the last Annual Report was therefore not achieved. Domestic business retreated by 8 % and sales in the rest of Europe were at the level of the previous year. Development in North and South America was slightly below the level of the previous year with a decline of 2 %, whereas business in Asia/Australia went up by 7 %.

The foreign sales ratio rose significantly by two percentage points to the present figure of 75 %.

STRATEGIC BUSINESS UNIT PLASTICS:

Organic growth

The Strategic Business Unit Plastics more than succeeded in achieving its forecast from the previous year with sales growth of 4 % to € 254.4 million (2015: € 243.7 million). Business with plastic-based edgebandings increased by 3 % compared with 2015 on the basis of continuous expansion of service offerings. Sales with plastic foils went up by 1 % with negative exchange rate effects preventing stronger growth. Continuous revision of the product range with newly developed skirtings to meet applications such as the growing market for elastic floor coverings resulted in a significant increase in sales for this segment by 16 % compared to the previous year. Including sales generated by the majority shareholdings in the Nenplas Group acquired on 1 December 2016, business with technical extrusions (profiles) also underwent a significant increase by 9 %. Conversely, the development of the smallest product segment of roller shutter systems by volume was 16 % below the value for the previous year. Commercial products and other revenues also lagged behind the previous year (-2 %). The primary factor here was the elimination of unprofitable products in the restructuring of the product range.

Domestic business underwent very gratifying development with growth of 7 % and the plastics segment also increased sales by 4 % in the rest of Europe. However, business fell back in North and South America in common with that in the paper segment and registered a value of 3 % below the previous year. Sales in Asia came down by 4 %. Once again, commitment in Australia proved to be a driver for growth. Increased growth of 11 % in 2016 again sent sales into double-digit figures. Overall, foreign sales went up by 3 %. The proportion of foreign sales in 2016 amounted to 69 % (2015: 70 %).

SALES REVENUES IN € MILLION

SURTECO GROUP

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

VALUE ADDED

Corporate performance rose as a result of slightly higher sales revenues in the business year 2016. This was essentially due to stockpiling while own work capitalized, other operating income and other financial income reported under assets was lower than in the previous year at € 658.1 million (2015: € 655.8) million. The costs of materials at € 324.6 million were € 1.9 million above the previous year on account of the higher total output, whereas depreciation and amortization gave way slightly from € 33.8 million in 2015 to € 33.5 million in 2016, and other expenses fell back rather more markedly from € 101.3 million to € 98.7 million. Overall, net value added increased from € 198.0 million in the previous year to € 201.3 million in the business year 2016.
The dividend increase for the business year 2015 led to an increase in the payout to shareholders in 2016 amounting to € 12.4 million (2015: € 10.9 million). By contrast, personnel expenses of € 161.9 million in 2015 fell back to € 158.0 million during the year under review, accompanied by a concurrent reduction in interest expenses (€ 8.8 million from € 9.2 million in the previous year). At € 11.3 million, the tax expenses were above the level for the previous year of € 9.2 million. The total for distribution of value added amounted to € 190.5 million during the year under review and was slightly under the value for the previous year (€ 191.2 million). € 10.8 million therefore remained in the company compared with € 6.8 million in the previous year.

CASH FLOW STATEMENT

The cash flow from current business operations at € 58.4 million in the business year 2016 was below the year-earlier value of € 69.2 million. Internal financing at € 55.6 million in the previous year rose to € 73.1 million in the year under review. This is essentially due to significantly higher earnings before income tax, lower payments for income tax (€ -4.1 million after € -6.3 million in the previous year) and lower other non-cash expenses/income (€ -0.4 million after € -4.9 million in 2015). The change in net assets and liabilities meanwhile amounted to € -14.7 million in 2016 after € 13.6 million in 2015. This is explained by the purchase option on the other shares in the Nenplas Group which together with the other assets result in a value of € -3.1 million after € 10.6 million in the previous year. Furthermore, other liabilities amounted to € -8.4 million after € 1.7 million in the previous year essentially due to payments for deferred restructuring expenses in the previous year. The purchase of the Nenplas Group in 2016 was reflected in acquisition of companies with € -23.4 million in 2016. The acquisition of property, plant and equipment (€ -31.5 million after € -29.7 million in 2015) and the acquisition of intangible assets (€ -3.0 million after € -2.0 million in 2015) were above the values for the previous year. A inflow from disposal of investments in the amount of € 1.2 million meant that cash flow from investment activities in the business year 2016 totalled € -54.3 million after € -28.5 million in 2015. Dividend payments to shareholders amounting to € -12.4 million (2015: € -10.9 million), proceed of long-term financial liabilities of € 16.5

VALUE ADDED CALCULATION

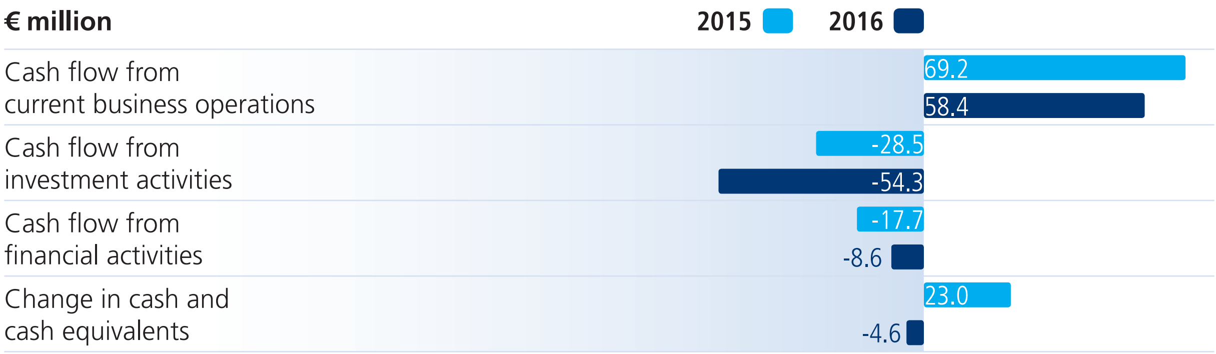
€ million	2015	in %	2016	in %
Sales revenues	638.4		639.8	
Other income	17.4		18.3	
Corporate performance	**655.8**	**100.0**	**658.1**	**100.0**
Cost of materials	-322.7	-49.2	-324.6	-49.3
Depreciation and amortization	-33.8	-5.2	-33.5	-5.1
Other expenses	-101.3	-15.4	-98.7	-15.0
Creation of value added (net)	**198.0**	**30.2**	**201.3**	**30.6**
Shareholders (dividends)	10.9	5.5	12.4	6.2
Employees (personnel expenses)	161.9	81.8	158.0	78.5
Government (taxes)	9.2	4.6	11.3	5.6
Lenders (interest)	9.2	4.6	8.8	4.4
Distribution of value added	**191.2**	**96.6**	**190.5**	**94.6**
Remaining in the company (value added)	**6.8**	**3.4**	**10.8**	**5.4**

million (2015: € 2.0 million), and change in short-term financial liabilities of € -5.7 million (2015: € -0.6 million) resulted in cash flow from financing activities in 2016 amounting to € -8.6 million after € -17.7 million in the previous year. Overall, the total change in cash and cash equivalents was € -4.6 million during the year under review after € 23.0 in the previous year. Free cash flow reached a value of € 4.1 million after € 40.7 million in the equivalent year-earlier period.

BALANCE SHEET PERFORMANCE

The balance sheet total of the SURTECO Group as at 31 December 2016 slightly increased compared with the year-earlier balance sheet date (€ 655.7 million) to € 673.9 million. Non-current assets and current assets went up on the assets side. In particular, other current financial assets increased from € 3.6 million in the previous year to € 19.7 million at the end of 2016. This reflects the reclassification of a currency hedge from the US Private Placement (see also the Notes to the Consolidated Financial Statements note 24) from other non-current financial assets. This reclassification was undertaken on account of the release of a tranche of US$ 70 million from the US Private Placement carried out in the business year 2017. Due to financing of the Nenplas acquisition in December 2016 from liquid funds, cash and cash equivalents were reduced from € 65.7 million in the previous year to € 60.4 million on the balance sheet date. Conversely, inventories rose by € 6.3 million essentially due to the stockpiling of inventories in the business year 2016. Overall, the current assets increased from € 251.2 million in the previous year to € 261.3 million on 31 December 2016. The increase in non-current assets from € 404.5 million to € 412.6 million was influenced by a number of factors. In spite of the property, plant and equipment acquired from the Nenplas Group, property, plant and equipment only rose by € 0.7 million above the year-earlier value to € 245.6 million, because the finance leasing contract of the former decor paper factory in Laichingen proved possible to terminate in the business year 2016. Conversely, intangible assets rose by € 11.9 million and goodwill by € 7.5 million essentially on account of the Nenplas acquisition. Since the minority shareholdings in Saueressig Design Studio GmbH were sold in the business year 2016, the shares assessed at equity amounting to € 3.3 million in the previous year came down to € 1.7 million on the balance sheet date 2016. The fall in other non-current financial assets by € 8.5 million is due to the reclassification of the currency hedge described above and taking account of a purchase option for the remaining 15 % of the shares in the Nenplas Group.

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



CALCULATION OF FREE CASH FLOW

€ million	1/1/-31/12/2015	1/1/-31/12/2016
Cash flow from current business operations	**69.2**	**58.4**
Purchase of property, plant and equipment	-29.7	-31.5
Purchase of intangible assets	-2.0	-3.0
Proceeds from disposal of property, plant and equipment	3.1	0.1
Acquisition of companies	0	-23.4
- net of cash acquired	0	2.1
Disposal of participations	0	1.2
Share of profit of companies accounted for using the equity method	0.1	0.2
Cash flow from investment activities	**-28.5**	**-54.3**
Free cash flow	**40.7**	**4.1**

On the liabilities side, the tranche from the US Private Placement due in 2017 led to a reclassification of long-term financial liabilities to short-term financial liabilities. This rose as a result from € 5.0 million at year-end 2015 to € 72.4 million on the balance sheet date for 2016. By contrast, the short-term provisions fell by € 4.6 million and the other non-current financial liabilities by € 3.0 million, because these items were still being influenced in 2015 by restructuring from concentration of German decorative printing activities. Overall, current liabilities increased to € 151.8 million at year-end 2016 (year-earlier balance sheet date: € 92.5 million). Non-current liabilities decreased from € 228.8 million in 2015 to € 175.5 million on 31 December 2016, mainly due to the reclassification of the US private placement.
Equity at € 346.6 million rose by € 12.2 million compared with the previous year. The equity ratio went up by 0.4 percentage points to 51.4 %. Net financial debt rose from € 126.6 million in 2015 to € 135.6 million on the balance sheet date in 2016. Since the equity increased less strongly than the net financial debt, the level of debt (gearing) increased slightly by one percentage point to 39 % on 31 December 2016. The covenants (-> Internal corporate controlling system) were maintained during the business year 2016. On the balance sheet date 2016, the SURTECO Group had external credit lines in the amount of € 45.2 million. At this point, € 2.5 million had been drawn on these lines.

EXPENSES

In the business year 2016, the cost of materials for the Strategic Business Unit Paper were influenced by the follow-on effects from relocation of the decorative printing activities. The wastage rate in decorative printing was negatively impacted by the efforts to ensure that the very high order backlog was reduced as quickly as possible in the first half of the year. This entailed enlarging the production

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

€ million	31/12/2015*)	Percentage in the balance sheet total in %	31/12/2016	Percentage in the balance sheet total in %
ASSETS				
Current assets	251.2	38.3	261.3	38.8
Non-current assets	404.5	61.7	412.6	61.2
Balance sheet total	**655.7**	**100.0**	**673.9**	**100.0**
LIABILITIES				
Current liabilities	92.5	14.1	151.8	22.5
Non-current liabilities	228.8	34.9	175.5	26.1
Equity	334.4	51.0	346.6	51.4
Balance sheet total	**655.7**	**100.0**	**673.9**	**100.0**

*) Comparative values adjusted in accordance with IAS 8 (see Notes to the Consolidated Financial Statements section "Notes to the Consolidated Financial Statements in accordance with IAS 8").

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2015	2016
Equity ratio in %	51.0	51.4
Level of debt in %	38	39
Working capital in € million	121.4	122.8
Interest cover factor	7.8	9.2
Debt-service coverage ratio in %	40.7	42.3

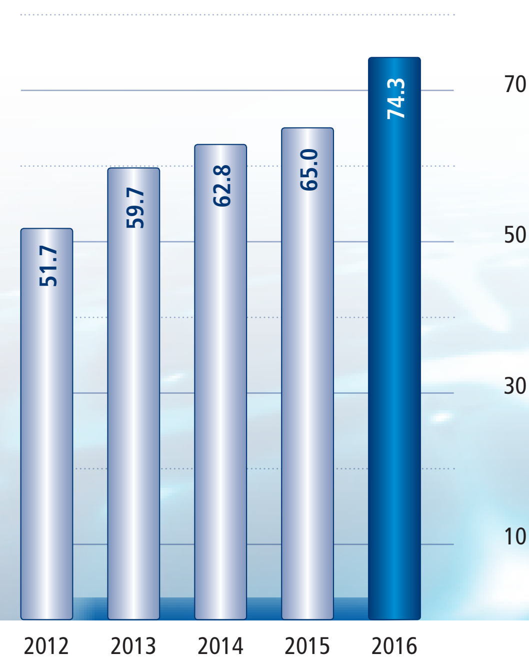
workforce within a very short space of time and taking measures to ensure that the new employees were equipped with the appropriate level of qualification and skill. However, the purchase prices for raw materials essentially remained stable and the costs of impregnating resins and chemical additives underwent a slight easing. The cost situation for raw materials in the Strategic Business Unit Plastics also remained stable over the annual average, although significant price increases were posted for the important plastic ABS (acrylonitrile butadiene styrene). Overall, the absolute costs of materials at the SURTECO Group in the business year 2016 at € 324.6 million remained slightly above the level for the previous year at € 322.7 million. Taking into account the slightly raised total output, the cost of material ratio at 50.0 % was brought below the level of 50.2 % in the previous year.

Personnel expenses at € 158.0 million came down significantly during the business year 2016 compared with the value of € 161.9 million for the previous year. Even taking account of the provisions for redundancy payments amounting to € 3.2 million, personnel expenses were slightly below the level for the previous year. This was achieved in spite of an increase in wages and salaries of the German workforce under a collective bargaining agreement by 2.9 % from October 2015 and a slight increase in personnel in the plastics segment on account of the reduction achieved for the surplus personnel in the paper segment owing to the relocation. The proportion of personnel expenses to total output (personnel expense ratio) of the SURTECO Group fell correspondingly from 25.2 % in the previous year to 24.3 % in the year under review.

The other operating expenses came down slightly from € 100.2 million in the previous year to € 98.7 million in 2016. These expenses still include for the last time integration expenses for the relocation of the paper segment amounting to € 2.2 million, after a total of € 8.2 million was incurred for this item in the previous year.

EBITDA IN € MILLION

SURTECO GROUP



INVESTMENTS

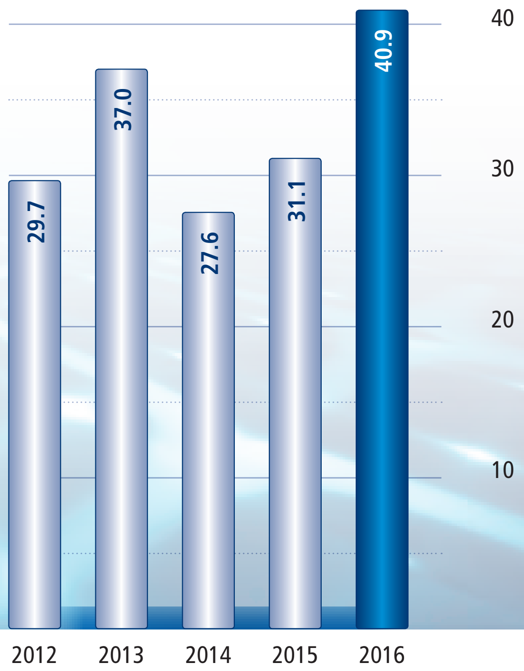
The investment expenses (additions to fixed assets) of the SURTECO Group amounted to € 34.5 million in the business year 2016 after € 31.6 million in the previous year. Of these expenses, € 31.5 million (2015: € 29.7 million) were attributable to investments in property, plant and equipment and € 3.0 million (2015: € 2.0 million) to intangible assets. The biggest single investments were used for construction measures and expansion of the production lines. The growth in intangible assets was primarily based on the valuation of the customer base acquired with the Nenplas Group.
In the business year 2016, the Strategic Business Unit Paper invested a total of € 17.5 million after € 15.9 million in the previous year. Construction measures, expansion and modernization of the machinery assets, and investments in a digital printing system were the focus for capital expenditure. Growth amounted to € 16.9 million (2015: € 15.4 million) in the Strategic Business Unit Plastics. Investments focused on replacements and expansions for new products and product versions.

GROUP RESULTS

Overall in the business year 2016, the cost of materials, personnel expenses and other operating expenses amounted to € 581.3 million (2015: € 584.8 million). On the basis of an increase in total output of € 649.1 million after € 642.4 million in the previous year and other operating income amounting to € 6.5 million (2015: € 7.5 million) the operating result (EBITDA) of the SURTECO Group rose by 14 % to € 74.3 million (2015: € 65.0 million). Depreciation and amortization at € 33.5 million were slightly below the level of the previous year (€ 33.8 million). This yields an increase in earnings before the financial result and income tax (EBIT) by 31 % to € 40.9 million (2015: € 31.1 million). This meant that the target corridor of € 38 – 42 million defined in the Annual Report 2015 was achieved. The financial result of € -4.3 million for the previous year included higher positive exchange rate effects than in the period under review. The financial result in 2016 therefore amounted to € -5.8 million in spite of lower interest expenses. Pretax earnings at € 35.0 million for the business year 2016 went up significant by 31 % compared with the value

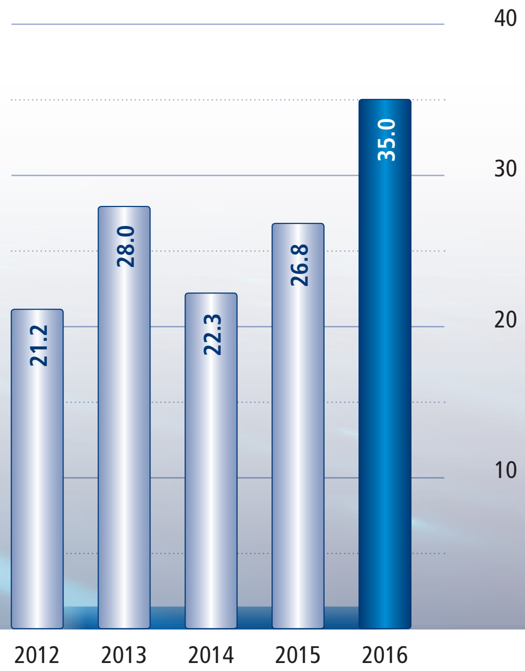
EBIT IN € MILLION

SURTECO GROUP



EBT IN € MILLION

SURTECO GROUP



for the previous year (€ 26.8 million). On the basis of income tax amounting to € 11.3 million (2015: € 9.2 million), consolidated net profit rose by 35 % to € 23.9 million (2015: € 17.7 million). Dividing net profit by the unchanged number of 15,505,731 no-par-value shares yields earnings per share of € 1.54 for the business year 2016 after € 1.14 in the previous year.

RESULT OF THE STRATEGIC BUSINESS UNITS

A substantial increase in EBIT by 47 % to € 25.3 million (2015: € 17.1 million) enabled the Strategic Business Unit Paper to fulfil the forecast of the last annual report. This amount still includes for the final time expenses incurred for the concentration of decorative printing activities at the Buttenwiesen site amounting to € 2.2 million.
EBIT for the Strategic Business Unit Plastics also underwent double-digit growth (+19 %). Earnings rose from € 18.5 million in the previous year to the value of € 22.1 million essentially on the back of organic growth and the further increase in profitability.

ANNUAL FINANCIAL STATEMENTS OF SURTECO SE

The financial statements of the holding company SURTECO SE were prepared on the basis of the accounting principles in accordance with the Third Book of the German Commercial Code (§§ 242 ff. and 264 ff. German HGB) in the version of the Balance Sheet Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) for large joint-stock companies and the Stock Corporation Act (Aktiengesetz, AktG).
On 31 December 2016, the balance sheet total of SURTECO SE rose to € 527.5 million (31 December 2015: € 507.2 million). On the assets side of the balance sheet, fixed assets at € 315.9 million remained virtually at the level of the previous year, amounting to € 316.6 million. On the other hand, the current assets rose by € 21.0 million to € 211.3 million (2015: € 190.3 million). The main driver for this was increased receivables from affiliated enterprises by € 29.0 million to € 157.5 million, whereas other assets gave way from € 9.6 million in the previous year to € 5.9 million on the balance sheet date for 2016. Cash and cash equivalents at € 47.9 million were also down on the level for the previous year (2015: € 52.3 million).

On the liabilities side of the balance sheet, liabilities to banks essentially went up from € 146.8 million on the year-earlier balance sheet date to € 163.3 million on 31 December 2016 and liabilities to affiliated enterprises rose from € 44.0 million to € 50.1 million. Liabilities increased overall from € 196.1 million to € 216.1 million. The equity fell slightly and amounted to € 307.6 million (2015: € 309.8 million). The equity ratio therefore also fell from 61.1 % to 58.3 % on 31 December 2016.
Sales revenues in the income statement were redefined in accordance with the Balance Sheet Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) and at SURTECO SE essentially include proceeds from intragroup reallocations for personnel expenses. The figures for the previous year in accordance with § 265 (2) Sentence 3 German Commercial Code (HGB) were adjusted. Overall, sales revenues amounted to € 1.2 million after € 1.6 million in the previous year. Income from profit-transfer agreements increased during the reporting period from € 23.8 million to € 31.5 million. During the same period, the expenses from loss transfers fell from € -16.7 million in the previous year to € -10.5 million in the business year 2016. Personnel expenses amounting to € -4.8 million were € 0.9 million above the value for the previous year, as were other operating expenses (€ 3.7 million after € 2.4 million in the previous year). Deducting the interest result of € -6.1 million (2015: € -5.8 million) and income tax amounting to € 1.0 million (2015: € 0.2 million) yields earnings after tax of € 10.2 million (2015: € -0.1 million). Net income in the business year 2016 reached the value of € 10.2 million after a net loss of € 0.1 million in the previous year.

OVERALL STATEMENT ON THE ECONOMIC CONDITIONS

In the business year 2016, earnings for the Group developed within the framework of expectations, although the plastics segment in particular posted a very gratifying dynamic performance. Conversely, the sales situation did not yet reflect the desired status. This was essentially due to the fact that business for the paper segment had not developed in line with expectations. As far as equity, net financial debt and cash flow are concerned, the balance sheet of the Group is in an outstanding position. Consequently, the economic situation of SURTECO can be described overall as good. The Board of Management also regards the position of SURTECO SE as positive overall.

RESEARCH AND DEVELOPMENT

In the business year 2016, the SURTECO Group increased its research and development expenditure from € 2.6 million in 2015 to € 4.5 million. This amount includes non-personnel costs and personnel costs. The personnel costs are already included in the item personnel expenses in the consolidated income statement. During the period under review, an average of 153 employees (2015: 155) were employed in these departments.
The paper segment is presenting a special result from our work in research and developing at Interzum, the leading trade fair for suppliers to the furniture industry and interior design. The paper-based flooring surface designated as "LineaTecs" is an impressive development with a particularly haptic texture that is exceptionally warm and pleasant to the touch. It offers an alternative to laminate flooring, which tends to be rather cold. This product is highly resistant to wear and it can be processed on existing systems operated by flooring manufacturers. Otherwise, the focus of research and development activities in the paper sector was on the development and improvement of technical surface characteristics of finish foils and other surface-specific products. This involved setting up a number of projects dealing with the topic of "Varnish from the roll". This process applies a layer of varnish to a substrate. The varnish can then be transferred to the workpiece when processing wood-based materials and this provides the surface with additional technical characteristics such as a pleasant haptic touch. The properties of the varnish surface were also the focus of other developments for paper-based finish foils which included a supermatt look combined with lack of sensitivity to finger prints and dirt.
The Strategic Business Unit Plastics carried out work in the area of thermoplastic edgebandings. This also related to further optimization of the surface properties. Research focused in particular on the challenge of manufacturing high-gloss products based on polypropylene with optimum qualitative characteristics. The topic of sustainability for edging products was also on the agenda. An in-depth analysis of ABS edgings (acrylonitrile butadiene styrene) provided a transparent and verifiable presentation of the use of resources, the CO_2 footprint, energy consumption and waste footprint. The data obtained enables the benefit derived from using recycled raw materials to be precisely calculated. Many different types were developed for skirtings. The objective was to match the form, design and the material mix from a range of plastics to the

EMPLOYEES BY REGIONS

Location	Employees 31/12/2015	Employees 31/12/2016	Change
Germany	1,836	1,802	-34
USA	251	268	+17
United Kingdom	33	182	+149
Canada	136	132	-4
Sweden	113	113	-
Australia	84	90	+6
Asia	85	88	+3
South and Central America	39	41	+2
Poland	34	33	-1
Italy	24	27	+3
France	21	21	-
Russia	14	15	+1
Turkey	14	10	-4
Czech Republic	6	6	-
Romania	5	5	-
	2,695	**2,833**	**+138**

needs of our customers. Tools developed specially for processing the skirtings offer value added for professional floorlayers and create a unique selling point in the marketplace.

PEOPLE AND TRAINING

On 31 December 2016, an additional 138 employees were in the SURTECO Group's workforce compared to the equivalent year-earlier reporting date. This significant increase is essentially explained by the acquisition of the Nenplas Group on 1 December 2016. The average number of employees rose only slightly from 2,727 in 2015 to 2,736 employees in 2016, since the surplus of employees that had built up in 2016 as a result of the integration of the Süddekor companies completed in 2016 was scaled down. Accordingly, the size of the workforce in the Strategic Business Unit Paper came down from 1,412 employees in 2015 to 1,366 employees in 2016. 1,353 employees were attributable to the Strategic Business Unit Plastics in 2016 compared with 1,299 employees in the previous year. An average of 17 employees worked in the holding company SURTECO SE in 2016 (2015: 16 employees). Completion of the integration of the Süddekor companies exerted a positive impact on the fluctuation rate, which eased from 10.4 % in 2015 to 7.2 %. The average sickness ratio also fell from 4.7 % to 4.0 % in common with the average age coming down from 43.5 years to 43.0 years. The number of apprentices at 106 rose significantly compared with the previous year (92). Calculated on the basis of the employees working in Germany, the training ratio went up from 4.9 % in 2015 to 5.8 % in the year under review.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT-SYSTEM

The SURTECO Group with its individual subsidiary companies is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any event or circumstance that can lead to a negative deviation for the SURTECO Group now and/or in future from the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies and deploying derivative financial instruments, if this is feasible at reasonable commercial conditions. However, it is not possible to exclude the possibility that insurance cover or hedging with financial instruments is inadequate in individual cases or that appropriate protection cannot be obtained for specific risks.
The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization of SURTECO and its subsidiary companies. The Board of Management of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Board of Management works together with the management of the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Board of Management and is responsible within this framework for risks that it enters into in the course of its business activities. The management includes the employees in the Risk Management Department in the course of exercising their management functions. The Risk Management Manual applicable throughout the Group defines binding rules and conditions for the risk management process. This ensures that the identified individual risks are classified into damage and probability classes on the basis of their anticipated gross financial burden on the EBT with respect to the current and subsequent years using the following tables. Overcoming individual risks up to € 0.5 million is deemed to be the responsibility of the individual companies.
The identified individual risks are also allocated to risk categories to which the SURTECO Group is fundamentally exposed. The following risk and opportunities report explains these risk categories in general terms and provides information about the recorded individual risks in each category.
Appropriate measures for reducing and overcoming the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. Apart from regular reporting to the Board of Management and Supervisory Board, managers have a duty to report risks that occur unexpectedly without delay. The usefulness and efficiency of risk management and the controlling systems are monitored at regular intervals by the Board of Management and the management of the subsidiary companies. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.
Opportunities essentially arise on account of positive developments from outside influences of the kind that are described in the risk categories. Any opportunities identified are also recorded and documented, although they are not generally allocated to classes.

ACCOUNTING BASED ON INTERNAL CONTROLLING SYSTEM (ICS) – REPORT IN ACCORDANCE WITH § 289 (5) AND § 315 (2) NO. 5 GERMAN COMMERCIAL CODE (HGB)

The ICS comprises the accounting-based processes and controls which are significant for consolidated financial statements. The SURTECO Group bases the structure of its internal controlling system on the relevant publications of the Institute of Auditors (Institute der Wirtschaftsprüfer, IDW). There were no significant amendments to the accounting-based ICS between the balance sheet date and the preparation of the management report.
The preparation of the accounts and the financial statements is primarily carried out locally and in accordance with local standards. The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). A uniform chart of accounts and the use of an accounting manual form the basis for these documents. The Group holding company supports the companies as a central service provider on issues relating to accounting and manages the consolidated accounting process.

Damage class	Qualitative	Quantitative
1	Minor	> € 0.5 million - € 0.75 million
2	Moderate	> € 0.75 million - € 1.5 million
3	Major	> € 1.5 million - € 3.0 million
4	Threat to existence as a going concern	> € 3.0 million

Probability class	Qualitative	Quantitative
1	Slight	0 - 24 %
2	Moderate	25 - 49 %
3	Likely	50 - 74 %
4	Very likely	75 - 100 %

The subsidiary companies are included in the consolidated financial statements using an partly integrated accounting and consolidation system and on the basis of reporting packages. Consolidation is initially carried out as a multistage process at the level of the subsidiary companies, then at the level of segments and finally at Group level. The consolidated financial statements are prepared using a permanent structured process based on a calendar for the financial statements.
The plausibility of the figures is ensured at every level by manual and systematic checks. Transparent responsibilities and access rules for IT systems relevant to the financial statements are significant elements in this process. The controlling principles of separation of functions, double-check principle and approval and release procedures are applied to the annual financial statements and the consolidated financial statements. Information from external service providers is checked for plausibility.

The risks and opportunities presented below apply equally to SURTECO SE and the SURTECO Group.

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

MACROECONOMIC RISKS, MARKET RISKS AND MARKET OPPORTUNITIES

The business development of the SURTECO Group depends significantly on macro-economic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of the countries is therefore analysed as an indicator for the business performance since the manufactured products of SURTECO are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods increases when there is an economic upswing. Furthermore, the performance of the flooring, furniture and wood-based industry, and construction activity in the individual countries and markets is important for the business development of the Group. Both Strategic Business Units operate in more or less the same countries and sectors.
A local profile and cost leadership are key factors for market position and economic success in the market for coating products for furniture and interior design. This entails a product portfolio tailored to the market and control of operating processes and costs. SURTECO has production locations and additional sales locations on four continents, and this places the Group in the position of being able to supply its customers worldwide quickly as well as being able to identify trends in regional markets at an early stage. This gives SURTECO the opportunity to gain first-mover advantage when participating in trends. The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered. The most relevant geographical markets for SURTECO are located in Germany, Europe and in North America. SURTECO may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the company to participate indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at SURTECO.
Similar to the development of geographical markets, the Group also monitors the dynamic performance of sectors relevant for SURTECO.

The focus of this analysis is essentially on the flooring, furniture and wood-based industry. SURTECO will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.
A number of individual risks with a damage potential of less than € 0.5 million were identified in the category of market risks in the Strategic Business Unit Plastics and beyond the threshold of € 0.5 million, a risk of damage class 2 and probability class 3, and a risk of damage class 1 and probability class 3. No market risks were identified in the Strategic Business Unit Paper.
Further information on the likely development of the local economy and the furniture sector is given in the outlook report.

COMPETITIVE RISKS AND OPPORTUNITIES

An increased production depth has been observed among some competitors in the paper sector over recent years. This may lead to excess capacities and tougher competition. New local competitors may also enter the market at any time, particularly in the plastics sector. Conversely, the barriers to entry in the paper segment are relatively high on account of the investment sums required and the need for technical know-how. SURTECO is countering the high level of competitive pressure by expansion and reinforcement of existing business, innovative products, and not least a further increase in efficiency and productivity.
Since SURTECO is represented worldwide through its network of sales companies and already holds a strong market position in its most important divisions, there is an opportunity to achieve further market penetration, for example on the back of enhanced integration of sales and marketing activities of the two Strategic Business Units. There is also an opportunity for SURTECO to play a proactive role in future consolidation within the sector.
No individual risks were identified in this risk class.

OPERATIONAL RISKS

PROCUREMENT RISKS AND OPPORTUNITIES

SURTECO is dependent on outsourcing from suppliers and partners for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks, for example unexpected supply difficulties or unforeseeable price increases resulting from market consolidation, market bottlenecks or currency effects which could impact negatively on results. The Group meets risks associated with supply by a process of continuous material and supplier management. The measures involve analyzing the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications, arranging supply contracts, and detailed research into alternative raw materials.
A risk was identified in the category of procurement risks in damage class 3 and probability class 3 for the Strategic Business Unit Plastics and a risk below the threshold of € 0.5 million. No significant procurement risk was identified for the Strategic Business Unit Paper below the threshold of € 0.5 million.
The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significantly positive impact on the earnings situation. The research and development departments have a rolling programme of research into alternative raw materials and additives so that there is a possibility of identifying cheaper or higher quality substitute products.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and adaptation of the information technologies used in the Group. Against the background of a growing potential for risk based on increasing integration of computer-supported business processes in communication between the Group companies and in communication with customers, suppliers and business partners, ongoing development of the measures used to make information secure are a top priority. SURTECO limits risks relating to the availability, dependability and efficiency of information technology systems by making strategic investments and as appropriate by commissioning specialist companies. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can also be avoided through implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.
No individual risks were identified in this risk class.

PERSONNEL RISKS

The success of the company is dependent on having a workforce of qualified personnel at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the skills of technical specialists and managers. The employees of SURTECO receive regular basic and advanced training inside the company and with external providers in order to ensure staff have the appropriate qualifications in the relevant functions and countries.
No individual personnel risks were identified in the SURTECO Group.

PRODUCTION RISKS / TECHNOLOGY OPPORTUNITIES

An efficient and smooth-running production process is the enabler for the delivery capability of the companies. This entails the risk that machines or equipment may break down or the production workflow may be disrupted in some other way. To a certain extent, SURTECO is able to distribute production over several sites and thereby effectively minimize the risk of downtime. Production processes that cannot be distributed, or only with difficulty, are protected against production outage with standard measures such as subdivision into different fire zones. Furthermore, the systems and equipment are carefully maintained and the employees receive intensive training. If there are any complaints, extensive investigations are carried out in order to ascertain the causes. It is not possible to exclude the possibility that complaints may actually be traced to intermediate products, and when this is the case it is not always effective to seek recourse with the supplier. Environmental officers apply defined standards and regulations to monitor the environmental safety of products and production. Several risks in this risk category were recorded for the Strategic Business Unit Plastics below the threshold of € 0.5 million and one risk in damage class 2 and the probability class 2.
The production area also offers opportunities. A continuous improvement process was therefore implemented to identify and continuously realise any established potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company.

FINANCIAL RISKS

INTEREST AND CURRENCY RISKS, CURRENCY OPPORTUNITIES

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros may entail risks which can only be hedged to a certain extent. Although the exit of the United Kingdom from the European Union may exert an effect on the sales of the SURTECO Group owing to currency conversion, only a low single-digit proportion of sales were generated in GBP. The biggest proportion of foreign currency was represented by the USD with approximately 20 % in 2016. Opportunities may arise from correspondingly positive developments in currencies.
Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. SURTECO meets the remaining interest and currency risks by hedging positions with derivative financial instruments, and regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed by the central Treasury with the Board of Management and the responsible Managing Directors, and decisions are arrived at jointly.
One individual risk below the threshold of € 0.5 million was identified in the Strategic Business Unit Plastics for interest and currency risks.

LIQUIDITY RISKS

The Corporate Treasury Department in the holding company SURTECO SE is responsible for monitoring and controlling the liquidity of the Group and the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines and on factoring agreements.
Nevertheless, there is a risk that earnings and liquidity can be compromised by default on accounts receivable and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit ratings of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and cover provided by appropriate trade credit insurance policies.
No individual risks were identified in this category in the SURTECO Group.

FINANCING RISKS AND FINANCING OPPORTUNITIES

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the financial liabilities of the Group have residual terms of up to five years (see also maturity structure in item 30.3 of the Notes to the Consolidated Financial Statements) and have fixed interest rates. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with the lenders at standard market conditions in loan agreements, for example the ratio of EBITDA to interest income, and these have to be complied with by SURTECO. These indicators are continuously monitored by the Board of Management and the Supervisory Board. If there is an impending breach of any of the indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with during the business year 2016.

The current view is it will be possible to comply with the financial indicators in the business year 2017.
No individual risks were identified for the financing risks in the SURTECO Group.

FLUCTUATIONS IN VALUE FOR DERIVATIVES AND PARTICIPATIONS

The SURTECO Group recognizes goodwill in the balance sheet. The values in use for the cash generating units of the Group were assessed as being higher than the book values within the scope of the impairment test for the business year 2016. As a consequence, no impairments were carried out. There was also no requirement for adjustments in any of the participations of SURTECO SE. However, the possibility that planned targets may not be reached in the future cannot be excluded; there may also be a requirement to carry out an impairment.
The derivative financial instruments concluded by the Group for hedging purposes and in order to reduce risks are valued on a monthly basis. If there are significant fluctuations in underlying values such as interest base rates and currency parities, this may exert a negative impact or improve the earnings of the Group. Item 30 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.
No individual risks were identified from fluctuations in deliveries and participations in the SURTECO Group.

LEGAL AND REGULATORY RISKS / OPPORTUNITIES

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on the sales and the profitability.
Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on the sales and the profitability.
The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the products manufactured by the SURTECO Group acts to reduce risk. SURTECO is not currently involved in any court or arbitration proceedings that could exert a significant negative influence on the commercial situation of the Group. Conversely, SURTECO filed an arbitration claim against a company, the subject of which related to infringement of warranties in respect of environmental issues. The arbitration claim is intended to obtain compensation for the losses that were incurred and are still being incurred as a result of the warranty infringement and breach of the disclosure obligation. The claims already quantifiable amount to around € 2.5 million. In addition, a declaratory action was brought relating to future losses that have not yet been established. Although SURTECO and its advisors believe that the claim is well-founded, the legal dispute is naturally subject to the usual uncertainties which are associated with a proceeding of this nature. This applies in particular to the outcome of any taking of evidence. A statement of defence and reply have meanwhile been exchanged.
When business activities are carried out in third-party countries and at foreign locations of the Group, there are risks of social unrest, and economic and political instability. This may also involve nationalization proceedings relating to private assets.
A risk below the materiality threshold of € 0.5 million, a risk in the damage class 1 and probability class 2, and a risk in damage class 2 and probability class 3 were identified in this risk category for the Strategic Business Unit Plastics.
Furthermore, there is a general risk that unexpected fiscal risks may occur on account of the international alignment of the Group and the large number of subsidiaries. However, no individual fiscal risks have been identified in the SURTECO Group.

OVERALL RISK ASSESSMENT

SURTECO regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Board of Management and the Supervisory Board are informed of risks at an early stage. There are no risks which alone or in combination with other risks could pose a threat to the continued existence of the company as a going concern. Future risks posing a threat to the continued existence of the company as a going concern cannot currently be identified.
An overall analysis of all risks and opportunities demonstrates that as in the previous year the material influencing factors for SURTECO come from the markets. These risks include developments in price and quantity caused by the economic cycle impacting on customer industries and sectors, and developments in the procurement markets. Consequently, the main potential for risk relates to a recession in the global economy or in individual markets relevant for SURTECO and an ensuing collapse in the relevant sectors. By the same token, a global or regional economic upswing also offers the most significant opportunities for more

positive business development at the SURTECO Group. Overall, the weighted damage potential of all identified individual risks went down significantly compared with the previous year.
The opportunities and risks described can exert a significant effect on the net assets, financial position and results of the Group's operations. Additional risks that are unknown at the moment and that are believed to be very low at the current point in time could also impact negatively on business activities.

OUTLOOK REPORT

Robust growth projected for the global economy in 2017, risks are increasing

The latest forecast by the International Monetary Fund (IMF) in January 2017 anticipates slightly accelerated global economic growth of 3.4 % for 2017 compared with the previous year (+3.1 %). This could involve significant growth in emerging economies and developing countries (+4.5 % after +4.1 %) compared with 2016, while the developed economies continue on their path of just moderate expansion with 1.9 % compared with +1.6 % in 2016. In the eurozone, the IMF is projecting virtually unchanged growth at 1.6 %. The experts are predicting an increase of 1.5 % for Germany as the biggest economy within the eurozone. The gross national product of the USA is projected to generate significantly stronger growth (+2.3 %) compared with 2016 (+1.6 %). In Asia, dynamic growth performance is likely to increase slightly to 6.4 % for the first time in several years, although economic development in China is projected to continue the slowdown from +6.7 % in 2016 to +6.5 % in 2017.

Sector environment: Furniture industry can also anticipate slight growth in 2017

Against the background of robust economic growth projected for Germany in 2017, low unemployment, a positive consumer climate and an ongoing upturn in the construction industry contingent on the low-interest environment, the sector association for the German Furniture Industry (VDM) expects the German furniture industry to generate increased sales of up to 2 % for the year 2017. Alongside the above-mentioned positive stimuli from within Germany referred to above, this trend will once again be driven by rising demand from abroad. However, in its statement issued at the start of the year, the association refers to a sustained high level of pressure on imports. Uncertainties, continue to exist on account of the unquantifiable effects of changes arising from the new US government on the overall economy. The same caution applies to the effects arising from Brexit on the market in the United Kingdom. Conversely, the situation in Eastern Europe has relaxed somewhat.
On the back of the prospect of 26 new cruise ships being built in 2017 alone, the SURTECO subsidiary Gislaved will continue to operate as a supplier in a positive environment. The same applies to the recent acquisition of Nenplas in the United Kingdom in view of the ongoing buoyant caravan market.

IMF GROWTH FORECASTS FOR 2017 IN %

World	+3.4
Germany	+1.5
Eurozone	+1.6
Central and Eastern Europe	+3.1
USA	+2.3
Latin America	+1.2
Asia	+6.4

Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2017.

FRAMEWORK CONDITIONS FOR THE SURTECO GROUP

The global economy and the sector relevant for SURTECO continue to be the most important external factors for sales development in the company. During the course of the business year 2017, the management continues to anticipate slightly positive performance for the furniture sector and for macroeconomic development. The company does not anticipate any major impacts on its business arising from the planned exit by the United Kingdom from the EU, since the acquisition of the Nenplas Group in December 2016 provided the company with its own production facilities in the United Kingdom. The possibility of exchange-rate volatility in connection with the British pound as well as the US dollar may exert an indirect impact on sales and earnings. Moreover, the sales of the Nenplas Group were consolidated in the Group for the first time in the entire business year 2017. A key influencing factor for earnings performance is provided by prices of raw materials. These costs underwent a huge increase at the beginning of 2017, particularly in respect of the important plastic ABS and in the intermediate product titanium dioxide necessary for papers and chemical additives.

SALES FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

At Group level, the management is assuming a slight increase in sales revenues for the business year 2017. This assumption includes the expectation of substantial sales growth in the Strategic Business Unit Plastics on the basis of modest organic growth and first-time consolidation of the Nenplas Group for a full year. However, sales comparable with the year-earlier level are anticipated for the Strategic Business Unit Paper. Apart from reserved demand at the beginning of the year, this is due to volatility following concentration of the German decorative printing activities.

EARNINGS FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

The slightly increased prices for raw materials at the beginning of 2017 are exerting considerable pressure on the margins of the Group because these costs cannot be passed on in full and then only with a time lag. Taking account of the contributions to earnings by the Nenplas Group and other measures to increase profitability, the management nevertheless expects an increase in the earnings before financial result and income tax (EBIT) in the region of € 42 million to € 46 million for the business year 2017. However, by comparison with the year-earlier values, EBIT for the Strategic Business Unit Plastics is likely to increase significantly and EBIT for the Strategic Business Unit Plastics slightly.

COVENANTS

As in previous years, the company expects that the covenants will be complied with once more in the business year 2017.

OVERALL STATEMENT ON EXPECTED PERFORMANCE

Although the project directed towards merging the two German decorative printing operations has been successfully completed, it is still impacting the sales performance of the paper segment. In conjunction with the significant increase in the costs of raw materials in the two Strategic Business Units, the forecast for the business year 2017 is subject to a number of uncertainties. If demand starts to increase again in the second half of the year and the company is successful in passing on the increased costs of raw materials appropriately, a more positive performance is perfectly feasible.

COMPENSATION REPORT

This report describes the compensation system for the Board of Management and the Supervisory Board, as well as explaining the structure and the level of compensation for individual executive officers. It takes into account the recommendations of the German Corporate Governance Code with the exception of the deviations published in the Declaration of Compliance and observes the requirements of the German Commercial Code (HGB) in the version of the Act on the Disclosure of Management Board Compensation, (VorstOG), and the Stock Corporation Act (AktG) in the version of the Act on the Appropriateness of Executive Compensation (VorstAG).

COMPENSATION OF THE BOARD OF MANAGEMENT

Definition and review of the compensation structure

The compensation structure and the level of compensation of the Members of the Board of Management are defined on the basis of the proposal of the Supervisory Board's Personnel Committee and are regularly reviewed. The existing compensation system guarantees a level of remuneration appropriate to the activity and responsibility of the Members of the Board of Management. Alongside the functions of the individual Members of the Board of Management and their personal performance, further factors taken into account include the economic situation, the success and future prospects of the company, and the commensurate nature of the compensation in view of the comparative environment and the compensation structure otherwise applicable within the SURTECO Group.

The Supervisory Board reviewed the compensation system with the assistance of external expert consultants, and has come to the conclusion that it complies with the applicable statutory regulations and the recommendations of the German Corporate Governance Code with the exception of the deviations published in the Declaration of Conformity. The compensation is described below for the reporting year.

The compensation system is described below for the reporting year.

Compensation elements

The total cash compensation is comprised of a fixed compensation (basic salary) that is independent of any performance element and a performance-based variable component (bonus). The compensation for Members of the Board of Management also includes non-cash benefits and other payments.

Basic salary

The relevant basic salary of the Members of the Board of Management is paid in equal monthly instalments. It amounts to € 360,000 p.a.

Furthermore, none of the Members of the Board of Management has undertaken separately remunerated functions as executive officers at the consolidated subsidiary companies.

Bonuses

The applicable compensation system provides for variable bonuses, which the Supervisory Board defines at its discretion on the basis of the consolidated result before tax (EBT) – adjusted by additions/curtailments to be carried out as appropriate – in accordance with IFRS taking account of the return on sales. The correlation with a sustainable company performance and a basis of assessment over several years pursuant to § 87 (1) sentences 2 and 3 Stock Corporation Act (AktG) are guaranteed by the fact that 75 % of the bonus for the affected business year are paid in the following year and 25 % are retained without payment of interest. The retained 25 % are paid out after three years, and they are decreased or increased proportionately as a percentage if the average bonuses of the last three business years fall short of, or exceed, the bonuses of the third last business year. The retention cannot be a negative value. If a loss in the previous year has already reduced the ceiling of assessment, no retention is made. If a Board Member steps down from their office, the contracts of service make provision that the Board Member either (i) waits for the regular calculation of the retention after expiry of the reference period or (ii) the retention can be paid out with a flat-rate deduction of 10 % - the latter with the provision that the amount paid out may not be higher than the amount which was calculated for the last reference period.

Non-cash benefits and other payments

The Members of the Board of Management receive benefits in the form of non-cash benefits that fundamentally entail values to be recognized from the tax guidelines for use of a company car and various insurance premiums and in the case of Dr. Müller for a limited supplement in relation to accommodation in Buttenwiesen (at € 1,500 a month) and reimbursement for the costs of a weekly journey home. Dr.-Ing. Herbert Müller additionally receives an allowance amounting to € 000s 100 p.a. for his private retirement provision.

D&O insurance

A Directors' and Officers' Liability Insurance ("D&O" insurance) is provided for the Members of the Board of Management. Pursuant to the requirements of § 93 Section 2 Sentence 3 of the Stock Corporation Act (AktG), the excess (deductible) amounts to 10 % of the loss or damage up to an amount of one and a half times the fixed annual compensation of the Board Member.

Payments by third parties

During the business year under review, no Member of the Board of Management received payments or equivalent plan benefits from third parties (including companies with which the SURTECO Group maintains business relations) in relation to their activity as a Member of the Board of Management.

The following tables show compensation for the Members of the Board of Management in accordance with the recommendations of the German Corporate Governance Code:

Awarded allowances	Dr.-Ing. Herbert Müller				Dr.-Ing. Gereon Schäfer			
	Chairman, Group Strategy, Strategic Business Unit Plastics				Strategic Business Unit Paper			
					from 1 April 2015			
€ 000s	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**	**2015**	**2016**	**2016 (Min)**	**2016 (Max)**
Fixed compensation	360	360	360	360	270	360	360	360
Fringe benefits	52	49	0	[1]	24	35	0	[1]
Total	**412**	**409**	**360**	**[1]**	**294**	**395**	**360**	**[1]**
Variable compensation for one year	292	781	0	[1]	191	650	0	[1]
Variable compensation over several years (target attainment dependent on the average bonuses of the past three years)	98	261	0	[1]	64	216	0	[1]
Total	**802**	**1,451**	**360**	**[1]**	**549**	**1,261**	**360**	**[1]**
Pension expenses	100	100	100	100	0	-	-	-
Total compensation	**902**	**1,551**	**460**	**[1]**	**549**	**1,261**	**360**	**[1]**

[1] The fringe benefits as well as the variable compensation for the year and for several years, and consequently the overall compensation do not have an upper limit for the amount.

The following table shows the inflow (amount paid out) for the business years 2015 and 2016 from fixed remuneration, fringe benefits, variable compensation for the year and pension expenses.

Cash inflow	Dr.-Ing. Herbert Müller		Dr.-Ing. Gereon Schäfer	
	Chairman, Group Strategy, Strategic Business Unit Plastics		Strategic Business Unit Paper	
			from 1 April 2015	
€ 000s	**2016**	**2015**	**2016**	**2015**
Fixed compensation	360	360	360	270
Fringe benefits	49	52	35	24
Total	**409**	**412**	**395**	**294**
Variable compensation for one year	266[1]	845	214[1]	-
Variable compensation over several years (target attainment dependent on the average bonuses of the past three years)	[2]	[2]	[2]	[2]
Miscellaneous	-	-	-	-
Total	**675**	**1,257**	**609**	**294**
Pension expenses	100	100	-	-
Total compensation	**775**	**1,357**	**609**	**294**

[1] According to the resolution passed by the Supervisory Board on 30 June 2016, the compensation was defined notwithstanding the awarded allowances.
[2] In accordance with the compensation system applicable since 2015, compensation payable over several years will only be paid out after three years. See section on "Bonuses" in the Compensation Report for more information on this.

The former Chairman of the Board of Management Friedhelm Päfgen stepped down from his role in the company on 30 June 2015. The Supervisory Board defined bonuses for Mr. Päfgen for the business year 2015 on 26 June 2015 and passed a resolution to pay these when he left the company. In the year 2015, Mr. Päfgen was in receipt of fixed compensation for his activity on the Board of Management amounting to € 000s 126, fringe benefits of € 000s 32, pension expenses of € 000s 50 and variable remuneration of € 000s 1,801. The total compensation for the business year 2015 amounted to € 000s 2,009.

Loans to Members of the Board of Management

During the period under review, no advances or loans were granted to Members of the Board of Management of SURTECO SE.

Benefits for premature termination of employment

The contracts of service currently valid for the Members of the Board of Management automatically come to an end when the period of appointment for the relevant Member of the Board of Management is concluded. If the appointment of a Member of the Board of Management is revoked during the term of their contract of service, the Board Member affected can be placed on administrative leave for the remaining term of the contract and the compensation will continue to be paid. In each case, notice of termination can be served on the contracts of service by both sides for good cause. If a Member of the Board of Management is temporarily incapacitated and unable to work, the basic salary will be paid in the case of Dr. Müller for a period of up to 12 months and in the case of Dr. Schäfer up to six months. If death occurs during the period of the employment relationship, the heirs of the relevant Board Member have the right to continued payment of the basic salary for the month in which death occurred and ongoing for a period up to an additional six months.

If there is a "change of control", the Board Member Dr.-Ing. Herbert has the right within the space of 12 months to serve notice on his contract of service to the end of the month specified following the month of his submitting the notice of termination. He is entitled to payment of the outstanding fixed annual remuneration for the remaining term of the contract as a lump sum and an amount in the sum of € 500,000 for each year of the contract term commenced for which a bonus has not yet been paid. In accordance with subsection 4.2.3 of the German Corporate Governance Code, the obligation to make payments arising from the premature termination of the position as Member of the Board of Management shall not exceed 150 % of the cap for severance pay. There is no change of control clause for the Board Member Dr.-Ing. Gereon Schäfer.

COMPENSATION FOR THE SUPERVISORY BOARD

Compensation elements

The compensation for Members of the Supervisory Board is regulated in § 12 of the Articles of Association. Accordingly, the Members of the Supervisory Board receive, apart from reimbursement of their expenses, compensation payable after the business year has come to an end and after the resolution on the appropriation of the profit has been passed by the Annual General Meeting.

Compensation for the Supervisory Board 2016:

€	Total compensation		Basic salary	Compensation for work carried out on the Audit Committee
	2015	2016		
Dr.-Ing. Jürgen Großmann, Chairman	71,000	73,000	64,000	9,000
Björn Ahrenkiel, Vice Chairman	62,000	62,000	48,000	14,000
Dr. Markus Miele, Deputy Chairman	48,000	48,000	48,000	-
Dr. Matthias Bruse until 26 June 2015	19,500	-	-	-
Horst-Jürgen Dietzel until 29 February 2016	32,000	5,200	5,200	-
Markus Kloepfer	32,000	32,000	32,000	-
Jens Krazeisen from 29 February 2016	-	26,800	26,800	-
Wolfgang Moyses from 26 June 2015	16,500	32,000	32,000	-
Udo Sadlowski	32,000	32,000	32,000	-
Dr.-Ing. Walter Schlebusch	39,000	40,000	32,000	8,000
Thomas Stockhausen	32,000	32,000	32,000	-
Total	**384,000**	**383,000**	**352,000**	**31,000**

The compensation is € 400.00 per eurocent dividend per share for the year for which compensation is paid, but a minimum of € 18,000.00. If the dividend exceeds 90 eurocents per share, the compensation per eurocent shall only be € 200.00 for the part of the dividend which exceeds 90 eurocents. The compensation increases by a factor of two times for the Chairman of the Board of Management and by one and a half times for each deputy chairman. The members of the Audit Committee also receive a further remuneration amounting to a total of up to € 40,000 annually. The Supervisory Board decides on the amount and allocation of this further remuneration based on the proposal by the Audit Committee, at their discretion taking into account the time taken by each of the members of the Audit Committee to carry out their functions.

D&O insurance

A Directors' & Officers' liability insurance for purely financial losses ("D&O" insurance) is provided for Members of the Supervisory Board. The excess (deductible) amounts to € 50,000 for each insurance claim and year.

Other benefits

Members of the Supervisory Board receive no other amounts in remuneration above the compensation presented above or any other benefits for personally provided services, in particular for consultancy or mediation services.

Loans to Members of the Supervisory Board

During the period under review, no advances or loans were granted to Members of the Supervisory Board of SURTECO SE.

INFORMATION PURSUANT TO § 289 AND § 315 GERMAN COMMERCIAL CODE (HGB)

CAPITAL STOCK

The subscribed capital (capital stock) of SURTECO SE is € 15,505,731.00 and is fully paid up. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case. Each share guarantees one vote at the Annual General Meeting of the company. Apart from the statutory restrictions in certain cases, there are no restrictions on the voting right. There are no different categories of voting rights.

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

The Board of Management is authorized to increase the capital stock of the company once or in partial amounts by up to € 1,500,000.00 overall with the consent of the Supervisory Board through the issue of no-par-value bearer shares, for a cash consideration (Authorized Capital I) and once or in partial amounts by up to € 6,200,000.00 overall through the issue of no-par-value bearer shares, for a cash consideration or non-cash contributions (Authorized Capital II). Further information on capital stock is provided in the notes to the consolidated financial statements (item 26) or in the notes of SURTECO SE (item 6).

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Board of Management is aware that shareholders of SURTECO SE have joined together to form an association under civil law entitled "Share pool SURTECO SE". The objective of this pool is to jointly exercise the voting rights of 6,131,475 no-par-value shares in SURTECO SE (status 31 December 2016). Dispositions over shares in SURTECO SE in the share pool are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

DIRECT OR INDIRECT PARTICIPATIONS GREATER THAN 10 % OF THE VOTING RIGHTS

The following shareholders have notified us of a direct or indirect participation in our company that is greater than 10 % of the voting rights:

Name, place	Voting rights in %
Klöpfer & Königer Verwaltungs-GmbH, Garching	15.00

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT

The appointment and dismissal of Members of the Board of Management is carried out pursuant to §§ 84 ff. Stock Corporation Act (AktG). Changes to the Articles of Association are made in accordance with the regulations of §§ 179 ff. Stock Corporation Act (AktG).

DECLARATION ON CORPORATE MANAGEMENT

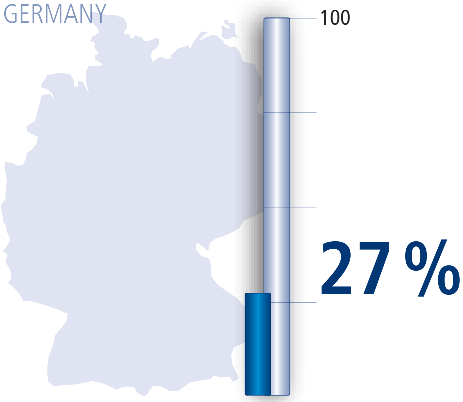
The Declaration on Corporate Management pursuant to § 289a German Commercial Code (HGB) in the form of the Corporate Governance Report including details on defining the promotion of women in management positions in accordance with § 76 (4) and § 111 (5) Stock Corporation Act, the Declaration of Compliance with justification and archive, the information on the practices of company management, the composition and working methods of the Board of Management and the Supervisory Board including its committees, the Articles of Association (statutes), and the auditor for 2016, can be accessed on the home page of the company by going to www.ir.surteco.com and clicking on the menu item "Corporate Governance".

DIVIDEND PROPOSAL

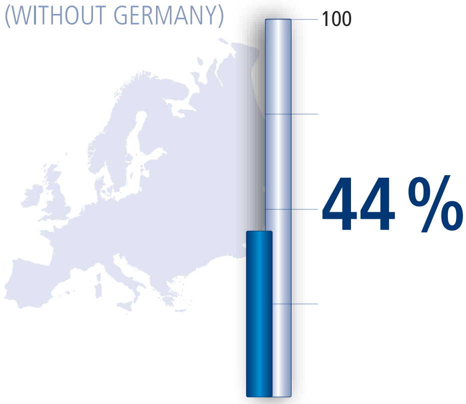
The Board of Management and Supervisory Board of SURTECO SE will recommend that the Annual General Meeting of the company to be held on 29 June 2017 in Munich adopt a resolution that the net profit of SURTECO SE amounting to € 12,404,584.80 should be distributed as follows: payment of a dividend per share amounting to € 0.80 (2015: € 0.80). This corresponds to a total amount distributed as dividend of € 12,404,584.80 for 15,505,731 shares.

PERCENTAGE OF TOTAL SALES

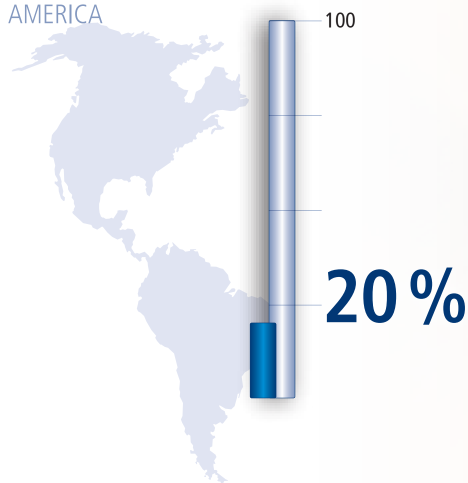
SALES REVENUES
GERMANY



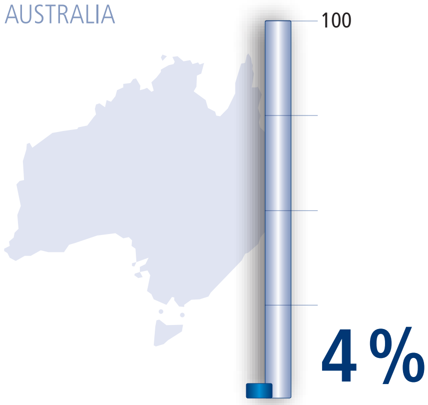
SALES REVENUES EUROPE
(WITHOUT GERMANY)



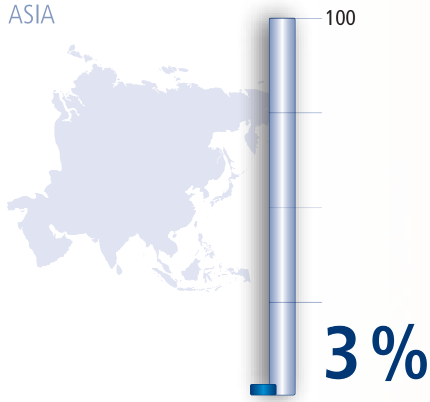
SALES REVENUES
AMERICA

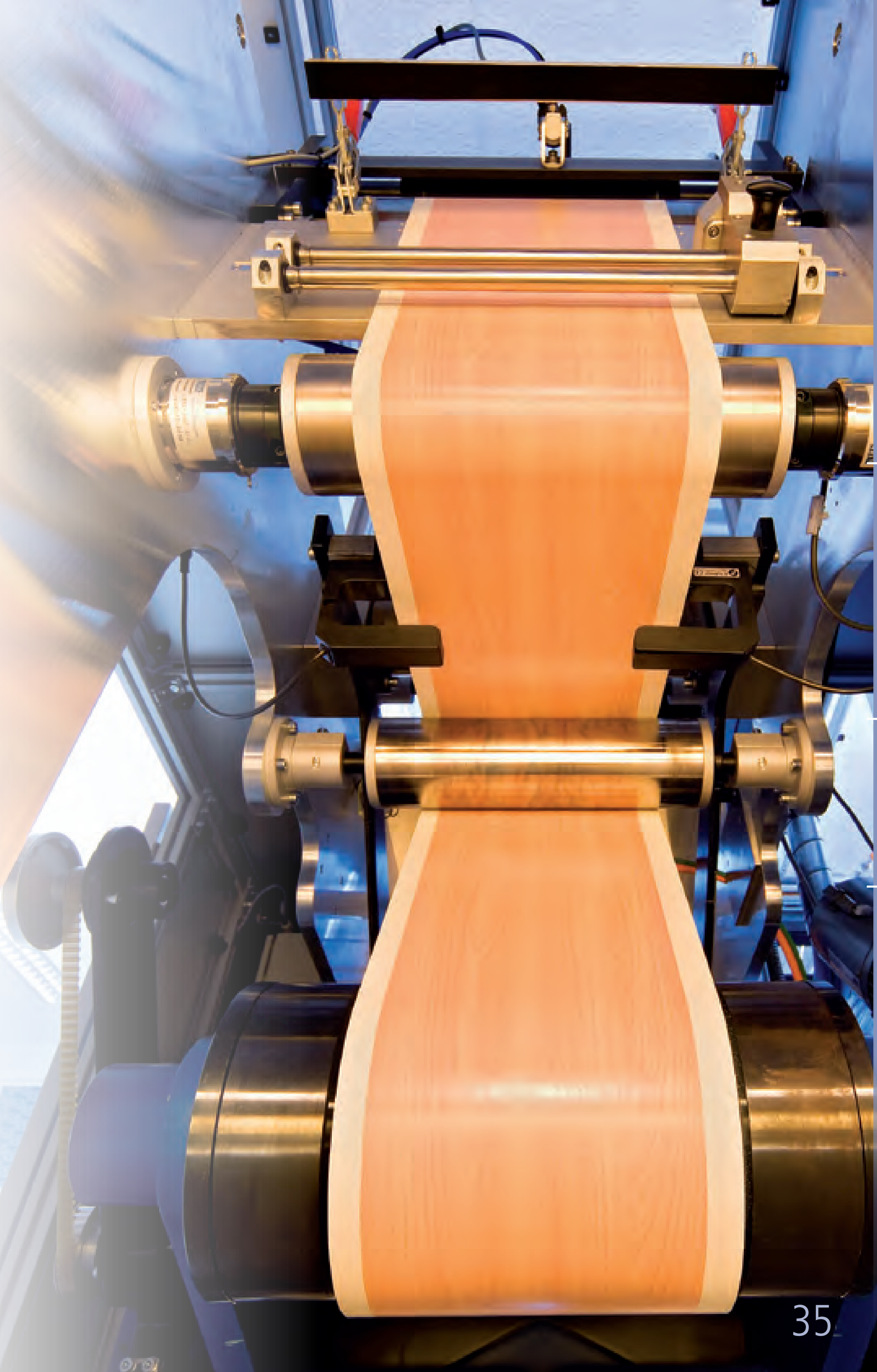


SALES REVENUES
AUSTRALIA



SALES REVENUES
ASIA





CALCULATION OF INDICATORS:

Cost of materials in %	Cost of materials/Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation and amortization)/ Net debt
Dividend yield at year end in %	Dividend per share/Year-end share price
Earnings per share in €	Consolidated net profit/ Weighted average of the issued shares
EBIT margin in %	EBIT/Sales revenues
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash flow from current business operations – (Acquisition of property, plant and equipment + Acquisition of intangible assets + Acquisition of companies + Proceeds from disposal of property, plant and equipment + Dividends received)
Interest cover factor	EBITDA/(Interest income – Interest expenses)
Level of debt in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities and Long-term financial liabilities – Cash and cash equivalents
Personal expense ratio in %	Personnel expenses/Total output
Return on equity in %	Consolidated net profit/(Equity – non-controlling interests – Appropriation of profit)
Return on sales %	(Consolidated net profit + Income tax)/Sales revenues
Total return on total equity in %	(Consolidated net profit + Income tax + Interest expense)/Total equity (= Balance sheet total)
Value added in €	(Sales revenues + Other income) – (Cost of materials + Depreciation and amortization + Other expenses)
Value added ratio (net) in %	Value added (net)/Corporate performance
Working capital in €	(Trade accounts receivables + Inventories) – Trade accounts liabilities

THE SURTECO SHARE

POSITIVE PERFORMANCE FOR STOCK-EXCHANGE YEAR IN 2016 THANKS TO YEAR-END SURGE

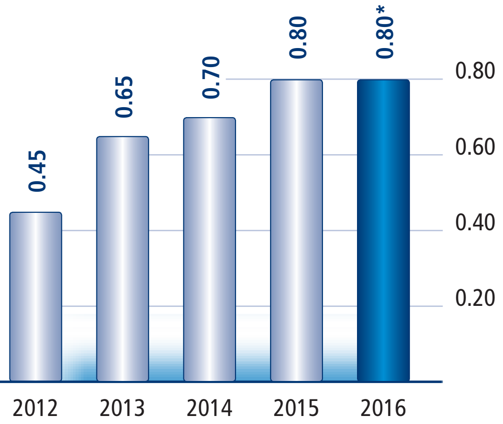
Once again, the stock-exchange year 2016 was not for the faint-hearted. The most important lead indexes suffered a collapse of more than 15 % by the middle of February thanks to economic uncertainties primarily focused on China. The status of the indexes then underwent consolidation and almost climbed back to the level at the beginning of the year by the middle of 2016. At the end of June, Brexit was the cause of further price falls and the German DAX lead index, for example, posted a shortfall of around one tenth on 30 June compared with the beginning of the year. However, stock exchanges across the world were driven by favourable economic stimuli and showed positive development during the second half of the year. Following on from the US election at the beginning of November, hopes of a politically driven economic stimulus package resulted in a significant surge at the end of the year. Base rates stubbornly remaining at historic lows and the associated expansive monetary policies pursued by the central banks continued to exert a positive impact. In 2016, the lead currencies also went through a roller-coaster ride. The US dollar climbed against the euro in expectation of rising interest rates to a 14-year high. A remarkable feature was the renaissance of many prices of raw materials during the second half of the year, and the rise in the price of oil was particularly noteworthy. Against this background and fuelled by positive expectations following the election of Donald Trump as the new US President, the Dow Jones lead index in the US broke through the threshold of 20,000 points almost for the first time towards the end of December. At year-end, the index posted an increase of more than 13 %. The European stock exchanges by contrast posted a varied picture. The EURO STOXX 50 suffered from banking weakness in 2016 and remained virtually unchanged in a year-on-year comparison. By contrast, the DAX also benefited from an end-of-year rally after a very weak start to the year and posted a positive annual performance of around 7 %. The year-end close of 10,481 simultaneously represented the year-end high. The SDAX small-cap index also experienced a turbulent stock-exchange year. It started at 9,100 points before plummeting within a few weeks to a low for the year under 7,600. However, after a strong second half year on the stock exchange, it ended the year at 9,519 points. This corresponded to an annual performance of 4.6 %.

SURTECO SHAREHOLDERS CAN LOOK FORWARD TO A POSITIVE SHARE PRICE PERFORMANCE IN 2016

The share price of SURTECO was unable to escape the weak stock-exchange trend during the initial weeks of the year under review and declined from € 21.67 per share at year-end 2015 to the low for the year of € 17.60 on 9 February. The general recovery

SHARE PRICE PERFORMANCE 2016 IN €

DEVELOPMENT OF THE DIVIDEND 2012-2016 IN €



* (Proposal by the Board of Management and the Supervisory Board)

of the stock exchange and solid results reported in the first six months of the year enabled the share to climb back to € 20.50 by the middle of the year. Confirmation of the forecast by the middle of August in relation to a slight increase in sales and a substantial improvement in results supported the confidence of the capital market and led to a number of positive recommendations from analysts. The SURTECO share reflected this sentiment and climbed back to a value above € 22. By the time the figures for the first nine months were announced in November, the share had stabilized in a relatively tight corridor between € 22 and € 23. The slight disappointment of the capital market entailed by the concrete figures relating to growth in earnings led to profit-taking from the middle of November and a fall in the price of up to € 20.55. Buoyed by the year-end rally on German stock exchanges and a positive assessment for the takeover of the British Nenplas Group, the SURTECO share once again underwent a strong rise until the end of December and concluded the stock-market year at € 23.67 just below the high for the year of € 23.85. This enabled SURTECO shareholders to enjoy an increase in price of 9.2 % during the reporting year 2016. Including the dividend payout of € 0.80, the performance is eminently respectable with an overall increase of 13 %. The price was € 23.20 at the time of the editorial deadline for the Annual Report at the end of March 2017.

MARKET CAPITALIZATION RISES TO € 367 MILLION AT THE END OF THE YEAR 2016

In view of the positive share price development, the market capitalization of the company rose from around € 336 million at year-end 2015 to around € 367 million at the end of December 2016. At this point in time, 55.4 % of the shares remained in the hands of the founding shareholders of SURTECO. The free float was 44.6 % and the number of shares remained constant at 15,505,731 no-par-value shares.

DIVIDEND PAYOUT OF € 12.4 MILLION

The shareholders of SURTECO SE have traditionally participated appropriately in the success of the company. On the basis of this principle, the restructuring expenses arising from the integration of the Süddekor companies have not been taken into account in the dividend payment. This has significantly increased the payout ratio. The decision to leave the dividend payment for the business year 2016 at the level of the previous year is based on the long-term strategy of paying approximately 50 % of the consolidated net profit to shareholders. The Board of Management and Supervisory Board will therefore submit a proposal for approval at the Annual General meeting for the business year 2016 on 29 June 2017 to pay a dividend per share of € 0.80. Based on the closing price for the share at the end of 2016, this represents a dividend yield of around 3.4 %.

CLOSE DIALOGUE WITH INSTITUTIONAL AND PRIVATE INVESTORS

The Chairman of the Board of Management of the company Dr. Herbert Müller and the CFO Andreas Riedl devote a significant amount of their work to detailed dialogue with all investors in an atmosphere of trust. In the course of this work, SURTECO continued to participate in numerous roadshows and investor meetings in Germany and abroad in the course of 2016. SURTECO was regularly tracked and evaluated by four equity research analysts. The highpoint of communication with private investors was once more undoubtedly the Annual General Meeting held in Munich on 30 June 2016. The Board of Management also intensified its work with the financial media in the form of interviews and press roadshows, augmented by tours through the production facilities over the past 12 months.

All information on the company can be found on the Internet pages of SURTECO SE SURTECO SE (www.ir.surteco.de). The Investor Relations Department of the company can be contacted directly at any time and will be pleased to address any questions and ideas you may have on matters you wish to discuss:

Investor Relations and Press Office
Johan-Viktor-Bausch-Str. 2
D-86647 Buttenwiesen-Pfaffenhofen

Phone: +49 82 74/99 88-508
Fax: +49 82 74/99 88-515
Email: ir@SURTECO.com

SURTECO SHARES (CLOSE PRICE XETRA)

€	2015	2016
Number of shares (31 December)	15,505,731	**15,505,731**
Price at start of year	23.81	**20.78**
Year-end price	21.67	**23.67**
Price per share (high)	27.77	**23.85**
Price per share (low)	17.04	**17.60**
Stock market turnover in shares per month	372,534	**302,543**
Market capitalization at year-end in € million	335.9	**367.0**
Free float in %	45.4	**44.6**

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

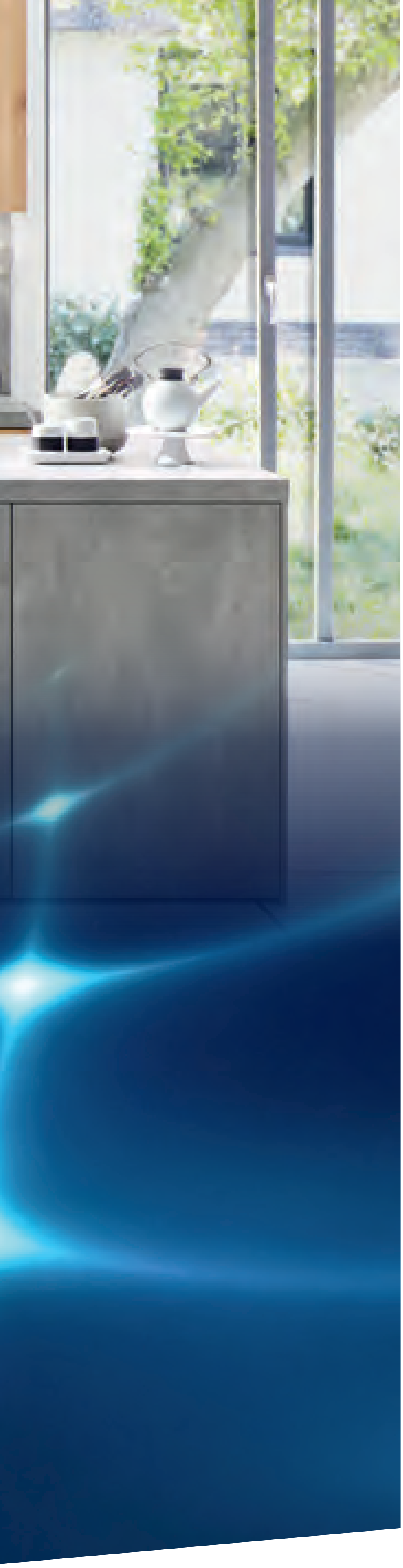
€ million	2015	2016
Sales	638.4	**639.8**
EBITDA	65.0	**74.3**
EBIT	31.1	**40.9**
EBT	26.8	**35.0**
Consolidated net profit	17.7	**23.9**

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2015	2016
Earnings (by weighted average of shares issued)	1.14	**1.54**
Dividend	0.80	(Proposal by the Board of Management and Supervisory Board) **0.80**
Dividend yield at year-end in %	3.7	**3.4**

INDICATORS OF THE SHARE

Type of security	No-par-value share
Market segment	Official market, Prime Standard
WKN	517690
ISIN	DE0005176903
Ticker symbol	SUR
Reuter's ticker symbol	SURG.D
Bloomberg's ticker symbol	SUR
Date of first listing	2/11/1999



CONSOLIDATED FINANCIAL STATEMENTS 2016

CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2015*)	1/1/-31/12/ 2016
Sales revenues	(1)	**638,394**	**639,815**
Changes in inventories	(2)	-1,027	5,379
Other own work capitalized	(3)	4,987	3,942
Total output		**642,354**	**649,136**
Cost of materials	(4)	-322,673	-324,581
Personnel expenses	(5)	-161,949	-157,995
Other operating expenses	(6)	-100,238	-98,672
Other operating income	(7)	7,463	6,450
EBITDA		**64,957**	**74,338**
Depreciation and amortization	(16)	-33,847	-33,461
EBIT		**31,110**	**40,877**
Interest income		905	702
Interest expenses		-9,201	-8,794
Other financial expenses and income		3,636	1,857
Share of profit of investments accounted for using the equity method		393	395
Financial result	(8)	-4,267	-5,840
EBT		**26,843**	**35,037**
Income tax	(9)	-9,249	-11,263
Net income		**17,594**	**23,774**
Of which:			
Owners of the parent (consolidated net profit)		17,721	23,867
Non-controlling interests		-127	-93
Basic and diluted earnings per share (€)	(10)	1.14	1.54
Number of shares at 31 December		15,505,731	15,505,731

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section “Adjustments to the Consolidated Financial Statements in accordance with IAS 8”).

STATEMENT OF COMPREHENSIVE INCOME

€ 000s	1/1/-31/12/2015*)		1/1/-31/12/2016	
Net income		**17,594**		**23,774**
Components of other omprehensive income not to be reclassified to the income statement				
Remeasurements of defined benefit obligations	-126		-317	
of which included deferred tax	37		110	
		-89		**-207**
Components of other comprehensive income that may be reclassified to the income statement				
Net gains/losses from hedging of net investment in a foreign operation	421		-746	
of which included deferred tax	-124		216	
Exchange differences translation of foreign operations	6.891		-859	
Financial instruments available-for-sale				
Fair valuation of cash flow hedges	148		-375	
of which including deferred tax	-43		109	
Reclassification amounts in the income statement	-169		-182	
of which included deferred tax	50		53	
		7,174		**-1,784**
Other comprehensive income for the year		**7,085**		**-1,991**
Comprehensive income		**24,679**		**21,783**
Owners of the parent (consolidated net profit)		24,715		21,743
Non-controlling interests		-36		40

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section "Adjustments to the Consolidated Financial Statements in accordance with IAS 8").

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2015*)	31/12/2016
ASSETS			
Cash and cash equivalents	(11)	65,654	60,416
Trade accounts receivable	(12)	56,361	52,072
Receivables from affiliated enterprises		500	626
Inventories	(13)	113,252	119,596
Current income tax assets	(14)	6,247	2,318
Other current non-financial assets	(15)	5,600	6,607
Other current financial assets	(15)	3,632	19,650
Current assets		**251,246**	**261,285**
Property, plant and equipment	(17)	244,933	245,628
Intangible assets	(18)	22,228	34,109
Goodwill	(19)	111,359	118,828
Investments accounted for using the equity method	(20)	3,281	1,694
Financial assets	(20)	21	21
Non-current income tax assets	(14)	154	0
Other non-current financial assets	(24)	14,269	5,778
Deferred taxes	(9)	8,236	6,526
Non-current assets		**404,481**	**412,584**
		655,727	**673,869**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(24)	4,970	72,357
Trade accounts payable		48,728	48,888
Income tax liabilities	(21)	3,511	2,639
Short-term provisions	(22)	8,205	3,583
Other current non-financial liabilities	(23)	2,507	2,655
Other current financial liabilities	(23)	24,625	21,650
Current liabilities		**92,546**	**151,772**
Long-term financial liabilities	(24)	187,272	123,629
Pensions and other personnel-related obligations	(25)	12,750	13,030
Other non-current financial liabilities	(24)	0	4,300
Deferred taxes	(9)	28,778	34,586
Non-current liabilities		**228,800**	**175,545**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		178,164	181,436
Consolidated net profit		17,721	23,867
Capital attributable to owners of the parent		**334,146**	**343,564**
Non-controlling interests		235	2,988
Equity	(26)	**334,381**	**346,552**
		655,727	**673,869**

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section "Adjustments to the Consolidated Financial Statements in accordance with IAS 8").

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1/-31/12/ 2015*)	1/1/-31/12/ 2016
Earnings before income tax		**26,843**	**35.037**
Payments for income tax		-6,256	-4,091
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(16)	33,847	33,461
- Interest income and result for investments	(8)	8,297	8,092
- Gains/losses from the disposal of fixed assets		-2,207	695
- Change in long-term provisions		7	280
- Other expenses/income with no effect on liquidity*)		-4,950	-377
Internal financing		**55,581**	**73,097**
Increase/decrease in			
- Trade accounts receivable	(12)	3,634	7,721
- Other assets		10,617	-3,122
- Inventories	(13)	-5,442	-5,097
- Accrued expenses		-3,818	-4,616
- Trade accounts payable		6,895	-1,209
- Other liabilities		1,707	-8,403
Change in assets and liabilities (net)		**13,593**	**-14,726**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(31)	**69,174**	**58,371**
Acquisition of companies		0	-23,453
- net of cash acquired		0	2,066
Purchase of property, plant and equipment	(17)	-29,676	-31,458
Purchase of intangible assets	(18)	-1,952	-3,016
Proceeds from the disposal of property, plant and equipment		3,080	91
Dividends received from investments accounted for using the equity method		86	241
Disposal of investments		0	1,200
CASH FLOW FROM INVESTMENT ACTIVITIES	(31)	**-28,462**	**-54,329**
Dividend paid to shareholders	(26)	-10,854	-12,405
Proceeds of long-term financial liabilities	(30)	2,000	16,476
Repayment of long-term financial liabilities	(30)	-1,598	0
Changes in short-term financial liabilities	(30)	-559	-5,744
Interest received	(8)	905	702
Interest paid	(8)	-7,562	-7,651
CASH FLOW FROM FINANCIAL ACTIVITIES	(31)	**-17,668**	**-8,622**
Change in cash and cash equivalents		**23,044**	**-4,580**
Cash and cash equivalents			
1 January		43,060	65,654
Effect of changes in exchange rate on cash and cash equivalents		-450	-658
31 December	(11)	**65,654**	**60,416**

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section "Adjustments to the Consolidated Financial Statements in accordance with IAS 8").

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Capital reserve	Retained earnings				Con-solidated net profit*)	Non-control-ling interests	Total*)
			Fair value measure-ment for financial instru-ments	Other compre-hensive income	Currency translation adjust-ments	Other retained earnings*)			
31 December 2014	**15,506**	**122,755**	**495**	**-1,681**	**-6,330**	**171,566**	**18,464**	**326**	**321,101**
Adjusted on the basis of IAS 8*)	**0**	**0**	**0**	**0**	**0**	**-545**	**0**	**0**	**-545**
1 January 2015	**15,506**	**122,755**	**495**	**-1,681**	**-6.330**	**171,021**	**18,464**	**326**	**320,556**
Net income*)	0	0	0	0	0	0	17,721	-127	17,594
Other comprehensive income	0	0	-14	-89	7,152	0	0	36	7,085
Comprehensive income	**0**	**0**	**-14**	**-89**	**7,152**	**0**	**17,721**	**-91**	**24,679**
Dividend payout SURTECO SE	0	0	0	0	0	0	-10,854	0	-10,854
Allocation to retained earnings	0	0	0	0	0	7,610	-7,610	0	0
Changes in equity	**0**	**0**	**0**	**0**	**0**	**7,610**	**-18,464**	**0**	**-10,854**
31 December 2015	**15,506**	**122,755**	**481**	**-1,770**	**822**	**178,631**	**17,721**	**235**	**334,381**
1 January 2016	**15,506**	**122,755**	**481**	**-1,770**	**822**	**178,631**	**17,721**	**235**	**334,381**
Net income	0	0	0	0	0	0	23,867	-93	23,774
Other comprehensive income	0	0	-395	-207	-1,442	0	0	53	-1,991
Comprehensive income	**0**	**0**	**-395**	**-207**	**-1,442**	**0**	**23,867**	**-40**	**21,783**
Dividend payout SURTECO SE	0	0	0	0	0	0	-12,405	0	-12,405
Allocation to retained earnings	0	0	0	0	0	5,316	-5,316	0	0
Changes in consolidated companies	0	0	0	0	0	0	0	2,793	2,793
Changes in equity	**0**	**0**	**0**	**0**	**0**	**5,316**	**-17,721**	**2,793**	**-9,612**
31 December 2016	**15,506**	**122,755**	**86**	**-1,977**	**-620**	**183,947**	**23,867**	**2,988**	**346,552**

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section "Adjustments to the Consolidated Financial Statements in accordance with IAS 8").

SURTECO SE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE BUSINESS YEAR 2016

I. ACCOUNTING PRINCIPLES

SURTECO SE is a company listed on the stock exchange under European law. The company is based in Buttenwiesen-Pfaffenhofen, Germany and is registered in the Company Register of the Local Augsburg Court (Amtsgericht Augsburg) under HRB 23000. The purpose of the companies consolidated in the SURTECO Group is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2016 have been prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the balance-sheet date, as they were adopted by the EU, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the regulations to be applied in addition pursuant to § 315a (1) German Commercial Code (HGB). New standards adopted by the IASB will be applied after they have been adopted by the EU from the date on which they are first mandatory. Application and change to the valuation and accounting methods will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

Pursuant to § 315a German Commercial Code (HGB), the consolidated financial statements have been drawn up in accordance with Clause 4 of Directive (EU) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002 relating to application of the International Accounting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and were supplemented by specific information and the consolidated management report, and were adjusted in conjunction with § 315a German Commercial Code (HGB).

The consolidated financial statements have been drawn up in the reporting currency euros (€). Unless otherwise indicated, all amounts have been given in thousand euros (€ 000s).

The balance sheet date of SURTECO SE and the consolidated subsidiaries is 31 December 2016.

The consolidated financial statements and the consolidated management report for 2016 will be published in the Federal Gazette (Bundesanzeiger).

Some items in the consolidated income statement and the consolidated balance sheet for the Group have been combined and stated separately in the Notes to the Consolidated Financial Statements. This is intended to improve the clarity and informative nature of presentation. The income statement has been drawn up in accordance with the cost of production method.

The auditors PricewaterhouseCoopers GmbH and other appointed auditing companies have audited the financial statements or the sub-groups that form part of the consolidated financial statements.

The consolidated financial statements of SURTECO SE for the fiscal year 2016 were prepared on 27 April 2017 and forwarded to the Supervisory Board for auditing. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements. The Supervisory Board is to approve the consolidated financial statements at the meeting on 27 April 2017. The Board of Management will then release the statements for publication.

II. ACCOUNTING PRINCIPLES IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CHANGE IN ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods essentially correspond to the methods applied in the previous year.

ACCOUNTING STANDARDS AND INTERPRETATIONS APPLIED

During the business year, the following new and revised standards and interpretations listed below were applied for the first time. They give rise to the following affects on the net assets, financial position and results of operations. Individual standards were changed in the course of the Annual Improvement Procedure (AIP 2010-2012 and AIP 2012-2014). No important effects result from the application of these changes in the SURTECO Group.

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Effects on SURTECO
IAS 1 (A)	Disclosure initiative	01/01/2016	yes	yes
IAS 16 (A)/ IAS 38 (A)	Clarification of acceptable methods of depreciation and amortization for property, plant and equipment and intangible assets	01/01/2016	yes	none
IAS 16 (A)/ IAS 41 (A)	Agriculture: Bearer plants	01/01/2016	yes	none
IAS 19 (A)	Clarification on accounting requirements of employees' contributions for defined benefit plans	01/02/2015	yes	none
IAS 27 (A)	Separate financial statements (equity method)	01/01/2016	yes	none
IFRS 10 (A)/ IFRS 12 (A)/ IAS 28 (A)	Investment entities – Applying the consolidation exception	01/01/2016	yes	none
IFRS 11 (A)	Purchase of shares in joint operations	01/01/2016	yes	none
Changes due to the Annual Improvement Projects (AIP 2010-2012)				
IAS 16 (A)	Property, plant and equipment: Revaluation method	01/02/2015	yes	none
IAS 24 (A)	Related party disclosures: Key management personnel	01/02/2015	yes	none
IAS 38 (A)	Intangible assets: Revaluation method	01/02/2015	yes	none
IFRS 2 (A)	Share-based payment: Definition of "vesting conditions"	01/02/2015	yes	none
IFRS 3 (A)	Business combinations: Accounting of contingent consideration regarding a business combination	01/02/2015	yes	none
IFRS 8 (A)	Operating segments: Aggregation of operating segments and reconciliation of the total assets of the operating segment being reported to the assets of the entity	01/02/2015	yes	none
IFRS 13 (A)	Fair value measurement: Clarification for removing discounting of short-term receivables and payables	01/02/2015	yes	none

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Effects on SURTECO
Changes due to the Annual Improvement Projects (AIP 2012-2014)				
IAS 19 (A)	Employee benefits: Outlines the accounting requirements in an international currency area	01/01/2016	yes	none
IAS 34 (A)	Interim reporting: Meaning of "statement at another place in the interim report"	01/01/2016	yes	none
IFRS 5 (A)	Non-current assets held for sale and discontinued operations: Changes in methods of disposal	01/01/2016	yes	none
IFRS 7 (A)	Financial instruments: Disclosure requirements in connection with contracts for managing financial assets and applicability of changes in IFRS 7 to condensed interim financial statements	01/01/2016	yes	none
(A) Amended				
(R) Revised				

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED AND HAVE TO BE APPLIED IN THE FUTURE

The following new and revised standards and interpretations, which were not yet mandatory during the reporting period or had not yet been adopted by the European Union, are not being applied in advance. Individual standards were changed in the framework of Annual Improvement Projects (AIP 2014-2016).

SURTECO SE is investigating the resulting effects on the consolidated financial statements.

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 7 (A)	Disclosure Initiative	01/01/2017*	no	yes
IAS 12 (A)	Recognition of deferred tax assets for unrealized losses	01/01/2017*	no	yes
IAS 40 (A)	Transfers of property held as a financial investment	01/01/2018*	no	none
IFRS 2 (A)	Classification and valuations of a proportionate share of transactions	01/01/2018*	no	none
IFRS 4 (A)	Application of IFRS 9 with IFRS 4 Insurance contracts	01/01/2018*	no	none
IFRS 9	Financial instruments	01/01/2018	yes	yes
IFRS 10 (A)/ IAS 28 (A)	Disposal of the assets of an investor in, or contribution to its associated company or joint venture	still under consideration (originally 01/01/2016)*	no	none
IFRS 14	Regulatory deferral accounts	(originally 01/01/2016)*	no	none
IFRS 15	Revenue from contracts with customers	01/01/2018	yes	yes
IFRS 15 (A)	Clarification of revenue from contracts with customers	01/01/2018*	no	yes
IFRS 16	Leases	01/01/2019*	no	yes
IFRIC 22	Foreign currency transactions and advance consideration	01/01/2018*	no	none

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
Changes due to the Annual Improvement Projects (AIP 2014-2016)				
IAS 28 (A)	Clarification of shares in associated companies and joint ventures	01/01/2018*	no	none
IFRS 1 (A)	First-time application of IFRS: Removal of time-limited exemptions	01/01/2018*	no	none
IFRS 12 (A)	Clarification of disclosures of interests in other entities	01/01/2017*	no	none
(A) Amended				
(R) Revised				

* Date of first-time application in accordance with IASB-IFRS (since these regulations have not yet been adopted in EU law)

The following accounting principles published by the IASB do not yet have to applied mandatorily and they have also not yet been applied by the SURTECO Group.

In July 2014, the IASB published **IFRS 9, Financial Instruments**. IFRS 9 introduced a uniform approach to the classification and valuation of financial assets. The standard uses as a basis the payment flow characteristics and the business model according to which they are controlled. Furthermore, it provides for a new impairment model which is based on the expected credit defaults. IFRS 9 also includes new regulations on the application of hedge accounting in order to provide an improved presentation of the risk management activities of a company, particularly in relation to the control of non-financial risks. The new standard applies to business years which start on or after 1 January 2018; prior application is permitted. The SURTECO Group will apply IFRS 9 for the first time in the business year beginning on 1 January 2018. The application of IFRS 9 is likely to exert effects on the classification and valuation of the financial assets of the Group as a result of the introduction of new valuation categories, but it is not expected to have significant effects on the classification and valuation of financial liabilities. As a result of the changed regulation for presentation of impairment of financial instruments, there will be a trend to increase risk provision on the basis of the Expected Loss Model. Furthermore, IFRS 9 requires comprehensive new disclosures, particularly on the reporting of hedging transactions and credit risk. The analysis for identification of the extent to which expansion of previous reporting is necessary has not yet been concluded. An in-depth assessment of the impacts on the consolidated financial statements of the company still has to be carried out.

In May 2014, the IASB published **IFRS 15, Revenue from Contracts with Customers**. According to the new standard, the recording of revenues should reflect the transfer of the promised goods or services to the customer with the amount which corresponds to the consideration that the company is likely to receive in exchange for these goods or services. Revenues are realized when the customer receives the power of disposal over the goods or services. Furthermore, IFRS 15 includes regulations of the recognition of performance surpluses or obligations existing at contract level. These are assets and liabilities arising from customer contracts which result depending on the relationship of the performance provided by the company and the payment made by the customer. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18 Revenue, and the associated interpretations. The standard has to be applied for the first time in business years which begin on or after 1 January 2018; prior application is permitted. The SURTECO Group will apply the standard for the first time in the business year beginning on 1 January 2018. Any changes to the total amount of the revenues recognized for a customer contract are only expected to a very limited extent. The SURTECO Group does not expect any significant impacts on its consolidated financial statements.

In January 2016, the IASB published **IFRS 16, Leases**. IFRS 16 abolishes the existing classification of leasing contracts on the lessee side in operating and finance leasing arrangements. Instead of this, IFRS 16 introduces a lessee accounting model, according to which the lessee is obliged to recognize assets (for the right of use) and leasing liabilities in the case of leasing contracts with a term of more than twelve months. In future, this will result in leasing arrangements that have so far not been reported – largely comparable with today's reporting of finance leasing arrangements – to be recognized in the balance sheet. IFRS 16 applies to business years which start on or after 1 January 2019; prior application is permitted, if IFRS 15 is already applied. The adoption of the change by the EU has not yet taken place. Later mandatory application may result in individual cases that that defined below. The SURTECO Group is currently examining which effects the application of IFRS 16 will have on the consolidated financial statements of the company.

III. CONSOLIDATED COMPANIES

SURTECO SE and all significant companies (including special-purpose entities), in which SURTECO SE has a controlling influence, are included in the consolidated financial statements on 31 December 2016. Control exists if SURTECO SE is exposed to variable returns from the relationship with a company and has power over the company. Power means that SURTECO SE has existing rights that give it the current ability to direct the relevant activities of the company and thus exert a significant influence over the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. In the case of structured entities, control normally derives from contractual agreements. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which the control exists until it is no longer possible to exercise such control.

Investment in associates in which the SURTECO Group exerts a significant influence – generally through a shareholding of 20 % to 50 % – and investment in joint ventures are accounted for using the equity method.

Three companies are not included in the consolidated financial statements for 2016 (2015: three companies) on the grounds that they either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

Alongside SURTECO SE, the following companies are included in the consolidated financial statements for the Group:

	31/12/2015	Additions	Disposals	31/12/2016
Consolidated subsidiaries				
- of which in Germany	10*	0	0	10*
- of which abroad	20	6	0	26
Subsidiaries reported at acquisition costs				
- of which abroad	3	0	0	3
Companies accounted for using the equity method				
- of which abroad	1	0	-1	0
- of which abroad	2	0	-1	1
	36	**6**	**-2**	**40**

* of which 2 special-purpose entities

The companies included in the consolidated financial statements at 31 December 2016 and the information on subsidiaries and participations held directly and indirectly by SURTECO SE are included in the list under "SURTECO Holdings". The annual financial statements and the management report of SURTECO SE for the business year 2016 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

In the business year 2016, the joint venture company Canplast Centro America S.A., Guatemala was liquidated.
Furthermore, the participation in the associated company Saueressig Design Studio GmbH, Mönchengladbach was ended in the third quarter of the business year 2016.

These disposals exerted no significant influences on the net assets, financial position and results of operations of the SURTECO Group.

IV. BUSINESS COMBINATIONS

With effect from 1 December 2016, Döllken-Weimar GmbH, Nohra, acquired 85% of the shares in Nenplas Holdings Limited, Ashbourne, United Kingdom, and therefore assumed control over this company.
As a result of the acquisition, the following companies in the Nenplas Group were taken over in the reporting year and included for the first time in the consolidated financial statements of SURTECO SE as at 1 December 2016:

- Nenplas Holdings Limited, Ashbourne, United Kingdom
- Nenplas Limited, Ashbourne, United Kingdom
- Delta Plastics Limited, Ashbourne, United Kingdom
- Polyplas Extrusions Limited, Ashbourne, United Kingdom
- Nenplas Properties Holdings Limited, Ashbourne, United Kingdom
- Nenplas Properties Limited, Ashbourne, United Kingdom

The Nenplas Group has specialized in the manufacture and sale of technical extrusions (profiles) of all types based on plastic. The SURTECO Group intends to use the takeover of these companies to strengthen its market presence in the United Kingdom and in the area of technical extrusions, and increase its profitability. The total purchase price for 85% of the shares in the company amounted to € 000s 23,453. The transaction was financed using available liquid assets.

Dölken-Weimar GmbH is holding a purchase option and the seller is holding a disposal option for the remaining 15% of the shares. Both these options have to be exercised by 31 December 2019. Voting and dividend rights are excluded for these non-controlling interests (minorities).
The companies in the Nenplas Group are included in the consolidated financial statements of SURTECO SE in accordance with the regulations of full consolidation.
In accordance with the requirements of IFRS 3 "Business Combinations", all assets, liabilities and contingent liabilities were valued at their fair value in accordance with the acquisition method.

The following overview provides a summary of the purchase price paid for the acquisition of the company, the fair values recognized for the assets taken over on the date of acquisition and the amount of the Nenplas Group attributable to non-controlling interests on 1 December 2016:

[€ 000s]	
Cash and cash equivalents	2,066
Trade accounts receivable	3,483
Inventories	1,748
Other current assets	325
Property, plant and equipment	8,919
Customer base	12,860
Technology and brand name	2,295
ASSETS	**31,696**
Trade accounts payable	2,003
Income tax liabilities	613
Other current liabilities	2,822
Financial liabilities	3,920
Deferred tax liabilities	3,715
LIABILITIES	**13,073**
Net assets acquired	**18,623**
Total purchase price (85%)	**23,453**
Share of the fair value of the net assets (15%) attributable to non-controlling interests	**2,793**
	26,246
Difference	**7,623**

The positive difference determined was reported separately as goodwill. The recording of the goodwill essentially results from expected synergies derived from the joint activities of SURTECO and the Nenplas Group, and from anticipated contributions to increase the profitability and corporate value as a result of the acquisition.

The following table shows the actual sales revenues and earnings generated by the Nenplas Group since the date of acquisition (including the earnings effect from the purchase price allocation):

Nenplas Group 1 December to 31 December 2016

[€ 000s]	1/12/ – 31/12/2016
Sales revenues	1,262
Contribution to the consolidated earnings	-127

The following table presents the sales revenues and earnings of the merged company which would have resulted if the acquisition had already taken place on 1 January 2016 (pro-forma results including the earnings effect from the purchase price allocation):

Nenplas Group pro-forma disclosures 1 January to 31 December 2016

[€ 000s]	1/1/ – 31/12/2016
Sales revenues	19,759
Contribution to the consolidated earnings	1,966

V. USE OF § 264 (3) GERMAN COMMERCIAL CODE (HGB)

The exemption regulations pursuant to § 264 (3) German Commercial Code (HGB) were applied for the following subsidiary companies included in the consolidated financial statements, releasing them from the requirement to draw up their management report and to disclose their annual financial statements:

Name	Registered Office
SURTECO DECOR GmbH	Buttenwiesen-Pfaffenhofen
SÜDDEKOR Art Design + Engraving GmbH	Willich
Dakor Melamin Imprägnierungen GmbH	Heroldstatt
BauschLinnemann GmbH	Sassenberg
Kröning GmbH	Hüllhorst
Döllken-Kunststoffverarbeitung GmbH	Gladbeck
Döllken-Profiltechnik GmbH	Dunningen
Döllken-Weimar GmbH	Nohra

VI. CONSOLIDATION PRINCIPLES

The financial statements included in the consolidation have been prepared on the basis of the accounting and valuation methods uniformly applicable – which have remained fundamentally unchanged compared to the previous year – to the SURTECO Group.

The consolidated financial statements have been prepared on the basis of historic acquisition and production cost, with the exception that derivative financial instruments and financial assets available for sale are reported at their fair value or market value.

The balance sheet date of the consolidated financial statements coincides with the balance sheet date of the individual companies included in the consolidated financial statements (31/12/2016).

The accounting of business combinations is carried out by the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets provided, the equity instruments issued, and the liabilities incurred or taken over on the date of exchange. Assets, liabilities and contingent liabilities identified in the course of a business combination were valued for first-time consolidation at their fair values at the time of acquisition. For each business acquisition, the Group decides on an individual basis whether the non-controlling shares in the acquired company should be recognized at the fair value or on the basis of the proportionate share in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses if they are incurred.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is reported as goodwill. Any remaining negative difference is recognized as profit or loss in the income statement.

Goodwill arising from the acquisition of a subsidiary company or business operation is recognized separately in the balance sheet.

The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity capital as "non-controlling interests". Currently existing non-controlling interests were valued on the basis of the proportionate net assets.

In accordance with IFRS 3 and in conjunction with IAS 36 and IAS 38, goodwill arising from company acquisitions is not subject to scheduled amortization, but is subject to an annual impairment test if there is any evidence of a reduction in value.

An **associated enterprise** is a company over which the Group can exert a significant influence by influencing the finance and business policy but where the Group does not exercise control. A significant influence is assumed if the Group has a share of the voting rights amounting to 20 % or more. Investments in associated enterprises are valued in accordance with the equity method.

The Group has investments in companies under jointly managed agreements. In accordance with IFRS 11, there are two forms of **joint agreements**, depending on the arrangement of the contractual rights and obligations of the individual investments: joint operations and joint ventures.

A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The assets, liabilities, income and expenses are recognized proportionately.

A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for in accordance with the equity method.
The SURTECO Group only has joint agreements in the form of joint ventures.

Investments in associated companies and joint venture companies are accounted for with their acquisition costs by the **equity method** and they are increased or decreased by the proportionate changes in equity. If impairments occur, which exceed the value of the individual participation, any available non-current assets, which are associated with the participation, are written down. If the book value of the participation and these assets is reduced to zero, additional losses are accounted for in the appropriate scope and recognized as a liability, if the Group has entered into legal or de facto obligations for taking over loss, or makes payments instead of the associated company or joint venture.

If a Group company carries out significant transactions with an associated company or joint venture, any resulting unrealized gains or losses are eliminated in accordance with the share of the Group in the associated company or joint venture. Adjustments to uniform consolidated accounting and valuation methods are carried out as necessary.

Receivables, liabilities and **loans** between the Group companies are netted.

Sales, expenses and **income within the Group** and **intercompany profits** arising from sales within the Group, which have not yet been disposed of to third parties, are eliminated if they materially affect the presentation of the current net assets, the financial position and results of operations.

Deferred income tax arising from consolidation measures recognized in the income statement has been accrued.

Intercompany trade accounts are accounted for on the basis of market prices and on the basis of accounting prices that are determined according to the principle of "dealing at arm's length".

Transactions with non-controlling interests without loss of control are accounted for as transactions with the owners of the Group who act in their capacity as owners. A difference between the fair value of the consideration paid and the acquired share in the carrying value of the net assets of the subsidiary company arising from the purchase of a non-controlling interest is recognized in equity. Gains and losses which arise on the disposal in respect of non-controlling interests are also recorded in equity.

VII. CURRENCY TRANSLATION

Business transactions in foreign currency are reported at the price on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the balance sheet date are reported at the price on the balance sheet date. Gains and losses arising from changes in price are reported with effect on earnings in the financial result (from non-operating matters) or in other operating income or other operating expenses (from operating matters).

The earnings and the balance sheet items of the foreign subsidiary companies included in the consolidated financial statements which have a different functional currency to the euro are converted into euros as follows. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the balance sheet date, whereas equity capital is translated at historic rates. Expenses and income and hence also the profit/loss for the year recognized in the income statement are translated at the average rate for the year. Differences arising from currency translation for assets and debts compared with translation in the previous year and translation differences between the income statement and the balance sheet are reported with no effect on the income statement under shareholders' equity in retained earnings (currency differences). Since all consolidated companies operate their financial, business and organizational transactions independently, the relevant national currency is the functional currency.

Translation was based on the following currency exchange rates:

Exchange rates in euros		**Rate on the balance sheet date**		**Average rate**	
		31/12/2015	**31/12/2016**	2015	**2016**
US dollar	USD	0.9181	0.9470	0.9015	0.9040
Canadian dollar	CAD	0.6610	0.7028	0.7063	0.6822
Australian dollar	AUD	0.6713	0.6842	0.6783	0.6722
Singapore dollar	SGD	0.6495	0.6554	0.6559	0.6545
Swedish krona	SEK	0.1089	0.1045	0.1069	0.1057
Sterling	GBP	1.3605	1.1650	1.3780	1.2244
Turkish lira	TRY	0.3143	0.2683	0.3323	0.2996
Polish zloty	PLN	0.2345	0.2264	0.2391	0.2292
Russian rouble	RUB	0.0124	0.0155	0.0149	0.0135
Czech koruna	CZK	0.0370	0.0370	0.0367	0.0370

VIII. ACCOUNTING AND VALUATION PRINCIPLES

UNIFORM ACCOUNTING AND VALUATION METHODS

The consolidated financial statements were drawn up in accordance with uniform accounting and valuation principles for similar business transactions and other events in similar circumstances.

CONSISTENCY OF ACCOUNTING AND VALUATION METHODS

The accounting and valuation principles have been complied with, unless defined otherwise below, by comparison with the previous year.

STRUCTURE OF THE BALANCE SHEET

Assets and liabilities are recognized as non-current in the balance sheet if their residual term is more than one year or realization is expected within the normal business cycle. Liabilities are generally recognized as current if there is no unrestricted right to fulfil the obligation within the period of the next year. Shorter residual terms are recognized as current assets or liabilities. Pension provisions and other personnel-related obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities.

INCOME AND EXPENSE REALIZATION

Income is recognized if it is likely that the economic benefit will accrue to the Group and the amount of the income can be reliably determined. Income is valued at the fair value of the reciprocal product or service received.

Sales originating from the sale of goods have been recorded if the following conditions are fulfilled:
- The Group has transferred the material risks and opportunities arising from ownership of the goods to the purchaser.
- The Group retains neither a right of disposal, of the kind that is normally associated with ownership, nor an effective power of disposal over the sold goods and manufactured products.
- The level of the sales revenues can be reliably determined.
- It is probable that the economic benefit arising from the business will accrue to the Group.
- The costs incurred or still to be incurred in connection with the sale can be reliably determined.

Sales are only defined as the product sales resulting from the ordinary activities of the company. Sales revenues are recorded without value added tax and after sales reductions, such as bonuses, discounts or rebates. Provisions for customer price reductions and rebates, as well as returns, other allowances, and warranties are recognized in the same period in which the sales were reported.

Dividend income arising from financial assets available for sale is recognized if the legal right to payment of SURTECO as a shareholder has arisen.

Operating expenses are reported as expenses at the point in time at which they are incurred when the service is used, insofar as they fall within the reporting year.

Interest income and interest expenses are recorded pro rata. Income from financial assets is recorded when the legal right to payment has occurred.

EBITDA

EBITDA is earnings before financial results, income tax and depreciation and amortization.

EBIT

EBIT is earnings before financial result and income tax.

EBT

EBT is earnings before income tax.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the proportion of the share in the consolidated net profit attributable to the shareholders of SURTECO SE by the weighted average of the issued shares. Shares which have been newly issued or bought back during a period are recognized pro rata for the period in which they are in free float. There were no dilution effects during the reporting periods referred to.

DETERMINATION OF THE FAIR VALUE

In accordance with IFRS 13, the 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. This applies independently of whether the price can be observed directly or has been estimated using a valuation method.

When applying valuation procedures for calculating the fair value, it is important to use as many (relevant) observable input factors as possible and as few non-observable input factors as possible.

A three-level **fair value hierarchy** is to be applied. The input factors used in the valuation procedures are classified as follows:
Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.
Level 2 – Directly or indirectly observable input factors which cannot be classified under Level 1.
Level 3 – Unobservable input factors.

The scope of IFRS 13 is far-reaching and encompasses financial and non-financial items. IFRS 13 is always used if another IFRS prescribes or permits a valuation at fair value or information on the calculation of the fair value is requested.

This is particularly true for derivative financial instruments in the case of the SURTECO Group. The fair value of forward exchange contracts and cross-currency swaps of SURTECO SE is determined using the discounted cash flow method and with recourse to current market parameters.

FINANCIAL INSTRUMENTS

In accordance with IAS 39, a financial instrument is a contractually agreed claim or a contractually agreed obligation from which an inflow or outflow of financial assets or financial liabilities or the issue of equity capital rights results. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, financial receivables, debts and other financial liabilities, as well as derivative financial instruments which are used to hedge risks arising from changes in currency exchange rates and interest rates.

a) Classification
For purposes of subsequent valuation, financial instruments are divided into categories.

IAS 39 categorizes financial assets as follows:
- Financial assets valued at fair value through profit and loss
- Financial assets held to maturity
- Loans and receivables
- Financial assets available for sale

Financial liabilities are classified in the following categories:
- Financial liabilities valued at fair value through profit and loss
- Financial assets valued at amortized acquisition costs

The categorization depends on the relevant purpose for which the financial instrument was entered into. The classification is reviewed on the balance sheet date and determines whether the valuation is at amortized acquisition costs or fair value.

1. Financial instruments valued at fair value through profit and loss are financial assets and liabilities which are held for trading purposes. Financial instruments valued as held for trading are allocated to this category if they have been purchased or entered into with the intention of selling them or buying them back in the short term. Derivatives also belong to this category unless they qualify as hedges. SURTECO does not make use of the fair value option.
   Changes in fair value of "financial instruments valued at fair value through profit and loss" are immediately reported in the income statement. They are also reported as current assets and liabilities if they are likely to be realized within twelve months of the balance sheet date.

2. "Financial assets held to maturity" are non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the company intends to hold to maturity and is in a position to do this. Financial instruments in this category are reported at amortized acquisition costs and recognized in accordance with their remaining term as non-current or current assets. Impairments are recorded in the income statement with an effect on earnings. No "financial assets held to maturity" are held in the SURTECO Group.

3. "Loans and receivables" are financial assets which have fixed or determinable payments and are not listed in an active market. They are valued at amortized acquisition costs taking into account necessary impairments. Insofar as they did not arise as a result of supplies and services, they are recognized in the balance sheet under other financial assets in accordance with their maturity as non-current or current assets. Allowances are made for receivables on the basis of objective criteria, in particular in cases of repeated lack of success with reminder activities and subsequent handover of the receivable to external collection service providers, in cases of application for insolvency proceedings and in cases of receivables subject to legal dispute, which are regarded as doubtful and where no knowledge is available which would justify a different assessment. Necessary allowances are recognized in an allowance account.

4. "Financial assets available for sale" are financial assets which at the date of first-time recognition do not come under one of the other categories. They are recognized at fair value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized due to tax effects under equity capital (market valuation of the financial instruments). A calculation is carried out on every balance sheet date to determine whether there is objective evidence to suggest that an impairment of an asset or a group of assets has been incurred. In the case of equity instruments listed on a stock exchange, a permanent decline in the fair value by more than 20 % in the six months prior to the balance sheet date or on a daily average by more than 10 % in the previous twelve months before the balance sheet date below the purchase costs would amount to objective evidence. If a sale or impairment is carried out on the balance sheet date, the fluctuations in value recognized up to that point under equity capital are recognized in the income statement. Impairments for equity instruments are not reversed with effect on income. In the case of equity instruments, an increase in the fair value after a reduction in value is recorded under equity. If financial investments in equity instruments, for which no quoted price is available in an active market, and their fair values cannot be reliably determined, for example for financial assets of non-consolidated companies and participations, the assets are recognized at acquisition costs as appropriate less impairments.

b) Primary financial instruments

Primary financial instruments are reported on the date of fulfilment.
Primary financial instruments are reported on first-time recognition at the fair value taking into account transaction costs. Transaction costs which are incurred during the acquisition of financial assets valued at cash-effective fair value are recorded directly to expense. Derecognition of the financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks, which are associated with the property, were essentially transferred, or otherwise if the power of disposal over assets was transferred.

The liabilities arising from primary financial instruments can either be recognized at the amortized acquisition costs or as "liabilities at fair value through profit and loss". SURTECO values all financial liabilities at amortized acquisition costs. The financial obligations with fixed or determinable payments, which are neither listed on a market arising from financial liabilities nor derivative financial obligations, are recognized in the balance sheet under other liabilities in accordance with their remaining term.

c) Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as forward exchange contracts and interest/currency swaps, in order to hedge risks associated with foreign currency and changes in interest rate which can occur in the course of ordinary business activities and with the scope of investment and financial transactions. Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at the fair value on the date at which the contract is closed. They are subsequently revalued at market value on the balance sheet date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

For purposes of reporting hedging relationships, hedging instruments are classified as follows:
- as hedging of the fair value, if the relationship relates to hedging the risk of a change in the fair value of a reported asset or a reported liability or a fixed obligation not reported (apart from currency risk),
- as hedging of cash flow, if the relationship relates to hedging the risk of fluctuations in the cash flow, which can be assigned to the risk associated with a reported asset, a reported liability or with a future transaction very likely to occur or to the currency risk of a fixed obligation not reported,
- or as hedging of a net investment in a foreign business operation.

At the beginning of the hedging transaction, the hedging relationship between the underlying transaction and the hedging transaction and the risk management targets and Group strategy are formally defined and documented as risk management objectives and strategies in relation to hedging. The documentation includes the definition of the hedging instrument, the underlying transaction or the hedged transaction, as well as the type of hedged risk and a description of how the company calculates the effectiveness of the hedging instrument in the compensation of the risks arising from changes in the fair value or cash flow of the hedged underlying transaction. Hedging relationships of this nature are assessed as being highly effective in relation to achieving compensation for the risks arising from changes in the fair value or cash flow. They are continuously assessed on the basis of these terms of reference to ascertain whether they were highly effective during the entire reporting period for which the hedging relationship was defined.

Hedging transactions which meet the criteria for the reporting of hedging relationships are designated by the SURTECO Group during the business year 2016 as being exclusively cash flow hedges.

The effective proportion of profit or loss arising from a hedging instrument is recorded in equity (other comprehensive income for the year). The amounts reported in equity are transferred during the period to the income statement in which the hedged transaction affects the result for the period, e.g. if hedged financial income or expenses are reported or if an anticipated sale is carried out. If planned transactions are hedged and if these transactions lead to the recognition of a financial asset or financial liability during subsequent periods, the amounts recorded up to this date in equity should be released and included in income during the period in which the asset or the liability influences the result for the period. If a hedging transaction results in recognition of a non-financial asset or a non-financial liability, the amounts recorded in equity become part of the acquisition costs at the date of addition of the non-financial asset or non-financial liability.

If the occurrence of the planned transaction or fixed obligation is no longer anticipated, the amounts recorded in equity capital are recorded immediately in the income statement. If the hedging instrument matures, comes to an end or is exercised without a replacement or roll-over of the hedging instrument into another hedging instrument, the amounts recorded so far in equity capital remain as separate items under equity until the anticipated transaction has also been included in the income statement.

Derivative financial instruments where the requirements for a hedging relationship are not met are designated as being part of the trading portfolio. Any changes in fair value for these instruments are recorded immediately with an effect on earnings.

Hedges for net investments in foreign business operations are accounted similarly to cash flow hedges. Loans in foreign currencies to subsidiary companies of the Group, which meet the prerequisites for a net investment in a foreign business operation, are accounted for as such in the SURTECO Group. The unrealized gains and losses from currency translation of loans within the Group should be recognized in equity with no effect on income until disposal of the net investment.

d) Offsetting of financial assets and liabilities

Financial assets and liabilities are only netted and then recognized as a net amount in the balance sheet if there is a legal entitlement to this and it is intended to bring about a settlement on a net basis or release the associated liability and realize the asset simultaneously.
The legal entitlement to offsetting must not depend on a future event and must be implementable in the course of normal business and in the case of a default, an insolvency or a bankruptcy.

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. For the valuation category in accordance with IAS 39, the cash and cash equivalents are classified as "loans and receivables".

Receivables and other financial assets are reported at amortized acquisition costs with the exception of derivative financial instruments. Allowances are made in accordance with the default risks expected in individual cases and are carried out through an allowance account; final derecognition is carried out when the receivable is no longer recoverable. The determination of the requirements for specific allowances is carried out on the basis of the age structure of the receivable and knowledge of the credit risk, and the risk of default associated with specific customers. A lump-sum allowance on receivables takes adequate account of the general credit risk. Trade accounts receivable with standard payment terms are recorded at amortized acquisition costs, less bonuses, discounts and allowances. The Group sells trade accounts receivable in the context of factoring agreements. The receivables and other financial assets are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred. If the prerequisites for derecognizing the receivables are not fulfilled, the assets are not removed from the accounts. The incoming payment arising from the sale of the receivable is recognized under cash and cash equivalents. A current financial liability in the same amount is also recognized under current liabilities.

Inventories comprise raw materials, consumables and supplies, services in progress, purchased merchandise and work in progress and finished goods. They are valued at acquisition or production cost or at the lower net sale value. The net sale value corresponds to the estimated recoverable proceeds from disposal in normal business operations less the necessary variable sales expenses.
Raw materials, consumables and supplies are valued at cost prices or at the lower net sale value of the goods to be manufactured. Carrying values have been calculated by the weighted-average method. Downward valuation adjustments have been undertaken to reflect obsolescence and technically restricted application.

Finished products and work in progress have been recognized at production cost. These costs include costs directly attributable to the manufacturing process and a reasonable proportion of production-related overheads. These include production-related depreciation, proportionate administrative expenses, and proportionate social security costs. Inventory risks arising from the storage period or reduced usability have been taken into account by write-downs.

In the case of inventories, write-downs on the net sale proceeds are carried out, if the book values of the inventories are too high on the basis of the lower stock-market or market values.

Development costs for intangible assets produced within the company have been capitalized under income at directly attributable acquisition or production cost, if the following criteria are complied with:

- The technical feasibility of completing the intangible asset so that it will be available for use.
- The management intends to complete the intangible asset and to use or sell it.
- There is an ability to use or to sell the intangible asset.
- The form and manner in which the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources are available in order to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs which do not meet with these criteria are recorded as expenses in the period when they were generated. Development costs already recognized as expenses are not later capitalized as assets in subsequent periods.

Property, plant and equipment have been recognized at acquisition or production cost, including incidental acquisition expenses, less accumulated scheduled depreciation and, if necessary, extraordinary depreciation.
Finance costs have not been capitalized under income as an element of acquisition or production costs because no manufacturing processes are involved over an extended period of time. Interest and other borrowing costs are recognized as expenses for the period.

The production costs of **self-constructed plant** include direct costs and an appropriate proportion of the overheads and depreciation.

If significant proportions of a non-current asset have varying useful lives, they are reported as separate non-current assets under "Property, plant and equipment" and are subject to scheduled depreciation (component accounting).

The costs for replacement of part of a fixed asset are included in the book value of the fixed asset (property, plant and equipment) at the date on which they were incurred, insofar as the criteria for recognition are fulfilled. When a major inspection is carried out, the costs are capitalized in the book value of the fixed asset as a replacement, insofar as the criteria for recognition are recognized. All other maintenance and repair costs are immediately recognized under income.
A fixed asset (property, plant and equipment) is either derecognized as a disposal if no economic benefit can be derived from further use or sale of the asset. The resulting gains or losses incurred from derecognition of the asset are calculated as the difference between the net sale proceeds and the book value of the asset and reported in the income statement for the period in which the asset is derecognized.

Leasing transactions are either classified as finance leasing or as operate leasing. Commercial ownership in lease items should be assigned to the lessee in accordance with IAS 17, if the lessee carries all major rewards and risks associated with the item (finance leasing). If commercial ownership should be assigned to the enterprises of the SURTECO Group, the lease item is capitalized as an asset in the amount of the fair value or the lower cash value of the future leasing rate at the point in time at which the contract was concluded and the reporting of the corresponding liabilities to the lessee as a debt. The liabilities from finance leases are recognized at the present value of the lease instalments on the basis of the interest rate used on the date when the leasing contract was concluded. Depreciation and repayment of the liability is effected according to schedule over the useful life or over the term of the lease, if this is shorter – corresponding to comparable items of property, plant and equipment acquired. The difference between the entire leasing obligation and the market value of the leased item corresponds to the finance costs that are distributed over the term and included in income, so that a uniform interest rate is applied to the remaining debt over the period. All other lease agreements, where SURTECO is the Lessee, are treated as operate leasing, with the consequence that the leasing rates are reported to expenditure when they are paid. When amendments are made to finance leasing contracts, an adjustment of the present value and book value of the leasing liability is made with respect to the book value of the leasing object with no effect on the income statement.

Intangible assets acquired free of charge for a consideration have been capitalized as assets at acquisition cost and amortized over their limited useful life using the straight-line method.

Scheduled depreciation of assets has been carried out exclusively by the straight-line method. The remaining useful lives and the method of depreciation are reviewed each year and adjusted to the actual circumstances. Depreciation is essentially based on the following commercial service lives applied across the Group:

	Years
Intangible assets	3-10
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Factory and office equipment	6-13

The shares in unconsolidated companies recorded under financial assets are recognized as assets held for sale at acquisition costs because fair values are not available and other valuation methods do not yield reliable results. Associated enterprises are recorded with their proportionate equity capital using the equity method. If there are indications that associated companies will be subject to impairments, an impairment test will be carried out on the book value of the affected participation.

On each balance sheet date, the Group checks the book values of intangible assets and property, plant and equipment in order to ascertain whether there might be grounds for carrying out an impairment. If such grounds exist, or if an annual impairment test is necessary for an asset, the Group carries out an estimate of the recoverable value for the relevant asset. The recoverable value of an asset is the higher of the two values comprising the fair value of an asset less the sale costs and the value in use. The recoverable value should be determined for each individual asset, unless an asset does not generate cash flows which are largely independent of the cash flows of other assets or other groups of assets. In this case, the recoverable amount is determined for the cash generating unit to which the asset is allocated. If the book value of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In order to determine the value in use, the expected future cash flows are discounted to their present value based on an discounting rate before taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. The fair value less the sales costs is calculated using a recognized valuation method. This method takes into account market data on current transactions available externally and valuations of third parties.
A test is carried out for assets, with the exception of goodwill, on every balance sheet date, in order to ascertain whether there are grounds indicating that a previously recorded impairment expense no longer exists or has been reduced. If such grounds exist, the Group estimates the recoverable amount. A previous recorded impairment expense is only reversed if a change in the estimates, which were used to determine the recoverable amount, has occurred since the last impairment expense was recorded. If this is the case the book value of the asset is increased to its recoverable amount. However, this amount must not exceed the book value which resulted after taking into account scheduled depreciation, if no impairment expense would have been recorded for the asset in previous years. An impairment reversal is recorded in the result for the period.

Goodwill resulting from company acquisitions is allocated to the identifiable cash generating units which are supposed to derive benefit from the synergies arising from the acquisition. Such cash generating units are the lowest reporting level in the Group at which the goodwill is monitored by the management for internal controlling purposes. The recoverable amount of a cash generating unit, which is allocated goodwill, is subjected to an annual impairment test. Reference is made to our comments under item 19 in the notes to the consolidated financial statements for further details.

The standard IFRS 3 (Business Combinations) and the standard IAS 36 (Impairment of assets) no longer permit goodwill to be subject to scheduled depreciation and amortization, rather a review of the value of these assets is carried out at regular intervals in an impairment test and if there is evidence of a potential reduction in value at other points in time.
If goodwill or intangible assets with unlimited useful life are to be allocated to the cash generating unit, the impairment test of those assets should be carried out annually or also, if events or changed circumstances result which could indicate a possible impairment, more frequently. The net asset values of the individual cash generating units are compared with their individual recoverable amount, i.e. the higher value from the net sale price and value in use. In the determination of the value in use, the present value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit, are

used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO. The cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account regional allocations on the basis of strategic business units. The cash generating units of the SBU Plastics are the operating divisions under the reportable segment or in the case of the SBU Paper the reportable segment.
In the cases in which the book value of the cash generating unit is higher than their recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected Strategic Business Unit is amortized in the amount of the impairment thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant Strategic Business Unit proportionately to the book value. Any impairment carried out as necessary is recognized under other depreciation and amortization in the income statement. A subsequent write-up of the goodwill as a result of the reasons no longer being applicable is not permitted.

The actual income taxes paid or owed for the current and earlier periods are measured with the amount at the level of a rebate from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the country-specific tax rates and tax regulations which are applicable on the balance sheet date.

The actual income tax liabilities related to the relevant tax year and any obligations arising from the previous years. The valuations are subject to the applicable statutory regulations taking into account current legal precedents and the prevailing professional opinion.

Deferred income tax is determined in accordance with IAS 12 on the basis of the liability method. According to this method, deferred taxes result from temporary differences between the carrying amount (value) of an asset or a liability in the balance sheet and the tax value.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits to the extent it is probable that taxable earnings will be available against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used, with the exception of

- deductible temporary differences from first-time recognition of an asset or a liability arising from a transaction that is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor the taxable earnings.

Deferred tax liabilities are reported for all taxable temporary differences, with the exception of

- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, if the temporal reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will not be reversed in the foreseeable future.

The book value of the deferred tax assets is audited on each balance sheet date and as necessary reduced by the amount by which it is no longer likely that an adequate taxable result will be available against which the deferred tax assets can be at least partly applied. Unrecognized deferred taxes are audited on each balance sheet date and recognized in the amount at which it has become likely that a future taxable result will be available to realize the deferred tax assets. Deferred tax assets and liabilities are measured on the basis of the tax rates that are likely to be valid during the period in which an asset is realized or a debt liability is fulfilled. The tax rates (and tax laws), which are applicable or adopted on the balance sheet date, are used as the basis for calculation. Future changes in tax rates should be taken into account on the balance sheet date, insofar as material requirements for effectiveness are fulfilled pursuant to a legislative procedure.

Income and expenses arising from actual and deferred income taxes that relate to the items that are reported directly under equity or in other comprehensive income for the year are not reported in the income statement but are also recorded directly under equity or in other comprehensive income for the year. Deferred tax assets and deferred tax liabilities are offset, if the Group has an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

In accordance with IAS 1.70, deferred taxes are recognized as long term.

Current liabilities and non-financial liabilities have been recorded with their repayment or performance amount.

Pensions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards.
Obligations arising from regulations relating to company pension provision relate to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining and is generally based on the period of service and pay of the employee. The majority of pension obligations in Germany based on contractual conditions relate to lifetime pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement. The pension institutions were closed in the past. New employees will be offered a company pension plan through an external welfare fund and pension scheme; they will not receive any direct commitments from the company.
Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken account in the determination of the provision.
The pension obligations of SURTECO are subject to various market risks. The risks essentially related to changes in market interest rates, inflation which exerts an effect on the level of pension adjustments, the longevity and on general market fluctuations.

Pensions are valued using the projected unit credit method in accordance with IAS 19. This method recognizes the pensions and projected unit credits acquired on the balance sheet date. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pension accruals, including the interest portion contained therein, is recognized under Personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on income. The standardized income on the plan assets is generated in the amount of the discounting rate of the pension obligations at the start of the reporting period. These returns are recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income are to be recognized with no effect on income in equity (other comprehensive income for the year). Furthermore, the past service costs are to be recognized immediately at the point of arising with an effect on earnings.
Provisions for long-service bonuses are calculated on the basis of actuarial methods. The settlement backlogs and top-up amounts for phased retirement obligations were added pro rata for phased retirement obligations until the end of the active phase.

The obligations from defined-benefit plans principally exist in Germany and they are calculated taking the following actuarial assumptions into account:

	2015	**2016**
Interest rate	2.3 %	1.9 %
Salary increases	2.0 %	2.0 %
Pension increases	2.0 %	2.0 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a uniform 1.9 % (2015: 2.3 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms.

Provisions have been formed in accordance with IAS 37, if a legal or de facto obligation arises from a past event in respect of a third party, which is likely in the future to lead to an outflow of resources and where it can be reliably estimated. If a large number of similar obligations exist – as in the case of statutory warranty – the probability of a charge on assets is calculated on the basis of the group of these obligations. A provision is recognized under liabilities, if the probability of a charge on assets is lower in relation to an individual obligation held within this group. Provisions for warranty claims are formed on the basis of previous or estimated future claims. The provisions for legal disputes and other provisions have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not recognized with rights of recourse. A provision for restructuring measures is recognized as soon as the Group has approved a detailed and formal restructuring plan and the restructuring measures have either commenced or have been announced in the public domain. When a restructuring provision is measured, only the direct expenses for the restructuring are entered. This therefore only relates to amounts which have been caused by restructuring and are not related to the ongoing business operations of the Group.

Changes in equity without effect on income are also reported under the item **Statement of changes in equity**, if they are not based on capital transactions of the shareholders. This includes the difference arising from currency translation, accrued actuarial gains and losses arising from the valuation of pensions, and unrealized gains and losses arising from the fair valuation of financial assets available for sale and derivative financial instruments.

Contingent liabilities are possible obligations which result from events in the past, whereby their existence can only be confirmed through the occurrence or non-occurrence of one or more events in the future, which are not fully under the control of the SURTECO Group. Furthermore, contingent liabilities arise from current obligations which are based on past events, but which cannot yet be reported in the financial statements because the outflow of resources is not likely or the level of the obligations cannot be estimated with a sufficient level of reliability.

Segment reporting

Reporting on the business segments is of a type and scope that is consistent with internal reporting to the main decision-maker. The main decision-maker is responsible for decisions on the allocation of resources to the operating segments and for reviewing their earnings power. The Board of Management of SURTECO was defined as the main decision-maker.

Decisions of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires up to a certain level decisions of judgment, estimates and assumptions of the management which exert effects on the recognition, measurement and reporting of assets, liabilities, income and expenses, and contingent assets and liabilities. The significant facts which are affected by such decisions of judgment and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of impairment tests and purchase price allocations, accrual of cash generating units, the formation of provisions for restructuring, for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

The assumptions and estimates are based on premises that rely on the knowledge available at the time. In particular, the expected future business development takes account of the circumstances prevailing at the time when the consolidated financial statements were prepared and realistic assumptions on the future development of the global and sector-specific environment. Any developments of these framework conditions deviating from these assumptions and outside the sphere of influence of the management may result in deviations of the actual amounts from the estimated values originally projected. If the actual development deviates from the projected development, the premises and, if necessary, the book values of the relevant assets and liabilities are adjusted appropriately. Further explanations are described under the appropriate items.

Reporting and valuation principles should be regarded as important if they significantly influence the presentation of the net assets, financial position, results of operations and cash flows of the SURTECO Group and require a difficult, subjective and complex assessment of facts and circumstances that are often uncertain in nature, may change in subsequent reporting periods, and whose consequences are therefore difficult to estimate. The published accounting principles, which have to be based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects. The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

IX. ADJUSTMENT TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8

In conjunction with the preparation of the consolidated financial statements as at 31 December 2016, adjustments were made retrospectively in accordance with IAS 8. The purchase options for acquisition of shares of an at equity shareholding as at 1 January 2005 established in an agreement were not properly reported. As a result, the current financial liabilities as at 1 January 2015 were recognized at too low a value by € 000s 145 or by € 000s 119 as at 31 December 2015. The relevant comparative values of the investments accounted for using the equity method were recognized at too high a value by € 000s 400 in each case as at 1 January 2015 and 31 December 2015.

The change in valuation of the current financial liability amount to € 000s 26 was recognized under the financial result in the income statement. Otherwise, the retrospective adjustments were carried out directly in Group equity in accordance with IAS 8 and not included in the income statement.

The relevant comparative figures were adjusted in these financial statements and identified appropriately.

All effects on the opening balance sheet on 1 January 2015, the closing balance sheet on 31 December 2015 and on the income statement for the business year 1 January to 31 December 2015 are presented in this section. A third balance sheet was not prepared for reasons of materiality.

Effects of the adjustment on the consolidated balance sheet as at 1 January 2015:

[€ 000s]	Status before adjustment 31/12/2014	Adjustment in accordance with IAS 8	Status after adjustment 1/1/2015
ASSETS			
Investments accounted for using the equity method	3,545	-400	3,145
LIABILITIES			
Other current liabilities	22,383	145	22,528
Retained earnings	164,050	-545	163,505

Effects of the adjustment of the consolidated balance sheet as at 31 December 2015:

[€ 000s]	Status 31/12/2015 incl. adjustment on 1/1/2015	Adjustment in accordance with IAS 8	Status after adjustment 31/12/2015
ASSETS			
Investments accounted for using the equity method	3,281	0	3,281
LIABILITIES			
Other current liabilities	24,651	-26	24,625
Retained earnings	178,164	0	178,164
Consolidated net profit	17,695	26	17,721

Effects of the adjustment on the income statement from 1 January to 31 December 2015:

[€ 000s]	Status before adjustment 1/1/-31/12/2015	Adjustment in accordance with IAS 8	Status after adjustment 1/1/-31/12/2015
Income statement			
EBIT	**31,110**	**0**	**31,110**
Interest income	905	0	905
Interest expenses	-9,201	0	-9,201
Other financial expenses and income	3,610	26	3,636
Share of profit of investments accounted for using the equity method	393	0	393
Financial result	-4,293	26	-4,267
EBT	**26,817**	**26**	**26,843**
Income tax	-9,249	0	-9,249
Net income	**17,568**	**26**	**17,594**

The earnings per share did not change from € 000s 26 as a result of the slight adjustment to earnings.

Effects on the cash flow statement from 1 January to 31 December 2015:

[€ 000s]	
Earnings before income tax before adjustment	26,817
Adjustment in accordance with IAS 8	26
Earnings before income tax after adjustment	26,843
Other expenses/income with no effect on liquidity before adjustment	-4,924
Adjustment in accordance with IAS 8	-26
Other expenses/income with no effect on liquidity after adjustment	-4,950

X. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUES

The sales revenues are comprises as follows:

Business (product) [€ 000s]	2015	**2016**
Edgebandings	194,665	196,772
Foils **	141,135	134,554
Decorative printing **	109,919	113,388
Impregnates / Release papers	106,882	102,678
Skirtings and related products **	39,557	45,909
Technical extrusions **	16,324	16,859
Other **	29,912	29,655
	638,394	**639,815**

** In order to improve clarity and presentation, the classification and the previous year's figures have been adjusted.

(2) CHANGES IN INVENTORIES

The changes in inventories related to work in progress amounting to € 000s -2,032 (2015: € 000s 346) and finished products amounting to € 000s 7,411 (2015: € 000s -1.358).

(3) OTHER OWN WORK CAPITALIZED

Other own work capitalized principally relates to tools and printing cylinders manufactured in the company.

(4) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2015	**2016**
Cost of raw materials, consumables and supplies, and purchased merchandise	318,330	311,516
Cost of purchased services	4,343	13,065
	322,673	**324,581**

(5) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2015	**2016**
Wages and salaries	136,949	132,408
Social security contributions	18,349	16,019
Pension costs	6,651	9,568
	161,949	**157,995**

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 826 (2015: € 000s 844) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 7,681 (2015: € 000s 5,268) to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

Contributions are included under personnel expenses that result from the addition of net interest expense/ income and the current service cost and pension obligations.

The average number of employees for the year amounted to 2,736 (2015: 2,727). The employees from the Nenplas companies acquired during the year under review are included pro rate with time.

The following table shows the employee structure:

	Industrial	Salaried	2015 Total	**Industrial**	**Salaried**	**2016 Total**
Production	1,395	216	1,611	1,398	203	1,601
Sales	34	330	364	45	316	361
Engineering	118	39	157	118	36	154
Research and development, quality assurance	65	90	155	63	89	152
Administration, materials management	113	327	440	119	349	468
	1,725	**1,002**	**2,727**	**1,743**	**993**	**2,736**

The number of employees by regions is as follows:

	2015	**2016**
Germany	1,876	1,818
European Union **	241	277
Rest of Europe **	27	26
Asia / Australia	159	175
America	424	440
	2,727	**2,736**

** In order to improve clarity and presentation, the classification and the previous year's figures have been adjusted.

(6) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2015	**2016**
Operating expenses	33,709	29,607
Sales expenses	43,708	44,870
Administrative expenses	21,607	23,657
Impairment losses on receivables	1,214	538
	100,238	**98,672**

Uncapitalized research and development costs (personnel and materials costs) in the Group amounted to € 000s 4,530 (2015: € 000s 2,561).

(7) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2015	**2016**
Income from revaluation of finance leasing liabilities	0	2,977
Claims for compensation	1,851	646
Release of unused amounts of provisions and obligations	258	248
Income from fixed asset disposals	2,950	201
Other operating income	2,404	2,378
	7,463	**6,450**

The income from revaluation of finance leasing liabilities results from interest adjustments of existing leasing contracts.

(8) FINANCIAL RESULT

[€ 000s]	2015	**2016**
Interest and similar income	905	702
Interest and similar expenses	-9,201	-8,794
Interest (net)	**-8,296**	**-8,092**
Income from market valuation for financial derivatives *	32	0
Currency gains/losses, net	3,603	1,795
Income from investments	1	62
Other financial expenses and income *	**3,636**	**1,857**
Share of profit of investments accounted for using the equity method	**393**	**395**
Financial result *	**-4,267**	**-5,840**

* Previous year adjusted in accordance with IAS 8

In accordance with IAS 17 (leases), the proportion of interest included in financial leasing instalments is recorded in interest expenses in the amount of € 000s 1,148 (2015: € 000s 1,680).

Interest expenses on financial liabilities that were not measured at fair value in the amount of € 000s 49 (2015: € 000s 49) were included in the financial result.

(9) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2015		**2016**
Current income taxes				
- Germany	-198		-959	
- International	8,949		8,141	
		8,751		7,182
Deferred income taxes				
- from time differences	563		4,081	
- on losses carried forward	-65		0	
		498		4,081
		9,249		**11,263**

An average overall tax burden of 30.0 % (2015: 29.4 %) therefore results for the German companies. The tax rate takes account of trade tax (14.3 %, 2015: 13.6 %), corporate income tax (15.0 % unchanged compared with the previous year) and the solidarity surcharge (5.5 % of corporate income tax unchanged compared with the previous year). The applicable local income tax rates for the foreign companies vary between 17 % and 35 % as in the previous year.

Deferred tax losses carried forward have been capitalized in the consolidated financial statements on the basis of a 5-year projection of earnings before income tax at the level of the individual companies. Uncertainties relating to different projected premises and framework conditions have been taken into account.

No deferred tax assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 8,191 (2015: € 000s 7,197) due to restricted utility.

Deferred tax liabilities amounting to € 000s 4,694 (2015: € 000s 3,856) were not recognised on temporary differences in connection with shares in subsidiaries, as the temporary differences are not expected to reverse in the foreseeable future.

The deferred tax assets and liabilities reported in the financial statements listed below are attributable to differences in recognition and valuation of individual items on the balance sheet and to tax losses carried forward:

[€ 000s]	Deferred tax assets			Deferred tax liabilities		
	2015	Change	**2016**	2015	Change	**2016**
Inventories	1,694	-541	1,153	155	49	204
Receivables and other assets	197	-68	129	147	-118	29
Tax losses carried forward	99	437	536	0	0	0
Goodwill	2,272	-692	1,580	3,670	96	3,766
Property, plant and equipment	985	-175	810	26,487	1,093	27,580
Intangible assets	97	-44	53	3,543	-257	3,286
Other current assets	68	28	96	33	-9	24
Other non-current assets	277	-277	0	3,785	1,641	5,426
Financial liabilities	12,792	-3,562	9,230	0	0	0
Pensions and other personnel-related obligations	1,462	81	1,543	0	0	0
Trade accounts payable	0	0	0	2,293	218	2,511
Other liabilities	696	-69	627	1,068	-77	991
	20,639	**-4,882**	**15,757**	**41,181**	**2,636**	**43,817**
Netting	-12,403	3,172	-9,231	-12,403	3,172	-9,231
	8,236	**-1,710**	**6,526**	**28,778**	**5,808**	**34,586**

Non-current deferred taxes are included in the deferred tax assets in the amount of € 000s 4,521 (2015: € 000s 5,581), in the deferred tax liabilities in the amount of € 000s 31,817 (2015: € 000s 25,082).

Reconciliation between expected and actual income tax expenditure is as follows:

[€ 000s]	2015	**2016**
Earnings before Taxes (EBT) *	**26,843**	**35,037**
Expected income tax (30.0 %; 2015: 29.4 %) *	7,892	10,511
Reconciliation:		
Differences from foreign tax rates	762	-569
Share of profit of investments accounted for using the equity method	-115	-7
Losses for which no deferred taxes were recorded	182	-90
Expenses not deductible from taxes	577	494
Tax-free income	-118	-19
Allowance on deferred tax assets	0	342
Tax expenses / income not related to the reporting period	79	471
Other effects *	-10	130
Income tax	**9,249**	**11,263**

* Previous year adjusted in accordance with IAS 8

The average tax rate amounted to 30.0 % (previous year: 29.4 %).

Income taxes recorded directly in equity

Income tax which directly exerts a negative impact on, or was credited to, other comprehensive income for the year is comprised as follows:

[€ 000s]	2015	**2016**
Actuarial gains/losses	37	110
Fair value measurement of financial instruments	-43	109
Reclassification into the income statement	0	53
Net investment in a foreign operation	-124	216
Release to other comprehensive income	50	0
	-80	**488**

(10) EARNINGS PER SHARE

	2015	**2016**
Consolidated net profit in € 000s *	17,721	23,867
Weighted average of no-par value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	1.14	1.54

* Previous year adjusted in accordance with IAS 8

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO SE by the weighted average of the issued shares.

XI. NOTES TO THE BALANCE SHEET

(11) CASH AND CASH EQUIVALENTS

[€ 000s]	2015	**2016**
Cash in hand and bank balances	38,310	50,416
Fixed-term deposits	27,344	10,000
	65,654	**60,416**

(12) TRADE ACCOUNTS RECEIVABLE

[€ 000s]	2015	**2016**
Trade accounts receivable	59,203	54,572
Less allowances	-2,842	-2,500
Book value	**56,361**	**52,072**

The allowances relate to specific allowances and lump-sum allowances. The calculation of the specific allowance is carried out on the basis of the age structure, and on account of knowledge about the customer-specific credit and default risk.

The allowances developed as follows:

[€ 000s]	2015	**2016**
1/1/	**3,347**	**2,842**
Recourse	-996	-592
Release of unused amounts	-126	-160
Addition (effect on expenses)	617	410
31/12/	**2,842**	**2,500**

There is no significant concentration of risk in the trade accounts receivable on account of the diversified customer structure of the SURTECO Group. The maximum default risk corresponds to the book values of the net receivables. The current values of the trade accounts receivable essentially correspond to the book values.

The following table shows the maturity structure of receivables:

[€ 000s]		2015	**2016**
Book value		**56,361**	**52,072**
of which: not impaired and not overdue		46,486	44,113
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	7,193	7,198
	3-6 months	676	277
	6-12 months	137	251
	more than 12 months	2,102	521
Less lump-sum allowances		-233	-288

There were no indications on the balance sheet date that payment defaults would occur for trade accounts receivable which were neither overdue nor impaired.

(13) INVENTORIES

The inventories of the Group are comprise as follows:

[€ 000s]	2015	**2016**
Raw materials, consumables and supplies	42,630	40,981
Work in progress	12,664	10,632
Finished products and goods	57,958	67,983
	113,252	**119,596**

Impairments of € 000s 2,764 (2015: € 000s 2,623) were reported on inventories.

Out of the inventories, € 000s 42,109 (2015: € 000s 38,538) were recognized under assets at the net disposal value.

(14) CURRENT AND NON-CURRENT INCOME TAX RECEIVABLES

Claims arising from income tax are recognized under current tax assets insofar as their due date is not twelve months after the balance sheet date.

Corporate income tax credits are recognized under non-current tax assets. These were granted when the law on tax measures to accompany the adoption of European companies and amendment to additional tax regulations (SE Introductory Act, SEStEG) came into force. On 13 December 2006, a legal unconditional claim to refund of corporate income tax credits from the period of the tax imputation system (§ 37 Corporate Income Tax Act, KStG amended version) came into effect for the first time with expiry on 31 December 2006. The credit will be paid out in ten equal annual instalments from 2008 to 2017. The present value of the corporate income tax credit on the balance sheet date amounts to € 000s 154 (2015: € 000s 291), of which € 000s 154 (2015: € 000s 138) are recognized under current income tax assets.

(15) OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

[€ 000s]		2015		**2016**
Other current non-financial assets				
Income tax assets (value added tax, wage tax)	3,423		3,591	
Prepaid expenses	1,413		1,673	
Other	764		1,343	
		5,600		6,607
Other current financial assets				
Interest-currency swaps for US Private Placement	0		14,536	
Receivables factoring	1,072		1,192	
Receivables from employment relationships	133		1,109	
Other loans	600		900	
Bonuses receivables	799		835	
Creditors with debit balances	110		261	
Security deposits	190		178	
Other	728		639	
		3,632		19,650
		9,232		**26,257**

No significant impairments were carried out on the other current assets recognized.

Other current financial assets

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US Private Placement. The US Private Placement currently comprises a tranche amounting to USD 70 million with an original term of 10 years and a tranche of € 60 million with an original term of 12 years. The loans are repayable on maturity. They are payable under fixed-interest agreements charged at 5.7% - 6.5% before hedging and with six-monthly payment points.

The capital payment and interest flows in USD were fully hedged in euros with interest-currency swaps. The interest cash flows were hedged in advance of the transaction against changing interest payments up to the issue of the loans. This resulted in the following effects during the year under review: realization of interest income amounting to € 000s 182 (2015: € 000s 179), increase in equity capital (before deduction of deferred taxes) by € 000s 121 (2015: € 000s 674) through direct recording of the cash flow hedge under the item market valuation of financial instruments, increase in the USD liability by € 000s 14,494 (2015: increase by € 000s 12,471) on the basis of the valuation on the balance sheet and recording the market value of the hedging transactions amounting to € 000s 14,536 with no effect on income in the other non-current financial assets (2015: other non-current financial assets € 000s 12,884). In addition, € 000s 14,494 from equity was transferred to the result for the accounting period (2015: € 000s 12,471). The cash flows from the interest-currency swaps occurred every six months at the interest payment points until repayment in August 2017 and are recognized in the income statement with an effect on earnings. The prospective and retrospective effectiveness is calculated using the dollar offset method based on the hypothetical derivative method.

The receivables recognized from factoring result from the sales of trade receivables of SURTECO to a factor. These receivable sales led to a continuing involvement. The reason for this is that in all cases the settlement risk remains with the SURTECO Group. Apart from the continuing involvement, the receivables include the reservation amount of the factor for invoice deductions by the customer. Sales of receivables with a book value at 31 December 2016 amounting to € 000s 9,806 (2015: € 000s 11,573) led to a partial disposal. A continuing involvement asset in the amount of € 000s 145 (2015: € 000s 150) was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 151 (2015: € 000s 150) was reported under current liabilities. The maximum amount of the receivables sold amounts to € 000s 16,454 (2015: € 000s 17,422) in the business year.
Obligations in respect of the factor amounting to € 000s 2,193 (2015: € 000s 4,657) are also recognized under other current financial liabilities for receivables settled by the balance sheet date.

€ 000s 800 were included in current other loans to associated non-consolidated subsidiaries. These were recognized under other non-current financial assets in the previous year.

(16) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Total
Acquisition costs				
1/1/2015	**521,350**	**57,543**	**158,056**	**736,949**
Currency adjustment	12,437	660	59	13,156
Additions	29,676	1,952	0	31,628
Disposals	-15,351	-486	0	-15,837
Transfers	723	-723	0	0
31/12/2015	**548,835**	**58,946**	**158,115**	**765,896**
1/1/2016	**548,835**	**58,946**	**158,115**	**765,896**
Currency adjustment	-631	-445	-247	-1,323
Addition to consolidated companies	8,919	15,155	7,623	31,697
Additions	31,458	3,016	0	34,474
Disposals	-38,577	-66	0	-38,643
Transfers	-80	80	0	0
31/12/2016	**549,924**	**76,686**	**165,491**	**792,101**
Depreciation and amortization				
1/1/2015	**284,152**	**31,277**	**47,248**	**362,677**
Currency adjustment	5,792	303	-492	5,603
Additions	28,141	5,706	0	33,847
Disposals	-14,183	-568	0	-14,751
31/12/2015	**303,902**	**36,718**	**46,756**	**387,376**
1/1/2016	**303,902**	**36,718**	**46,756**	**387,376**
Currency adjustment	-1,057	-71	-93	-1,221
Additions	27,479	5,982	0	33,461
Disposals	-26,014	-66	0	-26,080
Transfers	-14	14	0	0
31/12/2016	**304,296**	**42,577**	**46,663**	**393,536**
Book value at 31/12/2016	**245,628**	**34,109**	**118,828**	**398,565**
Book value at 31/12/2015	**244,933**	**22,228**	**111,359**	**378,520**

(17) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised as follows:

[€ 000s]	Land and buildings	Financial leasing for land and buildings	Technical equipment and ma-chines	Other equipment, factory and office equipment	Payments on account and assets under con-struction	Total
Acquisition costs						
1/1/2015	**126,437**	**39,200**	**274,821**	**73,785**	**7,107**	**521,350**
Currency adjustment	2,442	889	8,685	388	33	12,437
Additions	751	0	13,388	5,441	10,096	29,676
Disposals	-1,240	-546	-9,793	-3,750	-22	-15,351
Transfers	1,219	292	4,374	55	-5,217	723
31/12/2015	**129,609**	**39,835**	**291,475**	**75,919**	**11,997**	**548,835**
1/1/2016	**129,609**	**39,835**	**291,475**	**75,919**	**11,997**	**548,835**
Currency adjustment	-185	0	-207	-250	11	-631
Addition to consolidated companies	3,614	0	3,524	1,781	0	8,919
Additions	3,377	0	15,014	6,978	6,089	31,458
Disposals	-673	-13,205	-20,196	-3,102	-1,401	-38,577
Transfers	2,532	404	302	4,167	-7,485	-80
31/12/2016	**138,274**	**27,034**	**289,912**	**85,493**	**9,211**	**549,924**
Depreciation and amortization						
1/1/2015	**50,773**	**4,939**	**174,658**	**53,777**	**5**	**284,152**
Currency adjustment	583	66	4,901	242	0	5,792
Additions	3,336	1,355	18,002	5,448	0	28,141
Disposals	-90	-337	-10,467	-3,289	0	-14,183
Transfers	22	-22	0	0	0	0
31/12/2015	**54,624**	**6,001**	**187,094**	**56,178**	**5**	**303,902**
1/1/2016	**54,624**	**6,001**	**187,094**	**56,178**	**5**	**303,902**
Currency adjustment	-157	0	-800	-100	0	-1,057
Additions	3,456	1,272	16,909	5,842	0	27,479
Disposals	-326	-3,196	-19,769	-2,723	0	-26,014
Transfers	0	0	-1,963	1,963	-14	-14
31/12/2016	**57,597**	**4,077**	**181,471**	**61,160**	**-9**	**304,296**
Book value at 31/12/2016	**80,677**	**22,957**	**108,441**	**24,333**	**9,220**	**245,628**
Book value at 31/12/2015	**74,985**	**33,834**	**104,381**	**19,741**	**11,992**	**244,933**

As at 31 December 2016, property, plant and equipment with a book value of € 000s 2,177 (2015: € 000s 2,461) was pledged as collateral for existing liabilities.

(18) INTANGIBLE ASSETS

Intangible assets comprise primarily IT software and assets acquired in the framework of acquisitions.

[€ 000s]	Concessions, patents, licences and similar rights	Customer relations and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2015	**33,984**	**21,801**	**1,604**	**154**	**57,543**
Currency adjustment	337	458	-135	0	660
Additions	1,029	0	743	180	1,952
Disposals	-22	-464	0	0	-486
Transfers	-773	-396	463	-17	-723
31/12/2015	**34,555**	**21,399**	**2,675**	**317**	**58,946**
1/1/2016	**34,555**	**21,399**	**2,675**	**317**	**58,946**
Currency adjustment	-193	-206	-46	0	-445
Addition to consolidated companies	2,295	12,860	0	0	15,155
Additions	1,100	0	1,886	30	3,016
Disposals	-66	0	0	0	-66
Transfers	-1,383	90	1,562	-189	80
31/12/2016	**36,308**	**34,143**	**6,077**	**158**	**76,686**
Depreciation and amortization					
1/1/2015	**18,737**	**11,314**	**1,226**	**0**	**31,277**
Currency adjustment	50	196	57	0	303
Additions	2,708	2,384	614	0	5,706
Disposals	-240	-328	0	0	-568
Transfers	499	-499	0	0	0
31/12/2015	**21,754**	**13,067**	**1,897**	**0**	**36,718**
1/1/2016	**21,754**	**13,067**	**1,897**	**0**	**36,718**
Currency adjustment	-148	120	-43	0	-71
Additions	3,096	2,427	459	0	5,982
Disposals	-66	0	0	0	-66
Transfers	-2,745	2,486	273	0	14
31/12/2015	**21,891**	**18,100**	**2,586**	**0**	**42,577**
Book value at 31/12/2016	**14,417**	**16,043**	**3,491**	**158**	**34,109**
Book value at 31/12/2015	**12,801**	**8,332**	**778**	**317**	**22,228**

(19) GOODWILL

Goodwill is comprised of the following amounts from the takeover of business operations and from capital consideration.

Goodwill developed as follows:

[€ 000s]	2015	**2016**
1/1/	**110,808**	**111,359**
Additions	0	7,623
Currency adjustment	551	-154
31/12/	**111,359**	**118,828**

The additions relate to the shares in the British Nenplas Group acquired during the year under review. The goodwill was allocated to the CGU skirtings.

Goodwill is allocated to cash generating units (CGU Level) for purposes of carrying out annual or event-related (triggering events) impairment tests. These correspond to the Business Unit Paper and the operating divisions in the Business Unit Plastics.

The value of the goodwill recognized in the year under review was also evident in a variation in growth rate and discounting rate.

The book value of the goodwill was attributed to the cash generating units as follows:

[€ 000s]		2015		**2016**
CGU edgebandings	69,056		67,037	
CGU skirtings	26,438		36,281	
CGU technical extrusions	8,868		8,509	
Strategic Business Unit Plastics		104,362		111,827
Strategic Business Unit Paper		6,997		7,001
		111,359		**118,828**

The value in use to be applied for carrying out the impairment test is calculated on the basis of a company valuation model (discounted cash flow). The calculation is carried out using cash flow plans which are based on medium-term planning for a period of five years that has been approved by the Board of Management and is valid at the time when the impairment test was carried out. These plans include experience and expectations relating to the future market development. Growth rates are estimated individually for each subsidiary company on the basis of the macro-economic framework data for the regional market, the market opportunities and experiences in the past. The underlying growth rates applied for the impairment test are based on medium-term planning for a period of 5 years amounted to an average of 4.6% for sales and 8.8 % for EBITDA. For the period after the fifth year, a growth rate of 1 % was used for sales and for EBITDA, since the value in use is mainly determined by the terminal value and this responds in a particularly sensitive way to changes in assumptions with respect to its growth rate and its interest rate.

The costs of capital are calculated as a weighted average of the costs of equity and debt. As far as possible, external information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors in our shares. Market conditions for loans are taken into account for borrowing costs. This yielded an interest rate of 7.2 % (2015: 8.1 %) before taxes in December 2016.

On the basis of impairment tests carried out in the business year 2016, the values in use of the cash generating units are estimated as higher than the net asset values. As a result, no impairments have been recognized.

(20) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND FINANCIAL ASSETS

[€ 000s]	Investments in associated companies	Investments in joint ventures	Investments accounted for using the equity method
Acquisition costs			
1/1/2015 *	**1,345**	**1,800**	**3,145**
Currency adjustment	0	-171	-171
Proportionate earnings	60	333	393
Payout	-86	0	-86
31/12/2015 *	**1,319**	**1,962**	**3,281**
Currency adjustment	0	-482	-482
Proportionate earnings	0	395	395
Payout	-60	-181	-241
Disposals	-1,259	0	-1,259
31/12/2016	**0**	**1,694**	**1,694**

* Previous year adjusted in accordance with IAS 8

The investments accounted for using the equity method relate to associated companies and joint ventures.

Name	Country of registration	Percentage of shares held	Type of business activity	Type of participation
Saueressig Design Studio GmbH [1]	Germany	30%	Development of design and sale of printing forms	Associated company
Canplast Centro America S.A. [2]	Guatemala	50%	Dormant	Joint venture
Canplast Mexico S.A. de C.V.	Mexico	50%	Sale of edgebandings	Joint venture

[1] The shareholding in the associated company Saueressig Design Studio GmbH, Mönchengladbach was sold in the third quarter of the business year 2016.
[2] The joint venture Canplast Centro America S.A., Guatemala, was liquidated in the business year 2016.

The company Canplast Mexico accounted for using the equity method is not a listed company so that no market price is available for this investments. The joint venture company has not exerted a significant effect on the net assets, financial position and results of operations at SURTECO.

The following information presents the amounts in the financial statements of the companies accounted for using the equity method and not the corresponding shares of SURTECO SE in them. Adjustments on the basis of differences between the accounting and valuation methods with the companies accounted for using the equity method were not carried out in the Group for reasons of materiality.

[€ 000s]	Associated companies	Joint ventures	2015 Total	Associated companies [1]	Joint ventures [2]	2016 Total
Current assets	1,305	3,159	**4,464**	-	3,811	**3,811**
Non-current assets	310	571	**881**	-	616	**616**
Current liabilities	-482	-1,042	**-1,524**	-	-1,231	**-1,231**
Non-current liabilities	0	0	**0**	-	0	**0**
Net assets (100 %)	1,133	2,688	**3,821**	-	3,196	**3,196**
Share of the Group in the net assets (50 % or 30 %)	340	1,344	**1,684**	-	1,598	**1,598**
Book value of the share *	1,319	1,962	**3,281**	-	1,694	**1,694**
Sales revenues	3,075	5,579	**8,654**	-	6,938	**6,938**
EBT	304	965	**1,269**	-	1,382	**1,382**
Profit after taxes	200	685	**885**	-	987	**987**
Other comprehensive income	-	-	**-**	-	-	**-**
Comprehensive income	200	685	**885**	-	987	**987**
Share of the Group in the comprehensive income	60	333	**393**	-	395	**395**
Payout received from associated companies	86	-	**86**	60	-	**60**
Payout received from joint ventures	-	0	**0**	-	181	**181**
Book value *	**1,319**	**1,962**	**3,281**	**-**	**1,694**	**1,694**

* Previous year adjusted in accordance with IAS 8
[1] Sale of Saueressig Design Studio GmbH, Mönchengladbach
[2] Liquidation of Canplast Centro America S.A., Guatemala

The financial assets developed as follows:

[€ 000s]	2015	2016
1/1/	**21**	**21**
Currency adjustment	0	0
31/12/	**21**	**21**

The financial assets are shares in affiliated non-consolidated companies.

(21) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2016 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(22) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2016	Expense	Release	Allocation	31/12/2016
Warranty	1,477	-473	-325	1,096	1,775
Legal disputes	577	0	0	429	1,006
Restructuring	5,457	-5,457	0	502	502
Impending losses	331	-41	-230	9	69
Other	363	-270	-14	152	231
	8,205	**-6,241**	**-569**	**2,188**	**3,583**

The warranty provision was formed for warranty obligations arising from the sale of products. The valuation is made on the basis of experience values.

The legal disputes essentially relate to a protective rights agreement.

The restructuring provision includes expenses which are used for a social compensation plant and reconciliation of interests for the employees of the printing facility in Laichingen which was relocated in 2015. This facility was integrated at the Buttenwiesen-Pfaffenhofen location in the course of concentration of decorative printing activities in Germany.

The provision for impending losses was essentially formed for risks arising from pending sales transactions. It is likely that the sale of products will be below the costs of manufacture. The time of anticipated outflow will come with fulfilment of the sales transactions.

(23) OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

[€ 000s]		2015		2016
Other current non-financial liabilities				
Tax liabilities (value added tax)	363		922	
Social insurance against occupational accidents	843		775	
Supervisory Board remuneration	384		383	
Other	917		575	
		2,507		2,655
Other current financial liabilities				
Liabilities from employment relationships [1]	14,796		14,057	
Debitors with credit balances	2,253		2,502	
Other current liabilities factoring	4,807		2,344	
Bonuses and promotional costs	1,552		1,442	
Commissions	437		716	
Payments on account received	483		417	
Other *	297		172	
		24,625		21,650
		27,132		**24,305**
[1] of which social security		885		1,081

* Previous year adjusted in accordance with IAS 8

Other current financial liabilities

The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the balance sheet date, obligations arising from profit shares, bonuses, holiday and working time credits.

Obligations in respect of the factoring agent for receivables settled as at the balance sheet date are recognized under other current liabilities arising from factoring. Reference is made to our comments on receivables from factoring under item 15 “Other current assets” in the notes to the consolidated financial statements for further details.

(24) OTHER NON-CURRENT FINANCIAL ASSETS, FINANCIAL LIABILITIES AND OTHER NON-CURRENT FINANCIAL LIABILITIES

The other non-current financial assets essentially relate to the fair value of the purchase option for the acquisition of the remaining 15 % of the shares in the Nenplas Group amounting to € 000s 4,300 (2015: € 000s 0) and loans in the amount of € 000s 300 (2015: € 000s 799), of which loans in the amount of € 000s 0 (2015: € 000s 799) are in respect of affiliated non-consolidated subsidiary companies.

Correspondingly, the sale option granted to the seller in respect of 15 % of the shares in Nenplas amounting to the fair value of € 000s 4,300 were recorded in other non-current financial liabilities.

Interest liabilities, including the liabilities of finance leasing, of the SURTECO Group are recognized under short-term and long-term financial liabilities.

Financial liabilities amounting to € 000s 2,177 (2015: € 000s 2,461) in the special-purpose entities are secured by charges on property and assignment of receivables of the special-purpose entities.

Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 1.55 % and 5.70 %.

Short-term financial liabilities include short-term credit lines that have been drawn down and variable-interest credit lines for supplies, the payment due on the US Private Placement (see notes item 15) in the second half of the year 2017 and the short-term proportion of loan liabilities and non-current finance leasing liabilities of € 000s 1,160 (2015: € 000s 2,145).

The liabilities from finance leasing obligations are released over the contract term and are due on the balance sheet date as follows:

[€ 000s]	2015	**2016**
Leasing payments to be made in the future		
in less than one year	3,516	1,824
between one year and five years	14,282	14,346
after more than five years	15,928	14
Interest share		
in less than one year	-1,371	-664
between one year and five years	-4,271	-1,850
after more than five years	-385	-1
Present value		
in less than one year	2,145	1,160
between one year and five years	10,011	12,496
after more than five years	15,543	13
	27,699	**13,669**

(25) PENSIONS AND OTHER PERSONNEL-RELATED OBLIGATIONS

Commitments for company pensions were concluded for individual employees of the SURTECO Group. The defined-benefit commitments were concluded through individual contracts and in collective agreements. They essentially provide for pension payments when an employee retires, becomes incapacitated and/or in cases of death. The level of the provision payments depends on the final salary achieved taking account of length of service with the company and fixed pension components for each year of service. The pension commitments in Germany are subject to the German Company Pensions Act.

The financing of the projected benefit obligations arising from pension obligations amounts to € 000s 10,809 internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 253, which secures the obligations partly or fully congruently.

The pension obligations, the plan assets, and the provision developed as follows:

[€ 000s]	2015			**2016**		
	Present value of obligation	**Fair value of plan assets**	**Provision**	**Present value of obligation**	**Fair value of plan assets**	**Provision**
1/1/	**10,970**	**-198**	**10,772**	**10,668**	**-209**	**10,459**
Pension payments on account	-454	-	-454	-452	0	-452
Payments from plan settlements	0	-	0	0	6	6
Current service expense	82	-	82	54	0	54
Interest income	0	-11	-11	0	-5	-5
Interest expense	229	-	229	226	0	226
Remeasurements						
Actuarial gains / losses						
- from changes in demographic parameters	0	-	0	0	0	0
- from experience adjustments	0	-	0	0	-45	-45
- from changes in financial parameters	126	-	126	316	0	316
- Other	-285	-	-285	0	0	0
	-159	0	-159	316	-45	271
Release	-	-	-	-3	0	-3
31/12/	**10,668**	**-209**	**10,459**	**10,809**	**-253**	**10,556**

There is no active market price quotation for the plan assets.

The Group recognizes remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2016 before deferred taxes amounts to € 000s 317 (2015: € 000s 126). Up to now, a total of € 000s 1,977 has been recognized in shareholders' equity.

The annual payments by the employer over the coming years are expected to be in the same order of range as the payments for previous years at € 000s 442.

If the other assumptions remain constant, the changes which were possible subject to an objective analysis on the balance sheet date would have exerted an influence on the defined-benefit obligation in the event of one of the significant actuarial assumptions set out below (sensitivity analysis):

[€ 000s]	Change in present value of pension obligation			
	2015		2016	
	Increase	Decrease	Increase	Decrease
Increase in the interest rate by 0.25%		320		327
Decrease in the interest rate by 0.25%	337		345	
Increase in future pension rises by 0.25%	283		291	
Reduction in future pension rises by 0.25%		271		279

When determining the sensitivities, a similar approach to determining the scope of obligation is adopted. If several assumptions are changed at the same time, the overall effect does not necessarily have to correspond to the sum of the individual effects due to the changes in the assumptions. Furthermore, the effects are not linear.

The weighted average residual term of the benefit obligations is 13.2 years to 31 December 2016.

The additional personnel-related obligations include phased-retirement and long-service agreements. The phased-retirement obligations amount to € 000s 198 (2015: € 000s 125) on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 50 (2015: € 000s 102) on account of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 2,326 on the balance sheet date (2015: € 000s 1,901).

Out of the non-current obligations arising from phased-in retirement arrangements € 000s 136 (2015: € 000s 70) are due in 2017.

(26) SHAREHOLDERS' EQUITY

The subscribed capital (capital stock) of SURTECO SE is € 15,505,731.00 and is fully paid up. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case.

The Board of Management is authorized to increase the capital stock of the company once or in partial amounts in the period to 27 June 2019 by overall up to € 1,500,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration (Authorized capital I). The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders up to a proportionate amount of the capital stock of € 1,500,000.00, if the new shares are issued at an issue amount, which is not significantly lower than the stock-market price. The Board of Management is further authorized to have the new shares taken over by a bank, a financial services institution or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. If the Board of Management does not make use of the above authorizations to exclude pre-emptive rights, the pre-emptive right of the shareholders may only be excluded for equalization of fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized to increase the capital stock of the company once or in partial amounts in the period to 27 June 2019 by overall up to € 6,200,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration or non-cash contributions (Authorized capital II). In the case of a capital increase for a cash consideration, the shareholders should be granted a pre-emptive right, although the Board of Management is authorized to exclude the fractions from shareholders' statutory pre-emptive right. The Board of Management is further authorized to have the new shares taken over by a bank, a financial services institution or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. In the case of a capital increase for a non-cash consideration, the Board of Management is entitled to exclude the statutory pre-emptive right of shareholders. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve
The capital reserve of SURTECO SE includes the amounts by which the capital investment values of investments in affiliated enterprises paid within the scope of capital increases against non-cash considerations exceed the amounts of capital stock allocated to the SURTECO shares released for this purpose.

Netting differences capitalized as assets arising from capital consolidation on account of the pooling of interests method were netted in the consolidated financial statements of SURTECO SE against the capital reserve during the year of first-time consolidation.

The capital reserve is unchanged compared to the previous year and amounts to € 000s 122,755.

Retained earnings
Retained earnings include transfers from net profit and the accumulated comprehensive income resulting from the following items:
- Offsetting of actuarial gains and losses with no effect on income
- Differences arising from currency translations from annual financial statements of foreign subsidiaries with no effect on income
- Effects arising from valuation of derivative financial instruments with no effect on income
- Unrealized gains from equity instruments reported as available for sale
- Unrealized gains and losses arising from foreign-currency loans to subsidiary companies which met the requirement of a net investment

Reconciliation of the equity components affected by comprehensive income:

[€ 000s]	31/12/2015 Reserve				31/12/2016 Reserve			
	Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	**Total other comprehensive income**	Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	**Total other comprehensive income**
Components of other comprehensive income not to be reclassified to the income statement								
Remeasurements of defined benefit obligations		-89				-207		
Components of other comprehensive income that may be classified to the income statement								
Net gains / losses from hedging of a net investment in a foreign operation			297				-530	
Exchange differences in translation of foreign operations			6,891				-859	
Fair valuation of cash flow hedges	105				-266			
Reclassification amounts in the income statement	-119				-129			
Other comprehensive income	**-14**	**-89**	**7,188**	**7,085**	**-395**	**-207**	**-1,389**	**-1,991**

Dividend proposal

The dividend payout of SURTECO SE is based on net profit reported in the financial statements of SURTECO SE in accordance with commercial law in conformity with § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG). The financial statements of SURTECO SE drawn up in accordance with commercial law have recorded a net profit of € 000s 12,405 (2015: € 000s 12,405). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.80 (2015: € 0.80) per share, amounting to € 000s 12,405 (2015: € 000s 12,405) be paid out.

(27) NON-CONTROLLING INTERESTS

The following table provides an overview of financial information for companies with non-controlling interests which are important for the SURTECO Group. The table presents balance sheet values at 31 December 2016 for the companies of the Nenplas Group before elimination of intragroup transactions and without the effect arising from the purchase price allocation:

2016 [€]	**Nenplas Holdings Ltd.**	**Nenplas Ltd.**	**Polyplas Extrusions Ltd.**	**Delta Plastics Ltd.**	**Nenplas Properties Ltd.**	**Nenplas Properties Holdings Ltd.**
ASSETS	**6,454,960**	**14,679,876**	**4,439,756**	**1,499,741**	**2,985,879**	**8,287**
Current assets	-	6,734,481	3,870,119	1,374,572	73,379	-
Non-current assets	6,454,960	7,945,395	569,637	125,169	2,912,500	8,287
LIABILITIES	**6,454,960**	**14,679,876**	**4,439,756**	**1,499,741**	**2,985,879**	**8,287**
Current liabilities	4,401,345	6,640,652	541,934	252,687	2,015,092	8,170
Non-current liabilities	-1,196	184,070	54,874	5,983	119,995	-
Equity	2,054,811	7,855,154	3,842,948	1,241,071	850,792	117

€ 000s 2,793 were attributed to non-controlling interests in the equity of the Nenplas companies on 31 December 2016.

The Nenplas companies were included in the consolidated financial statements of SURTECO SE for the first time on 1 December 2016. The contribution to the consolidated earnings and the consolidated cash flow during one month in the business year 2016 is slightly. We have therefore not provided an income statement and cash flow statement on grounds of materiality.

(28) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities were recognized on 31 December 2016 in the amount of € 000s 114 (2015: € 000s 157) and relate exclusively to a special-purpose entity. The probability of occurrence is assessed as low. There are no identifiable points of reference for assuming that the conditions underlying the investment allowance are no longer applicable.
Furthermore, guarantees were provided for non-consolidated companies (see notes item 33).

Obligations arising from rental, hire and leasing contracts relate exclusively to rental contracts whereby the companies of the SURTECO Group are not the commercial owners of the leased assets in accordance with IFRS. The operate leasing contracts essentially relate to typical commercial leasing relationships on the rental of factory and office equipment. The operate leasing contracts have terms of one year to five years and partly include extension options and price adjustment clauses.

[€ 000s]	2015	**2016**
Rental and operate leasing obligations, due		
in less than one year	1,850	2,536
between one year and five years	3,407	4,132
after more than five years	16	2,218
	5,273	**8,886**

Payments from operate leasing contracts in the period are recorded in the amount of € 000s 2,412 (2015: € 000s 2,625).

Commitments amounting to € 000s 1,388 (2015: € 000s 3,334) were recognized arising from orders for investment projects already in progress or planned in the area of items of property, plant and equipment and intangible assets (commitments from orders).
The corresponding payments are due in full in the business year 2017.

(29) CAPITAL MANAGEMENT

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. The capital is defined as the shareholders' equity recognized in the balance sheet and the net debt.

Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts. The Group is not subject to the imposition of any statutory capital requirements.

The dividend payout for the business year 2016 amounted to € 000s 12,405.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 9.2 (2015: 7.8) in 2016. The debt-service coverage ratio was 42.3 % (2015: 40.7 %) in 2016. The net debt amounted to € 000s 135,570 (2015: € 000s 126,588) on 31 December 2016 and the equity ratio was 51.4 % (2015: 51.0 %). The calculation of the indicators is presented in the management report.

The international business profile of the Group means that different legal and supervisory regulations have to be observed according to the region. The status and development of these regulations is tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(30) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The significant financial risks of the Group are described below. More extensive descriptions of the risks are included in the risk and opportunities report provided in the management report.

1. Security guidelines and principles of financial risk management

The international activities of the SURTECO Group mean that changes in interest rates and currency exchange rates exert an effect on the net assets, financial position and results of operations of the SURTECO Group. The risks result from foreign currency transactions carried out in the course of operating business, from financing and from investment.

The Corporate Treasury Department of the SURTECO SE holding company controls centrally the currency and interest-management of the Group and correspondingly the key transactions with financial derivatives and other financial instruments. In individual cases, currency hedging transactions are concluded at the foreign subsidiaries in close consultation with central treasury. Financial instruments and derivatives are used exclusively to hedge interest and currency risks. Only commercial instruments with sufficient market liquidity are used for this purpose. Derivative financial positions for trading purposes are not held. Risk assessments and checks are carried out continuously.

The subsidiaries report on their key currency and interest-rate risks within the scope of Group reporting. These risk positions are then analyzed and evaluated on the basis of the gross burden on EBT and the likelihood of occurrence.

Derivative financial instruments are used by the Group exclusively for hedging purposes and to reduce risk. They are valued on a monthly basis. If significant fluctuations of underlying values, such as interest base rates and currency parities occur, this can impact negatively on the earnings of the Group.

2. Financial risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the Group's financial liabilities have residual terms of up to five years and they are structured with fixed interest rates (see maturity structure item 30.3 in the Notes). The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with lenders at standard market conditions in loan agreements, for example the ratio of EBITDA to interest income (Interest Coverage Factor, see Notes to the Consolidated Financial Statements item 29) and these have to be complied with by the SURTECO Group. The core figures are continuously monitored by the Board of Management and the Supervisory Board. If there is an impending breach of any indicators, consultations on individual measures take place as necessary. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with in the business year 2016.

3. Liquidity and credit risk

The Corporate Treasury Department of the SURTECO SE holding company monitors and controls the development of liquidity for the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that the SURTECO Group has adequate liquid funds continuously available. There is also the option of drawing on open credit lines and on factoring agreements.

However, there is the risk that earnings and liquidity are compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing credit rating and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and taking out cover through trade credit insurance policies.

The following table shows the undiscounted contractually agreed cash outflows and inflows from primary financial liabilities and derivative financial instruments with gross fulfilment. If the maturity date is not fixed, the liability relates to the earliest liability date.

2016	Book value	2017		2018 - 2021		2022 ff.	
[€ 000s]	31/12/2016	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities to banks	179,186	7,162	70,234	9,000	89,688	971	19,264
Payments from derivatives							
Cash outflow		1,829	51,793	0	0	0	0
Cash inflow		-2,669	-65,698	0	0	0	0
Subtotal		6,322	56,329	9,000	89,688	971	19,264
Financial liabilities from finance leasing	16,800	664	1,160	1,850	12,496	1	13
Financial liabilities	195,986	6,986	57,489	10,850	102,184	972	19,277
Trade accounts payable	48,888	-	48,888	-	-	-	-
Other financial liabilities	21,650	-	21,650	-	-	-	-

2015	Book value	2016		2017 - 2020		2021 ff.	
[€ 000s]	31/12/2015	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities to banks	160,540	8,360	2,722	14,318	133,199	1,249	25,000
Payments from derivatives							
Cash outflow		3,049	0	1,829	51,793	0	0
Cash inflow		-4,257	0	-2,560	-63,120	0	0
Subtotal		7,152	2,722	13,587	121,872	1,249	25,000
Financial liabilities from finance leasing	31,702	1,519	2,740	4,679	11,474	401	17,488
Financial liabilities	192,242	8,671	5,462	18,266	133,346	1,650	42,488
Trade accounts payable	48,728	-	48,728	-	-	-	-
Other financial liabilities *	24,625	-	24,625	-	-	-	-

* Previous year adjusted in accordance with IAS 8

4. Interest and currency risks

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros can entail risks which can only be hedged to a certain extent.

Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. SURTECO SE meets the remaining interest and currency risks by hedging positions with derivative financial instruments and regular and intensive observation of a range of early-warning indicators. Hedging of individual risks is discussed by the Central Treasury with the Board of Management and the responsible Managing Directors, and decisions are arrived at jointly.

The following table shows the **sensitivity** on the balance sheet date of the available derivatives and variable-interest primary financial instruments in the SURTECO Group to the rise or fall of interest rates by 100 basis points (bp):

[€ 000s]	Income statement		Equity / Other comprehensive income	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2016				
Variable interest instruments	505	-505	0	0
Derivatives	0	0	0	0
	505	**-505**	**0**	**0**
31/12/2015				
Variable interest instruments	479	-479	0	0
Derivatives	0	0	0	0
	479	**-479**	**0**	**0**

The analysis assumes that all other variables, in particular exchange rates, remain unchanged.

The Group operates in several currency areas. In particular, effects arise from the performance of the US dollar.

A rise in the key relevant foreign currencies for SURTECO against the euro would exert the following effects:

[€ 000s]	Income statement		Equity / Other comprehensive income	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2016				
Primary financial instruments				
in US dollars	2,245	-1,837	-7,366	6,026
in other currencies	517	-422	1,968	-1,610
Derivatives				
in US dollars	0	0	7,585	-6,206
in other currencies	0	0	0	0
	2,762	**-2,259**	**2,187**	**-1,790**
31/12/2015				
Primary financial instruments				
in US dollars	2,952	-2,415	-7,140	5,842
in other currencies	507	-415	2,051	-1,678
Derivatives				
in US dollars	0	0	7,730	-6,324
in other currencies	-15	12	0	0
	3,444	**-2,818**	**2,641**	**-2,160**

The analysis assumes that all other variables, in particular interest rates, remain unchanged.

5. Valuations of financial instruments

The calculation and recognition of the fair values of financial instruments is based on a **fair value hierarchy** which takes account of the significance of the input data used for the valuations and classifies it as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.
Level 2 – Directly or indirectly observable input factors which cannot be classified under Level 1.
Level 3 – Unobservable inputs.

The following table shows the **book values and fair values** of financial assets and financial liabilities including their level in the fair value hierarchy.
No fair value reporting is carried out in accordance with IFRS 7.29 for short-term financial instruments or financial instruments reported at acquisition cost.

31/12/2016 [€ 000s]	Category acc. IAS 39	Book value	(amortized) Acquisition costs	Fair value		Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
				not affecting income	affecting income			
Assets								
Cash and cash equivalents	LaR	60,416	60,416				n.a.	n.a.
Trade accounts receivable	LaR	52,072	52,072				n.a.	n.a.
Receivables from affiliated companies	LaR	626	626				n.a.	n.a.
Other current financial assets								
- Further other current financial assets	LaR	5,113	5,113				n.a.	n.a.
- Financial derivatives (with hedging)	n.a.	14,536		14,536			14,536	2
- Financial derivatives (without hedging)	FAaFV	-			-		-	-
Financial assets								
- Shares in affiliated companies	AfS	21	21				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	1,478	1,478				1,511	2
- Financial derivatives (with hedging)	n.a.	-		-			-	-
- Further other non-current financial assets	FAaFV	4,300			4,300		4,300	3
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	1,898				1,898	2,541	2
- Liabilities to banks	FLAC	70,459	70,459				n.a.	n.a.
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	14,902				14,902	16,403	2
- Liabilities to banks	FLAC	108,727	108,727				120,895	2
Trade accounts payable	FLAC	48,888	48,888				n.a.	n.a.
Other current financial liabilities	FLAC	21,650	21,650				n.a.	n.a.
Other non-current financial liabilities	FLaFV	4,300			4,300		4,300	3
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	119,705	119,705					
Available for Sale Financial Assets	AfS	21	21					
Financial Assets at Fair Value through profit/loss	FAaFV	4,300			4,300			
Financial Liabilities Measured at Amortised Cost	FLAC	249,724	249,724					
Financial Liabilities at Fair Value through profit/loss	FLaFV	4,300			4,300			

31/12/2015 [€ 000s]	Category acc. IAS 39	Book value	(amortized) Acquisition costs	Fair value		Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
				not affecting income	affecting income			
Assets								
Cash and cash equivalents	LaR	65,654	65,654				n.a.	n.a.
Trade accounts receivable	LaR	56,774	56,774				n.a.	n.a.
Receivables from affiliated companies	LaR	87	87				n.a.	n.a.
Other current financial assets								
- Further other current financial assets	LaR	3,632	3,632				n.a.	n.a.
- Financial derivatives (with hedging)	n.a.	-		-			-	-
- Financial derivatives (without hedging)	FAaFV	0			0		0	2
Financial assets								
- Shares in affiliated companies	AfS	21	21				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	1,385	1,385				1,405	2
- Financial derivatives (with hedging)	n.a.	12,884		12,884			12,884	2
- Further other non-current financial assets	FAaFV	-			-		-	-
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	2,695				2,695	n.a.	n.a.
- Liabilities to banks	FLAC	2,275	2,275				n.a.	n.a.
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	29,007				29,007	n.a.	n.a.
- Liabilities to banks	FLAC	158,265	158,265				174,267	2
Trade accounts payable	FLAC	48,728	48,728				n.a.	n.a.
Other current financial liabilities *	FLAC	24,625	24,625				n.a.	n.a.
Other non-current financial liabilities	FLaFV	-			-		-	-
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	127,532	127,532					
Available for Sale Financial Assets	AfS	21	21					
Financial Assets at Fair Value through profit/loss	FAaFV	-			-			
Financial Liabilities Measured at Amortised Cost *	FLAC	233,893	233,893					
Financial Liabilities at Fair Value through profit/loss	FLaFV	-			-			

* Previous year adjusted in accordance with IAS 8

Key to abbreviations	
LaR	Loans and Receivables
AfS	Available for Sale
FAaFV	Financial Assets at Fair Value through profit/loss
FLAC	Financial Liabilities at Amortised Cost
FLaFV	Financial Liabilities at Fair Value through profit/loss

Cash and cash equivalents, trade accounts receivable, other current financial assets in the category "Loans and Receivables" and current financial liabilities, trade payables and other financial liabilities have short residual terms. The values reported therefore correspond approximately to the fair value on the balance sheet date.

The investments in affiliated enterprises which are classified as "Available for Sale" are investments in capital companies. There is no active market for these instruments and the fair value cannot be reliably determined in any other way. The investments in these companies are valued at acquisition costs. It is not planned to dispose of significant shareholdings in these companies in the near future.

The fair values of other non-current financial assets and other loans correspond to the present values of the payments associated with assets taking account of interest parameters in each case which reflect market and partner related changes in conditions and expectations. The fair value for other non-current assets and liabilities is determined using a Cox Ross Rubinstein Model with recourse to current market parameters.

The fair value of liabilities to banks is determined as a present value taking account of the payments associated with the liabilities based on the relevant interest structure curve in each case and the credit spread curve differentiated according to currencies.

The fair value of forward exchange contracts and cross-currency swaps of SURTECO SE is determined using the discounted cash flow method with recourse to current market parameters. The bankers determine the fair values on the basis of specific assumptions and valuation methods which can take account of the influence of market, liquidity, credit and operational risks and can be derived entirely or partly from external sources (which are regarded as reliable) and market prices.

During the course of this business year and the previous business year, there were no reclassifications between the measurement categories or reclassifications within the fair value hierarchy. The SURTECO Group decides as necessary with the date of the event or the change in circumstances which have caused the regrouping whether a reclassification is necessary.

The net gains and losses in the income statement arising from financial instruments are presented in the following table:

[€ 000s]	2015	**2016**
Loans and Receivables	-665	87
Available for Sale Financial Assets	0	0
Financial Assets and Liabilities at Fair Value through profit/loss	6	0
Financial Liabilities Measured at Amortised Cost	-3,763	-4,974

The net gains and losses from Loans and Receivables essentially related to changes in allowances, as well as currency translations, allowance reversals and interest income.

The net gains and losses from Financial Assets and Liabilities at Fair Value through profit/loss include effects from the market value of derivatives that are not part of a hedging arrangement.
Net gains and losses from currency translation and from interest expenses are shown for Financial Liabilities Measured at Amortized Cost.

The Board of Management anticipates that the engagement in derivative financial instruments has not exerted any significant effects on the financial situation. On the closing date, the scope of the engagement in derivative financial instruments corresponds to the following nominal and market values:

[€ 000s]	2015		2016	
	Nominal amount	Market value	Nominal amount	Market value
Forward exchange contracts (without hedging)	136	0	0	0
Interest-currency swaps (with hedging)	64,264	12,884	66,288	14,536
	64,400	12,884	66,288	14,536

6. Offsetting of financial assets and financial liabilities

a. Financial assets

The financial assets shown in the following table are subject to offsetting, implementable global netting agreements or similar agreements.

[€ 000s]	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
31/12/2016						
Derivative financial instruments	14,536	-	14,536	0	-	14,536
Trade accounts receivable	58,367	-6,295	52,072	-	-	52,072
	72,903	-6,295	66,608	0	-	66,608
31/12/2015						
Derivative financial instruments	12,884	-	12,884	0	-	12,884
Trade accounts receivable	62,150	-5,376	56,774	-	-	56,774
	75,034	-5,376	69,658	0	-	69,658

b. Financial liabilities

The financial liabilities shown in the following table are subject to offsetting, implementable global netting agreements or similar agreements.

[€ 000s]	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral provided	Net amount
31/12/2016						
Derivative financial liabilities	0	-	0	0	-	0
Trade accounts payable	55,183	-6,295	48,888	-	-	48,888
	55,183	-6,295	48,888	0	-	48,888
31/12/2015						
Derivative financial liabilities	0	-	0	0	-	0
Trade accounts payable	54,104	-5,376	48,728	-	-	48,728
	54,104	-5,376	48,728	0	-	48,728

The amounts of financial assets and liabilities, which have led to no offsetting in the balance sheet, are subject to global netting agreements or similar agreements for which offsetting is only possible under specific prerequisites (e.g. insolvency).

XII. SUPPLEMENTARY INFORMATION

(31) NOTES TO THE CASH FLOW STATEMENTS

The cash flow statement was prepared in accordance with IAS 7. It is structured on the basis of cash flows arising from operating activities and those arising from investment and financing activities. The effects of changes in the group of companies consolidated are eliminated in the relevant items. The cash flows arising from investment and financing activities are calculated on the basis of payments, cash flow arising from current business operations is derived indirectly.

The financial resources only include the cash and cash equivalents of the SURTECO Group reported in the balance sheet. By contrast, financial controlling in the SURTECO Group is based on the financial balance, which apart from cash and cash equivalents also includes debt.

The operating expenses and income with no effect on liquidity and results from disposal of assets, are eliminated in cash flow from current business operations.

The cash flow from financing activities is comprised of dividend payments, capital payments, borrowing and repayment of debts, and interest payments from loans.

(32) SEGMENT REPORTING

The activities of the SURTECO Group are segmented on the basis of operating segments according to IFRS 8 within the scope of segment reporting. The breakdown is based on internal controlling and reporting. It takes into account the product-oriented split of SURTECO into the two Strategic Business units (SBU) Paper and Plastics. Each company within the Group is assigned to the appropriate segment essentially in accordance with the list “SURTECO Holdings”.

- The SBU Paper comprises the production and sale of decor papers, finish foils, impregnates, paper-based edgebandings and release papers.

- The SBU Plastics includes the production and sale of thermoplastic edgings, skirtings and extrusion (profiles) for flooring wholesalers, and ranges for home-improvement and do-it-yourself stores, foils, technical extrusions and roller-shutter systems.

- Consolidation measures, the holding company SURTECO SE and income, expenses, assets and liabilities, which are not directly attributable to the segments, are recognized in the “Reconciliation” column.

The segment information is based on the same recognition, accounting and valuation methods as those used in the consolidated financial statements. There are no changes in valuation methods compared with previous periods. Assets and liabilities, provisions, income and expenses, as well as earnings between the segments are eliminated in the consolidations. Internal sales within the Group are transacted at commercial prices.

The operating segment assets and the operating segment liabilities are comprised of the assets necessary for operations and borrowings – without liquid funds, interest-bearing assets and liabilities, and tax assets and liabilities.

The Board of Management holds the power of decision-making with regard to resource allocation and the measurement of the earnings power of the reportable segments. Uniform parameters for measuring success and assets are used in the relevant business segments for this purpose.

The business relationships between the companies in the segments are organized on the basis of dealing-at-arm’s-length. Administrative services are allocated on the basis of cost.

SEGMENT INFORMATION [€ 000s]	**SBU Paper**	**SBU Plastics**	**Recon-ciliation**	**SURTECO Group**
2016				
External sales	385,428	254,387	0	639,815
Internal sales in the Group	791	15	-806	0
Total sales	386,219	254,402	-806	639,815
Depreciation and amortization	-19,927	-13,343	-191	-33,461
Segment earnings (EBIT)	25,256	22,070	-6,449	40,877
Interest income	228	578	-104	702
Interest expenses	-2,392	-1,045	-5,357	-8,794
Segment earnings (EBT)	23,214	23,611	-11,788	35,037
Share of profit of investments accounted for using the equity method	0	395	0	395
Segment assets	308,095	284,172	-3,909	588,358
Segment liabilities	165,596	92,603	-177,123	81,076
Net segment assets	142,499	191,569	173,214	507,282
Book value of investments accounted for using the equity method	0	1,694	0	1,694
Investments in property, plant and equipment and intangible assets	17,491	16,853	130	34,474
Employees	1,366	1,353	17	2,736
2015				
External sales	394,695	243,699	0	638,394
Internal sales in the Group	834	1,589	-2,423	0
Total sales	395,529	245,288	-2,423	638,394
Depreciation and amortization	-21,287	-12,377	-183	-33,847
Segment earnings (EBIT)	17,129	18,523	-4,542	31,110
Interest income	198	765	-58	905
Interest expenses	-2,953	-1,194	-5,054	-9,201
Segment earnings (EBT) *	15,850	18,534	-7,541	26,843
Share of profit of investments accounted for using the equity method	60	333	0	393
Segment assets	328,781	232,586	10,767	572,134
Segment liabilities *	179,309	51,341	-146,584	84,066
Net segment assets *	149,472	181,245	157,351	488,068
Book value of investments account for using the equity method *	1,319	1,962	0	3,281
Investments in property, plant and equipment and intangible assets	15,926	15,434	268	31,628
Employees	1,412	1,299	16	2,727

* Previous year adjusted in accordance with IAS 8

SEGMENT INFORMATION BY REGIONAL MARKETS [€ 000s]	2015			**2016**		
	Sales Revenues	Non-current assets	Investments	**Sales Revenues**	**Non-current assets**	**Investments**
Germany	177,801	245,622	22,242	174,304	233,390	24,270
Rest of Europe	279,985	45,517	4,203	283,368	75,914	3,353
America	130,689	57,405	4,330	127,930	59,020	5,712
Asia/Australia	46,236	29,976	853	49,042	30,241	1,139
Other	3,683	0	0	5,171	0	0
	638,394	**378,520**	**31,628**	**639,815**	**398,565**	**34,474**

Sales revenues were allocated according to the destination of goods delivery. Non-current assets were recorded in accordance with the location of the relevant asset.

Non-current assets include property, plant and equipment, intangible assets and goodwill.

The non-current assets were allocated to goodwill by regions.

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2015	2016
Balance sheet total *	**655,727**	**673,869**
Less financial assets		
- Cash and cash equivalents	65,654	60,416
- Financial assets and investments accounted for using the equity method *	3,302	1,715
- Tax assets / deferred tax assets	14,637	8,844
- Financial derivatives	0	14,536
Segment assets	**572,134**	**588,358**
Current and non-current liabilities *	**321,347**	**327,317**
Less financial liabilities		
- Short-term and long-term financial liabilities	192,242	195,986
- Financial derivatives	0	0
- Tax liabilities / deferred tax liabilities	32,289	37,225
- Pensions and other personnel-related obligations	12,750	13,030
Segment liabilities *	**84,066**	**81,076**
Net segment assets *	**488,068**	**507,282**

* Previous year adjusted in accordance with IAS 8

(33) TRANSACTIONS WITH NON-CONTROLLING INTERESTS AND RELATED COMPANIES AND PERSONS

The following table shows the scope of relationships between SURTECO SE and the companies accounted for using the equity method.

[€ 000s]	2015	2016
Services rendered (income)	1,156	1,221
Services received (expense)	0	0
Receivables (31/12/)	138	209
Liabilities (31/12/)	0	0

The following table shows the scope of relationships between SURTECO SE and the non-consolidated companies.

[€ 000s]	2015	2016
Services rendered (income)	968	924
Services received (expense)	326	144
Receivables (31/12/)	1,300	1,247
Liabilities (31/12/)	5	0

Outstanding items in respect of these companies are neither secured nor were allowances recognized as at the balance sheet date.

The exchange of services essentially comprises the delivery of inventories at market conditions.

On 31 December 2016, the SURTECO Group held guarantees amounting to € 000s 92 (2015: € 000s 31) to a third-party company outside the Group for the fulfilment of individual contracts by non-consolidated companies. It is assumed that no obligations will arise as a result of these guarantees.

(34) COMPENSATION FOR THE EXECUTIVE OFFICERS AND FORMER EXECUTIVE OFFICERS

Supervisory Board
Total compensation of the Supervisory Board for the business year 2016 amounted to € 000s 383 (2015: € 000s 384). It includes basic remuneration of € 000s 352 (2015: € 000s 352) and compensation for audit-committee activities of € 000s 31 (2015: € 000s 32).

Board of Management
Most of the remuneration for Members of the Board of Management is performance based. It includes a fixed element and a variable element. The variable element is a bonus based on performance and is calculated on the basis of the Earnings Before Tax (EBT) of the Group in accordance with IFRS, taking account of the return on sales. It also includes a basis of assessment over several years. The total guaranteed remuneration of the active members of the Board of Management amounted to € 000s 2,812 (2015: € 000s 2,459) for the business year 2016. Out of this amount, € 000s 720 (2015: € 000s 756) were attributable to the fixed compensation, € 000s 1,908 (2015: € 000s 1,445) were accounted for by performance-based compensation and € 000s 84 (2015: € 000s 108) to fringe benefits and € 000s 100 (2015: € 000s 150) to pension expenses.

The information about individual compensation is provided in the compensation report of the Management Report of the SURTECO Group and SURTECO SE.

(35) SHARE OWNERSHIP OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD OF SURTECO SE

On the balance sheet date, 2,000 shares (2015: 2,000) of the company were held directly and indirectly by the members of the Board of Management and 238,577 shares (2015: 238,577) were held directly or indirectly by the Members of the Supervisory Board. No Member of the Board of Management or the Supervisory Board held a stake in excess of 1 % in the company either directly or indirectly on the balance sheet date.

(36) AUDITOR'S FEE

At the Annual General Meeting on 30 June 2016, auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor of the financial statements and auditor to carry out the audit inspection of the interim financial reports for the business year 2016.

The total fee determined for the business year amounts to € 000s 929. Out of this € 000s 663 was attributed to services for auditing the financial statements, € 000s 10 for other confirmation services, € 000s 178 for tax consultancy services and € 000s 78 for miscellaneous services.

(37) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 27 April 2017 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2016.

XIII. EXECUTIVE OFFICERS OF THE COMPANY

BOARD OF MANAGEMENT		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Herbert Müller Engineer, Heiligenhaus	Chairman of the Board of Management, Group Strategy, Strategic Business Unit Plastics	• Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke
Dr.-Ing. Gereon Schäfer Engineer, Kempen	Member of the Board of Management, Strategic Business Unit Paper	-

MEMBERS OF THE SUPERVISORY BOARD (at 31/12/2016)		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Jürgen Großmann Engineer, Hamburg (Chairman)	Shareholder of the GMH Group, Georgsmarienhütte	• Member of the Supervisory Board of Deutsche Bahn AG, Berlin • Member of the Supervisory Board of - British American Tobacco (Industrie) GmbH, Hamburg - BATIG Gesellschaft für Beteiligungen mbH, Hamburg - British American Tobacco (Germany) Beteiligungen GmbH, Hamburg • Member of the Board, Hanover Acceptances Limited, London • Chairman of the Board of Trustees of RAG Stiftung, Essen
Björn Ahrenkiel Lawyer, Hürtgenwald (Vice Chairman)	Lawyer	-
Dr. Markus Miele Industrial engineer, Gütersloh (Deputy Chairman)	Managing Director of Miele & Cie. KG, Gütersloh	• Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf
Horst-Jürgen Dietzel* Laboratory supervisor, Laichingen (until 29 February 2016)	Vice Chairman of the Works Council of SURTECO DECOR GmbH, Laichingen	-
Markus Kloepfer Engineer, Essen	Managing Director of alpha logs GmbH, Essen	-

MEMBERS OF THE SUPERVISORY BOARD
(at 31/12/2016)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Jens Krazeisen* Process Mechanic, Buttenwiesen-Pfaffenhofen (from 1 March 2016)	Chairman of the Works Council of BauschLinnemann GmbH/ SURTECO DECOR GmbH, Buttenwiesen-Pfaffenhofen	-
Wolfgang Moyses Master of Business Administration, Munich	Chairman of the Board of Management of SIMONA AG, Kirn	• Member of the Supervisory Board of Brabender Inc., South Hackensack • Member of the Customer Advisory Board of Landesbank Rheinland-Pfalz, Mainz
Udo Sadlowski* Training Manager, Essen	Chairman of the Works Council of Döllken-Kunststoffverarbeitung GmbH, Gladbeck	-
Dr.-Ing. Walter Schlebusch Engineer, Munich	Chairman of the Executive Management of Giesecke & Devrient GmbH, Munich (until 31 October 2016)	-
Thomas Stockhausen* Specialist in safety at work, Sassenberg	Chairman of the Works Council of BauschLinnemann GmbH, Sassenberg	-

* Employee representative

COMMITTEES OF THE SUPERVISORY BOARD

Presiding Board			
Dr.-Ing. Jürgen Großmann (Chairman)	Björn Ahrenkiel	Markus Kloepfer	Dr. Markus Miele

Personnel Committee			
Dr.-Ing. Jürgen Großmann (Chairman)	Björn Ahrenkiel	Dr. Markus Miele	

Audit Committee			
Björn Ahrenkiel (Chairman)	Dr.-Ing. Jürgen Großmann	Dr.-Ing. Walter Schlebusch	

XIV. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 SENTENCE 1 STOCK CORPORATION ACT (AKTG)

The Board of Management and the Supervisory Board of SURTECO SE have submitted the Declaration of Compliance in respect of the Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG) on 22 December 2016 and made this declaration available to shareholders on the website of the company at: www.ir.surteco.com. These declarations are intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

SURTECO HOLDINGS AT 31/12/2016

		Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	PARENT COMPANY				
100	**SURTECO SE, Buttenwiesen-Pfaffenhofen**	**Germany**			

	STRATEGIC BUSINESS UNIT PAPER				
300	SURTECO DECOR GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
321	SÜDDEKOR Art Design + Engraving GmbH, Willich	Germany	F	100.00	300
330	Dakor Melamin Imprägnierungen GmbH, Heroldstatt	Germany	F	100.00	300
341	SUDDEKOR LLC, Agawam	USA	F	100.00	300
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100.00	100
405	SURTECO UK Ltd., Burnley	United Kingdom	F	100.00	401
410	Kröning GmbH, Hüllhorst	Germany	F	100.00	401
441	BauschLinnemann North America, Inc., Greensboro	USA	F	100.00	401
443	SURTECO North America, Inc., Myrtle Beach	USA	NC	100.00	300
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	NC	100.00	401
470	SURTECO Italia s.r.l., Martellago	Italy	F	50.00	401
				50.00	510

		Country	Consoli-dated	Percentage of shares held by SURTECO SE	Partici-pation in no.
	STRATEGIC BUSINESS UNIT PLASTICS				
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	F	100.00	100
512	SURTECO Australia Pty Limited, Sydney	Australia	F	100.00	510
513	SURTECO PTE Ltd.	Singapore	F	100.00	510
514	PT Doellken Bintan Edgings & Profiles, Batam	Indonesia	F	99.00	510
				1.00	513
515	Döllken-Profiltechnik GmbH, Dunningen	Germany	F	100.00	520
516	SURTECO France S.A.S., Beaucouzé	France	F	100.00	510
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş.,Istanbul	Turkey	F	99.69	510
				0.25	520
				0.03	300
				0.03	401
518	SURTECO OOO, Moscow	Russia	F	50.00	510
				50.00	401
519	SURTECO Iberia S.L., Madrid	Spain	NC	100.00	510
520	Döllken-Weimar GmbH, Nohra	Germany	F	100.00	100
531	Döllken Sp. z o.o., Sosnowiec	Poland	F	100.00	520
532	Döllken CZ s.r.o., Prague	Czech Republic	F	100.00	520
540	Nenplas Holdings Ltd., Ashbourne	United Kingdom	F	85.00	520
541	Nenplas Ltd., Ashbourne	United Kingdom	F	100.00	540
542	Polyplas Extrusions Ltd., Ashbourne	United Kingdom	F	100.00	541
543	Delta Plastics Ltd., Ashbourne	United Kingdom	F	100.00	541
544	Nenplas Properties Ltd., Ashbourne	United Kingdom	F	100.00	545
545	Nenplas Properties Holdings, Ashbourne	United Kingdom	F	100.00	540
550	SURTECO USA Inc., Greensboro	USA	F	100.00	510
560	SURTECO Canada Ltd., Brampton	Canada	F	100.00	510
561	Doellken-Canada Ltd., Brampton	Canada	F	100.00	560
567	SURTECO Do Brasil S/A Comercio E Importacao de Componentes Para Moveis, Curitiba	Brazil	F	100.00	561
568	Inversiones Doellken South America Ltd, Santiago	Chile	F	100.00	561
569	Canplast SUD S.A., Santiago	Chile	F	55.00	568
572	Canplast Mexico S.A. de C.V., Chihuahua	Mexico	E	50.00	561
610	SURTECO Svenska AB, Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB, Gislaved	Sweden	F	100.00	610
	JORNA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	Germany	F*		520
	SANDIX Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Düsseldorf	Germany	F*		520

F = Full Consolidation E = Consolidation at Equity NC = Not Consolidated F* = Full Consolidation (special-purpose entity)

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the SURTECO SE, Buttenwiesen-Pfaffenhofen, comprising the income statement, the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the SURTECO SE for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors . Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 27, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Bernhard Obermayr
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Buttenwiesen-Pfaffenhofen, April 27, 2017

The Board of Management

H. Müller

Dr.-Ing. Herbert Müller

Gereon Schäfer

Dr.-Ing. Gereon Schäfer

BALANCE SHEET (HGB)
(SHORT VERSION)

€ 000s	31/12/2015	31/12/2016
ASSETS		
Intangible assets	197	120
Tangible assets	349	361
Investments		
- Interest in affiliated enterprises	297,742	297,742
- Notes receivable to affiliated enterprises	18,304	17,712
- Participations	1	1
Fixed assets	**316,593**	**315,936**
Receivables and other assets		
- Receivables from affiliated enterprises	128,450	157,495
- Other assets	9,599	5,879
Cash in hand, bank balances	52,260	47,879
Current assets	**190,309**	**211,253**
Prepaid expenses	**303**	**275**
	507,205	**527,464**

€ 000s	31/12/2015	31/12/2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	15,506	15,506
Additional paid-in capital	170,177	170,177
Retained earnings	111,671	109,474
Net profit	12,405	12,405
Equity	**309,759**	**307,562**
Tax accruals	0	573
Other accruals	1,367	3,234
Accrued expenses	**1,367**	**3,807**
Liabilities to banks	146,806	163,275
Trade accounts payable	398	243
Liabilities to affiliated enterprises	43,993	50,112
Other liabilities	4,882	2,447
Liabilities	**196,079**	**216,077**
Deferred income	**0**	**18**
	507,205	**527,464**

INCOME STATEMENT (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2015	1/1/-31/12/ 2016
Sales revenues	1,641	1,236
Income from profit and loss transfer agreements	23,775	31,498
Losses from profit and loss transfer agreements	-16,699	-10,472
Other operating income	2,764	1,247
Personnel expenses	-3,876	-4,762
Amortization and depreciation on intangible assets and property, plant and equipment	-185	-181
Other operating income	-2,440	-3,733
Income from long-term securities and loans from financial assets	518	488
Interest income	-5,800	-6,130
Income taxes	210	1,023
Earnings after tax	**-92**	**10,214**
Other taxes	-3	-6
Net income / Net loss	**-95**	**10,208**
Profit carried forward from the previous year	44	0
Transfer from retained earnings	12,456	2,197
Net profit	**12,405**	**12,405**

The Annual Financial Statements of SURTECO SE have been published in the Federal Gazette (Bundesanzeiger) and filed at the Company Register of the Local Court Augsburg (Amtsgericht Augsburg). PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Annual Financial Statements and provided them with an unqualified auditor’s opinion. The Balance Sheet and the Income Statement (short version) from these Annual Financial Statements are published here.

The Annual Financial Statements can be requested from
SURTECO SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, Germany.

AUTHORIZED CAPITAL
Authorized capital relates to the authorization of the Board of Management to increase the capital stock up to a specified nominal amount by issuing new shares subject to the approval of the Supervisory Board. The authorization is granted by the Annual General Meeting and requires a three-quarter majority of the represented capital. The term is a maximum of five years. Furthermore, the authorized capital may not be higher than half of the capital stock. Authorized capital gives the Board of Management the opportunity to increase the equity capital of the company at a favourable time for the company and in accordance with the capital requirement and situation on the stock exchange, without having to convene an Annual General Meeting.

CALENDERING
Calendering is used for the manufacture of plastic foils. Calenders are comprised of two or more heatable rollers which are configured in parallel and rotate in opposite directions. The polymer being processed is first mixed, then gelled (pre-heated) and finally calendered. The foil is then taken over by other rollers. This enables the thickness to be further reduced. The foil is also embossed. This is again a calender. The embossing roller is tempered, the counter-roller is cooled. After the embossing process has been carried out, the foil is cooled and rolled up. Calenders are also used for embossing, smoothing, compressing and satinizing papers and textiles. In the paper industry, surface properties such as gloss and smoothness are improved while at the same time reducing the thickness. An array of different effects can be achieved by changing the pressure, temperature and roller speed.

CAPITAL STOCK
The capital stock is the minimum capital defined in law which has to be provided by the shareholders of a joint-stock company or a European Company (SE). The capital stock of a joint-stock company (AG) must be at least € 50,000 (§ 7 Stock Corporation Act, AktG), the capital stock of an SE must be € 120,000 (Article 4 Section 2 SE-VO). The capital stock in an AG and a SE is divided into shares. In the case of par shares, the total of all the par values form the capital stock. In the case of no-par-value shares, each share forms a numerical share of the capital stock.

CORPORATE GOVERNANCE
Corporate Governance relates to responsible management and control of companies directed towards long-term creation of value added and increase in the value of the company. This does not simply cover the management functions of the executive management but also involves the distribution of functions between the Board of Management and the Supervisory Board, and their relationships with the current and future shareholders, investors, employees, business partners and the public domain. Corporate Governance therefore encompasses shareholder value – the increase in income for shareholders – and stakeholder value – the value of the company for the business partners. Apart from the internal effect directed towards the increase in efficiency and control, Corporate Governance exerts a significant external effect that can be described as entailing a transparent and open policy on information. The internal and external effect are directed towards increasing the value of the company, most importantly the stock-market value.

DEALING-AT-ARM’S LENGTH PRINCIPLE
Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must be subject to the test of dealing-at-arm’s length, which would involve an offset of an exchange of services between affiliated companies at conditions that were agreed or would have been agreed under comparable circumstances with or among third parties.

DERIVATIVE FINANCIAL INSTRUMENTS
Financial products in which the market value can be derived from classic underlying instruments or from market prices such as interest rates or exchange rates. Derivatives are used for financial management at SURTECO in order to limit risk.

EBIT
Earnings before financial result and income tax

EBITDA
Earnings before financial result, income tax and depreciation and amortization

EBT
Earnings before income tax

EQUITY METHOD

Method of consolidation for presenting participations in companies whereby a controlling influence can be exerted over their business and financial policy. The participation is initially valued at acquisition cost and this value is then adjusted on a pro rate basis to reflect performance of the companies accounted for using the equity method.

EXTRUSION

The process of extrusion (from the Latin extrudere = push out, drive out) involves plastics or other thermosetting materials, e.g. rubber, being squeezed through a nozzle in a continuous procedure. The plastic – the extrudate – is initially melted as it passes through an extruder (also known as a screw extruder) by the application of heat and internal friction, and homogenized. The necessary pressure for extruding the material through the nozzle is built up in the extruder. After the plastic has been extruded from the nozzle, it generally sets in a water-cooled calibration. The application of a vacuum ensures that the extrusion is pressed against the calibre wall and the process of forming is completed in this way. This stage is often followed by a cooling phase carried out in a cooled water bath. The cross section of the geometrical component created corresponds with the nozzle or calibration used. The merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

FULLY IMPREGNATED PAPER

During the process of full impregnation, papers are saturated in a resin bath and then dried. The impregnated papers are generally varnished and they can then be applied as finish foils to substrate materials, such as MDF boards or fibre boards.

GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code defines essential statutory regulations for managing and monitoring German companies listed on the stock exchange (company management) and includes internationally and nationally recognized standards for sound and responsible corporate management. The code is intended to make the Corporate Governance System in Germany transparent and accountable. The intention is to promote the trust of international and national investors, customers, employees and members of the general public in the management and monitoring of German companies listed on the stock exchange. The code elucidates the duties of the Board of Management and the Supervisory Board to act in harmony with the principles of the social market economy in the interests of the company and creation of the company's long-term value added (interests of the company).

HYBRID PRODUCTS

This product group covers the finish foils and melamine edgings produced by the Strategic Business Unit Paper. Their applications include those for true metals, combining the technical and optical advantages of metal with the proven processing attributes of paper-based finish foils and edgings.

IMPAIRMENT TEST

Periodic comparison of an asset's book value with its fair value. A company must record an impairment charge if it determines that an asset's fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

IMPREGNATED PRODUCTS

Impregnates are special papers (generally decorative papers) which are saturated in a resin bath in the same way as fully impregnated materials. However, in contrast to these materials, the impregnates are not provided with a final varnish coating. They only receive their final surface when they are compressed with the wood-fibre boards.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

IASB has been the abbreviation for the International Accounting Standards Board since 2001. The IASB is based in London and is organized and financed under private law. The function of the IASB is to draw up international accounting standards (IFRS – International Financial Reporting Standards). The goal of the IASB is to develop high-quality, comprehensible and feasible accounting standards in the interests of the public that result in the presentation of high-quality, transparent and comparable information in financial statements and other financial reports. The aim of this is to assist participants in the capital markets to make economic decisions and to create convergence between national standards and IAS / IFRS. The IASB is developing standards on an ongoing basis. Since 2000, the EU Commission has implemented many of these standards as binding EU law in a special endorsement procedure.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The IFRIC is a committee in the International Accounting Standards Committee Foundation. The group has fourteen members. The function of the IFRIC is to publish interpretations of accounting standards in cases where different or incorrect interpretations of the standard are possible, or new factual content was not adequately taken into account in the previous standards. The IFRIC meets every six weeks and initially publishes interpretations, as a draft for purposes of discussion in the public domain.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The International Financial Reporting Standards (IFRS) are international accounting standards. They comprise the standards of the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the International Accounting Standards Committee and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretation Committee (SIC).

PREIMPREGNATED PAPER

In contrast to fully impregnated materials, the raw paper has already been impregnated with resin when it is supplied as a preimpregnated material. The paper is printed and then varnished.

PRIME STANDARD

New share segment on the Frankfurt Stock Exchange (alongside the General Standard) with uniform registration obligations. Participation in the Prime Standard entails compliance with higher international requirements for transparency than required for the General Standard. Quarterly reporting, application of international accounting standards, publication of a corporate calendar, an annual analysts' conference, publication of ad hoc press releases and ongoing reporting in English are the key obligations consequent on admission to the Prime Standard.

RELEASE PAPERS

Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must be subject to the test of dealing-at-arm's length, which would involve an offset of an exchange of services between affiliated companies at conditions that were agreed or would have been agreed under comparable circumstances with or among third parties.

SBU

Strategic Business Unit

SE

Abbreviation for Societas Europaea – legal form of a European joint-stock company

FINANCIAL CALENDAR

2017

15 May	Three-month report January – March 2017
29 June	Annual General Meeting
4 July	Dividend payment
14 August	Six-month report January – June 2017
14 November	Nine-month report January – September 2017

2018

30 April	Annual Report 2017
15 May	Three-month report January – March 2018
28 June	Annual General Meeting
3 July	Dividend payment
14 August	Six-month report January – June 2018
14 November	Nine-month report January – September 2018

PUBLICATION DETAILS

PUBLISHED BY SURTECO SE
Johan-Viktor-Bausch-Straße 2
86647 Buttenwiesen-Pfaffenhofen
Germany
Phone +49(0) 8274 9988-0
Fax +49(0) 8274 9988-505
ir@surteco.com
www.ir.surteco.com

CONCEPT AND DESIGN DesignKonzept, Mertingen

PHOTOS Ebbing + Partner, Iserlohn
Kaloo Images, Hirschbach
Z-Studio, Wertingen

PRINTING Schätzl, Donauwörth

TEN YEAR OVERVIEW

	2007	2008	2009	2010
Sales revenues in € 000s	414,519	402,984	341,145	388,793
Foreign sales in %	65	66	64	67
EBITDA in € 000s	74,358	56,828	54,317	62,547
Depreciation and amortization in € 000s	-19,060	-19,731	-19,892	-20,934
EBIT in € 000s	55,298	37,097	34,425	41,613
Financial result in € 000s	-8,371	-21,320	-16,860	-9,520
EBT in € 000s	46,927	15,777	17,565	32,093
Consolidated net profit in € 000s	31,837	6,754	9,239	21,754
Balance sheet total in € 000s	516,728	490,073	481,676	480,996
Equity in € 000s	189,506	180,516	191,815	212,969
Equity ratio in %	37	37	40	44
Average number of employees for the year	2,121	2,194	1,979	1,990
Number of employees at 31/12	2,181	2,137	1,903	2,003
Capital stock in €	11,075,522	11,075,522	11,075,522	11,075,522
Number of shares at 31/12	11,075,522	11,075,522	11,075,522	11,075,522
Earnings per share in € (by weighted average of shares issued)	2.87	0.61	0.83	1.96
Dividend per share in €	1.10	0.35	0.40	0.90
Dividend payout in € 000s	12,183	3,876	4,430	9,968
PROFITABILITY INDICATORS				
Return on sales in %	11.3	3.9	5.1	8.2
Return on equity in %	15.8	3.8	4.9	10.8
Total return on total equity in %	11.1	6.0	6.2	8.9

*) Comparative values adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements section “Adjustments to the Consolidated Financial Statements in accordance with IAS 8”).

2011	2012	2013	2014	2015*)	2016
408,809	407,720	402,115	618,469	638,394	639,815
67	69	70	72	72	73
56,116	51,699	59,660	62,842	64,957	74,338
-21,099	-22,045	-22,613	-35,235	-33,847	-33,461
35,017	29,654	37,047	27,607	31,110	40,877
-12,089	-8,463	-9,056	-5,344	-4,267	-5,840
22,928	21,191	27,991	22,263	26,843	35,037
12,484	15,028	21,876	18,464	17,721	23,867
482,135	467,250	626,109	636,669	655,727	673,869
216,504	223,178	311,025	321,101	334,381	346,552
45	48	50	50	51	51
2,050	1,994	2,114	2,682	2,727	2,736
2,005	1,967	2,664	2,705	2,695	2,833
11,075,522	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731
11,075,522	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731
1.13	1.36	1.86	1.19	1.14	1.54
0.45	0.45	0.65	0.70	0.80	0.80**
4,984	4,984	10,079	10,854	12,405	12,405
5.6	5.3	6.9	3.6	4.2	5.5
5.9	6.9	7.3	6.0	5.5	7.2
6.8	6.6	5.9	5.1	5.5	6.5

** (proposal by the Board of Management and Supervisory Board)

SURTECO
SOCIETAS EUROPAEA

Andreas Riedl
Chief Financial Officer
Phone +49 (0) 8274 9988-563

Martin Miller
Investor Relations and Press Office
Phone +49 (0) 8274 9988-508

Fax +49 (0) 8274 9988-515
Email ir@surteco.com
Internet www.ir.surteco.com

CONTACT

SURTECO SE
Johan-Viktor-Bausch-Straße 2
86647 Buttenwiesen-Pfaffenhofen
Germany

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C103849

The paper used for this Annual Report was produced from cellulose-sourced from certified forestry companies that operate responsibily and comply with the regulations of the Forest Stewardship Council.

This version of the Annual Report is a translation from the German version. Only the original German version is binding.