SURTECO

Perspectives.

Annual Report 2020

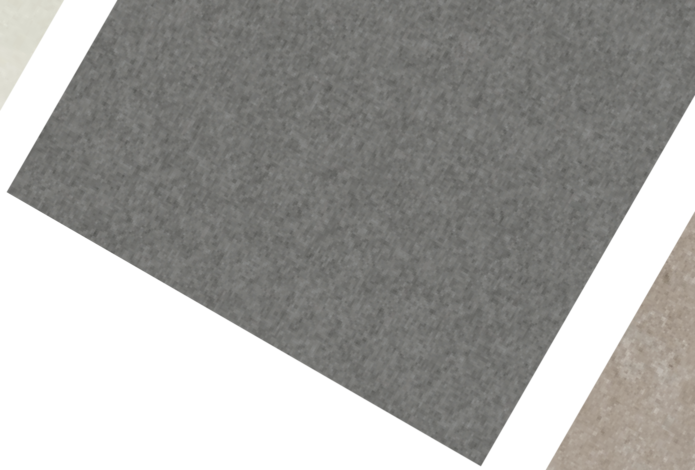
At a glance...

[€ million]	2018	2019	2020	Δ 19-20 in %
Sales revenues	699.0	675.3	**627.0**	-7
Foreign sales ratio in %	76	75	**73**	
EBITDA	72.8	66.3	**88.3**	+33
EBITDA margin in %	10.4	9.8	**14.1**	
Deprecation and amortization	-40.6	-45.2	**-42.2**	
EBIT	32.2	21.1	**46.1**	+118
EBIT margin in %	4.6	3.1	**7.4**	
Financial result	-5.1	-4.9	**-2.8**	
EBT	27.1	16.2	**43.3**	+167
Consolidatet net proft	18.6	9.4	**33.7**	+257
Ernings per share in €	1.20	0.61	**2.17**	+257
Number of shares	15,505,731	15,505,731	**15,505,731**	
Additions to fixed assets	47.5	36.4	**38.4**	
Balance sheet total	844.5	780.3	**798.8**	+2
Equity	353.2	354.6	**373.3**	+5
Equity ratio in %	41.8	45.4	**46.7**	+1.3 pts
Net financial debt at 31 December	197.5	179.9	**144.7**	-20
Gearing (level of debt) at 31 December in %	56	51	**39**	-12 pts
Average number of employees for the year	3,329	3,217	**3,103**	-4
Number of employees on 31 December	3,304	3,174	**3,052**	-4

Profitability indicators in %

Return on sales	3.8	2.4	**6.9**
Return on equity	5.5	2.7	**9.3**
Total return on total equity	4.1	3.0	**6.0**

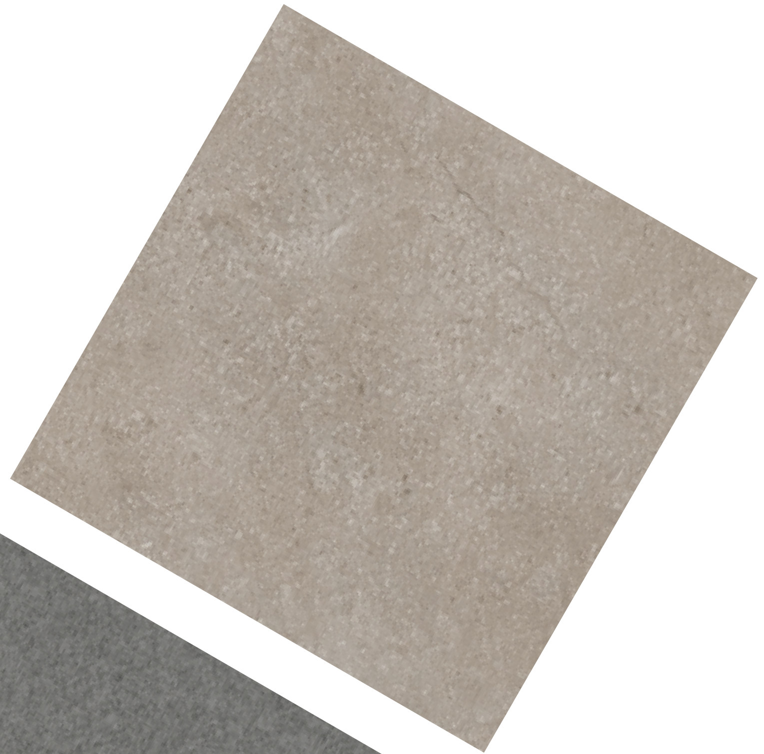
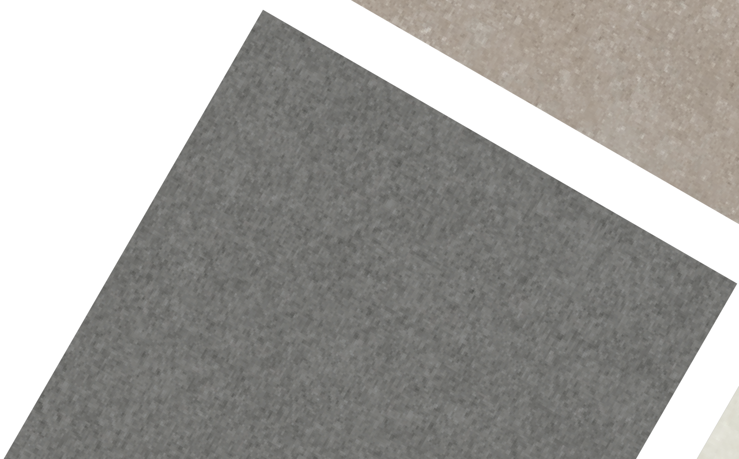


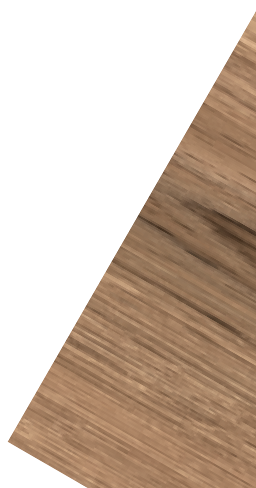



Perspectives.

2020 – a year like never before. A year that often demanded great spontaneity. Everyday life changed all over the world. There are fewer cars on the roads; we are spending more time at home, communicating digitally... setting new standards. And above all, we are finding new paths. The SURTECO GROUP too has stepped up to the challenge – become creative, dared to experiment and tread new paths.

It lies in the nature of change that we have to leave the familiar behind and exit our comfort zone. But ultimately, we create something that allows us to approach the future with confidence. One thing is certain: Changes can mean a positive new start and setting the course in a new direction.

"The changes in the last year have meant that **digitalisation** has advanced enormously. Around the world, people are increasingly working from home and the online presence in video conference has been rising steadily. Thankfully, digital net-working is possible, as the interaction with international colleagues and designers has remained very important to me. And a good cup of coffee in the morning is a vitalising start to a day of remote working."

SUSIE DARRAH

Creative Director
SURTECO North America

Much more than just a trend: Remote working is coming into its own.

Working from home offers many benefits: More time thanks to cutting out the commute to the office, comfortable lounge wear instead of business dress and your own kitchen within easy reach are just some examples of what people working from home particularly appreciate. Companies too have discovered in this past year just how effective this increasing trend proves in practice. The equipment in the home office, with all the necessary technology, software and devices such as laptop and printer, is just as important as the furniture. Inside your own four walls, things have to be practical and functional – while still catering to our wishes in terms of design and cosiness. Particularly when a living space is being shared by both partners, or indeed the entire family, functional solutions are more important than ever before. Small desks, reduced to the essentials, folding function and space for adequate storage have therefore moved into particular focus among furniture manufacturers. Clever furniture items and creative home office concepts are catapulting the trend further forward. And office space in the home is undoubtedly going to benefit from this is the future. Because, due to the advantages offered to both companies and employees, this trend is on the increase, and is here to stay.

“Normally, I spend more time travelling than I do **at home** and, as a climber, I spend most of my leisure time outdoors as well. The usual minimalist functionality of our home had to make way in 2020 for a maximum benefit concept in order to expand all aspects of what we had achieved. The hallway has been transformed into a training wall and the living room has now become an office cum yoga room – during my lunch break I can now take the “downward dog” for a walk.“

MARTIN KUTZSCHEBAUCH

Head of Sales Döllken Lighting
Döllken Profiles

Space-encompassing home concepts: Kitchen, office and lounge blend to become a genuine living space.

Cocooning, remote working and multifunctionality – these are the key terms for home concepts from the challenging year 2020. Regardless of whether it's the clever design of the workspace or the repurposing of the living space within our own four walls, designers, developers and manufacturers have become creative in adapting to this new situation.

What does this mean for kitchen design?
Cosy, naturally-elegant and functional kitchens which blend seamlessly into the adjacent space have become central. The kitchen industry is shaping this trend by integrating elements from other areas of the home. For example, office spaces and desks have moved into the kitchen: dining tables or worktops are integrated and combined with matching sideboards and dining room furniture. A major attribute is top-quality workmanship. And timeless appeal is demanded of designs and concepts to ensure their sustainability.

But what can generally be said about furnishing concepts in the year 2021? Slowing down and a return to the essentials are more relevant than ever before: open, minimalist and clear living concepts are in demand for all areas and materials. In terms of the colours, dark and soothing shades continue to dominate, as well as matt, scratchproof surfaces with anti-fingerprint effect. This contrasts with the increasing wealth of details such as footrests, grips or cornices and base boards.

VOLKER WILMSMEIER

Operations Manager
Kröning GmbH

"I am a passionate gardener and enjoy spending time at home in my small garden. As the whole family has been spending more time at home in the past year, I was pleased to involve the children in my hobby when they asked. And so we planted vegetables together and did some work on the house and garden. This has begun to influence the children's perception of a **sustainable** way of life."

Acting sustainably: Kröning becomes a trailblazer as a carbon neutral location.

How do you become a climate-neutral company, and why strive for it? In a pilot project, the SURTECO subsidiary Kröning GmbH in Hüllhorst took up this issue. For Managing Director Wolfgang Gorißen, the question of why was quickly answered: "Sustainability is not only a personal concern of mine. It is simply also an economic necessity. Because a business model can only enjoy enduring success when it is responsibly managed."

The first step towards becoming a climate-neutral company involved a detailed analysis of our carbon footprint, with the major focus initially on our car pool, energy and production and consumable material. Most of the Kröning GmbH products are already based on renewable raw materials from FSC- and PEFC certified forestry. Our paint and coating systems are water based and free of solvents. High product quality, energy efficiency and environmental awareness are firmly anchored in our corporate structure. So advancing the company into the climate-neutral zone with green electricity and ecological compensation projects was simply a further step forward. At the moment, as a paper-processing company, we are involved in a forest protection project in Sierra Leone. Detailed information on this project and the corresponding certificates can be found on the company's website: www.kroening-gmbh.de.

Thanks to these measures, Kröning GmbH is not only increasingly CO_2-neutral, but rather the entire company, from individual employees to management, is increasingly anchoring environmental awareness in its corporate structure. Our maxim is:

"We want to avoid unnecessary emissions, reduce existing emissions and compensate for unavoidable emissions."

"Due to the circumstances in 2020, I didn't see my family for almost three months. Yet I still spent most of my time with them – virtually. We had video calls almost every day and did literally everything **together** – whether it was housework, dinner, sport or even celebrating birthdays. That brought home to me, once again, the importance of being there for one another and sticking together."

NAOMI NHA PHAM
Marketing Assistent
SURTECO Asia

Cohesion is the new future: Colleagues stay in touch worldwide.

The last year saw a many changes in the company. Digitalisation became essential for survival from a surprising new perspective and, almost in passing, created new fields of experience in the interaction between employees, customers and partners. Following an initial period of adjustment, holding meetings online and meeting up digitally in chat rooms for a spontaneous brainstorming session has become commonplace. Previous boundaries are dissolving so that international communication, both within the individual company and across all the companies, barely presents hurdles. Instead, fast and simple exchange of ideas worldwide is experiencing a renaissance, ringing in the beginning of a new time quality in corporate communication. This presents new options and simplifies processes. Meetings are becoming more efficient without all the travelling and there is an increasing appetite for arranging international meetings online, without the time-consuming organisational effort in the run-up. Similarly, a spontaneous exchange of views is more easily arranged. All of this promotes digital networking and international cooperation. Global teams emerge, in which people support one another on individual projects, also at interdepartmental level, in a spirit of cooperation. The international company acquires a new significance. Following the idea of “better together”, these positive consequences of the changes in the past year open up a new dimensions for us too, the SURTECO GROUP.

"2020 forced us to think in a different way. Some things which were proven and accepted were suddenly called into question. And yet one thing quickly became evident: We have to rethink our approach and become fitter for the future. As a result, new concepts were **developed** in the various branches – we just have to think of the new generation of shopping, for example, "Click & Collect". We have learned to be brave and tread new exciting paths."

DR. MARTIN STAIGER

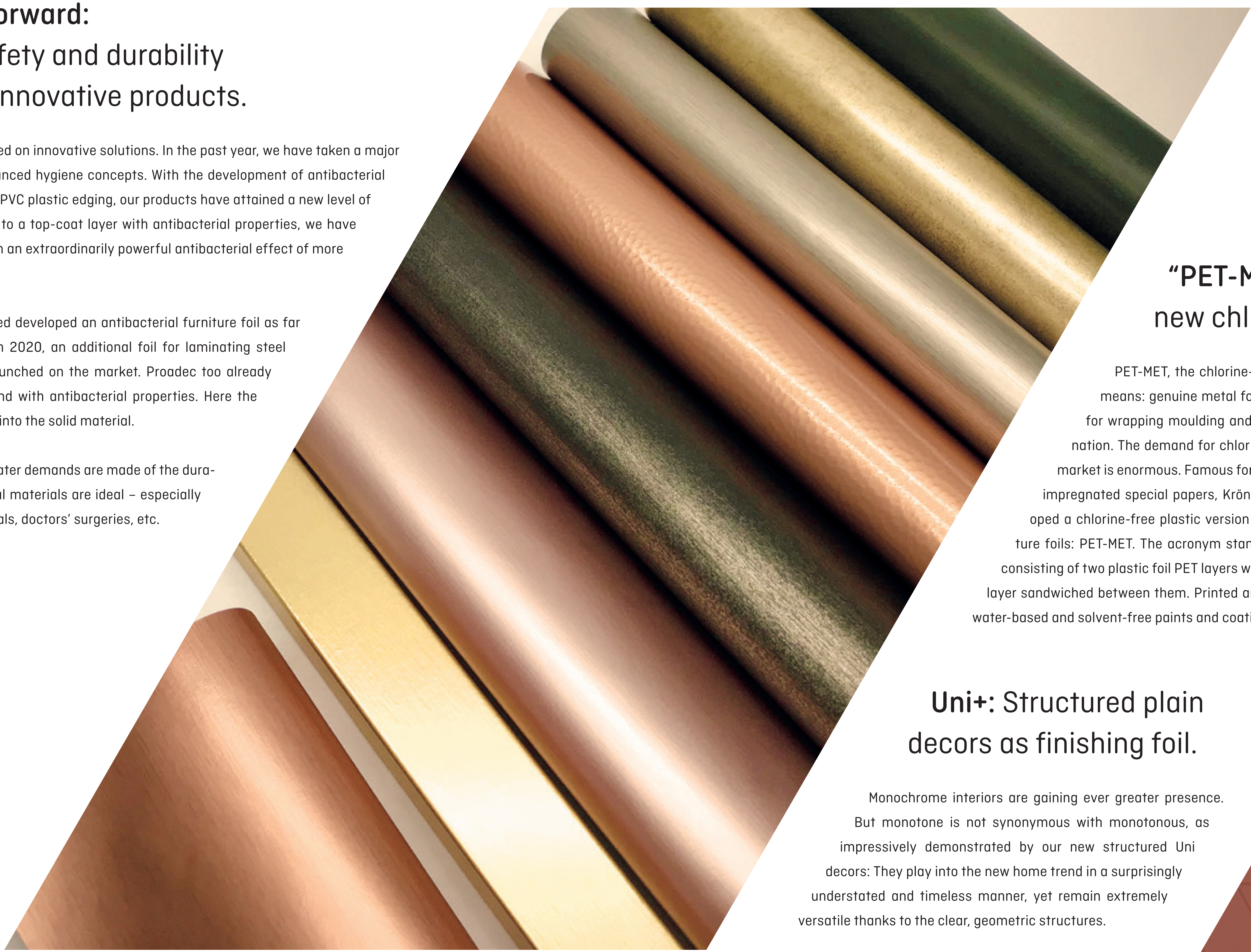
Director Innovations & Sustainability
SURTECO Germany

Thinking forward:
Greater safety and durability thanks to innovative products.

We have always worked on innovative solutions. In the past year, we have taken a major step forward for advanced hygiene concepts. With the development of antibacterial surfaces for ABS and PVC plastic edging, our products have attained a new level of functionality. Thanks to a top-coat layer with antibacterial properties, we have created a coating with an extraordinarily powerful antibacterial effect of more than 99.9 %.

Our subsidiary Gislaved developed an antibacterial furniture foil as far back as 2015. Now in 2020, an additional foil for laminating steel sheeting has been launched on the market. Proadec too already offers a PVC edgeband with antibacterial properties. Here the additive is integrated into the solid material.

Particularly when greater demands are made of the durability, the antibacterial materials are ideal – especially for furniture in hospitals, doctors' surgeries, etc.



"PET-MET"– the new chlorine-free foil.

PET-MET, the chlorine-free foil for profile wrapping... That means: genuine metal foils based on chlorine-free plastic for wrapping moulding and profiles and for surface lamination. The demand for chlorine-free foils in the furniture market is enormous. Famous for the genuine metal foils on impregnated special papers, Kröning has now also developed a chlorine-free plastic version of the metallic furniture foils: PET-MET. The acronym stands for a hybrid foil consisting of two plastic foil PET layers with an aluminised layer sandwiched between them. Printed and coated with water-based and solvent-free paints and coatings.

Uni+: Structured plain decors as finishing foil.

Monochrome interiors are gaining ever greater presence. But monotone is not synonymous with monotonous, as impressively demonstrated by our new structured Uni decors: They play into the new home trend in a surprisingly understated and timeless manner, yet remain extremely versatile thanks to the clear, geometric structures.

MELISSA MAYER

Media technology specialist in the field of printing &
deputy team leader
SURTECO Germany

"Routines have a pleasing quality – familiar sequences and processes lend stability and familiarity to our everyday lives. In the past year, some of our routines were disrupted by external influences. Many things had to be rethought and reassessed. As I am curious by nature, and always open to new experiences, I grasped these changes as an **opportunity** to develop further and discover new, exciting opportunities."

Annual Report 2020

ISIN: DE0005176903
Ticker symbol: SUR

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FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,

We mastered the crisis caused by the pandemic well. We were unable to make up the sales losses we experienced in the second quarter. Nevertheless, sales of € 627 million were achieved on the back of the strong third and fourth quarters. If sales are adjusted by foreign exchange rate effects, the year-on-year negative impact is only 3 % on a comparable basis. EBIT in the business year 2020 at around € 46 million was even above the target formulated before the pandemic.

First phase of restructuring successfully implemented

Alongside the lower cost of materials, the restructuring already initiated in December 2019 helped us to achieve this goal. We successfully implemented the first phase as planned by streamlining the Group and its management structure, and adjusting the workforce in the indirect area, particularly in the Segment Decoratives. Continuous optimization of the processes and structures to improve profitability is being progressed. In 2020, we sold our stake of 50 % in Canplast Mexico to the existing joint-venture partner. In future, the Mexican market will be served by our subsidiary Chapacinta. Going forward, the markets in Spain and Turkey will be supported directly by SURTECO GmbH. The two sales companies were closed.

Ongoing robust balance sheet structure

At the beginning of the pandemic, we made use of our credit lines in order to safeguard liquidity in all possible scenarios. Happily, the worst fears did not materialize and our liquidity was more than adequate throughout. By the end of the year, we had paid back most of the credit lines. The covenants were complied with at all times.

Appropriation of the net profit

The dividend payout was set aside in the business year 2020 in order to safeguard liquidity. Once again, we would like to thank our shareholders for this. We will now propose a dividend of € 0.80 per share at our Annual General Meeting being held on 23 June, which regrettably can only take place virtually once again due to the coronavirus. In light of the Group's consolidated net profit, this would represent a payout rate in relation to the net profit of 37 % and a dividend return of 3.3 % in relation to the annual closing price of the share at € 24.10. This payout takes into account the short-time allowance we have received from the state for employees on furlough.

Strategy

We have also worked out a new strategy. On the basis of our broadly based product range and our technological expertise in a variety of production procedures, we want to continue expanding this competitive advantage with innovations and new developments. The targeted product leadership is embedded in improvement of processes and intensification of customer loyalty. Expansion of our geographical presence will primarily take place in dynamic growth regions such as the BRIC states or through expansions of existing locations such as Australia, Indonesia and North America.

Outlook

The pandemic has not ended yet so that there are still uncertainties relating to the economic development of markets. We have set ourselves the target of continuing to improve sales and earnings. Consequently, we are continuing to pursue the trajectory we have mapped out with cost discipline and future-proof investments. We will be delighted if you continue to accompany us on our journey.

Regards

WOLFGANG MOYSES
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the business year 2020, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We advised the Management Board regularly 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 Management Board regularly kept us informed in comprehensive written and verbal reports. We were notified 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 Management Board and the development perspectives of the Group, the individual business areas and 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 eight meetings during the course of the business year 2020, which were held as video conferences – with the consent of the Members of the Supervisory Board – owing to measures to contain the COVID-19 pandemic. The Members of the Supervisory Board took part in the meetings of the Supervisory Board and the meetings of its committees as follows in the business year 2020.

	Plenary Supervisory Board		Audit Committee	
Meeting participation / Total number of meetings	**Number**	**In %**	**Number**	**In %**
Dr.-Ing. Jürgen Großmann Chairman (until 2 October 2020)	5/5	100	4/4	100
Mr. Andreas Engelhardt Deputy Chairman, from 2 October 2020 Chairman	8/8	100	6/6	100
Dr. Christoph Amberger Vice Chairman	7/8	87.5	-	-
Mr. Tobias Pott from 2 October 2020 Deputy Chairman	8/8	100	6/6	100
Mr. Tim Fiedler	8/8	100	-	-
Mr. Jens Krazeisen	7/8	87.5	-	-
Mr. Jochen Müller (from 2 October 2020)	3/3	100	2/2	100
Mr. Thomas Stockhausen	8/8	100	-	-
Mr. Heinz-Dieter Stöckler	7/8	87.5	-	-
Mr. Jörg Wissemann	8/8	100	6/6	100

The Presiding Board of the Supervisory Board and the Personnel Committee did not need to convene in the business year 2020.

The Chairman of the Supervisory Board furthermore remained in regular contact with the Management Board outside these meetings.

Focuses of advice

In the business year 2020, the Supervisory Board intensively addressed the reporting of the Management Board 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 most recent relevant indicators of the SURTECO Group and the subsidiary companies and participations, in particular also relating to the relevant capacity utilization of facilities and liquidity, were presented by the Management Board at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures. Owing to the risks in conjunction with the COVID-19 pandemic, the Supervisory Board consented to precautionary drawing on additional credit lines in order to create adequate liquidity.

The economic environment in which the company is operating was subject to particularly intensive discussion. These deliberations continued with the themes of raw material prices and the availability of raw materials, as well as 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.

The impacts of the COVID-19 pandemic and the measures taken in relation to containment on the companies of the SURTECO Group were discussed in detail. The Management Board provided continuous reports on any changes in the situation. The planned budget calculations were adjusted accordingly, and submitted and explained to the Supervisory Board.
The Supervisory Board engaged intensively at several meetings with the restructuring of the company, which had already been resolved at the end of 2019. The core of this project is the restructuring of SURTECO GmbH at different locations with adjustments to the existing workforce involving 175 employees and additional structural and cost adjustments directed towards increased efficiency, profitability and competitiveness, including changes at the management levels of the companies. The first positive results of the restructuring were already reported to the Supervisory Board in 2020.

At the meeting on 28 April 2020, the Supervisory Board addressed the sale of the shareholding in Canplast Mexico S.A. de C.V., Chihuahua/Mexico and agreed to this sale. The sale was closed in 2020. Furthermore, the Supervisory Board engaged with further acquisition projects at several meetings, but these were ultimately not carried out.

After the Supervisory Board had already passed a resolution on 19 December 2019 to assert claims pursuant to § 93 Stock Corporation Act (AktG) against the former Chairman of the Management Board of the company, Dr.-Ing. Herbert Müller, the Supervisory Board was informed about the current status of litigation at its meetings on 25 June, 4 August and 2 October 2020. Since further factual information had come to light in the meantime, the Supervisory Board passed a resolution at its meeting on 4 August 2020 to asset the claims arising therefrom. Up to now, the claims could be realized through offsetting with bonus claims. So far, Dr. Müller has not instigated any legal proceedings against this approach.

At its meeting on 27 October 2020, the Supervisory Board amended the Rules of Procedure for the Supervisory Board to comply with the amended regulations of the Stock Corporation Act (Aktiengesetzes) in order to comply with the implementation provisions of the Act on the Implementation of the Shareholders' Rights Directive (ARUG II). The Rules of Procedure for the Management Board were also amended at this meeting.

Also at its meeting on 27 October 2020, the Supervisory Board engaged with a potential public takeover bid by a financial investor, which the Management Board had previously been informed about, but which was ultimately not pursued further by the potential bidder. At the following meeting on 17 December 2020, the Supervisory Board was informed about the talks that had meanwhile been conducted by shareholders in the SURTECO Share Pool with other important shareholders about the conclusion of a new Share Pool and the key points of such a pooling arrangement. In the meantime, the shareholders of the Schürfeld Group have signed a new pooling arrangement with the shareholders of the SURTECO Share Pool, which now holds a majority of the capital stock. In this context, PKG Schürfeld GmbH, Hamburg, has submitted a public takeover bid.

The plans (budget and investment plan) submitted by the Management Board for the business year 2021 were discussed, by the Supervisory Board at its meeting held on 17 December 2020, and the capital expenditure put forward by the Management Board was approved with a total volume of around EUR 34 million – in particular relating to the site and logistics concept at the Buttenwiesen location. Furthermore, the Supervisory Board approved an extension of the rental agreements for the sites Heroldstatt, Laichingen and Willich, and establishment of a sales company in China, at this meeting.

At its meeting held on 28 April 2020, the Supervisory Board approved the annual financial statements for the business year 2019, as well as the Management Report and the Sustainability Report, and the Report of the Supervisory Board.

At the meeting held on 8 May 2020, the Supervisory Board adopted the proposals for the agenda of the ordinary Annual General Meeting 2020. The Audit Committee had already made a recommendation for the appointment of an auditor for the Consolidated and Annual Financial Statements for 2020 and the audit review of interim financial statements for the business years 2020 and 2021. At this meeting, the Supervisory Board also approved the proposal by the Management Board to make full use of the extended statutory deadlines and make arrangements to hold the Annual General Meeting on 2 October 2020 in view of the unforeseeable development of restrictions on gatherings in place at the time to contain the spread of the COVID-19 pandemic. At its meeting on 4 August 2020, the Supervisory Board gave final approval to the proposal to hold the Annual General Meeting on 2 October 2020 as a virtual Annual General Meeting without physical presence since it was foreseeable that the COVID-19 measures would continue to preclude holding a meeting with physical presence.

Compensation of the Management Board

The Supervisory Board approved the variable compensation elements for the Members of the Management Board for the business year 2019 at the meeting held on 28 April 2020.

Personnel decisions by the Supervisory Board

Since the Supervisory Board had already agreed to conclude a Management Board contract of service with Dr. Manfred Bracher at its meeting on 19 December 2019, the appointment of Dr. Bracher as a Member of the Management Board was concluded in writing for a period of office of three years in January 2020. Dr. Bracher took up his post on 1 February 2020. Additional personnel measures were not carried out in the Management Board during the course of 2020.

At the meeting held on 8 May 2020, the Supervisory Board approved the granting of general power of attorney as individual authorization to Mr. Andreas Pötz, who takes over the function of a CFO at the company.

Establishment of the compensation for the Audit Committee

At its meeting on 17 December 2020, the Supervisory Board defined the compensation for the members of its Audit Committee for the business year 2020 pursuant to § 12 (3) of the Articles of Association at a total amount of € 37,000.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 37,000.00 was allocated to the individual members of the Audit Committee on the basis of their respective time commitment.

Personnel changes in the Supervisory Board

The periods of office of the Chairman of the Supervisory Board Dr. Jürgen Großmann and the Supervisory Board Member Mr. Tim Fiedler appointed by the court in 2019 each ended at the close of the ordinary Annual General Meeting on 2 October 2020. The Annual General Meeting 2020 elected Mr Jochen Müller, engineer, resident in Neunkirchen-Seelscheid, to the Supervisory Board, in place of Dr. Jürgen Großmann. The Annual General Meeting 2020 also elected Mr Tim Fiedler – from now on for a standard period of office – to the Supervisory Board and thereby confirmed his office.

In order to take account of the changes on the Supervisory Board with respect to the appointment of the position of Chairman and Deputy Chairman of the Supervisory Board and the Supervisory Board Committees, at its meeting held on 2 October 2020, the Supervisory Board elected Mr. Andreas Engelhardt as Chairman, and Mr. Tobias Pott as Deputy Chairman of the Supervisory Board. Mr. Tim Fiedler was elected as an additional Member of the Presiding Board of the Supervisory Board, and Mr. Jochen Müller was elected as Chairman and Member of the Audit Committee. Mr. Tim Fiedler was elected as an additional member of the Personnel Committee, and Mr. Andreas Engelhardt assumed the office as Chairman of the Personnel Committee by virtue of his position as Chairman of the Supervisory Board.

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 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 make any decisions in the reporting period.

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 tender for the audit of the financial statements, 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 Management Board and the auditors. The Chairman of the Audit Committee kept the other Members of the Audit Committee informed about individual issues in writing. At the meeting held on 12 October 2020, the Audit Committee engaged intensively with the tender process for the audit of the financial statements of the Group and made a recommendation to the Supervisory Board for engagement of an auditor. The Audit Committee was convened six times during the course of the business year, and held one of these meetings 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 did not need to reach any decisions during the reporting period. All personnel issues including the calculation of the variable compensation elements for the Members of the Management Board were dealt at the meetings of the Supervisory Board.

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

Corporate Governance

The Supervisory Board continued to address the development of the corporate governance principles in the company in 2020 and also took account of the regulations of the German Corporate Governance Code from 16 December 2019.

A compensation system is being submitted for approval to the ordinary Annual General Meeting in 2021 for the first time. The compensation for the Supervisory Board is also to be submitted for approval to the Annual General Meeting in 2021.

Within the scope of the efficiency audit, the Supervisory Board regularly carries out a self-assessment of its members and discusses the results in the plenary session of the Supervisory Board. In view of only slight deviations in the individual self-assessments during previous years, the self-assessment will be carried out in a two-year cycle, most recently in December 2019 for the business years 2018 and 2019. The results of this self-assessment were presented and discussed at the first meeting of the Supervisory Board in the business year 2020.

On 17 December 2020, the Management Board 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 business year 2020 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Management Board submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report, and the Sustainability Report together with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The professional services firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO GROUP 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 Sustainability 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 28 April 2021 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 Management Board. 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 and the Sustainability Report. We agree with the proposal by the Management Board relating to the appropriation of net profit that provides for 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 2021 and the Supervisory Board also accepted this proposal.

The Supervisory Board would like to thank the Management Board, 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 2021.

Buttenwiesen, April 2021.

The Supervisory Board

Andreas Engelhardt
Chairman

COMBINED MANAGEMENT REPORT

SURTECO GROUP AND SURTECO GROUP SE, BUTTENWIESEN FOR THE BUSINESS YEAR 2020

Basic principles of the Group

Overview

The SURTECO Group is a Group of mutually complementary companies operating on the global stage. It has primarily specialized in the manufacture of decorative surface coatings for furniture, flooring and interior design. The Group also develops, produces and sells skirtings and technical extrusions (profiles). SURTECO GROUP SE operates within this structure as the holding company with a controlling function. The products are mainly used in the flooring, wood-based, caravan and furniture industries, as well as by carpenters and artisan businesses. The manufactured surface products are used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with appealing visual and haptic properties. The skirtings and technical extrusions (profiles) are supplied to craft trades, wholesale, industry and do-it-yourself stores. Paper and plastic-based edgebandings constitute the product group generating the strongest sales within the SURTECO Group. These products are used to refine the narrow edges and the cut edges of wood-based boards. The finish foils of SURTECO are used for coating large areas of wood-based materials and consequently influence the visual and haptic properties of finished products such as items of furniture or panelling. As in the case of edgebandings, the finish foils are based on specialist technical papers and on plastics. The SURTECO Group is also a producer of decorative papers (printed decorative designs). These specialist papers are printed with wood, stone or fantasy decors and used as a material for providing a decorative finish. They are deployed within the Group for the manufacture of finish foils and impregnates. They are also supplied directly to customers from the flooring, furniture and wood-based materials industry. Decor development takes place at the Group's in-house design studio, which also produces the printing cylinders necessary for production. Similar to finish foils, impregnates from SURTECO are used to refine large areas of wood-based materials.

The base is formed by printed or single-colour decor paper, overlay or release paper, which is impregnated, dried and cut into formats. The product range is mainly deployed for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. The skirtings produced by the SURTECO Group are either manufactured entirely of plastic or they consist of a wood core that is wrapped in a special extrusion process. The Group also has a long track record in the manufacture of a wide range of extrusion products for interior design, furniture shutter systems and manifold industrial applications.
The products are either marketed by direct sales or shipped to customers through the Group's own sales locations, and through dealers and agents on all continents of the world. The most important sales markets for the Group include Germany, the rest of Europe, and North and South America. Production and sales facilities in Europe, North and South America, and Australia and Asia ensure fast delivery tailored to the target market.

Internal corporate controlling system

Central controlling for the Group is carried out by the holding company SURTECO GROUP SE with registered office in Buttenwiesen, Bavaria, Germany. The holding company implements strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting, IT management and investor relations activities. The individual subsidiary companies of the Group manage their business on the basis of group-wide parameters. The controlling for the Group is carried out through the Segments Decoratives, Profiles and Technicals. Technicals comprises all other non-reportable business segments. SURTECO GmbH is positioned in the Segment Decoratives together with its subsidiary companies and it primarily serves the wood-based, flooring, door and furniture industries, and the caravan sector. The Segment Profiles comprises Döllken Profiles GmbH including its subsidiary companies and supplies trade floorlayers and the interior-design industry. Technical extrusions (profiles) are also manufactured in this segment by the same type of production processes. They are used for a wide range of applications such as mobile homes or commercial vehicles. The companies Kröning GmbH, Dakor Melamin Imprägnierungen GmbH and Gislaved Folie AB are bundled in the other Technicals Segments as specialist manufacturers in niche markets.
Sales revenues and earnings before financial result and income tax (EBIT) are the most important financial controlling parameters for the SURTECO Group. A summarized true and fair view of a number of indicators, the covenants, is also used as a bundle of key financial controlling parameters. These are 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.

For SURTECO GROUP SE as an individual company, financial and non-financial performance indicators and hence also their forecast play a subordinate role. Compliance with statutory requirements under corporate law is not affected by this.

Production and sales locations Decoratives

The Segment Decoratives comprises SURTECO GmbH including its subsidiary companies*. The companies produce decor papers, finish foils and edgebandings. The registered office of SURTECO GmbH is in Buttenwiesen. Other production sites are located in Sassenberg, Laichingen and Gladbeck.
Outside Germany, the subsidiary companies of SURTECO GmbH have production facilities in the USA, Canada, Brazil, Portugal, Indonesia and Australia. Other sales and finishing sites in the United Kingdom, Italy, France, Russia, Mexico and Singapore ensure worldwide distribution.
Up until 30 June 2020, the company had an additional sales company in Mexico through Canplast Mexico S.A. de C.V., Chihuahua, as a joint venture. On this date, the shares were sold to the previous joint-venture partner.
The subsidiary SURTECO art GmbH in Willich is responsible for the development of new decors and for engraving new printing cylinders.

Profiles

Döllken Profiles GmbH manufactures floor strips and skirtings, wall edging systems and technical extrusions (profiles) at its headquarters in Bönen* and its branch in Nohra and Dunningen. Additionally, the accessories and other products required for laying the products relating to all aspects of flooring are supplied as product ranges for resale. The company maintains sales subsidiary companies in Poland and the Czech Republic. Nenplas Ltd. Including its subsidiary company Polyplas Extrusions Ltd., both located in Ashbourne, UK (Nenplas Group) also manufacture technical extrusions (profiles) for a wide range of industrial applications. In the business year 2020, the company acquired the remaining 15 % minority shares and now holds 100 % of the shares in the Nenplas Group.

Technicals

The manufacture and sale of impregnated products in Germany is carried out through Dakor Melamin Imprägnierungen GmbH in Heroldstatt*. Gislaved Folie AB in Gislaved, Sweden, produces finish foils based on plastic and technical plastic foils for other industrial sectors and for further processing to form carpets. Kröning GmbH in Hüllhorst is a specialist provider for surface coatings with individual, customer-specific requirements. The product portfolio comprises edgebandings, finish foils and multilayer hybrid foils made of genuine metals, paper and plastic.

Management and controlling

The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Management Board 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 Management Board and the Supervisory Board. The Management Board and the Supervisory Board gear their actions and their decisions to the interests of the company. They are committed to the objective of sustainably increasing the value of the company in accordance with the interests of the shareholders, business partners, employees and general collectivity of stakeholders. The Supervisory Board monitors and advises the Management Board on the running 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 sent by the workscouncils of the three domestic companies with the largest number of employees to represent the employees.

* If not specially identified, the locations of the individual companies are in Germany.

Economic report

Macroeconomic framework conditions

Since in our experience economic growth exerts an impact on the purchasing and investment affinity of consumers, and this in turn drives the demand for our products and solution packages, the general economic development across all countries in our view provides a good indicator for the operating business activity of the SURTECO Group. The lion's share of Group sales is generated in Germany, the rest of Europe, and North and South America. As far as customer industries are concerned, demand from the furniture, flooring, door and wood-based industries continues to dominate as in previous years, while the SURTECO Group also serves customers in the interior design industry, the caravan industry and as a supplier to cruise ships.
According to estimates by the International Monetary Fund (IMF) in the "World Economic Outlook" published in April 2021, the global economy shrank by 3.3 % in 2020 (2019: +2.8 %) owing to the COVID-19 pandemic. From March, the impacts of the pandemic in large parts of the world determined global economic activity. In a twelve-month review, the advanced economies posted development of -4.7 % (2019: +1.6 %), while emerging markets and developing economies posted growth of -2.2 % (2019: +3.6 %). The US economy demonstrated a fairly moderate drop of -3.5 % (2019: +2.2 %). In the eurozone, this downside was greater at -6.6 % (2019: +1.3 %). The development in Germany was -4.9 % (2019: +0.6 %) but the collapse there was less marked than, for example, in France (-8.2 % after +1.5 % in 2019), Italy (-8.9 % after +0.3 % in 2019) and Spain (-11.0 % after +2.0 % in 2019). The United Kingdom was additionally beset by uncertainties due to Brexit and posted a drop of -9.9 % (2019: +1.4 %). The development in Central and Eastern Europe[2] was comparatively robust at -2.0 % (2019: +2.4 %) during the year under review. Growth in China recovered quickly after the country was the first to be affected by COVID-19 at the beginning of the year, but at +2.3 % it remained significantly below the percentage of +5.8 % in the previous year. After being negatively affected by the pandemic, the development of the economies in the other BRIC states of Brazil (-4.1 % after +1.4 % in 2019), Russia (-3.1 % after +2.0 %) and India -8.0 % (2019: +4.0 %) also fell back.[1]
The COVID-19 pandemic also left significant negative traces for the customer sectors relevant for SURTECO. The Association of the German Furniture Industry (VDM), for example, reported a drop in sales for the German furniture industry in 2020 to around -4 %. Negative factors were primarily lockdown-related closures in retail and wholesale, but also the cancellation of all industry trade fairs and exhibitions.[3]

[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2021. The previous year's figures may have changed compared to the year-earlier combined management report due to updated data.
[2] In the World Economic Outlook: "Emerging and Developing Europe"
[3] Source: Association of the Germany Furniture Industry, Press Release dated 20 January 2021

Sales and business performance for the Group

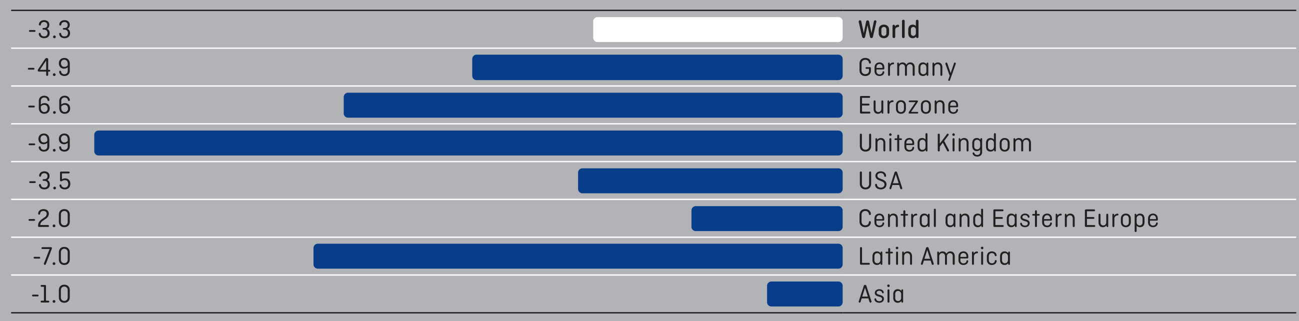
In the business year 2020, sales of the Group were significantly below the original sales forecast of € 675 to 700 million, in line with expectations. The measures taken to contain the COVID-19 pandemic led in particular to closures in retail and in production at furniture manufacturers and suppliers especially during the second quarter. During the third quarter, the business situation became less fraught and sales in the fourth quarter at the SURTECO Group were even above the value for the year-earlier quarter. Nevertheless, it was not possible to compensate for the sales drops from the second quarter. Consequently, sales of the Group at € 627.0 million fell by 7 % compared with the year-earlier value of € 675.3 million. Year-earlier sales amounting to € 16.9 million from the divested impregnating business in North America still have to be taken into account here. Furthermore, negative exchange rate effects totalling € 13.6 million arose compared with the year-earlier figures from the development of foreign exchange rates, particularly in the case of the Brazilian real. Adjusted by sales from the divested business and the foreign exchange effects, sales in 2020 were 3 % below the previous year. Sales in Germany eased by 1 % and in the rest of Europe (not including Germany) fell by 6 %. In North and South America, the amount of business transacted dropped by 17 % compared with the year-earlier figure owing to the divested impregnating business and the negative foreign exchange effects. Adjusted by these effects, sales rose by 4 %. In Asia, Australia and other markets, sales were 7 % below the previous year.

Decoratives

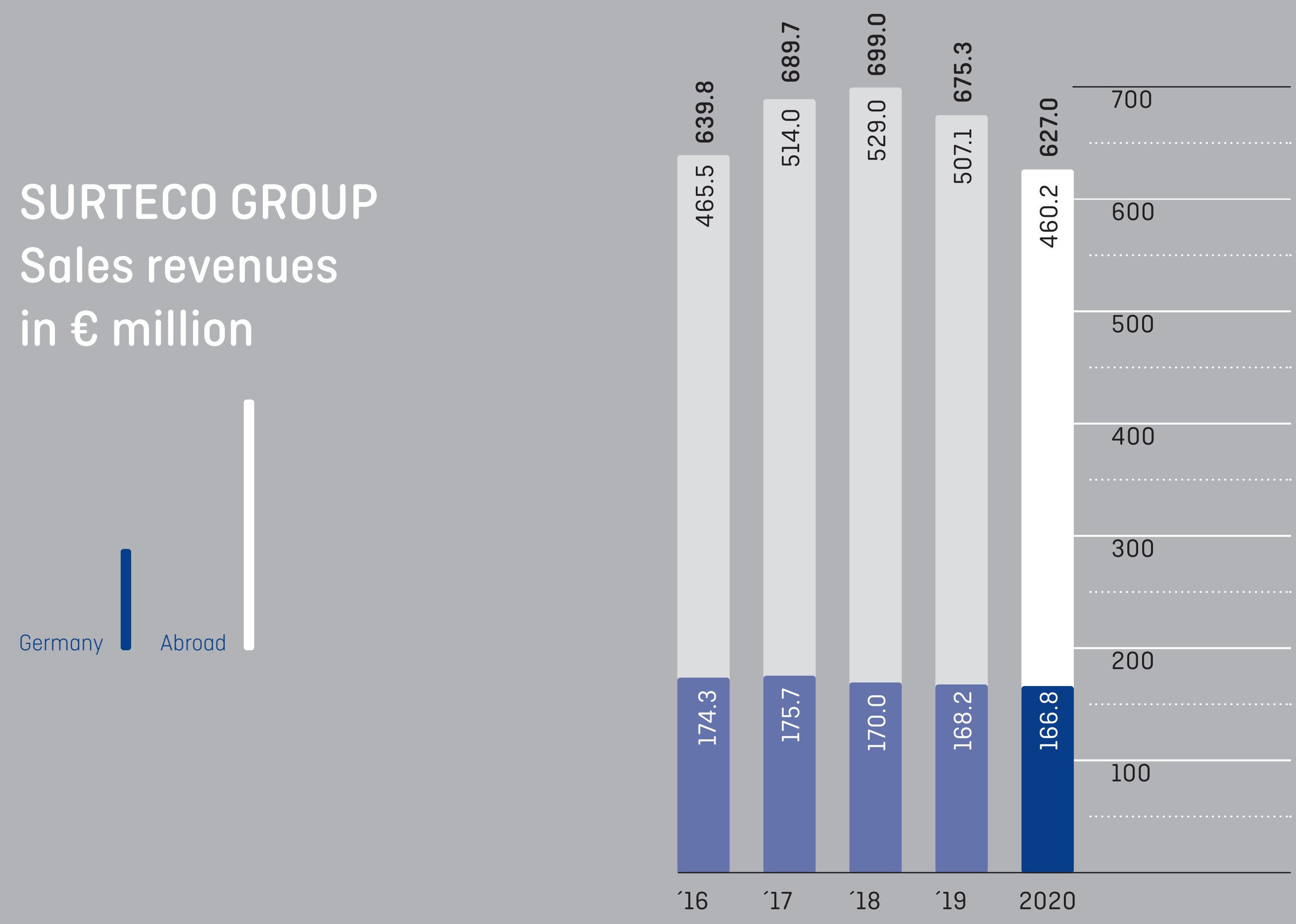
The Segment Decoratives primarily sells its products in the household, office and kitchen-furniture industries, and in the wood-based sector and the door, flooring and caravan industries. According to the Federal Statistical Office, sales in Germany for manufacturers of office and shop furniture, and producers of other furniture (including household furniture) were 9 % and 6 % respectively below the year-earlier figures. Sales of German manufacturers for wood-based materials were 1 % above the year-earlier amount during this period and German kitchen manufacturers were able to increase their sales by 5 %.[1] Associated with these framework conditions, sales of the Segment Decoratives fell back compared with the previous year. At € 451.7 million in 2020, sales were 9 % below the value of € 495.9 million in 2019. The segment forecast from the combined management report of the previous year (slight increase in sales revenues) was issued without taking into account the impacts of the COVID-19 pandemic. While the sales with decorative prints only eased slightly by 2 % owing to the gratifying development in the fourth quarter, sales with finish foils fell by 8 %, with edgebandings by 7 % and with other products and commercial goods by 27 %.

[1] Source: Sales in accordance with www.destatis.de.

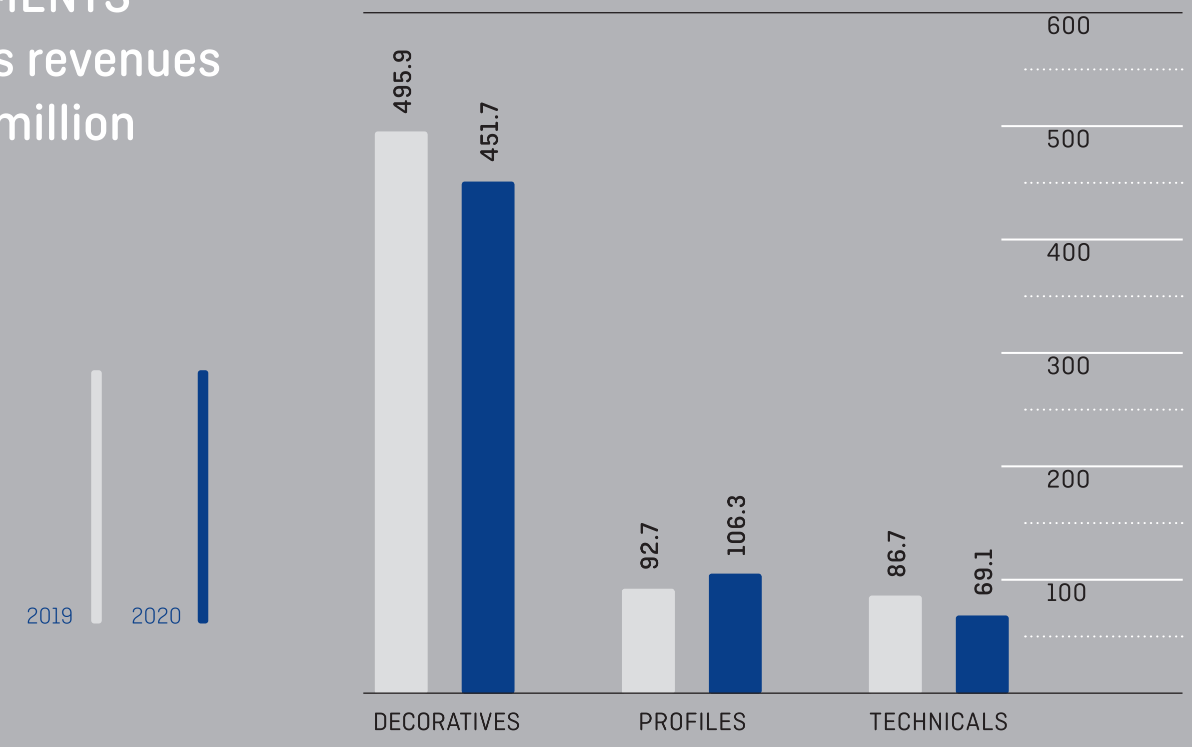
Economic growth in 2020 in %[1]



[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2021. The previous year's figures may have changed compared to the year-earlier combined management report due to updated data.



SEGMENTS
Sales revenues in € million



Profiles

The Segment Profiles supports a wider variety of sectors than the two other sectors of the Group, supplying skirtings to trade floorlayers, and the home improvement market and do-it-yourself stores, as well as technical plastic extrusions (profiles) for a wide range of industrial applications. The skirting sector not only services the laminate flooring market, it also supplies the areas of parquet flooring, carpet and elastic floor coverings. Newly generated business enabled the segment to more than compensate for falls related to the coronavirus and increase sales revenues by 15 % compared with the year-earlier value. Overall, Profiles achieved sales amounting to € 106.3 million after a year-earlier figure of € 92.7 million. Insofar, the original sales forecast was exceeded with a significant increase compared with the previous year in spite of the impacts of the COVID-19 pandemic. This increase was largely driven by growth arising from new customer acquisitions for skirtings. Sales of this product group rose by 21 % compared with the previous year. But business transacted with technical extrusions (profiles) also exceeded year-earlier values by 8 %. An increase of 2 % was reported in the case of commercial goods and other products.

Technicals

Providers of small series and niche products of the SURTECO Group are grouped in the other Segments Technicals. In 2020, sales fell back slightly in continuing operations. The segment forecast from the combined management report of the previous year (slight increase in sales revenues) was issued without taking into account the impacts of the COVID-19 pandemic. The year-earlier sales of € 86.7 million included sales amounting to € 16.9 million from the North American impregnating business sold in July 2019. Insofar, sales in the business year 2020 at € 69.1 million fell by 20 % compared with the previous year. Adjusted by the divested business, the fall in sales amounted to only 1 %. After adjustment by the divested business, turnover with impregnates increased by 2 % compared with the previous year, while sales with finish foils fell back by 5 % and sales with edgebandings by 1 %.

Net assets, financial position and results of operations

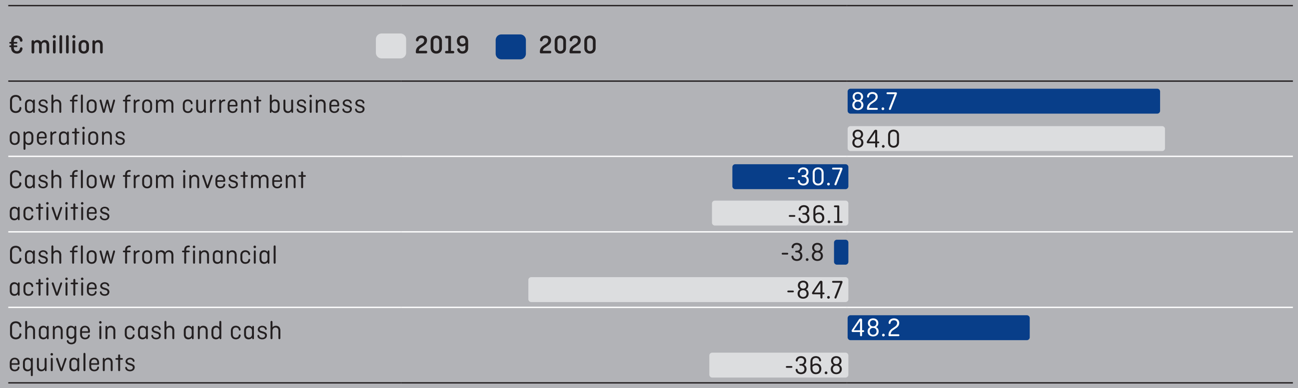
Cash flow statement

Primarily driven by earnings before income tax (EBT) of € 43.3 million in 2020 after € 16.2 million in the previous year, internal financing of the Group rose to € 73.4 million after € 55.6 million in the previous year. The change in net assets and liabilities of € 9.2 million after € 28.4 million in the previous year comes from a decrease in the trade accounts receivable, the provisions and the change in other assets. In the previous year, the change in other assets amounted to € 14.9 million (2020: € 5.8 million) owing to the sale of the North American impregnating business. In the business year 2020, the cash flow from current business operations was insofar € 82.7 million after € 84.0 million in the previous year. In the business year 2020, cash flow from investment activities amounted to € -30.7 million after € -36.1 million in the previous year, essentially driven by the acquisition of property, plant and equipment amounting to € 36.5 million (2019: € 33.6 million) and by the sale of the at-equity participation (Canplast Mexico S.A. de C.V.) in the amount of € 4.8 million. Free cash flow (cash flow from current business operations – cash flow from investment activities) therefore improved to € 52.0 million after € 47.9 million in the previous year. Overwhelmingly due to the settlement of the US Private Placements in the amount of € 60.0 million during the previous year and proceed of financial liabilities amounting to € 15.5 million to safeguard liquidity in the COVID-19 pandemic, cash flow from financing activities improved from € -84.7 million in 2019 to € -3.8 million in the business year 2020. Insofar, consolidated cash and cash equivalents rose from € 83.6 million at year-end 2019 to € 133.5 million on 31 December 2020.

Balance sheet performance

On 31 December 2020, the balance sheet total of the SURTECO Group was extended by 2 % to € 798.8 million (31 December 2019: € 780.3 million). Key factors here are the measure of drawing on credit lines in order to safeguard liquidity in the COVID-19 pandemic and the good business development during the reporting period. As a result, the current assets increased from € 281.8 million in the previous year to € 310.6 million on the balance sheet date 2020 primarily due to the rise in cash and cash equivalents on the assets side of the balance sheet. Non-current assets at € 488.2 million remained slightly below the year-earlier value of € 498.5 million. On account of the sale of the shareholding in Canplast Mexico S.A. de C.V. on 30 June 2020, investments accounted for using the equity method were derecognized.
On the liabilities side of the balance sheet, current liabilities increased from € 123.4 million in the previous year to € 146.7 million on 31 December 2020 primarily as a consequence of the credit lines drawn down and transfers from non-current financial liabilities. The transfers to current financial liabilities on account of the repayment period of less than one year led to a reduction in non-current liabilities from € 302.3 million in the previous year to € 278.8 million

Change in financial resources at 31 December



Calculation of free cash flow

€ million	1/1/-31/12/2019	1/1/-31/12/2020
Cash flow from current business operations	**84.0**	**82.7**
Purchase of property, plant and equipment	-33.6	-36.5
Purchase of intangible assets	-2.8	-1.9
Proceeds from disposal of property, plant and equipment	-0.4	2.4
Dividends received from investments accounted for using the equity method	0.7	0.5
Disposal of participation held at equity	0	4.8
Cash flow from investment activity	**-36.1**	**-30.7**
Free cash flow	**47.9**	**52.0**

on the balance sheet date for 2020. Equity at € 373.3 million (31 December 2019: € 354.6 million) went up by 5 % owing to the increased net profit. The equity ratio rose from 45.4 % in the previous year to 46.7 % on 31 December 2020.

Net financial debt improved from € 179.9 million in the previous year to € 144.7 million at 31 December 2020 while working capital increased from € 112.8 million to € 99.6 million. In the business year 2020, the covenants (-> internal corporate controlling system) were complied with. On 31 December 2020, the Group had external credit lines amounting to € 38.0 million. At this point, € 13.1 million had been drawn on these lines.

Expenses

The cost of materials formed the biggest expense item in all the segments of the SURTECO Group. Purchase prices for technical raw papers, chemical additives and various plastics exert the greatest impact. In the business year 2020, the average Group pur-

Balance sheet structure of the SURTECO Group

€ million	31/12/2019	Percentage of the balance sheet total in %	31/12/2020	Percentage of the balance sheet total in %
ASSETS				
Current assets	281.8	36.1	310.6	38.9
Non-current assets	498.5	63.9	488.2	61.1
Balance sheet total	**780.3**	**100.0**	**798.8**	**100.0**
LIABILITIES				
Current liabilities	123.4	15.8	146.7	18.4
Non-current liabilities	302.3	38.8	278.8	34.9
Equity	354.6	45.4	373.3	46.7
Balance sheet total	**780.3**	**100.0**	**798.8**	**100.0**

Balance sheet indicators of the SURTECO Group

	2019	2020
Equity ratio in %	45.4	46.7
Level of debt in %	51	39
Working capital in € million	112.8	99.6
Interest cover factor	9.6	19.8
Debt-service coverage ratio in %	30.4	52.4

chase prices for plastics fell back tangibly compared with the previous year, although prices underwent a significant rise at the end of the year. Purchase prices for technical raw papers and chemical additives were also below the average for 2019 in the business year 2020. Only the average prices for electricity and gas as the key energy sources were above the year-earlier values in 2020. In conjunction with the fall in total output, the cost of materials in the Group eased to € 282.8 million (previous year: € 326.5 million). The cost of materials ratio (cost of materials / total output) fell from 48.2 % in the previous year to 45.5 % in 2020.

Since € 12.6 million were set aside for restructuring measures in human resources during the previous year and personnel strength came down in the business year 2020, personnel expenses in the Group decreased tangibly from € 186.2 million in 2019 to € 162.6 million in the period under review. In the 2020 financial year, government grants of € 1.9 million reduced personnel expenses. As a function of total output, personnel expenses eased from 27.5 % in the previous year to 26.1 % in 2020. Other operating expenses at € 92.2 million in 2020 were significantly below the year-earlier value of € 102.7 million. The corresponding ratio (other operating expenses / total output) came down from 15.2 % in the previous year to 14.8 % in 2020.

Investments

The investments (property, plant and equipment and intangible assets) in the business year 2020 amounted to € 38.4 million after € 36.4 million in the previous year. An addition of € 36.5 million (2019: € 33.6 million) was attributable to property, plant and equipment, and an addition of € 1.9 million was attributable to intangible assets after € 2.7 million in the previous year. In the Segment Decoratives, the investments amounted to € 16.8 million after € 24.3 million in the previous year. These were primarily attributable to replacement and expansion investments. The investments in the Segment Profiles amounted to € 18.1 million (2019: € 9.0 million). A key element for this was the new-build of a warehouse and production building, along with investments in production facilities at the Bönen location. The investments of € 3.5 million (2019: € 3.0 million) in the other Segments Technicals essentially results from replacement and expansion investments.

Group results

The total output of the Group at € 622.1 million in 2020 was 8 % below the year-earlier value of € 676.8 million. Less the expense items totalling € -537.6 million (2019: € 615.4 million) and taking into account other operating income amounting to € 4.0 million (2019: € 4.8 million), earnings before financial result, income tax and depreciation and amortization (EBITDA) increased to € 88.3 million after € 66.3 million in the previous year. In relation to sales, the EBITDA margin improved from 9.8 % in the previous year to the current value of 14.1 %. Depreciation and amortization at € -42.2 million remained below the year-earlier level of € -45.2. Consequently, earnings before financial result and taxes (EBIT) increased to € 46.1 million after € 21.1 million in the previous year. Insofar, the earnings forecast of € 40 million to € 45 million from the previous year was exceeded, bearing in mind that the projection was issued without taking into account the impacts of the COVID-19 pandemic. The EBIT margin (EBIT / sales) increased to 7.4 % (2019: 3.1 %). Even after adjustment of the year-earlier result by one-off unscheduled expenses totalling € 19.4 million, EBIT increased in 2020 compared with the previous year. The financial result underwent a tangible improvement to € -2.8 million (2019: € -4.9 million) essentially due to the sale of the joint-venture shareholding in Canplast Mexico S.A. de C.V. in June 2020 and owing to a drop in interest expenses. Earnings before income tax (EBT) therefore increased to € 43.3 million after € 16.2 million in the previous year. Deducting income tax in the amount of € -9.5 million (2019: € -6.5 million), yielded a consolidated net profit of € 33.7 million (2019: € 9.4 million) in the business year. Earnings per share amounted to € 2.17 for an unchanged number of shares at 15.5 million no-par-value shares issued after € 0.61 in the previous year.

Results of the segments

Since EBIT in the previous year still included one-off unscheduled expenses of € 19.0 million, EBIT of the Segment Decoratives increased to € 38.9 million in spite of COVID-19 in the business year 2020 after € 14.3 million in the previous year. Insofar, the substantial increase predicted in the previous year was achieved. EBIT at € 5.2 million also increased in Technicals compared with the previous year (€ 2.3 million). The expected significant rise in earnings was indeed exceeded with an increase of 129 %. Similarly, earnings went up in the Segment Profiles, with a rise in the segment EBIT by 8 % to € 10.3 million (2019: € 9.5 million).

HGB (German Commercial Code) financial statements for SURTECO GROUP SE

The financial statements of the holding company SURTECO GROUP 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).

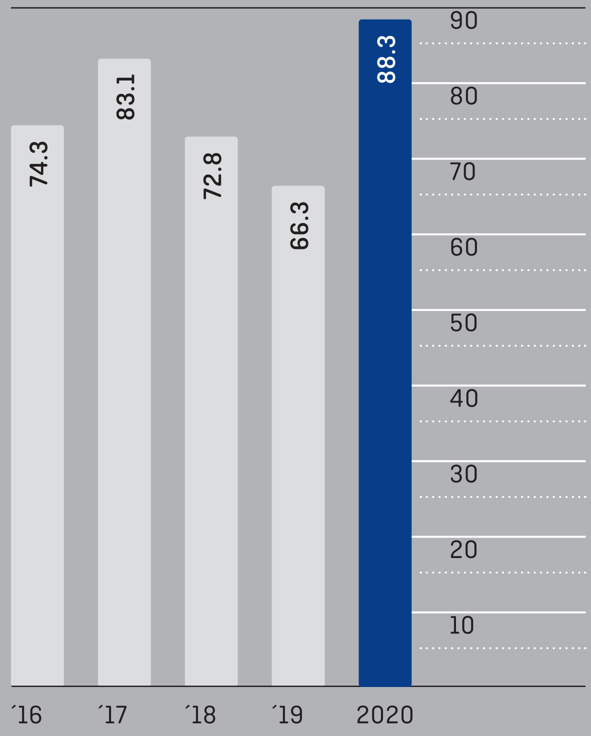
As at 31 December 2020, the balance sheet total of SURTECO GROUP SE increased to € 618.8 million (31 December 2019: € 575.0 million). On the assets side of the balance sheet, fixed assets increased slightly from € 314.3 million in the previous year to € 314.9 million, while net assets and liabilities went up from € 260.0 million to € 303.4 million. Major reasons for this were increased cash in hand, bank balances owing to the increased results in 2020 and remaining credit lines which were taken out at the beginning of the COVID-19 pandemic in order to safeguard liquidity. This means that on the liabilities side of the balance sheet, liabilities also increased from € 279.5 million in the previous year to € 297.4 million on 31 December 2020. Equity increased to € 315.3 million after € 293.5 million in the previous year. The equity ratio remained unchanged at 51.0 %.

The sales revenues of SURTECO GROUP SE amounting to € 1.5 million after € 1.6 million in the previous year result entirely from intragroup reallocations. Personnel expenses increased to € -6.5 million after € -3.9 million in the previous year owing to personnel-related provisions in the business year 2020, while other operating expenses at € -3.8 million remained slightly below the level of the previous year (€ -3.9 million). Owing to the restructuring expenses in the previous year and the good development – taking the COVID-19 pandemic into account – of earnings within the Group, income from profit and loss transfer agreements increased from € 13.8 million in the previous year to € 32.9 million in 2020. Interest income improved essentially on account of the repayment of loans amounting to € -4.1 million in the previous year to € -2.4 million in the business year 2020. After the deduction of income tax in the amount of € -1.2 million following on from € -0.3 million in the previous year, net income of € 21.8 million remained after € 4.4 million in the previous year.

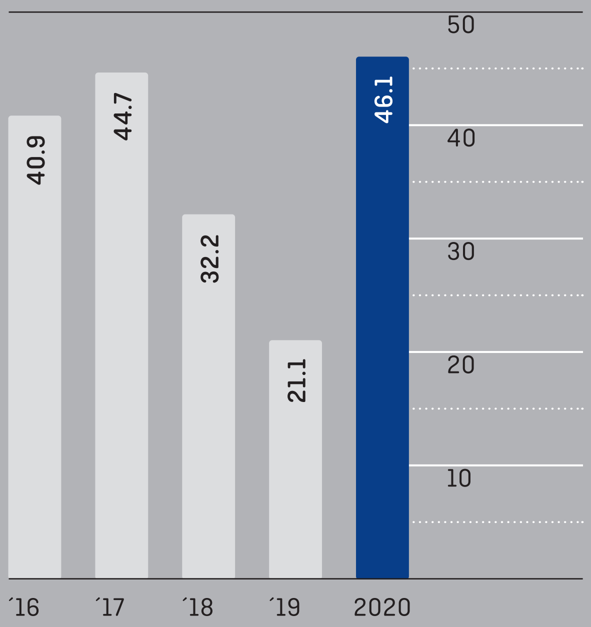
Overall statement on the economic situation

The effects of the COVID-19 pandemic (for example from closed furniture stores) exerted a significant impact on sales. Nevertheless, the Group closed the business year with a better result than was originally expected, at that point not yet taking account of effects of the pandemic. Key factors for this were the successful implementation of the first phase of the restructuring, lower cost of materials and the surprisingly good development of business during the fourth quarter. Another factor was that the credit lines drawn on at the beginning of the pandemic to safeguard liquidity were ultimately not required. Insofar, the company regards itself as being in a good position.

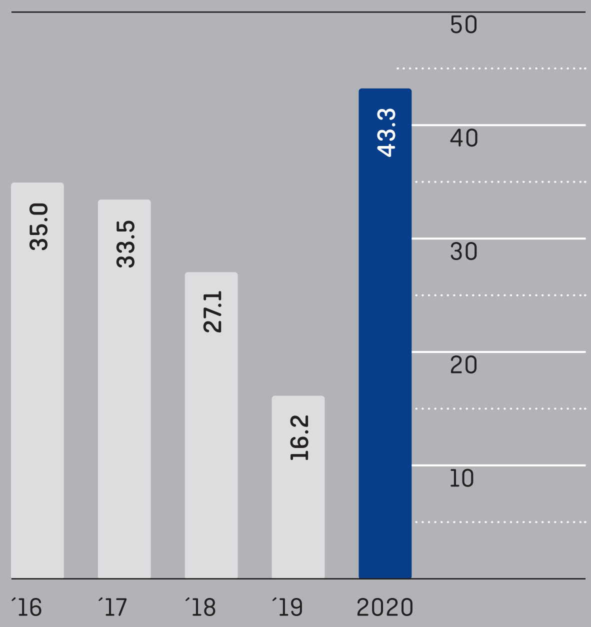
SURTECO GROUP
EBITDA in € million



SURTECO GROUP
EBIT in € million



SURTECO GROUP
EBT in € million



Research and development

Each production location in the SURTECO Group has specialized in the manufacture of a specific product or group of products. This means that research and development work is carried out locally and organized strategically to meet specific requirements of the products and applications. In the case of surface products like finish foils and edgebandings, the focus is on further improving the optical and haptic surface characteristics and the resilience of the surface. The focus for technical extrusions and skirtings is on the technical characteristics. The development of new products and the search for alternative raw materials are also included in the functions of research and development.

In the 2020 financial year, an average of 160 (previous year: 168) employees were entrusted with research and development activities in the Group. The corresponding personnel costs for employees in research and development are included in the Group's personnel expenses.

In total, the expenses for research and development amounted to € 2.3 million after € 3.6 million in the previous year.

People and training

At the end of the year, the number of employees came down from 3,174 in the previous year to 3,052 in 2020. A key reason for this is the implementation of the first phase of the restructuring programme launched at the end of 2019 in the business year 2020. Meanwhile, the pandemic-related impacts on business activity were countered by short-time working and appropriate country-specific programmes. The restructuring programme was primarily focused on the Segment Decoratives. Consequently, the number of employees working in this segment at the end of the year came down from 2,380 in the previous year to 2,256 in 2020. The number of employees in the other Segments Technicals came down from 280 in the previous year to 272 on 31 December 2020. As part of the positive business development of the Segment Profiles, the number of employees rose from 496 at year-end 2019 to 505 in 2020. The number of employees working in the holding company SURTECO GROUP SE went up slightly from 18 in the previous year to 19 on 31 December 2020. The average age of the employees increased from 41.9 years in the previous year to 42.7 years in the business year 2020. The average length of service also increased from 12.3 years in 2019 to 12.8 years in the period under review. The average sickness rate in 2020 was 4.5 % after 5.7 % in the previous year, while the fluctuation rate increased from 7.1 % in the previous year to 8.7 % in 2020. The training rate (in relation to the average number of employees in Germany) increased from 5.8 % in the previous year to 6.7 % in 2020 with an average of 115 apprentices in the business year 2020 (2019: 103).

Employees by regions

Location	31/12/2019	31/12/2020	Change
Germany	1,782	1,670	-112
Portugal	253	268	+15
Brazil	183	212	+29
United Kingdom	173	162	-11
USA	161	160	-1
Sweden	120	117	-3
Asia	113	112	-1
Canada	126	107	-19
Australia	102	94	-8
Poland	42	41	-1
Mexico	35	37	+2
Italy	26	24	-2
France	22	22	-
Czech Republic	13	14	+1
Russia	13	11	-2
Turkey	10	1	-9
	3,174	**3,052**	**-122**

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, 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. The Management Board of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Management Board works together with the management of the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Management Board and is responsible within this framework for risks that it enters into during the course of its business activities. The management includes the employees in the Risk Management Department in the framework 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 EBT with respect to the current and subsequent years using the following tables. Overcoming individual risks up to € 1.0 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 over time, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. Apart from regular reporting to the Management Board and the 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 Management Board and the management of the subsidiary companies. The Group 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 allocated to classes.

ACCOUNTING-BASED INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM (ICS) – report in accordance with § 289 (4) and § 315 (4) 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) and the application of accounting guidelines. A uniform chart of accounts and the use of accounting policies form the basis for these documents. The Group holding company supports the companies on issues relating to accounting and manages the consolidated accounting process.

The subsidiary companies are included in the consolidated financial statements using a 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.

Damage classes	Qualitative	Quantitative
1	Minor	> € 1.0 million - € 2.0 million
2	Moderate	> € 2.0 million - € 3.0 million
3	Major	> € 3.0 million - € 4.5 million
4	Threat to existence as a going concern	> € 4.5 million

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

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 GROUP 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 macroeconomic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of the relevant countries is therefore analyzed as an indicator for the business performance of the company since the manufactured products are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods correlates with economic development. Furthermore, the performance of the flooring, furniture and wood-based industries, in the individual countries and markets is important for the business development of the Group. The global measures taken to contain the COVID-19 pandemic, such as closure of retail stores and restrictions in public life, led to a corresponding general decline in economic activity in most countries during the business year 2020. This also impacted on the development of sales in the SURTECO Group. The Group has production sites 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 in a position to identify trends in regional markets at an early stage. This gives the company an 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 are located in Europe, in North and South America, and Australia. The Group may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the companies to benefit 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 the SURTECO Group.

Similar to the development of geographical markets, the Group also monitors the dynamic performance of relevant sectors. The focus of this analysis is essentially on the flooring, furniture and wood-based industries. The Group will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.

No individual risks were identified in this risk class within the Group.

COMPETITIVE RISKS AND OPPORTUNITIES

An increased production depth has been observed in the market over recent years. This can lead to excess capacities and tougher competition. Furthermore, new local competitors may enter the market at any time. Digital printing offers risks and opportunities in equal measure. New competitors can also enter the market in the paper segment with this technology at any time. However, it also provides the Group with new opportunities to expand its market position. The Group is countering the high level of competitive pressure by expansion and reinforcement of existing business, innovative products, and not least through a further increase in efficiency and productivity.

Since the SURTECO Group is represented worldwide through its network of sales companies and, in our opinion, 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 integration of sales and marketing activities of the individual subsidiary companies. There is also an opportunity to play a proactive role in future consolidation within the sector.

No individual risks were identified in this risk class within the Group.

Operational risks

PROCUREMENT RISKS AND OPPORTUNITIES

The Group 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, the qualification of alternative suppliers and detailed research into alternative raw materials. The supply chains for the SURTECO Group have so far proved their resilience in the face of the COVID-19 pandemic. This meant that supply with raw materials was ensured at all times. Nevertheless, a shortage of raw materials is increasingly emerging, particularly in the plastics sector.

Two individual risks were identified in the Segment Decoratives with the risk class 3 and the probability class 4. Another individual risk in the Segment Decoratives and an individual risk in the Segment Profiles are below the threshold of € 1.0 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 continuously carrying out 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. Risks relating to the availability, dependability and efficiency of information technology systems are limited 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 within the Group.

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. Employees 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 risks were identified in this risk class within the 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, the companies of the Group are able to distribute production over several sites and thereby effectively minimize the risk of downtime. Production processes that cannot be distributed, or this can only be done with difficulty, are protected against production outage with standard measures such as subdivision into different fire zones. Furthermore, the production procedures, manufacturing technologies, machinery used and processes are continuously developed and optimized, 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.
No individual risks were identified in this risk class within the Group.

The production area also offers opportunities. A continuous improvement process was implemented to identify and continuously realize 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. For example, the Group makes investments such as a digital printing system for full-width decorative papers. Production operation on this facility was expected to be launched in 2020 but it was postponed to 2021 on account of the pandemic-related restrictions. This printing technology offers the opportunity to complement conventional printing technology with new decorative variants and economical small-batch production.

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 currency risks (translation risks). For example, the Probos Group generates around one third of its sales revenues in Brazil denominated in the historically volatile currency of the Brazilian real. The biggest proportion of sales in a foreign currency within the SURTECO Group was represented by the US dollar with approximately 11.9 % in 2020. The translation risk is not hedged because the influences are non-cash. Conversely, transaction risks arise as a result of the procurement or sale of goods in different currencies and from foreign-currency loans, which are given out to Group companies for financing.
Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. The company meets the remaining interest and currency risks, and regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed and decided by the central Treasury Department with the Management Board and the responsible Managing Directors. Where possible, currency fluctuations are balanced through natural hedging.
Opportunities are possible if there are appropriate positive developments of the currencies.
No individual risks were identified in this risk class within the Group.

LIQUIDITY RISKS

The Corporate Treasury Department in the holding company SURTECO GROUP 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 operating cash flow and the short payment targets mean that the companies have 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 customer 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 risk class within the Group.

FINANCING RISKS AND FINANCING OPPORTUNITIES

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. The majority of the financial liabilities of the Group have residual terms of up to five years (-> maturity structure in item 33.3 of the Notes to the Consolidated Financial Statements) and primarily 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. These indicators are continuously monitored by the Management Board 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 2020. From today's perspective, the financial indicators can also be complied with in the business year 2021.
No individual risks were identified in this risk class within the Group.

FLUCTUATIONS IN VALUE FOR 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 net asset values within the scope of the impairment test for the business year 2020. As a consequence, no impairments were carried out. There was also no requirement for adjustments in any of the participations of SURTECO GROUP 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.
No individual risks were identified in this risk class within the 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.
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 manufactured products reduce risk.
Risks can also arise from compliance breaches. The Management Board has implemented a Compliance Management System in order to prevent this from happening. It is based on the company's Code of Conduct. Compliance with the Code is monitored by Internal Auditing. Nevertheless, the possibility of becoming involved in court or arbitration proceedings cannot be excluded.
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. 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.
One individual legal risk was identified in damage class 4 probability class 1. This risk relates to an insurance policy that only covers individual risks of a production location up to 65 %.

Risks from the COVID-19 pandemic

In the business year 2020, the SURTECO Group succeeded in performing well during the COVID-19 pandemic. Working capital management at an early stage and utilization of credit lines ensured that the Group was provided with adequate liquidity as a precautionary measure. Targeted short-time working at the German locations and comparable programmes at the sites outside Germany cushioned the drop in sales during the second quarter. Production closures over an extended period of time were not necessary. Even over the course of the fraught second quarter, the company succeeded in generating a marginally positive result. From the third quarter onwards, the demand returned to normal again and approached pre-crisis levels. In the fourth quarter, sales development in the year-earlier quarter was unexpectedly exceeded. Easing of the tense situation relating to cost of materials supported the good performance of earnings, which were ultimately above expectations. However, it remains uncertain as to whether this development or potential recovery will be sustained. There continues to be a general risk that the COVID-19 pandemic may exert a further tangible negative impact on supply chains, sales markets or production processes. In addition, the general economic uncertainty may result in consumer reticence and buying restraints. Experience indicates that this could impact particularly on durable goods such as furniture.
In order to ensure that business processes are maintained, the Group has taken appropriate measures such as voluntary, regular rapid tests, home-office workplaces, social distancing with mandatory mask-up requirement and regularly updating the workforce with information from the crisis staff that has been set up.

Overall risk assessments

The Group regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Management Board 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. Even taking the COVID-19 pandemic into account, risks of this nature posing a threat to the continued existence of the company as a going concern cannot currently be identified.
The analysis of all risks and opportunities leads to the conclusion that the substantive influencing factors for the business operations of the SURTECO Group come from the procurement markets and arise from the framework conditions for the global economy and the relevant sectors. Consequently, the main potential for risk relates to an unexpected price increase or shortage of raw materials, and in a major and extended recession in the global economy or in individual markets and sectors relevant for the Group. By the same token, an economic upswing or more favourable purchasing conditions also offer the most significant opportunities for more positive business development.
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 could also impact negatively on business activities.

Outlook report

Macroeconomic framework conditions

At its World Economic Outlook from April 2021, the IMF assumed a tangible upswing of 6.0 % in the global economy for the year 2021 on account of authorization for several vaccines in spite of the sustained measures and uncertainties resulting from the COVID-19 pandemic. An increase of 5.1 % is anticipated in the advanced economies, with growth of 6.4 % being projected in the USA and 4.4 % in the eurozone. The IMF forecast expansion of 4.4 % in Central and Eastern Europe[2] and dynamic development of 6.7 % in emerging economies and developing countries, whereas China is once again projected to assume the role of global economic powerhouse with growth of 8.4 %. At the same time, economic experts draw attention to the economic uncertainties unparalleled in this form associated with the actual end of the pandemic that render reliable forecasts to all intents and purposes impossible.[1]

The uncertainties relating to global economic development also make it difficult to issue forecasts for the most important customer sectors of SURTECO. If the global economy develops significantly positively in line with the fundamental forecast by the IMF, the trend is also likely to move in a clear upward trajectory for the relevant industries.[1] At the point of publication of this report, a great deal depended on factors like the date when furniture retailers were able to open up again in the German-speaking regions Germany, Austria and Switzerland, which have been closed for many weeks as a result of the lockdown. The substantial momentum for online furniture trading has exerted a significantly positive impact on the sector, and the share of this segment is estimated to have increased to 18 percent in 2020.[3]

[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2021. The previous year's figures may have changed compared to the year-earlier combined management report due to updated data.

[2] In the World Economic Outlook: "Emerging and Developing Europe"

[3] Source: Association of the German Furniture Industry (VDM). Press release dated 20 January 2021

Framework conditions for the SURTECO Group

During the past business year, sectors relevant to SURTECO such as the German wood-based and kitchen furniture industry and the European laminate flooring industry[1] proved to be relatively robust in the face of the impacts from the measures introduced to contain the COVID-19 pandemic. After a tangible collapse in business during the second quarter of 2020, global markets posted an upturn in demand. Furthermore, sales in the Segment Profiles were increased through acquisition of new customers in spite of the pandemic. At present, it is not possible to provide a reliable forecast as to whether these developments will also continue into the business year 2021, because they are subject to the unpredictable development associated with the course of the pandemic.

The purchase prices of the most important raw materials are an important factor for the development of earnings. Following on from the decline in average purchasing prices, an upward trend in the cost of raw materials was already starting to emerge at the end of the business year 2020. This was particularly the case for plastics. Rising purchase prices should also be anticipated in the case of technical raw papers and chemical additives.

The following sales and earnings forecasts take account of facts and events that were known on the date when the financial statements were prepared. The forecast period is the business year 2021.

[1] Source: Press Release EPLF from 24 February 2021

Sales forecast for the Group and segments

Against the background of an expected continuation of the recovery in demand, the company is anticipating a significant rise in sales revenues for the Segments Decoratives and Technicals. The sales of the Segment Profiles are likely to be significantly above the value for 2020 owing to the expansion of production and warehouse capacities, and additional sales from business with new customers. At Group level, an increase in sales to between € 650 million and € 675 million is therefore expected.

Earnings forecast for the Group and segments

The company is forecasting a significant increase in EBIT for all the segments of the Group. Group EBIT is expected to be in the range between € 47 million and € 52 million.

Overall statement on expected performance

The first phase of the restructuring resolved at the end of 2019 was successfully completed in the business year 2020 with an adjustment of personnel strength in the area of overhead staffing levels and streamlining of Group structures. This should exert a positive impact on the future development of the company. However, the attainment of concrete sales targets is primarily dependent on the ongoing progress of the COVID-19 pandemic with corresponding impacts on demand. The most important factor for attainment of the earnings goals is the development of purchase prices for the most important raw materials. Owing to the robust equity base and adequate liquid funds, the covenants should again be complied with in the business year 2021.

Compensation report

This report describes the compensation system for the Management Board and the Supervisory Board, as well as explaining the structure and the level of compensation for individual executive officers in the business year 2020. It takes into account the recommendations of the German Corporate Governance Code in the version dated 16 December 2019 with the exception of the deviations published in the Declaration of Compliance and observes the applicable requirements of the German Commercial Code (HGB), and the Stock Corporation Act (AktG).

Compensation of the Management Board

DEFINITION AND REVIEW OF THE COMPENSATION STRUCTURE

The compensation structure and the level of compensation for the Members of the Management Board 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 Management Board. Alongside the functions of the individual Members of the Management Board 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 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 Management Board also includes non-cash benefits and other payments.

BASIC SALARY

The relevant basic salary of the Members of the Management Board is paid in equal monthly instalments. For the Members of the Management Board, it amounts to € 550,000 p.a. for Mr. Wolfgang Moyses, to € 300,000 p.a. for Mr. Manfred Bracher (from1 February 2020) and to € 360,000 p.a for Mr. Andreas Riedl (until 30 June 2020).
None of the Members of the Management Board has undertaken separately remunerated functions as executive officers at the consolidated subsidiary companies.
In the business year 2020, flat-rate deductions on the basic salaries of the Members of the Management Board were carried out for the period when the company was registered for short-time work.

BONUSES

The applicable compensation system provides for variable remuneration (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 basis of assessment, no retention is made. The maximum bonus for the Chairman of the Management Board, Mr. Wolfgang Moyses, totals € 1,500,000 p.a. The maximum remuneration for Mr. Manfred Bracher including bonuses totals € 1,000,000 p.a. The contract of service for the Member of the Management Board Mr. Andreas Riedl had no upper limit for bonuses. 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. The retained 25 % of the retention will be paid out after expiry of the reference period for the former Members of the Management Board Dr.-Ing Herbert Müller (until 30 September 2019) and Dr.-Ing. Gereon Schäfer (until 31 March 2018) through the regular payment process. The former Member of the Management Board, Mr. Andreas Riedl (until 30 June 2020) had the retained 25 % paid out with a flat-rate deduction of 10 %.

NON-CASH BENEFITS AND OTHER PAYMENTS

The Members of the Management Board receive fringe 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. Mr. Wolfgang Moyses also received a limited supplement up until 30 September 2020 for accommodation in Buttenwiesen. Mr. Wolfgang Moyses additionally receives an allowance amounting to € 000s 300 p.a. for his retirement provision.

EX-GRATIA COMPENSATION FOR POST-CONTRACTUAL COMPETITION PROHIBITION

The former Member of the Management Board Dr.-Ing. Gereon Schäfer, whose appointment and contract of service came to an end on 31 March 2018, receives half of the fixed salary paid in 2017 and half of the variable compensation received in the last twelve months prior to the ending of his contract of service each year for a period of 24 months after ending his employment relationship, in respect of his post-contractual competition prohibition. For the business year 2020, the ex-gratia compensation amounted to a total of € 000s 150.

PREMATURE TERMINATION OF THE CONTRACT OF SERVICE WITH THE FORMER CHAIRMAN OF THE MANAGEMENT BOARD DR.-ING. HERBERT MÜLLER

In March 2019, the company and Dr.-Ing. Herbert Müller reached an agreement to terminate the contract of service of Dr. Müller as Chairman of the Management Board with effect from 30 September 2019. Among other things, the agreement provides for a bonus for the business year 2019 defined on the basis of the half-year financial statements for the first half of 2019 in the amount of € 520,000.00 gross and it is agreed that retentions for safeguarding sustainability on it will not be made. This amount has not yet been paid to Dr. Müller. The other contractual fringe benefits (insurance policies, reimbursement of expenses, contributions to private pension funds, etc.) came to an end when the employment relationship ceased, with the exception of the transfer of the company car, which Dr. Müller will be able to use up until the regular end of his appointment on 30 June 2021.

D&O INSURANCE

A Directors' and Officers' Liability Insurance ("D&O" insurance) is provided for the Members of the Management Board. Pursuant to the requirements of § 93 (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 Management Board 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 Management Board.

LOANS TO MEMBERS OF THE MANAGEMENT BOARD

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

BENEFITS FOR PREMATURE TERMINATION OF EMPLOYMENT

The contracts of service for the Members of the Management Board automatically come to an end when the period of appointment for the relevant Member of the Management Board is concluded. If the appointment of a Member of the Management Board 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 Management Board is temporarily incapacitated and unable to work, the basic salary will continue to be paid in the case of Dr. Wolfgang Moyses for a period of up to twelve months and in the case of Mr. Manfred Bracher 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 occurs and for a further six months. The contracts of service for the Members of the Management Board

The following tables show compensation for the Members of the Management Board in accordance with the recommendations of the German Corporate Governance Code as amended on 7 February 2017:

Awarded allowances	Wolfgang Moyses Chairman of the Management Board from 1 October 2019				Manfred Bracher Member of the Management Board from 1 February 2020				Andreas Riedl Member of the Management Board until 30 June 2020			
€ 000s	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	137	539	539	539	-	269	269	269	360	176	176	176
Fringe benefits	7	24	0	[2]	-	24	0	[3]	40	18	0	[1]
Total	**144**	**563**	**539**	[2]	-	**293**	**269**	[3]	**400**	**194**	**176**	[1]
Variable compensation for one year	0	895	0	1,125	-	394	0	[3]	0	436	0	[1]
Variable compensation over several years (target attainment on the average bonuses of the past three years)	0	298	0	375	-	131	0	[3]	0	145	0	[1]
Total	**144**	**1,756**	**539**	[2]	-	**818**	**269**	[3]	**400**	**775**	**176**	[1]
Pension expenses	75	300	300	300	-	-	-	-	-	-	-	-
Total compensation	**219**	**2,056**	**839**	[2]	-	**818**	**269**	[3]	**400**	**775**	**176**	[1]

[1] The fringe benefits as well as the variable compensation for the year and several years, and consequently total compensation do not have an upper limit for the amount.
[2] The fringe benefits and consequently total compensation do not have an upper limit for the amount.
[3] The maximum compensation of € 000s 1,000 comprises the fixed compensation and the variable compensation. There is no maximum amount for the fringe benefits.

The following table shows the inflow (amount paid out) for the business years 2019 and 2020 from fixed remuneration, fringe benefits, variable compensation for the year and pension expenses.

Cash inflow	Wolfgang Moyses Chairman of the Management Board from 1 October 2019		Manfred Bracher Member of the Management Board from 1 February 2020		Andreas Riedl Member of the Management Board until 30 June 2020	
€ 000s	2020	2019	2020	2019	2020	2019
Fixed compensation	539	137	269	-	176	360
Fringe benefits	24	7	24	-	18	40
Total	**563**	**144**	**293**	-	**194**	**400**
Variable compensation for one year	0	0	0	-	85	158
Variable compensation over several years (target attainment on the average bonuses of the past three years)	0	[1]	[1]	-	[2]	[1]
Miscellaneous	-	-	-	-	-	-
Total	**563**	**144**	**293**	-	**279**	**558**
Pension expenses	300	75	0	-	-	-
Total compensation	**863**	**219**	**293**	-	**279**	**558**

[1] 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.
[2] Payout after finishing employment with a flat-rate discount of 10%. See in relation to this matter the section "Bonuses" in this compensation report

Compensation for the Supervisory Board 2020:

in €	Total compensation 2019	Total compensation 2020	Basic salary	Compensation for work carried out on the Audit Committee
Dr.-Ing. Jürgen Großmann (until 2 October 2020) Chairman	45,000	**55,550**	48,300	7,250
Björn Ahrenkiel until 27 June 2019	19,700	**-**	-	-
Dr. Markus Miele until 27 June 2019	13,200	**-**	-	-
Dr. Christoph Amberger Vice Chairman	27,000	**48,000**	48,000	-
Andreas Engelhardt Chairman (from 2 October 2020)	34,000	**60,900**	51,900	9,000
Tim Fiedler from 14 October 2019	3,900	**32,000**	32,000	-
Jochen Müller from 2 October 2020	-	**11,650**	7,900	3,750
Jens Krazeisen	18,000	**32,000**	32,000	-
Wolfgang Moyses until 30 September 2019	17,500	**-**	-	-
Tobias Pott from 27 June 2019 Deputy Chairman (from 2 October 2020)	15,700	**44,900**	35,900	9,000
Udo Sadlowski until 21 January 2019	1,000	**-**	-	-
Thomas Stockhausen	18,000	**32,000**	32,000	-
Heinz-Dieter Stöckler from 5 February 2019	16,300	**32,000**	32,000	-
Jörg Wissemann from 27 June 2019	15,700	**41,000**	32,000	9,000
Total	**245,000**	**390,000**	**352,000**	**38,000**

do not include any benefits for the eventuality of a premature termination in the event of a change of control (Change of Control clause).

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. 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 Supervisory Board and by one and a half times for each substitute chairman. The members of the Audit Committee also receive a further remuneration amounting to a total of up to € 40,000.00 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.

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 GROUP SE.

Information pursuant to § 289a and § 315a German Commercial Code (HGB)

Capital stock

The subscribed capital (capital stock) of SURTECO GROUP 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.

Restrictions on voting rights and share transfers

The Management Board is aware that shareholders of SURTECO GROUP 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 3,059,009 no-par-value shares in SURTECO GROUP SE (status 31 December 2020). The Executive Board is also aware that other shareholders in the sphere of the Schürfeld Group have joined together to form a pool agreement. The object of this pool is the joint exercise of the voting rights of 4,309,784 no-par-value shares in SURTECO GROUP SE (status: 31 December 2020).

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 (status 31 December 2020):

Name, place	Voting rights in %
Klöpfer & Königer Verwaltungs-GmbH, Garching, Germany	15.70
ECCM Bank plc, Malta	15.17

Appointment and dismissal of Members of the Management Board

The appointment and dismissal of Members of the Management Board 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).

Separate Non-financial Group Report

The Non-financial Group Report (Sustainability Report) for the business year 2020 pursuant to § 315b German Commercial Code (HGB) is published on the Internet portal of the company at www.surteco.com.

Follow-up report

Up until 28 April 2021, there were no events or developments that could lead to a significant change to the recognition or valuation of individual assets or liabilities as at 31 December 2020.

Declaration on Corporate governance

The Declaration on Corporate Governance pursuant to § 289f and § 315d 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 description of the diversity concept in relation to the composition of the body authorized to represent the company and the Supervisory Board, the Declaration of Compliance with justification and archive, the information on the practices of company management, the composition and working methods of the Management Board and the Supervisory Board including its committees, the Articles of Association (statutes), and the auditor for 2020, can be accessed on the home page of the company by going to www.surteco.com and clicking on the menu item "Investor Relations – Corporate Governance".

Dividend proposal

The Management Board and the Supervisory Board of SURTECO GROUP SE will submit a proposal to the ordinary Annual General Meeting of the company being held in Munich on 23 June 2021 that the net profit of SURTECO GROUP SE amounting to € 28,047,342.82 is to be appropriated as follows. Payment of a dividend per share of € 0.80 (2019: € 0.00). This corresponds to a total amount distributed as dividend of € 12,404,584.80 for 15,505,731 shares. Appropriation is made to retained earnings in the amount of € 15,642,758.02.

For computational reasons, rounding differences of +/- one unit can occur.

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation and amortization) / Net debt
EBIT margin in %	EBIT/Sales
EBITDA margin in %	EBITDA/Sales
Equity ratio in %	Equity/Total equity (= balance sheet total)
Earnings per share in €	Consolidated net profit/Weighted average of the issued shares
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 (net) (Interest income – Interest expenses)
Level of debt in %	Net debt/Equity
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel expenses/Total output
Working capital in €	(Trade accounts receivable + Inventories) – Trade accounts payable

THE SURTECO SHARE

SURTECO share with positive price performance in the pandemic year 2020

After a relatively robust start to the year, when the SURTECO share price hardly wavered from its initial price of € 22.65 at the beginning of the year, this share was also impacted by the shock emanating from the coronavirus crisis. Accordingly, the share experienced a significant drop to the low for the year at € 15.04 by the middle of March. However, like most of the world's stock markets, the price had recovered again by the beginning of April to around € 20, where it remained stable until the end of July 2020. A solid operating result for the first half year then drove the share up to € 23.30 for a brief period. The share price subsequently fluctuated in a range between € 20 and € 22 before undergoing a modest year-end rally to reach a high for the year of € 24.20 on 28 December. On 30 December, the share ended the stock market year by posting a closing price of € 24.10, corresponding to a price increase for the year of 6.4 %. This meant that at the close of the year, it outperformed the German DAX lead index, for example, which only managed to report an increase of 3.5 % in 2020. The share of the SURTECO GROUP SE developed very positively from March apart from some minor fluctuations, despite the ongoing severe restrictions imposed by the COVID-19 pandemic and a further worsening of the situation around the end of the year. Up to the editorial deadline for this Annual Report at the beginning of April, the price moved within a corridor between € 22 and € 27.

Share price performance 2020 in €

Market capitalization increases to € 375 million at year-end

As a consequence of the recovery in price at year-end, the market capitalization went up to around € 375 million, after € 351 million in the previous year, with an unchanged number of shares amounting to 15,505,731 no-par-value issued shares. In October 2020, Klöpfer & Königer Management GmbH announced that they were terminating the membership of the share pool, and consequently 2,206,656 no-par-value shares left the pooling arrangement. In November, the Schürfeld Group announced that they were taking over the shares of Klöpfer & Königer Management GmbH and would therefore increase their shareholding in the company. As a consequence, at the time when this Annual Report was being prepared, the Schürfeld Group held 27.8 % of the shares, 19.7 % were in the hands of the SURTECO share pool, while Matthias Kaindl holds 26.2 % (in each case on the basis of the last voting rights notification). As a result of the change in shareholder structure, the free float also increased from 23.5 % in the previous year to the current level of 26.3 %.

Investor Relations as central function of the Management Board

In 2020, the Management Board of SURTECO GROUP SE once again sought to engage in a close dialogue with institutional and private investors in an atmosphere of trust. During the course of the reporting year, SURTECO was regularly analyzed and evaluated by the equity research analysts Hauck & Aufhäuser, Pareto Securities and Sphene Capital. The research reports can be accessed on the home page of the company. Conference calls for analysts and investors were held for the balance sheet press conference and for the publication of the quarterly results. Furthermore, the company participated in the virtual Equity Forum in Frankfurt. Additionally, the company continues to foster regular communication with the financial media.

All information on the company can be found on the Internet pages of SURTECO GROUP SE (www.surteco.com). Furthermore, you are always very welcome to contact the Investor Relations Department of the company directly if you have any questions or ideas you wish to discuss:

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

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

SURTECO shares (Close price XETRA)

€	2019	2020
Number of shares at 31 December	15,505,731	15,505,731
Price at start of year	22.30	22.75
Year-end price	22.65	24.10
Price per share (high)	27.50	24.20
Price per share (low)	19.60	15.04
Stock-market turnover in shares per month	136,302	75,405
Market capitalization at year-end in € million	351.2	375.2

Shareholder indicators for the SURTECO Group

€ million	2019	2020
Sales	675.3	627.0
EBITDA	66.3	88.3
EBIT	21.1	46.1
EBT	16.2	43.3
Consolidated net profit	9.4	33.7
Earnings per share	0.61	2.17

Indicators of the share

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

Consolidated financial statements 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2020

Consolidated Income Statement

€ 000s	Notes	1/1/-31/12/ 2019	1/1/-31/12/ 2020
Sales revenues	(1)	**675,272**	**626,989**
Changes in inventories	(2)	-3,713	-8,802
Other own work capitalized	(3)	5,194	3,934
Total output		**676,753**	**622,121**
Cost of materials	(4)	-326,492	-282,836
Personnel expenses	(5)	-186,186	-162,564
Other operating expenses	(6)	-102,718	-92,247
Income/Expenses due to impairments under IFRS 9	(7)	186	-140
Other operating income	(9)	4,751	3,988
EBITDA		66,294	88,322
Depreciation and amortization	(18)	-45,175	-42,177
EBIT		21,119	46,145
Interest income		459	292
Interest expenses		-7,345	-4,757
Other financial expenses and income		1,711	1,193
Income/Expenses due to impairments under IFRS 9		-414	0
Share of profit of investments accounted for using the equity method		688	425
Financial result	(10)	-4,901	-2,847
EBT		16,218	43,298
Income tax	(11)	-6,463	-9,531
Net income		9,755	33,767
Of which:			
Owners of the parent (consolidated net profit)		9,428	33,687
Non-controlling interests		327	80
Basic and diluted earnings per share (€)	(12)	0.61	2.17
Number of shares at 31 December		15,505,731	15,505,731

Statement of Comprehensive Income

€ 000s	1/1/-31/12/ 2019	1/1/-31/12/ 2020
Net income	9,755	33,767
Components of other comprehensive income not to be reclassified to the income statement		
Remeasurements of defined benefit obligations	-969	223
of which included deferred tax	333	-67
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	-305	0
of which included deferred tax	92	0
Exchange differences translation of foreign operations	1,050	-11,797
Exchange differences in translation of foreign participations valued at equity	0	725
Other comprehensive	**201**	**-10,916**
Comprehensive income	**9,956**	**22,851**
Owners of the parent (consolidated net profit)	9,629	22,771
Non-controlling interests	327	80

Consolidated Balance Sheet

€ 000s	Notes	1/1/-31/12/ 2019	1/1/-31/12/ 2020
ASSETS			
Cash and cash equivalents	(13)	83,579	133,466
Trade accounts receivable	(14)	52,630	53,794
Receivables from affiliated enterprises		172	0
Inventories	(15)	123,060	109,273
Current income tax assets	(16)	5,187	779
Other current non-financial assets	(17)	8,281	6,522
Other current financial assets	(17)	8,871	6,719
Current assets		**281,780**	**310,553**
Property, plant and equipment	(19)	236,875	236,215
Intangible assets	(20)	53,767	48,738
Rights of use	(21)	31,473	35,552
Goodwill	(22)	162,844	162,902
Investments accounted for using the equity method	(23)	2,516	0
Financial assets	(23)	30	10
Other non-current non-financial assets		81	126
Other non-current financial assets		2,188	274
Deferred taxes	(11)	8,771	4,406
Non-current assets		**498,545**	**488,223**
		780,325	**798,776**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(27)	8,928	40,594
Trade accounts payable		62,905	63,423
Contract assets under IFRS 15		4	4
Income tax liabilities	(24)	1,593	2,598
Short-term provisions	(25)	20,023	10,791
Other current non-financial liabilities	(26)	2,410	3,482
Other current financial liabilities	(26)	27,505	25,780
Current liabilities		**123,368**	**146,672**
Long-term financial liabilities	(27)	254,535	237,585
Pensions and other personnel-related obligations	(28)	13,765	13,245
Long term provisions		126	449
Other non-current non-financial liabilities		113	147
Deferred taxes	(11)	33,785	27,349
Non-current liabilities		**302,324**	**278,775**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		203,396	201,381
Consolidated net profit		9,428	33,687
Capital attributable to owners of the parent		351,085	373,329
Non-controlling interests		3,548	0
Equity	(29)	**354,633**	**373,329**
		780,325	**798,776**

Consolidated Cash Flow Statement

€ 000s	Notes	1/1/-31/12/ 2019	1/1/-31/12/ 2020
Earnings before income tax		**16,218**	**43,298**
Payments for income tax		-12,085	-6,873
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(18)	45,175	42,177
- Interest income and result for investments	(10)	6,198	1,730
- Gains/losses from the disposal of fixed assets		234	-87
- Change in long-term provisions		1,058	-197
- Other expenses/income with no effect on liquidity		-1,205	-6,631
Internal financing		**55,593**	**73,417**
Increase/decrease in			
- Trade accounts receivable	(14)	5,392	-992
- Other assets		14,925	5,779
- Inventories	(15)	3,908	13,788
- Accrued expenses		8,425	-9,232
- Trade accounts payable		-2,172	517
- Other liabilities		-2,035	-619
Change in assets and liabilities (net)		**28,443**	**9,241**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(34)	**84,036**	**82,658**
Purchase of property, plant and equipment	(19)	-33,619	-36,542
Purchase of intangible assets	(20)	-2,747	-1,874
Proceeds/losses from the disposal of property, plant and equipment		-442	2,408
Dividends received from investments accounted for using the equity method		688	545
Disposal of participation held at equity		0	4,762
CASH FLOW FROM INVESTMENT ACTIVITIES	(34)	**-36,120**	**-30,701**
Business transactions with non-controlling interests		0	-3,693
Dividend paid to shareholders	(29)	-8,528	0
Repayment of lease obligations		-5,461	-7,502
Borrowing of short-term financial liabilities	(33)	109	15,520
Repayment of short-term financial liabilities	(33)	-63,943	-3,661
Interest received	(10)	460	292
Interest paid	(10)	-7,345	-4,757
CASH FLOW FROM FINANCIAL ACTIVITIES	(34)	**-84,708**	**-3,801**
Change in cash and cash equivalents		**-36,792**	**48,156**
Cash and cash equivalents			
1 January		120,954	83,579
Effect of changes in exchange rate on cash and cash equivalents		-583	1,731
31 December	(13)	**83,579**	**133,466**

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Retained earnings: Other comprehensive income	Retained earnings: Currency translation adjustments	Retained earnings: Other retrained earnings	Consolidated net profit	Non-controlling interests	Total
1 January 2019	15,506	122,755	-2,148	-9,674	204,915	18,630	3,221	353,205
Net income	0	0	0	0	0	9,428	327	9,755
Other comprehensive income	0	0	-636	837	0	0	0	201
Comprehensive income	0	0	-636	837	0	9,428	327	9,956
Dividend payout SURTECO GROUP SE	0	0	0	0	-8,528	0	0	-8,528
Allocation to retained earnings	0	0	0	0	18,630	-18,630	0	0
Changes in equity	0	0	0	0	10,102	-18,630	0	-8,528
31 December 2019	15,506	122,755	-2,784	-8,837	215,017	9,428	3,548	354,633
1 January 2020	15,506	122,755	-2,784	-8,837	215,017	9,428	3,548	354,633
Net income	0	0	0	0	0	33,687	80	33,767
Other comprehensive income	0	0	156	-11,072	0	0	0	-10,916
Comprehensive income	0	0	156	-11,072	0	33,687	80	22,851
Allocation to retained earnings	0	0	0	0	9,428	-9,428	0	0
Business transactions with non-controlling interests	0	0	0	0	3,773	0	-3,628	145
Other changes	0	0	0	0	-4,300	0	0	-4,300
Changes in equity	0	0	0	0	8,901	-9,428	-3,628	-4,155
31 December 2020	15,506	122,755	-2,628	-19,909	223,918	33,687	0	373,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2020

SURTECO GROUP SE, JOHAN-VIKTOR-BAUSCH-STR. 2, 86647 BUTTENWIESEN (GERMANY)

I. Accounting Principles

SURTECO GROUP SE (Societas Europaea) is a company listed on the stock exchange under European law and is based in Buttenwiesen, Germany. The company is the ultimate parent company of the group 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 GROUP SE and its subsidiaries for the fiscal year 2020 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 § 315e (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 § 315e 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 in accordance with the International Financial Reporting 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 § 315e 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 (€ 000).

We refer to that fact that differences may occur when rounded amounts and percentages are used on account of commercial rounding.

The reporting date of SURTECO GROUP SE and the consolidated subsidiaries is 31 December 2020.

The consolidated financial statements and the consolidated management report for 2020 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 of the consolidated financial statements. The income statement has been drawn up in accordance with the cost of production method.

The professional services firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and other appointed auditing firms have essentially audited the financial statements or the sub-groups that form part of the consolidated financial statements.

The consolidated financial statements of SURTECO GROUP SE for the fiscal year 2020 were prepared on 28 April 2021 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 28 April 2021. The Management Board will then release the statements for publication.

II. Accounting principles in accordance with the International Financial Reporting Standards

Change in accounting and valuation methods

With the exception of the changes presented below, the accounting and valuation methods correspond to the methods applied in the previous year.

Accounting standards and interpretations applied

During the business year, revised standards and interpretations were applied for the first time. They give rise to no material effects on the net assets, financial position and results of operations of the Group.

Standard/Interpretation	Application obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IFRS 16 (A): COVID-19-related rent concessions (amendment to IFRS 16)	01/06/2020	yes	none
IFRS 3 (A): Clarification of definition of a business model in company mergers	01/01/2020	yes	none
IAS 1 (A) and IAS 8 (A): Definition of materiality	01/01/2020	yes	none
IFRS 9, IAS 39 and IFRS 7 (A): Effects of the IBOR Reform	01/01/2020	yes	none
Conceptual Framework: Changes to the conceptual framework for financial reporting	01/01/2020	yes	none

International financial reporting standards and interpretations that have been published and have to be applied in the future but are not yet mandatory

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.

Standard/Interpretation	Application obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 16 (A): Amendments to proceeds before intended use	01/01/2022*	no	being analyzed
IFRS 3 (A): Changes to the framework concept	01/01/2022*	no	being analyzed
IAS 37 (A): Amendments to costs of fulfilling a contract	01/01/2022*	no	being analyzed
IFRS 17 Insurance contracts	01/01/2023*	no	being analyzed
IAS 1 (A): Amendment to the classification of liabilities as current or non-current liabilities and amendment to presentation of financial statements	01/01/2023*	no	being analyzed
IAS 8 (A): Amendments to accounting policies and accounting estimates	01/01/2023*	no	being analyzed

(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)

Change in IFRS 16 "Leases" for COVID-19-related rent concessions

In the business year 2020, changes were carried out in IFRS 16, which take into account the optional, time-limited COVID-19-related operating reliefs for lessees, in that interruptions in rental payments are granted. The published simplifications of IFRS relating to COVID-19 were not used in the SURTECO Group.

III. Consolidated Companies

SURTECO GROUP SE and all significant companies (including special-purpose entities), in which SURTECO GROUP SE has a controlling influence, are included in the consolidated financial statements as of 31 December 2020. Control exists if SURTECO GROUP SE has a right to receive variable returns based on the relationship with a company and possesses power of disposal over the company. The term "power" implies that SURTECO GROUP SE has existing rights enabling it to direct the relevant activities of the company and thus exert a significant influence on the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. Within structured entities, control usually derives from contractual agreements. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which control exists until it is no longer possible to exercise such control.

As of the reporting date, one company is not included in the consolidated financial statements (2019: two companies) as there were only minimal business activities in the course of the year under review and the influence of their aggregate value on the true and fair view of the net assets, financial position and results of operations of the Group was not significant.

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

	31/12/2019	Changes due to IFRS standards	Additions	Disposals Restructuring in the Group	Disposals Sales / Liquidation	31/12/2020
Consolidated subsidiaries						
- of which in Germany *	9	0	0	0	0	9
- of which abroad	25	0	0	-1	0	24
Subsidiaries reported at acquisition costs						
- of which in Germany	0	0	0	0	0	0
- of which abroad	2	0	0	0	-1	1
Companies accounted for using the equity method						
- of which in Germany	0	0	0	0	0	0
- of which abroad	1	0	0	0	-1	0
	37	0	0	-1	-2	34

* of which 2 special-purpose entities

The companies included in the consolidated financial statements as of 31 December 2020 and disclosures on subsidiaries and participations held directly and indirectly by SURTECO GROUP SE are included in the list under “Shareholdings”. The annual financial statements and the management report of SURTECO GROUP SE for the business year 2020 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

In the business year 2020, the following structural changes were recognized within the SURTECO Group:

- Acquisition of 15% - minority shareholdings in the Nenplas Group (UK)
- Merger of Döllken Canada Ltd. (Brampton) to SURTECO Canada Ltd. (Brampton)
- Disposal of the participation held at equity in Canplast Mexiko S.A. de C.V. (Chihuahua)
- Disposal of SURTECO IBERIA, S.L. (Madrid)

IV. Use of § 264 (3) German Commercial Code (HGB)

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

Name	Registered office
SURTECO GmbH	Buttenwiesen
SURTECO art GmbH	Willich
Dakor Melamin Imprägnierungen GmbH	Heroldstatt
Kröning GmbH	Hüllhorst
Döllken Profiles GmbH	Bönen
SURTECO Beteiligungen GmbH	Buttenwiesen

V. Consolidation Principles

The financial statements included in the consolidation process have been prepared on the basis of the accounting and valuation principles, uniformly applicable – which have remained fundamentally unchanged by comparison with 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 of measuring derivative financial instruments and financial assets available for sale at their fair value or market value.

The reporting date of the consolidated financial statements coincides with the reporting date of the individual companies included in the consolidated financial statements (31 December 2020).

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. In the context of a business combination, assets, liabilities and contingent liabilities identified within the course of a first-time consolidation are measured at their acquisition date fair values. For each business acquisition, the Group decides on an individual basis whether the non-controlling shares in the acquired company should be recognized at their respective fair value or on the basis of their proportion in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses at the time they occur.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is recognized 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 are 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". Non-controlling interests are measured on the basis of the proportionate net assets.

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

An associated company is a company over which the Group can exert a significant influence by involvement in 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 companies are measured using the equity method.

In accordance with IFRS 11, there are two forms of joint agreement: 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 have rights and obligations in respect of the assets and liabilities of 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 in respect of the net assets of the arrangement. Joint ventures are reported in accordance with the equity method.

The company reported at equity in the SURTECO Group was divested during the current business year.

Investments in associated companies and joint venture companies are accounted for with their acquisition costs by using the equity method and they are increased or decreased annually by the proportionate changes in equity. If impairments exceeding the value of the individual participation occur, any available non-current assets being 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 in case the Group has entered into legal or de facto obligations to cover losses, 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.

Special-purpose entities are integrated in the consolidated financial statements on a contractual basis.

Adjustments to uniform consolidated accounting and valuation methods are performed 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 of assets within the Group, which have not yet been disposed of to third parties, will be eliminated if they materially affect the presentation of the actual relationships of current net assets, 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 on the basis of market prices and transfer 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.

VI. Currency Translation

Business transactions in foreign currency are reported at the exchange rate on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the reporting date are reported at the rate on the balance sheet date. Gains and losses arising from changes in rates 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 reporting 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 income 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 reporting date			Average rate
		31/12/2019	31/12/2020	2019	2020
US dollar	USD	0.8907	0.8149	0.8932	0.8776
Canadian dollar	CAD	0.6840	0.6937	0.6732	0.6543
Australian dollar	AUD	0.6247	0.6291	0.6209	0.6046
Singapore dollar	SGD	0.6620	0.6166	0.6547	0.6359
Swedish krone	SEK	0.0957	0.0997	0.0945	0.0954
Sterling GBP	GBP	1.1766	1.1123	1.1403	1.1253
Turkish lira	TRY	0.1497	0.1097	0.1574	0.1264
Polish zloty	PLN	0.2348	0.2193	0.2327	0.2252
Russian rouble	RUB	0.0143	0.0109	0.0138	0.0122
Czech koruna	CZK	0.0394	0.0381	0.0390	0.0378
Mexican peso	MXN	0.0471	0.0410	0.0464	0.0411
Brazilian real	BRL	0.2218	0.1569	0.2270	0.1685

VII. Accounting and Valuation Principles

Uniform accounting and valuation principles

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 principles

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.

Revenue and expense realization

IFRS 15 establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that a company shall recognize revenues to depict the transfer of promised goods and services in an amount that likely reflects the consideration.

All components of IFRS 15 relevant for Surteco were reviewed and taken account within the scope of revenue and expense realization relating to the business year 2020.

Revenues should be recorded when a performance obligation is satisfied by the transfer of a promised good or promised service to a customer. An asset is deemed to have been transferred if the customer is able to exert power of disposal over the asset.

Revenues should be 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 power of disposal over them arising from ownership of the goods to the purchaser.
- 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 due to the sale can be reliably determined.

Surteco realizes sales revenues when the power of disposal over definable goods or services is transferred to the customer. In other words, as soon as the customer has the capability to determine the use of the transferred goods and services, and essentially derives the remaining benefit from them. The prerequisite is the existence of a contractual agreement which establishes legally enforceable rights and obligations.

The level of the recorded sales revenues corresponds to the expected consideration to which Surteco has a contractual claim.

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.

Volume discounts partly acting retrospectively are agreed for the sale of products. These are based on the total sales of a 12-month period. The revenues from these sales are reported in the amount of the price defined in the contract, less the estimated volume discount. The estimate for the liability is based on experience values. Sales revenues are only reported in the scope in which it is highly probable that a significant cancellation of the sales is not necessary, insofar as the associated uncertainty no longer exists.

Sales revenues arising from the sale of goods are realized on the date when the power of disposal is transferred to the purchaser, generally when the goods are delivered. The sales revenues derived from services are recorded over the period of service provision because the customer benefits from the use uniformly over the period when the service is provided and the customer consumes this use at the same time.

When goods are sold to the customer, the customer makes payment after invoicing takes place following delivery. As appropriate, advance payments are requested from customers. The payment conditions vary in accordance with the standard conditions applicable in the individual countries and sectors, and usually grant short-term payment conditions.

All revenues are realized on a specific date in the SURTECO Group. Revenues are recorded on transfer of risk depending in each case on the agreed delivery and shipping conditions, i.e. on a defined date.

A financial component remains for the level and the time of the sales realization when the period between the transfer of goods or services and the payment by the customer is a maximum of one year.

Additional costs for contract initiation whose amortization period would be no longer than one year are always recognized immediately as expense.

Sales are only defined as the product sales resulting from the ordinary activities of the company.

A receivable is recognized when the goods are dispatched because at this point the claim to a consideration is unconditional, i.e. the due date is defined automatically from this point in time.

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

Overall, expenses are recognized if it is probable that there will be an outflow of economic resources from the company.

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 result, income tax and depreciation and amortization.

EBIT

EBIT is earnings before financial result and income.

EBT

EBT is earnings before 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 GROUP 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 at arm's length between market participants at the measurement date. This applies independently of whether the price can be observed directly or has been estimated.

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 non-financial assets and liabilities and equity instruments. 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.

Financial instruments

In accordance with IAS 32, a financial instrument is a contract, which simultaneously leads to a financial asset for one entity and a financial liability or an equity capital instrument for another entity. 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.

First-time recognition and derecognition of financial instruments in the balance sheet are carried out on the date of fulfilment. When first-time recognition is carried out, the SURTECO Group measures a financial asset at the fair value plus the transaction costs incurred directly on the acquisition of this asset, insofar as the asset is subsequently not reported at fair value. In the case of such instruments, the transaction costs are recorded immediately in the income statement. The following exception applies to this regulation for trade accounts receivable that are first valued at their transaction price in accordance with IFRS 15. Derecognition of the receivables and other financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets, and essentially all opportunities and risks associated with the property have been transferred, or alternatively if the power of disposal over the asset has been transferred. If the prerequisites for derecognition of the receivables are not fulfilled, the assets are not derecognized.

Financial assets and liabilities are netted and 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 relevant 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.

The liabilities arising from primary financial instruments can either be recognized at the amortized costs or as “liabilities at fair value through profit and loss”. SURTECO measures all financial liabilities at amortized costs. Financial obligations with fixed or determinable payments are recognized in the balance sheet under other liabilities in accordance with their remaining term. A financial liability is then derecognized when it is settled, i.e. the obligations defined in the contract have been fulfilled or have been cancelled or have expired.

Classification and valuation

In accordance with IFRS 9, principle-based regulations are applicable for the classification of financial assets. A distinction is drawn between the following valuation criteria set out below.

Debt instruments

The valuation of debt instruments depends on the business model of the SURTECO Group for managing the asset and the cash flows of the asset. The SURTECO Group classifies its debt instruments at amortized costs. These are defined as assets that are held to collect contractual cash flows, and for which payment flows are exclusively interest payments and settlement repayments, are measured at amortized costs. Interest income from these financial assets is recognized in financial income by applying the effective interest method. Profits or losses from derecognition are reported directly in other operating income or expenses. Impairments are recognized under impairment expenses or impairment reversal income in accordance with IFRS 9.

These regulations are to be applied to a financial asset in entirety, even if this includes an embedded derivative. The fair value option is not applied in the SURTECO Group.

In the SURTECO Group, financial instruments are classified in the following categories:

- At amortized costs (AC) for trade accounts receivable and for other assets (loans issued, etc.)
- At fair value through profit and loss for trade accounts receivable which have been assigned in the scope of the factoring programme

The SURTECO Group only reclassifies debt instruments if the business model used to manage such assets changes.

Equity instruments

Equity instruments are generally measured at fair value through profit and loss. Adjustments to the fair value are reported in the income statement under the other financial expenses and income.

The SURTECO Group does not make use of the fair-value OCI option.

Derivative Instruments

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 within 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 reporting date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

At the beginning of the hedging transaction, the hedge between the underlying transaction and the hedging transaction and the risk management targets and Group strategy are formally defined and documented 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.

For purposes of hedge accounting, 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 transaction.

The accumulated amounts reported in equity are reclassified to the periods in which the hedged underlying transaction exerts effects on the profit or loss, as follows:

- If the hedged underlying business leads to the recognition of a non-financial asset, the deferred hedging gains and losses are included in the original acquisition costs of the asset.
- The profit or loss from the effective part of the interest swap, which hedges the variable interest borrowings, is recognized under the item financial expenses under profit or loss for the period in which the interest expense is incurred for the hedged borrowings.

If a hedging instrument expires, is sold or terminated, or the hedging relationship no longer meets the criteria for the reporting of hedging relationships, any accumulated deferred hedging gains/losses at this point and the deferred hedging costs remain in equity until the expected transaction occurs and then leads to recording of a non-financial asset. If the transaction is no longer expected to occur, the accumulated hedging gains and losses and the deferred hedging costs are reallocated to profit or loss.

Impairments

IFRS 9 requires expected losses to be reported. The scope of application includes all financial instruments which are reported at amortized costs and at fair value through other comprehensive income, and contractual and leasing assets. Here, a distinction is drawn between the general and simplified model used to determine impairments.

General impairment model
The level of impairment depends on the allocation of the financial instrument to one of the following levels:

1. Level 1: All financial instruments are allocated to this level when they are first recognized. The expected loss corresponds to the amount which can arise from possible default events within the next 12 months after the reporting date. An expected loss is already recognized when the item is first reported. In the case of financial instruments whose credit risk has not increased significantly since first-time recognition, a company must record a risk provision in the amount of the credit defaults, whose occurrence is expected within the next twelve months, i.e. 12-month ECL. This should be understood as the present value of the payment defaults which arise from possible default events over the next twelve months after the reporting date.
2. Level 2: If, since the first-time recognition, a significant increase of the default risk has been recorded for the counterparty, the financial instrument should be transferred to Level 2. The impairment expense corresponds to the amount which can arise from possible default events during the residual term of the instrument.
3. Level 3: If there is an objective indication that an impairment has taken place, the financial asset should be transferred to this level. The risk provision to be recorded should be determined using the same approach as in Level 2. However, interest can only be recognized for these financial instruments using the effective interest method on the basis of the (impaired) net book value.

Expected losses are a probability weighted estimate of losses. Default probabilities are determined for this which are multiplied by the nominal amount for the receivable.

Simplified impairment model
The simplified approach is distinguished by the fact that there are no differences in the credit risk and the expected credit losses are always recorded from the first-time recognition. Instead, a risk provision in the amount of the total term ECL must be recorded on first-time recognition and on every subsequent reporting date. The simplified approach must be applied mandatorily for trade accounts receivable without significant financial components and for contractual assets.

The SURTECO Group only has trade accounts receivable. The expected credit losses are calculated using a provision matrix depending on the overdues of individual receivables. The underlying default rates were established on the basis of historical experience data and current expectations and are updated on each reporting date. In addition, future-oriented information (for example forecasts on economic performance indicators) are taken into account if these imply a connection with expected credit defaults on the basis of the historical data. Depending on the diversity of the customer base, appropriate groupings (for example on the basis of geographical area, product type, etc.) can be used if previous experience with credit losses demonstrates outcome patterns with significant deviation between different customer segments. The customers of the SURTECO Group are allocated within a homogenous portfolio because no special characteristics were identified here, for example in relation to the customer's country of origin.

Receivables with a clear indication of lack of recoverability continue to be checked individually for an impairment. If it is highly certain that no further incoming cash flow is to be expected, the instruments are impaired. The book value of the financial assets corresponds to the maximum amount at risk of default.

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 IFRS 9, the cash and cash equivalents are classified as "debt instruments at amortized costs (AC).

Receivables and other financial assets, apart from derivative financial instruments and any receivable assigned under the factoring programme, are reported at amortized costs (AC). Allowances are carried out on a case-by-case basis in accordance with the expected default risks through an allowance account. Final derecognition is carried out if the receivable is not recoverable. Measurement of the requirement for individual allowance adjustments is based on the age structure of the receivable and the findings related to the customer-specific credit and default risk. Objective indications for an increased default risk are provided, for example, in the case of a pending insolvency, compulsory enforcement proceedings for the customer, one/several complaints and late payments by customers, an affidavit by the customer, composition proceedings or a lawsuit in connection with the customer. The payment targets for the customers are agreed individually with the customer. No predefined critical overdues are applicable in the SURTECO Group. Critical receivables are assessed on the basis of the objective evidence available. Trade accounts receivable with standard payment terms are recognized at amortized costs, reduced by bonuses, discounts and allowances. The Group sells trade accounts receivable under factoring agreements. These receivables are reported at fair value through profit and loss. The incoming payment from the sale of receivables is recognized under cash. Recognition of a short-term financial liability in the same amount is reported under short-term 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 impairments due to 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 is such 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 are traceable.
- 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 subsequently capitalized as assets.

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 directly attributable 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 fulfilled. All other maintenance and repair costs are immediately recognized under income.

A fixed asset (property, plant and equipment) is either derecognized on disposal or 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 activities

Leases are reported as a right of use and corresponding leasing liability at the date on which the leased item is delivered to the SURTECO Group for use in accordance with IFRS 16 "Leases". The right of use has to be recognized as part of the fixed assets and is depreciated straight line over the term of the lease/rental agreement. The liability is capitalized as a liability in the amount of the present value of the lease payments to be made in the future and depreciated using the effective interest method.

The SURTECO Group makes use of the following simplifications defined by the standard:

- Application of a fixed-term interest rate
- Application of a single interest rate on a portfolio of similarly structured lease agreements
- Leases for "small tickets" (low value assets) and "short-term" leases are not reported
- Excluding initial costs in the valuation of rights of use at the date of first-time application
- The retrospective determination of the term of leases in the case of contracts with extension or termination options.

Initial and subsequent valuation
The starting point is the present value of the obligations for payment of future leasing rates. At the point of taking on a new lease/rental relationship, the amount of the right of use corresponds to the amount of the leasing liability.

The leasing liabilities include the present value of the following leasing payments:

- Fixed payments (incl. de facto fixed payments), less any leasing incentives receivable
- Variable lease payments which are linked to an index or (interest) rate, initially valued with the index or interest at the delivery date
- Expected payments from making use of residual value guarantees
- The exercise price of a call option the exercise of which by the SURTECO Group is sufficiently certain
- Penalty payments in conjunction with the termination of a leasing relationship as long as the term provides for the SURTECO Group taking up the relevant termination option

Furthermore, leasing payments arising from adequately certain utilization of extension options should be included in the valuation of the leasing liability.

The interest rates underlying the leasing payments are determined by the SURTECO Group for fixed terms and adjusted each year. Country-specific classification of the interest rate is not carried out because the important financing for the SURTECO Group is carried out through SURTECO Group SE.

Rights of use are valued at acquisition costs and they are comprised as follows:

- The amount of initial valuation of the leasing liability
- All leasing payments made at or before delivery less all/any leasing incentives received
- All direct costs initially incurred by the lessee and
- Any estimated costs which are likely to be incurred by the lessee on disassembly/disposal of the underlying asset, on reinstatement of the location at which the asset is set up, or for refurbishing the underlying asset and returning to the conditions required in the leasing agreement.

Rights of use are depreciated straight line over the shorter of the two periods relating to the useful life and term of the underlying lease agreement. If the exercise of a call option is regarded as sufficiently certain from the perspective of the SURTECO Group, depreciation is carried out over the useful life of the underlying asset. The SURTECO Group applies the acquisition cost method for reporting rights of use.

Owing to the different rules relating to (scheduled) subsequent valuation – the right of use primarily "at cost" (IFRS 16.29/30: after the start of the lease, the lessee values the right of use on the basis of a cost model, i.e. acquisition costs less accumulated depreciation and accumulated impairments, and the liability in accordance with the "effective interest method"), the recognized items no longer correspond over the term of the agreements.

The following rights of use are categorized in the SURTECO Group:

- Rights of use for land and buildings
- Rights of use for technical plant and machinery
- Rights of use for office equipment
- Rights of use for vehicles
- Rights of use for IT and communication

The SURTECO Group rents land and buildings, technical plant and machinery, office equipment, vehicles and IT and communications equipment. Rental agreements are generally concluded over fixed periods from six months to eight years, but they may also have extension options. Rental conditions are negotiated individually and include different conditions, such as variable lease payments, residual value guarantees and extension and termination options. Leasing agreements do not include any credit conditions and are not used as collateral for drawing on credit lines.

Expenses in connection with variable leasing payments, payments on account and other expenses which are not included in leasing liabilities, are recognized in the framework of other operating expenses.

Intangible assets are recognized at acquisition cost or production cost. Such assets with a limited useful life are depreciated over their limited useful life using the straight-line method. Intangible assets with unlimited duration are checked every year to ascertain if a possible impairment arises.

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 future expectations. Depreciation is essentially based on the following commercial service lives applied uniformly across the Group:

	Years
Concessions, patents, licences and similar rights	3-15
Customer relations, trademarks, technology and similar values	10-15
Development expenses	3
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Other equipment, factory and office equipment	6-13

The **shares in unconsolidated companies** recorded under financial assets are recognized at acquisition costs.

On each reporting date, the Group checks the book values of intangible assets and property, plant and equipment 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 a 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, except for goodwill, on every reporting date, 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 section (21) 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 additionally 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 asset values taking into account the net working capital 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 recoverable amount, 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 group of cash-generating units of the Group are identified in consultation with the internal reporting of the management taking into account customer-centric allocations. The group of cash-generating units are the operating divisions under the reportable segments. The group of cash-generating units relates to ‘Decoratives’, ‘Profiles’, and ‘DAKOR’, Köning and “Technical Foils’’.

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 group of cash-generating units is amortized in the amount of the allowance thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant group of cash-generating units proportionately to the book value. Any allowance 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 at which 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 reporting date.

The actual income tax liabilities relate 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.

The reporting of income tax uncertainties is generally based on individual income tax treatment. If it is unlikely that an income tax treatment will be accepted by the local tax authorities, the SURTECO Group uses the amount with the highest probability for determining the taxable profit or the tax base.

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 influences neither 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 likely that the temporary differences will not be reversed in the foreseeable future.

The book value of the deferred tax assets is audited on each reporting 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 reporting 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 reporting date, are used as the basis for calculation. Future changes in tax rates should be considered at the reporting 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 1.56, deferred taxes are recognized as long term.

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

Contractual liabilities correspond to the obligation to transfer goods to a customer for which the SURTECO Group has already received a consideration.

Pension provisions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, partial 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 life-time pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.

The pension funds 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 into account for 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, longevity and on general market fluctuations.

Pension provisions 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 reporting date. It also takes account of the increases in pensions and salaries anticipated in the future. 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 net 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 based on the standard return on plan assets are to be recognized with no effect on net 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 by actuarial methods. The settlement backlogs and top-up amounts for partial retirement obligations were added pro rata for partial retirement obligations until the end of the active phase.

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

	2019	2020
Interest rate	0.82%	0.52%
Salary increases	2.0%	2.0%
Pension increases	2.0%	2.0%
Fluctuation rate	0.0%	0.0%
Biometric data	Heubeck 2018G	Heubeck 2018G

The interest rate for the pension obligation is currently a uniform 0.52 % (2019: 0.82 %). 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 numerous 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

Presentation of the business segments 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 Management Board of SURTECO was defined as the main decision-maker.

Decisions of judgement and estimates

The preparation of consolidated financial statements in accordance with IFRS requires up to a certain level decisions of judgement, 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 judgement and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of purchase price allocations and impairment tests, 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, based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects.

State grants and subsidies

State grants and subsidies are reported in conformity with IAS 20.7, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded. The subsidies are recorded in profit or loss in accordance with IAS 20.12 during the periods when the company recognizes the expenses eligible for support.

If expenses or losses have already been incurred or if the grants and subsidies serve to provide immediate financial support independently of special expenses, the grants and subsidies will recorded in accordance with IAS 20.20 in profit or loss during the period when the corresponding claim exists.

SURTECO has correspondingly recorded the state grants and subsidies for the business year 2020 in accordance with IAS 20, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded.

SURTECO has deducted from the personnel expenses government grants and subsidies relating to the social security contributions attributable to short-time work and other comparable grants and subsidies relating to the COVID-19 pandemic in conjunction with the foreign subsidiary companies.

The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

VIII. Notes to the Income Statement

(1) Sales revenues

The sales revenues are comprised as follows:

Business (product) € 000s	2019	2020
Edgebandings	250,714	234,117
Finish foils	128,033	118,848
Decorative printing	91,056	88,866
Impregnates / Release papers	77,879	57,408
Skirtings and related products	53,397	65,044
Technical extrusions	36,315	36,629
Other	37,878	26,077
	675,272	626,989

The sales revenues are broken down into individual segments as follows:

€ 000s	2020			
	Decoratives	Profiles	Technicals	Total
Edgebandings	223,458	331	10,329	234,117
Finish foils	91,326	0	27,523	118,848
Decorative printing	88,866	0	0	88,866
Impregnates / Release papers	27,586	0	29,822	57,408
Skirtings and related products	2,518	62,525	0	65,044
Technical extrusions	1,091	35,538	0	36,629
Other	16,832	7,857	1,388	26,077
	451,676	106,252	69,062	626,989

€ 000s	2019			
	Decoratives	Profiles	Technicals	Total
Edgebandings	239,748	571	10,395	250,714
Finish foils	99,073	0	28,960	128,033
Decorative printing	91,056	0	0	91,056
Impregnates / Release papers	31,709	0	46,170	77,879
Skirtings and related products	1,601	51,796	0	53,397
Technical extrusions	3,501	32,814	0	36,315
Other	29,160	7,495	1,223	37,878
	495,848	92,676	86,748	675,272

(2) Changes in inventories

The changes in inventories relate to work in progress amounting to € 000s -2,285 (2019: € 000s +724) and finished products amounting to € 000s -6.517 (2019: € 000s -4.437).

(3) Other own work capitalized

Other own work capitalized is essentially self-manufactured tools and printing cylinders.

(4) Cost of materials

Composition of the cost of materials in the Group:

€ 000s	2019	2020
Cost of raw materials, consumables and supplies, and purchased merchandise	325,035	281,442
Cost of purchased services	1,457	1,394
	326,492	282,836

(5) Personnel expenses

The following table shows personnel expenses:

€ 000s	2019	2020
Wages and salaries	156,539	135,444
Social security contributions	19,627	17,649
Pension costs	10,020	9,471
	186,186	162,564

Regarding the defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 585 (2019: € 000s 316) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 7,363 (2019: € 000s 8,071) to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

Personnel expenses include amounts resulting from the net interest expense/income and the current service cost for pension obligations.

State grants and subsidies for reimbursement of social security contributions owing to COVID-19 amounting to € 000s 1,355 (2019: € 000s 0) were included in personnel expenses. Short-time work allowances amounting to € 000s 2,149 (2019: € 000s 0) were passed on to employees. Furthermore, other government grants and subsidies in connection with the COVID-19 pandemic amounting to € 000s 600 (2019: € 000s 0) were received by the foreign companies.

The average number of employees amounts to 3,103 (2019: 3,218).

The following table shows the employee structure:

	Industrial	Salaried	2019 Total	Industrial	Salaried	2020 Total
Production	1,625	222	1,846	1,586	218	1,804
Sales	52	389	441	46	370	416
Engineering	135	40	175	130	38	168
Research and development, quality assurance	65	103	168	62	98	160
Administration, materials management	187	401	588	179	376	555
	2,064	1,155	3,218	2,003	1,100	3,103

The number of employees by regions is as follows:

	2019	2020
Germany	1,792	1,729
European Union	636	633
Rest of Europe	35	25
America	542	511
Asia/Australia	213	205
	3,218	3,103

(6) Other operating expenses

The other operating expenses are composed as follows:

€ 000s	2019	2020
Operating expenses	26,602	26,956
Sales expenses	51,469	43,236
Administrative expenses	24,574	21,865
Expenses arising from the ending of legal disputes	73	190
	102,718	92,247

The operating expenses essentially include expenses for maintenance, servicing, repairs, waste removal and temporary workers.

The sales expenses essentially include expenses for transport, travel, trade fairs, promotion and commissions.

The administrative expenses essentially include expenses for deductions, contributions, insurance policies, IT and consulting.

Uncapitalized research and development costs (personnel and materials costs) in the Group amounted to € 000s 2,323 (2019: € 000s 3,584).

The effects of changes in exchange rate through profit and loss included in other operating expenses amounted to € 000s 1,627 (2019: € 000s 150) in the business year.

We refer to explanations in the sections (8) and (22) for rental and lease expenses.

(7) Impairment expenses / Impairment reversal income in accordance with IFRS 9

In the business year 2020, reversed impairment losses in the amount of € 000s 13 (2019: € 000s 185) were recorded for trade accounts receivable. These were determined by the simplified impairment model (provision matrix), which resulted through receipt of payments on amounts due. Total expenses arising from impairments on trade accounts receivable amount to € 000s 140.

The following financial instruments are subject to general impairment recognition in accordance with IFRS 9:

	Credit risk	Impairment recognition
Bank balances	Slight	12-M Expected Credit Loss
Receivables from affiliated companies	Slight	12-M Expected Credit Loss

On account of the slight default risk for bank balances, no allowance should be carried out for reasons of materiality.

(8) Leases

Depreciation and amortization on rights of use are broken down as follows:

€ 000s	2019	2020
Depreciation and amortization on rights of use		
Land and buildings	-3,703	-3,670
Technical plant and machinery	-63	-54
Office equipment	-335	-159
Vehicles	-666	-651
IT and communication	-71	-208
	-4,838	-4,741

The following expenses from rental/leasing obligations are included in other operating expenses:

€ 000s	2019	2020
IFRS 16: Expenses in other operating expenses:		
Expenses in conjunction with short-term leases	-1,296	-834
Expenses in conjunction with small-ticket assets	-10	-11
Expenses in conjunction with variable lease payments not included in leasing liabilities	-20	-60
Expenses in conjunction with payments in advance and other expenses not included in leasing liabilities	-433	-31
	-1,759	-936

In the business year 2020, payments for leasing liabilities amounted to € 000s 7,502 (2019: € 000s 5,461).

An interest expense for leases/rents in the amount of € 000s 512 (2019: € 000s 586) was recognized in interest expense.

(9) Other operating income

The following table shows other operating income:

€ 000s	2019	2020
Income tax rebates (abroad)	1,123	455
Rental income	699	499
Claims for compensation	453	294
Income from reductions of allowances	558	445
Income from asset disposals	141	388
Other operating income	1,777	1,907
	4,751	**3,988**

The rental income recorded in the company is to be classified as an operating lease. It essentially results from subletting of individual building floorspaces.

(10) Financial results

€ 000s	2019	2020
Interest and similar income	460	292
Interest and similar expenses	-7,345	-4,757
Interest (net)	**-6,885**	**-4,465**
Currency gains/losses, net	1,886	-1,118
Gain on disposal from investments accounted for using the equity method	0	2,311
Other financial earnings	-175	0
Other financial expenses and income	**1,711**	**1,193**
Impairment expenses in accordance with IFRS 9	-414	0
Share of profit of investments accounted for using the equity method	**688**	**425**
Financial result	-4,901	-2,847

We refer to section (7) and section (14) for explanations relating to the impairment expenses or income in accordance with IFRS 9.

(11) Income tax

Income tax expense is broken down as follows:

€ 000s	2019	2020
Current income taxes		
- Germany	456	1,131
- international	10,380	11,155
	10,836	12,286
Deferred income taxes		
- from time differences	-9,353	-2,582
- on losses carried forward	4,980	-173
	-4,373	-2,755
	6,463	**9,531**

An average overall tax burden of 30.00 % (2019: 30.00 %) results for the German companies. The tax rate takes into account the trade tax (14.1 %; 2019: 14.1 %), the corporate income tax (15.0 % unchanged by comparison with the previous year) and the solidarity surcharge (5.5 % of corporate income tax unchanged by comparison with the previous year). The applicable local income tax rates for the foreign companies vary between 19 % and 34 % (2019: 18 % - 34 %).

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 434 (2019: € 000s 5,559) due to restricted utility. The loss carry-forwards amounting to € 000s 20,014 can be carried forward indefinitely.

Deferred tax liabilities were not recognized on temporary differences in connection with investments in subsidiaries amounting to € 000s 7,591 (2019: € 000s 4,447), as the Group is in a position to control the timing of the reversal and these temporary differences will not be reversed 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		
	2019	Change	2020	2019	Change	2020
Inventories	1,992	-419	1,573	1,043	65	1,108
Receivables and other assets	1,225	1,151	2,374	2,595	-667	1,927
Tax losses carried forward	4,979	174	5,153	0	0	0
Goodwill	0	60	60	3,819	20	3,839
Property, plant and equipment	1,252	211	1,463	25,389	-1,315	24,075
Intangible assets	46	-32	14	11,161	-838	10,323
Other non-current assets	446	-250	196	0	0	0
Financial liabilities	7,011	-386	6,626	192	620	812
Pensions and other personnel-related obligations	1,852	107	1,960	809	189	998
Trade accounts payable	1,221	1,081	2,302	1,360	-477	883
Other liabilities	3,932	-1,964	1,968	2,604	63	2,667
	23,957	**269**	**23,689**	**48,971**	**-2,340**	**46,631**
Netting	-15,186	-4,096	-19,282	-15,186	-4,096	-19,282
	8,771	**-4,365**	**4,406**	**33,785**	**-6,436**	**27,349**

Non-current deferred taxes are included in the deferred tax assets in the amount of € 000s 15,471 (2019: € 000s 15,587), in the deferred tax liabilities in the amount of € 000s 40,691 (2019: € 000s 41,369).

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

€ 000s	2019	2020
Earnings before Taxes (EBT)	**16,218**	**43,298**
Expected income tax	4,865	12,989
Reconciliation		
Changes in tax rates	26	-482
Differences in tax rates	-1,632	-2,213
Share of profit of investments accounted for using the equity method	-206	-108
Use of loss carry-forwards not including deferred tax assets	-464	-1,819
Expenses not deductible from taxes	4,246	1,710
Tax-free income	-2,176	55
Allowance on deferred tax assets	130	0
Tax expenses / income not related to the reporting period	884	-2,311
Permanent differences	413	767
Other effects	376	941
Income tax	**6,463**	**9,531**

The average expected tax rate amounts to 30.0% (2019: 30.0 %).

The application of IFRIC 23 does not result in any changes in reporting because all tax items in the past have already been recognized in accordance with the rules of IAS 12.

On the balance sheet date, a number of Group companies that had generated a tax loss recognized a net surplus of deferred tax assets amounting to EUR 1.48 million (2019: EUR 1.81 million) which essentially resulted from SURTECO CANADA LTD (2019: from the German consolidation groups of SURTECO GROUP SE). The realization of the full amount of deferred tax assets was estimated to be probable because the losses were generated from one-off effects in the course of the COVID-19 pandemic and sufficient taxable earnings are expected for the three-year planning period.

Income taxes recorded directly in other comprehensive income

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

€ 000s	2019	2020
Actuarial gains/losses	333	-67
Net investment in a foreign operation	92	0
	425	**-67**

(12) Earnings per share

	2019	2020
Consolidated net profit in € 000s	9,428	33,687
Weighted average of no-par-value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	0.61	2.17

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

IX. Notes to the Balance Sheet

(13) Cash and cash equivalents

€ 000s	2019	2020
Trade accounts receivable	70,490	97,861
Less allowances	13,089	35,605
Book value	**83,579**	**133,466**

(14) Trade accounts receivable

€ 000s	2019*	2020
Trade accounts receivable	55,647	55,968
Less allowances	-3,017	-2,174
Book value	**52,630**	**53,794**

* Adjustment of the presentation

The allowances relate to the specific allowances and the allowances in accordance with the simplified impairment model.

The allowances developed as follows:

€ 000s		2019*		2020
	Specific allowance	Allowance matrix	Specific allowance	Allowance matrix
1/1/	2,574	410	2,614	403
Recourse	-278		-232	
Release of unused amounts	-112	-7	-588	-28
Addition (effect on expenses)	548		63	
Exchange rate differences	-118		-58	
31/12/	2,614	403	1,799	375

* Adjustment of the presentation

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

The following table shows the maturity structure of receivables and the allowances due in accordance with IFRS 9:

€ 000s	Total	Receivables not overdue	up to 3 months	3-6 months	6-12 months	over 12 months
				Overdue receivables		
31/12/2020						
		1%	3%	25%	37%	50%
Book value of trade accounts receivable (without factoring)	38,498	34,877	3,337	136	53	95
Allowance	375	165	109	34	20	47
31/12/2019*						
		1%	3%	21%	25%	29%
Book value of trade accounts receivable (without factoring)	38,175	33,324	4,462	231	97	59
Allowance	403	181	133	48	24	17

* Adjustment of the presentation

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

The nominal amount for all written-down assets, for which an insolvency or other proceeding is currently ongoing, amounts to € 000s 1,206 on 31 December 2020 (2019: € 000s 704).

(15) Inventories

The inventories of the Group are comprised as follows:

€ 000s	2019	2020
Raw materials, consumables and supplies	37,067	35,020
Work in progress	11,778	9,493
Finished products and goods	74,211	64,700
Payments on account for inventories	5	60
	123,061	109,273

Impairments of € 000s 2,511 (2019: € 000s 4,296) were reported on inventories.

Of the inventories, € 000s 22,035 (2019: € 000s 22,281) were recognized under assets at the net disposal value.

(16) 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 reporting date.

(17) Other current financial and non-financial assets

€ 000s	2019	2020
Other current non-financial assets		
Income tax assets (value added tax, wage tax)	4,873	4,019
Prepaid expenses	2,521	2,292
Other	887	211
	8,281	6,522
Other current financial assets		
Call option	4,300	0
Receivables factoring	2,218	2,568
Receivables tenant loans	0	2,046
Bonuses receivables	1,067	781
Securities deposits	117	119
Creditors with debit balances	208	169
Receivables from employment relationships	319	170
Other	642	866
	8,871	6,719
	17,152	13,241

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

Other current financial assets
The receivables recognized from factoring result from the sale of trade receivables of SURTECO GROUP SE to a factoring agent. These sales of receivables led to a continuing involvement. The late payment risk from the contracts sold remains with SURTECO. 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 2020 amounting to € 000s 11,046 (2019: € 000s 10,187) led to a partial disposal. A continuing involvement asset in the amount of € 000s 141 (2019: € 000s 129) was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 141 (2019: € 000s 129) was reported under other current liabilities. The maximum amount of the receivables sold amounts to € 000s 21,610 (2019: € 000s 19,825; book value € 000s 23,513) in the business year.

In the case of other current financial liabilities, obligations of € 000s 4,224 (2019: € 000s 5,454) were additionally recognized with respect to the factor for receivables settled to the reporting date.

(18) Fixed assets

The fixed assets are comprised as follows:

€ 000s	Property, plant and equipment	Intangible assets	Goodwill	Rights of use	Total
Acquisition costs					
1/1/2019	684,860	120,942	182,357	0	988,159
Currency adjustment	2,238	759	162	106	3,266
Additions	33,619	2,747	0	15,248	51,614
Disposals	-15,771	-201	-32	-1,534	-17,538
Transfers to assets held for sale	-1,634	1,634	0	0	0
Transfers	-28,316	0	0	28,316	0
31/12/2019	**674,996**	**125,881**	**182,487**	**42,136**	**1,025,501**
1/1/2020	**674,996**	**125,881**	**182,487**	**42,136**	**1,025,501**
Currency adjustment	-10,342	-866	-452	-812	-12,472
Additions	36,542	1,874	0	9,849	48,265
Disposals	-11,434	-529	0	-943	-12,906
Transfers on account of IFRS 16					0
Transfers	1,609	-1,829	0	220	0
31/12/2020	**691,371**	**124,532**	**182,035**	**50,450**	**1,048,388**
Depreciation and amortization					
1/1/2019	428,679	61,611	19,493	0	509,783
Currency adjustment	1,033	577	182	19	1,811
Additions	31,600	8,737	0	4,838	45,175
Disposals	-15,617	-130	-32	-448	-16,227
Transfers	-1,319	1,319	0	0	0
Transfers on account of IFRS 16	-6,254	0	0	6,254	0
31/12/2019	**438,122**	**72,114**	**19,643**	**10,663**	**540,542**
1/1/2020	**438,122**	**72,114**	**19,643**	**10,663**	**540,542**
Currency adjustment	-5,876	-106	-510	-298	-6,790
Additions	30,197	7,239	0	4,741	42,177
Disposals	-9,113	-528	0	-1,306	-10,948
Transfers	1,826	-2,925	0	1,099	0
31/12/2020	**455,156**	**75,794**	**19,133**	**14,898**	**564,981**
Book values at 31/12/2019	**236,874**	**53,767**	**162,844**	**31,473**	**484,959**
Book values at 31/12/2020	**236,215**	**48,738**	**162,902**	**35,552**	**483,406**

(19) 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 machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2019	**143,127**	**27,067**	**399,624**	**95,613**	**19,430**	**684,860**
Currency adjustment	620	0	1,494	109	15	2,238
Additions	1,669	0	12,830	4,639	14,482	33,619
Disposals	-1,104	0	-10,894	-3,772	-1	-15,770
Transfers	941	0	13,242	225	-16,042	-1,634
Transfers on account of IFRS 16	0	-27,067	0	-1,250	0	-28,316
31/12/2019	**145,252**	**0**	**416,296**	**95,565**	**17,884**	**674,997**
1/1/2020	**145,252**	**0**	**416,296**	**95,565**	**17,884**	**674,997**
Currency adjustment	-2,951	0	-6,410	-1,519	538	-10,342
Additions	139	0	9,315	3,957	23,131	36,542
Disposals	-2,684	0	-3,104	-3,035	-2,612	-11,433
Transfers (incl. transfers on account of IFRS 16)	2,747	0	7,945	2,011	-11,094	1,609
31/12/2020	**142,503**	**0**	**424,042**	**96,979**	**27,847**	**691,371**
Depreciation and amortization						
1/1/2019	**61,616**	**5,501**	**293,799**	**67,758**	**5**	**428,679**
Currency adjustment	181	0	796	56	0	1,033
Additions	3,413	1,061	21,708	5,417	0	31,600
Disposals	-1,510	0	-10,585	-3,522	0	-15,617
Transfers	-1,888	0	-1,448	114	1,903	-1,319
Transfers on account of IFRS 16	0	-6,562	0	308	0	-6,254
Write-ups	-526	0	526	0	0	0
31/12/2019	**61,286**	**0**	**304,796**	**70,131**	**1,908**	**438,122**
1/1/2020	**61,286**	**0**	**304,796**	**70,131**	**1,908**	**438,122**
Currency adjustment	458	0	-4,464	-166	-1,703	-5,875
Additions	3,283	0	20,092	6,611	211	30,197
Disposals	-1,516	0	-3,051	-2,602	-1,944	-9,113
Transfers	0	0	3	290	1,534	1,826
31/12/2020	**63,511**	**0**	**317,376**	**74,263**	**5**	**455,156**
Book values 31/12/2019	**83,966**	**0**	**111,500**	**25,434**	**15,976**	**236,875**
Book values 31/12/2020	**78,992**	**0**	**106,666**	**22,715**	**27,842**	**236,215**

As at 31 December 2020, property, plant and equipment with a carrying amount of € 000s 268 (2019: € 000s 471) was pledged as collateral for existing liabilities.

(20) Intangible assets

Intangible assets are comprised as follows:

€ 000s	Concessions, patents, licences and similar rights	Customer relations, trademarks, technology and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2019	36,157	77,318	7,366	101	120,942
Currency adjustment	5	811	-57	0	759
Additions	1,335	0	632	780	2,747
Disposals	-161	0	0	-41	-201
Transfers	-3,073	3,308	1,532	-133	1,634
31/12/2019	34,264	81,437	9,473	708	125,881
1/1/2020	34,264	81,437	9,473	708	125,881
Currency adjustment	-834	-973	940	0	-866
Additions	885	0	644	345	1,874
Disposals	-529	0	0	0	-529
Transfers	757	-2,667	301	-220	-1,829
31/12/2020	34,543	77,797	11,360	833	124,532
Depreciation and amortization					
1/1/2019	30,771	26,868	3,972	0	61,611
Currency adjustment	-35	642	-30	0	577
Additions	1,826	6,010	901	0	8,737
Disposals	-130	0	0	0	-130
Transfers	-2,573	3,308	583	0	1,319
31/12/2019	29,860	36,828	5,426	0	72,114
1/1/2020	29,860	36,828	5,426	0	72,114
Currency adjustment	-705	-230	828	0	-106
Additions	1,890	4,515	835	0	7,240
Disposals	-528	0	0	0	-528
Transfers	0	-2,925	0	0	-2,925
31/12/2020	30,517	38,188	7,089	0	75,794
Book values at 31/12/2019	4,404	44,609	4,047	708	53,768
Book values at 31/12/2020	4,026	39,609	4,271	832	48,738

A trademark right in the amount of € 000s 3,420 (2019: € 000s 3,420) with an unlimited useful life is included in the category "Customer relations, trademarks, technology and similar values". The trademark rights generate inflows for an unlimited period of time.

(21) Rights of use

The following rights of use with the book values shown are differentiated in the SURTECO Group:

€ 000s	31/12/2019	31/12/2020
Rights of use		
Land and buildings	29,513	33,574
Technical plant and machinery	94	168
Office equipment	424	218
Vehicles	1,080	1,071
IT and communication	362	521
	31,473	**35,552**

The allocations to rights of use during the business year 2020 amounted to € 000s 9,849 (2019 € 000s 15,248).

(22) Goodwill

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

Goodwill developed as follows:

€ 000s	2019	2020
Stand 1/1/	162,864	162,844
Currency adjustment	-20	58
31/12/	162,844	162,902

Goodwill is allocated to the Group cash-generating units for purposes of carrying out annual or event-related (triggering events) impairment tests. These correspond to the cash-generating units 'Decoratives', 'Technical Foils' 'Dakor' and 'Kröning' in the Group.

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

€ 000s	2019	2020
Decoratives	117,290	117,022
Profiles	36,281	36,281
Technical Foils	7,793	8,119
DAKOR	498	498
Kröning	982	982

The book value of intangible assets with an unlimited useful life in the amount of € 000s 3,420 (2019: € 000s 3,420) was allocated to the Group cash-generating unit Decoratives.

The value in use to be applied for carrying out the impairment test is calculated based on 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 Management Board 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 0.25 % (2019: 0.5 %) was used in relation to all Group cash-generating units for sales and for EBITDA in order to take sufficient account of the inflation rate.

Significant influencing factors impacting an impairment are on the one hand sales and EBITDA and on the other hand development of the interest rate and the terminal value. Expected changes in the input variables sales, EBITDA and terminal value do not lead to an impairment requirement for any of the group of cash-generating units.

If the interest rate rises by 0.4 %, the recoverable amount corresponds to the book value of the group of cash-generating units Dakor.

On the basis of experience of the group of companies, a change in the interest rate that is considered possible amounts to +1.0 % before tax. This leads to an impairment requirement for the group of cash-generating units Dakor in the amount of € 000s 1,195.

Under the current assumptions, a headroom of € 000s 715 (2019: € 000s 113) exists before the impairment occurs.

The table below shows details for development of growth rates for sales and EBITDA in the groups of cash-generating units:

Values in %	Sales	EBITDA
Decoratives	3.90	5.10
Profiles	6.80	4.30
Technical Foils	6.90	9.80
DAKOR	4.70	13.50
Kröning	3.30	-2.00
SURTECO	**4.60**	**8.80**

The costs of capital are calculated as a weighted average of the costs of equity and debt. 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 shares. Market conditions for loans are taken into account for borrowing costs. This yielded an interest rate for all cash-generating units of 8.2 % (2019: 7.3 %) before taxes in December 2020.

Based on the impairment tests carried out in the business year 2020, the values in use of the cash-generating units are estimated higher than the net asset values. As a result, no impairments have been recognized.

(23) Investments accounted for using the equity method

€ 000s	Investments in companies accounted for at equity
Acquisition costs	
1/1/2019	**2,378**
Currency adjustment	169
Proportionate earnings	688
Payout	-719
31/12/2019	**2,516**
Proportionate earnings	436
Payout	-545
Currency adjustment	-37
Disposal	-2,370
31/12/2020	0

The investments accounted for using the equity method were sold on 30 June 2020 with a gain on disposal amounting to € 000 2,311.

The financial assets developed as follows:

€ 000s	2019	2020
1/1/	31	30
Participations	-1	-20
31/12/	30	10

(24) Income tax liabilities

Tax liabilities include the income tax due for the business year 2020 or earlier business years and not yet paid, and the anticipated tax payments for previous years.

(25) Short-term provisions

€ 000s	1/1/2020	Currency adjustment	Expense	Release	Addition	31/12/2020
Warranty	1,561	-6	-908	-275	738	1,110
Legal disputes	3,610	-39	0	-1,063	398	2,906
Restructuring	13,258	-57	-8,547	-71	290	4,873
Impending losses	174	0	-122	-18	81	115
Other	1,421	1	94	-373	644	1,787
	20,023	**-100**	**-9,483**	**-1,800**	**2,151**	**10,791**

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 and warranty matters. Provisions were set aside in accordance with the best possible estimates at the current time. The maturity of the obligations is based on the current estimates and can be varied as necessary.

The restructuring provision includes expenses which are used for personnel measures in order to adjust to the changed market conditions.

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 is determined with fulfilment of the sales transactions.

(26) Other current financial and non-financial liabilities

€ 000s	2019	2020
Other current non-financial liabilities		
Tax liabilities (value added tax)	1,200	1,969
Social insurance against occupational accidents	791	914
Supervisory Board remuneration	246	390
Deferred income	119	113
Other	54	96
	2,410	3,482
Other current financial liabilities		
Liabilities from employment relationships *	13,462	16,585
Other current liabilities factoring	5,454	4,672
Debtors with credit balances	2,118	2,064
Bonuses and promotional costs	1,287	1,081
Payments on account received	808	453
Commissions	261	291
Put option	3,834	0
Other	281	634
	27,505	25,780
	29,915	**29,262**
* of which social security.	830	818

Other current financial liabilities
The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the reporting date, obligations arising from bonuses, holiday and working time credits.

Obligations in respect of the factoring agent for receivables settled as at the reporting date are recognized under other current liabilities arising from factoring. Reference is made to our comments on receivables from factoring under section (17) "Other current assets" in the notes to the consolidated financial statements for further details.

We refer to section (34) for explanations of the sale option (put option).

(27) Financial liabilities

The financial liabilities are comprised as follows:

€ 000s	2019	2020
Long-term financial liabilities to banks	237,609	219,326
Long-term financial liabilities for leases	16,926	18,259
Long-term financial liabilities	**254,535**	**237,585**
Short-term financial liabilities to banks	4,137	34,428
Short-term financial liabilities for leases	4,791	6,166
Short-term financial liabilities	**8,928**	**40,594**
Financial liabilities	**263,463**	**278,179**

Long-term financial liabilities are essentially made up of the promissory note loans in the amount of € 000s 200,000 raised in the business year 2017. This is divided into four tranches with terms of between five and ten years. Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 1.055 % and 5.70 %.

The rise in short-term financial liabilities to banks is due to a COVID-19-related loan granted in the business year 2020.

For collateral in respect of financial debt, please refer to section (19).

The liabilities from leasing obligations are repaid over the contract term and are due on the reporting date as follows:

€ 000s	2019	2020
Leasing payments to be made in the future		
in less than one year	5,215	6,650
between one year and five years	16,045	18,800
after more than five years	1,327	844
Interest share		
in less than one year	-420	-484
between one year and five years	-398	-1,357
after more than five years	-52	-28
Present value		
in less than one year	4,795	6,166
between one year and five years	15,647	17,443
after more than five years	1,275	816
	21,717	24,425

(28) 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 unit credits arising from pension obligations amounts to € 000s 11,199 (2019: € 000s 11,800) internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 222 (2019: € 000s 212), which secures the obligations partly or fully congruently.

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

€ 000s	2019			2020		
	Present value of obligation	Present value of plan assets	Provision	Present value of obligation	Present value of plan assets	Provision
1/1/	10,996	-231	10,765	11,800	-212	11,588
Pension payments on account	-228	0	-228	-456	0	-456
Payments from plan settlements	0	7	7	0	7	7
Current service expense	56	0	56	139	0	139
Interest income	0	17	17	0	0	0
Interest expense	0	-4	-4	90	-17	73
Remeasurements						
Actuarial gains / losses						
from changes in demographic parameters	-5	0	-5	17	0	17
from experience adjustments	-342	0	-342	-569	0	-569
from changes in financial parameters	983	0	983	396	0	396
	636	0	636	-156	0	-156
Other changes	0	0	0	0	0	0
Currency adjustments	7	0	7	3	0	3
31/12/	11,800	-212	11,588	11,421	-222	11,199

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 2020 before deferred taxes amounts to € 000s 223 (2019: € 000s 969). Up to now, a total of € 000s 3,750 (2019: € 000s 3,973) has been recognized in shareholders' equity.

The annual payments by the employer (expected pension payments) in the next business year are likely to be € 000s 486.

If the other assumptions remain constant, the changes which were possible, subject to an objective analysis on the reporting 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	2019		2020	
	Increase	Decrease	Increase	Decrease
Decrease in the interest rate by 0.25%	349		349	
Increase in the interest rate by 0.25%		368		331
Decrease in future pension rises by 0.25 %		319		323
Increase in the future pension rises by 0.25%	305		271	

A similar approach is adopted by determining the sensitivities and the scope of obligation. The other valuation assumptions were applied unchanged. 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 2020.

The additional personnel-related obligations include partial-retirement and long-service agreements. The partial-retirement obligations amount to € 000s 144 (2019: € 000s 259) on the reporting date and these obligations are balanced by plan assets amounting to € 000s 91 (2019: € 000s 170) because of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 1,993 on the reporting date (2019: € 000s 2,088).

Out of the non-current obligations arising from partial-retirement arrangements € 000s 0 (2019: € 000s 30) are due in 2021.

(29) Shareholders' equity

The subscribed capital (capital stock) of SURTECO GROUP SE is € 15,505,731.00 and is fully paid in. 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.

Capital reserve

The capital reserve of SURTECO GROUP SE includes the amounts by which the capital investment values of shareholdings in affiliated companies 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.

The capital reserve is unchanged by comparison with 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 net income
- Differences arising from currency translations of annual financial statements of foreign subsidiaries with no effect on net income
- 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 other comprehensive income:

€ 000s	31/12/2019			31/12/2020		
	Fair value measurement for pension provisions	Currency translation adjustments	Total other comprehensive income	Fair value measurement for pension provisions	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	-636			156		
Components of other comprehensive income that may be classified to the income statement						
Exchange differences in translation of foreign operations		837			-11,797	
Exchange differences in translation of foreign participations valued at equity		0			725	
Other comprehensive income	-636	837	201	156	-11,072	-10,916

Dividend proposal

The Management Board and the Supervisory Board of SURTECO GROUP SE will submit a proposal to the ordinary Annual General Meeting of the company being held in Munich on 23 June 2021 that a resolution be passed such that the net profit of SURTECO GROUP SE amounting to € 28,047,342.82 is to be appropriated as follows. Payment of a dividend per share of € 0.80 (2019: € 0.00). This corresponds to a total amount distributed as dividend of € 12,404,584.80 for 15,505,731 shares. Appropriation is made to retained earnings in the amount of € 15,642,758.02.

(30) Non-controlling interests

In the business year 2020, the SURTECO Group acquired the non-controlling interests in the Nennplas Group on 7 April 2020.

€ 000s	2019	2020
Book value of the acquired non-controlling interests	0	3,628
Considerations paid out to non-controlling interests	0	3,693
Surplus of consideration paid out which is recorded under shareholders' equity in the provision for business transactions with non-controlling interests	0	65

(31) Contingent liabilities and other financial obligations

On 31 December 2020, there are no contingent liabilities which affect the special-purpose entities.

Furthermore, guarantees were provided for non-consolidated companies (see Notes section (37)).

Obligations arising from rental, hire and leasing contracts are explained in the disclosures relating to IFRS 16 (see section (28)).

Commitments amounting to € 000s 1,300 (2019: € 11,799) were recognized arising from orders for investment projects already in progress or planned in the area of the items property, plant and equipment and intangible assets (commitments from orders).

(32) 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.

No dividend was paid out in the business year 2020 (2019: € 000s 8,528).

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 19.8 (2019: 9.6) in 2020. The debt-service coverage ratio was 53 % in 2020 (2019: 30.4 %). The net debt amounted to € 000s 144,714 (2019: € 000s 179,884) on 31 December 2020 and the equity ratio was 46.7 % (2019: 45.4 %). 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 are tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(33) 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

Due to the international activities of the SURTECO Group, changes in interest rates and currency exchange rates impact 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 GROUP SE holding company controls centrally the currency and interest-management of the Group and also the key business 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 as at 31 December 2020. 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 financial burden anticipated on EBT and the likelihood of occurrence.

2. Financial risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. Most of the Group's financial liabilities have residual terms of up to seven years and they are structured with fixed interest rates (see maturity structure section (28)). 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 section (33)) and these have to be complied with by the SURTECO Group. The key indicators are continuously monitored by the Management Board 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 2020.

No risk concentration was identified for financial risks.

3. Liquidity and credit risk

The Corporate Treasury Department of the SURTECO GROUP 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 due the broad customer structure and 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.

2020 € 000s	Book value 31/12/20	2021 Interest	 Repayment	2022 - 2025 Interest	 Repayment	2026 ff. Interest	 Repayment
Financial liabilities to banks	253,754	3,492	34,417	8,811	160,229	2,513	59,572
Financial liabilities from leasing obligations	24,425	484	6,650	1,357	18,800	28	844
Financial liabilities	278,179	3,976	41,067	10,168	179,029	2,541	60,416
Trade accounts payable	63,423	-	63,423	-	-	-	-
Other financial liabilities	25,780	-	25,780	-	-	-	-

2019 € 000s	Book value 31/12/19	2020 Interest	 Repayment	2021- 2024 Interest	 Repayment	2025 ff. Interest	 Repayment
Financial liabilities to banks	241,747	3,679	4,138	11,046	178,672	3,770	59,569
Financial liabilities from leasing obligations	21,717	420	4,795	398	15,647	52	1,275
Financial liabilities	263,464	4,099	8,933	11,444	194,319	3,822	60,844
Trade accounts payable	62,906	-	62,906	-	-	-	-
Other financial liabilities	27,505	-	27,505	-	-	-	-

4. Interest and currency risks

Due to the global nature of the business activities of the SURTECO Group, delivery and payment flows result 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 GROUP SE meets the remaining interest and currency risks in the business year 2020 by hedging positions with derivative financial instruments, and regular and intensive observation of a range of early-warning indicators. No derivative financial instruments are outstanding on the reporting date. Hedging of individual risks is discussed and decided by the Central Treasury with the Management Board and the responsible Managing Directors.

The following table shows the sensitivity on the reporting 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):

€ 000s	Income statement 100 bp Rise	 100 bp Fall
31/12/2020		
Variable interest assets	1134	-1134
Variable interest liabilities	-368	155
	766	**-979**
31/12/2019		
Variable interest assets	727	-727
Variable interest liabilities	-304	-
	423	**-727**

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 in the Group against the euro would exert the following effects:

€ 000s	Income statement 10% Rise	 10% Fall	Equity / Other comprehensive income 10% Rise	 10% Fall
31/12/2020				
Primary financial instruments				
in US dollars	434	-355	0	0
in other currencies	539	-441	1,878	-1,536
	973	**-796**	**1,878**	**-1,536**
31/12/2019				
Primary financial instruments				
in US dollars	1,453	-1,189	0	0
in other currencies	353	-289	1,802	-1,475
	1,806	**-1,478**	**1,802**	**-1,475**

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

No risk concentration was identified for risks relating to change in interest rates and currency.

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 into account 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 levels 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.

€ 000s	Category acc. IFRS 9	Book value at 31/12/2020	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IFRS 16	Fair value (IFRS 13)	Level
		Book value at 31/12/2020						
Assets								
Cash and cash equivalents	AC	133,466	133,466	-	-	-	-	-
Trade accounts receivable (not including factoring)	AC	34,498	34,498					
Trade accounts receivable (including factoring)	FVPL	19,380	0				19,380	3
Other current financial assets								
- Continuing involvement	n.a.	141	-	-	-	-	-	-
-Receivable tenant loan	AC	2,045	2,045	-	-	-	-	-
- Miscellaneous other current financial assets				-	-	-	-	-
of which in scope of IFRS 7	AC	4,192	4,192					
of which not in scope of IFRS 7	n.a.	1,091	1,091					
Financial assets								
- Participations	FVPL	10	-	-	10			
Other non-current financial assets								
- Miscellaneous other non-current financial assets	AC	274	274	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities to banks	AC	34,428	34,428	-	-		-	
- Liabilities acc. to IFRS 16	n.a.	6,092				6,092		
Trade accounts payable	AC	63,423	63,423	-	-	-	-	-
Other current financial liabilities								
- Continuing involvement	n.a.	141	-	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Other current financial liabilities				-	-	-	-	-
- of which not in the scope of IFRS 7	n.a.	19,800	19,800					
- of which in the scope of IFRS 7	AC	5,735	5,735					
Long-term financial liabilities								
- Liabilities IFRS 16	n.a.	18,694	-	-	-	18,694		2
- Liabilities to banks	AC	219,326	219,326	-	-	-	249,810	2

€ 000s	Category acc. IFRS 9	Book value at 31/12/2018	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
		Book value at 31/12/2019						
Assets								
Cash and cash equivalents	AC	83,579	83,579	-	-	-	-	-
Trade accounts receivable	AC	52,630	52,630					
Receivables from affiliated companies	AC	172	172	-	-	-	-	-
Other current financial assets								
- Continuing involvement	n.a.	129	-	-	-	-	-	-
- Miscellaneous other current financial assets				-	-	-	-	-
of which in the scope of IFRS 7	AC	7,174	7,174					
of which not in the scope of IFRS 7	n.a.	2,305	2,305					
- Call option	FVPL	4,300	-	-	4,300	-	4,300	3
Financial assets								
- Shares in affiliated companies	FVPL	20	-	-	20			
- Participations	FVPL	10	-	-	10			
Other non-current financial assets								
- Miscellaneous other current financial assets	AC	2,188	2,188	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities IFRS 16	n.a.	4,791	-	-	-	4,791	-	-
- Liabilities to banks	AC	4,137	4,137	-	-		-	
Trade accounts payable	AC	62,906	62,906	-	-	-	-	-
Other current financial liabilities								
- Continuing involvement	n.a.	129	-	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Miscellaneous other current financial liabilities				-	-	-	-	-
- of which not in scope of IFRS 7	n.a.	17,935	17,935					
- of which not in scope of IFRS 7	AC	5,607	5,607					
Put option	FVPL	3,834	-	-	3,834	-	3,834	3
Long-term financial liabilities								
- Liabilities IFRS 16	n.a.	16,925	-	-	-	16,925		2
- Liabilities to banks	AC	237,610	237,610	-	-	-	255,213	2

Key to abbreviations	
AC	Amortised Cost
FVPL	At Fair Value through Profit & Loss

Cash and cash equivalents, trade accounts receivable, (not including those receivables which are separated in the framework of a factoring programme), supplies to associated companies and components of other current financial assets and current financial liabilities, trade accounts payable and other financial liabilities that primarily have short residual terms are recognized at "Amortized Costs" (AC). The values reported therefore correspond approximately to the fair values on the reporting date.

The trade accounts receivable that are separated in the framework of the factoring programme are recognized at fair value through profit and loss.

The purchase and sale option for the non-controlling shareholdings in the Nenplas Group was exercised on 31 December 2019 and was completed in the business year 2020.

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.

During 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 a 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	2019	2020
Gains from assets recognized at amortized costs	1,538	1,097
Losses from assets recognized at amortized costs	-2,829	-1,779
Gains/losses from assets recognized at amortized costs	**-1,291**	**-682**
Gains from liabilities recognized at amortized costs	1,149	749
Losses from liabilities recognized at amortized costs	-6,688	-6,375
Gains/losses from liabilities recognized at amortized costs	**-5,539**	**-5,626**
Losses from liabilities recognized at fair value through profit and loss	-390	0
Gains from liabilities recognized at fair value through profit and loss	**-390**	**0**

The net gains and losses for assets recognized at amortized costs essentially relate to changes in allowances and currency translations, allowance reversals and interest income. The net gains and losses for liabilities recognized at amortized costs result from currency translation and interest expenses. The net gains or losses for financial liabilities reported at market value through profit and loss related to the value development of the put-call option.

No derivative financial instruments were held on the reporting date.

Interest income on financial instruments in the amount of € 000s 143 (2019: € 000s 449) and interest expenses in the amount of € 000s 4,202 (2019: € 000s -6,013) relate to the net gains and losses respectively.

X. Supplementory Information

(34) Notes to the cash flow settlement

The cash flow statement was prepared in accordance with IAS 7. It is structured by cash flows arising from operating activities, 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, borrowing and repayment of debts and leasing obligations, business transactions with non-controlling interests, as well as interest payments from loans and financial liabilities.

The change in net liabilities is made up as follows:

€ 000s	2019	2020
Cash and cash equivalents	83,579	133,466
Borrowings (including current account)	-241,747	-253,754
Leasing liabilities	-21,717	-24,425
Net liabilities	**-179,885**	**-144,713**
Cash and liquid financial investments	83,579	133,466
Gross liabilities - fixed interest rates	-218,464	-217,679
Gross liabilities - variable interest rates	-45,000	-60,500
Net liabilities	**-179,885**	**-144,713**

€ 000s	Liabilities from financial activities			
	Cash/Bank current account	Borrowings	Leases	Total
Net liabilities at 1 January 2019	120,954	-305,580	-12,909	-197,535
Cash flows	-38,419	70,592	6,047	38,220
New leases*	0	0	-14,269	-14,269
Adjustment resulting from currency translation	584	0	0	584
Other changes	460	-6,759	-586	-6,885
Net liabilities at 31 December 2019	**83,579**	**-241,747**	**-21,717**	**-179,885**
Net liabilities at 1 January 2020	83,579	-241,747	-21,717	-179,885
Cash flows	51,326	-7,782	8,182	51,726
New leases	0	0	-10,379	-10,379
Adjustment resulting from currency translation	-1,731	21	0	-1,710
Other changes	292	-4,246	-511	-4,465
Net liabilities at 31 December 2020	**133,466**	**-253,754**	**-24,425**	**-144,713**

* New leases in 2019 incl. introduction of IFRS 16

(35) Segment reporting

The activities of the SURTECO Group are segmented by operating segments according to IFRS 8 within the scope of reporting. The breakdown is based on internal controlling and reporting. It takes into account the customer-centric alignment of SURTECO into the Strategic Business Units (SBUs) Decoratives, Profiles and Technicals. The latter comprises all other non-reportable business segments. Each company within the Group is assigned to the appropriate segments essentially in accordance with the list “Shareholdings”.

- The Segment Decoratives primarily serves the wood-based, flooring, door and furniture industries, and the caravan industry.
- The Segment Profiles supplies trade floorlayers and the interior design and construction industries.
- The other segment Technicals is a specialist provider supplying niche markets in the furniture, flooring and caravan industries, and in interior design for ships.

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 segment working capital describes the difference between current assets and current liabilities. The current assets include current liabilities and inventories.

The SURTECO Group uses two controlling parameters in segment reporting and EBIT is applied as the primary controlling parameter.

The Management Board holds the power of decision-making with regard to the allocation of the resources and the measurement of the earnings power of the reportable segments. Uniform performance and asset values 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 calculated as cost allocations.

Segment information € 000s	SBU Decoratives	SBU Profiles	SBU Technicals*	Reconciliation	SURTECO Group
2020					
External sales	451,676	106,252	69,062	0	626,989
Internal sales with the SURTECO Group	16,259	1,023	3,250	-20,533	0
Total sales	467,935	107,275	72,312	-20,533	626,989
Depreciation and amortization	-30,433	-7,792	-4,138	187	-42,177
Segment earnings (EBIT)	38,875	10,251	5,197	-8,178	46,145
Interest income	266	230	155	-359	292
Interest expenses	-1,874	-694	-543	-1,646	-4,757
EBT	39,260	9,799	4,833	-10,595	43,298
Share of profit of investments accounted for using the equity method	2,654	0	0	82	2,736
Segment working capital	86,331	25,612	10,030	-3,493	118,481
Voluntary disclosures:					
Income tax	-6,800	-1,035	-281	-1,415	-9,531
Investments (property, plant and equipment, and intangible assets)	16,825	18,079	3,470	43	38,416
Employees	2,301	509	275	19	3,103
2019					
External sales	495,848	92,676	86,748	0	675,272
Internal sales within the SURTECO Group	15,583	1,256	3,318	-20,157	0
Total sales	511,431	93,932	90,066	-20,157	675,272
Depreciation and amortization	-32,926	-7,416	-5,001	167	-45,175
Segment earnings (EBIT)	14,266	9,476	2,272	-4,894	21,119
Interest income	575	131	161	-407	460
Interest expenses	-2,421	-1,250	-553	-3,122	-7,345
Financial impairment expenses/income	0	0	0	-414	-414
EBT	14,607	8,347	2,051	-8,788	16,218
Expenses arising from restructuring	-19,156	0	-348	0	-19,504
Share of profit of investments accounted for using the equity method	688	0	0	0	688
Segment working capital	98,836	22,896	10,601	-3,065	129,268
Voluntary disclosures:					
Income tax	-7,805	-407	-422	2,171	-6,463
Investments (property, plant and equipment, and intangible assets)	24,313	8,960	3,024	70	36,367
Employees	2,407	491	300	19	3,217

* All other segments in accordance with IFRS 8.16

Segment information by regional markets € 000s	2019			2020		
	Revenues	Non-current assets	Investments	Sales revenues	Non-current assets	Investments
Germany	168,181	239,825	26,967	166,780	255,552	25,668
Rest of Europe	315,573	163,125	5,332	295,658	150,824	5,207
America	133,757	50,414	3,223	110,810	46,269	6,229
Asia/Australia	51,774	31,595	844	48,854	30,763	1,312
Other	5,987			4,887		
	675,272	**484,959**	**36,366**	**626,989**	**483,407**	**38,416**

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.

Goodwill was allocated to the non-current assets by regions.

Reconciliation of balance sheet total with net segment assets € 000s	2019	2020
Balance sheet total	**780,325**	**798,776**
Less financial assets		
- Cash and cash equivalents	83,579	133,466
- Financial assets and investments accounted for using the equity method	2,627	10
- Tax assets / deferred tax assets	13,958	5,185
Segment assets	**680,161**	**660,115**
Current and non-current liabilities	**425,692**	**425,447**
Less financial liabilities		
- Short-term and long-term financial liabilities	263,463	278,179
- Tax liabilities / deferred tax liabilities	35,378	29,947
- Pensions and other personnel-related obligations	13,765	13,245
Segment liabilities	**113,086**	**104,076**
Net segment assets	**567,075**	**556,039**

(36) Transactions with non-controlling interests and related companies and persons

The following table shows the scope of relationships between the SURTECO Group and the company accounted for using the equity method which was divested in the business year 2020. The scope of relations continues until the date of disposals.

€ 000s	2019	2020
Services rendered (income)	1,905	290
Services received (expense)	0	0
Receivables (31/12/)	149	148
Liabilities (31/12/)	0	0

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

€ 000s	2019	2020
Services rendered (income)	747	45
Services received (expense)	324	319
Receivables (31/12/)	23	43
Liabilities (31/12/)	0	0

Outstanding items in respect of these companies are not secured.

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

On 31 December 2020, the SURTECO Group issued guarantees amounting to € 000s 91 (2019: € 000s 106) to a non-consolidated company for the fulfilment of individual contracts by non-consolidated companies. It is assumed that no obligations will arise as a result of these guarantees.

(37) Compensation for executive officers and former executive officers

Supervisory Board
Total compensation of the Supervisory Board for the business year 2020 amounted to € 000s 390 (2019: € 000s 245). It includes basic remuneration of € 000s 352 (2019: € 000s 206) and compensation for audit-committee activities of € 000s 38 (2019: € 000s 39). The liability arising from this item amounts to € 000s 390 (€ 000s 245).

Management Board
Most of the remuneration for members of the Management Board 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 into account the return on sales. It also includes a basis of assessment over several years. The total guaranteed remuneration for the active members of the Management Board amounted to € 000s 3,649 (2019: € 000s 1,516) for the business year 2020. Out of this amount, € 000s 984 (2019: € 000s 767) were attributable to the fixed compensation, € 000s 2,299 (2019: € 000s 520) to the performance-based compensation and € 000s 66 (2019: € 000s 79) to fringe benefits and € 000s 300 (2019: € 000s 150) to pension expenses. Out of the total compensation of the active members of the Management Board, € 000s 574 (2019: € 000s 0) are long term, € 000s 1,725 (2019: € 000s 520) are short term and € 000s 300 (2019: € 000s 150) are pension expenses. The former Member of the Management Board Dr.-Ing. Gereon Schäfer receives for 2020 an ex-gratia payment totalling € 000s 150 (2019: € 000s 450). The liability arising from this is € 000s 3,041 (2019: € 000s 1,076).

(38) Auditor's fee

At the Annual General Meeting on 2 October 2020, professional services 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 2020.

The total fee for the business year amounted to € 000s 598 (2019: € 000s 778). Out of this € 000s 509 (2019: € 000s 528) was attributed to services for auditing the financial statements, € 000s 83 (2019: € 000s 249) to tax consultancy services and € 000s 7 (2019: € 000s 1) to miscellaneous services. The auditing services include auditing of the consolidated financial statements and auditing of the separate financial statements of SURTECO GROUP SE and the domestic subsidiary companies. The tax consultancy services essentially relate to consultancy services for the preparation of tax returns and support for the ongoing company audit. The other services include project-related consultancy services.

(39) Events after the reporting date

No events or developments occurred up to 28 April 2021 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2020.

XI. Executive Officers of the Company

Management Board
(in the business year 2020)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Wolfgang Moyses Business Manager, Munich	Chairman of the Management Board	• Member of the Advisory Board Brabender Inc., South Hackensack, USA • Customer Member of the Advisory Board Landesbank Rheinland-Pfalz, Mainz • Member of the Advisory Board of Simona America Group Inc., Archbald, USA (until 30 September 2020) • Member of the Advisory Board of Simona Asien Ltd., Hong Kong, China (until 30 September 2020)
Manfred Bracher (from 1 February 2020)	Member of the Management Board COO	-
Andreas Riedl Business Administrator, Donauwörth (until 30 June 2020)	Member of the Management Board CFO	-

Members of the Supervisory Board
(in the business year 2020)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Christa Linnemann Gütersloh Honorary Chairwoman	Businesswoman	
Dr.-Ing. Jürgen Großmann Hamburg (Chairman) (until 2 October 2020)	Engineer	• Member of the Board, Hanover Acceptances Limited, London • Chairman of the Board of Trustees of RAG Stiftung, Essen
Andreas Engelhardt Bielefeld (Chairman of the Supervisory Board)	Personally liable shareholder of Schüco International KG, Bielefeld	• Member of the Supervisory Board of SAINT-GOBAIN ISOVER G+H AG, Ludwigshafen • Member of the Supervisory Board of BDO AG WPG, Hamburg
Dr. Christoph Amberger Utting am Ammersee (Vice Chairman)	Independent Businessman	• Member of the Advisory Board of Frischpack GmbH, Mailling • Member of the Advisory Board of the Detia Degesch Group, Laudenbach • Vice Chairman of the Supervisory Board of Klöpfer & Königer GmbH und Co. KG, Garching • Member of the Supervisory Board of Erber AG, Getzersdorf, Austria (until 26 June 2020)
Tobias Pott Gütersloh (Deputy Chairman from 2 October 2020)	Business Administrator	• Vice Chairman of the Management Board of the Robert und Christa Linnemann-Foundation, Gütersloh (from 8 December 2020)

Members of the Supervisory Board
(in the business year 2020)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Tim Fiedler Düsseldorf	Economist	• Member of the Advisory Board of nevisQ GbmH, Aachen • Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Advisory Board of Drewsen Spezial-papier GmbH & Co. KG, Lachendorf • Member of the Board of Trustees of the Gustav & Ca-tharina Schürfeld Foundation, Lachendorf
Jens Krazeisen* Pfaffenhofen	Chairman of the Works Council of SURTECO GmbH, Buttenwiesen	-
Jochen Müller Neunkirchen-Seelscheid (from 2 October 2020)	Engineer	• Chairman of the Supervisory Board of A.S. Création Tapeten AG, Gummersbach • Member of the Supervisory Board of WKW Aktien-gesellschaft, Velbert (since 8 June 2020)
Thomas Stockhausen* Sassenberg	Chairman of the Works Council of SURTECO GmbH, Sassenberg	-
Heinz Dieter Stöckler* Essen	Chairman of the Works Council of SURTECO GmbH, Gladbeck	-
Jörg Wissemann Schlossborn	Business Administrator	-

* Employee Representatives

Committees of the Supervisory Board
(as at 31 December 2020)

Presiding Board			
Andreas Engelhardt (Chairman)	Dr. Christoph Amberger	Tobias Pott	Tim Fiedler
Personnel Committee			
Andreas Engelhardt (Chairman)	Dr. Christoph Amberger	Tobias Pott	Tim Fiedler
Audit Committee			
Jochen Müller (Chairman)	Andreas Engelhardt	Jörg Wissemann	Tobias Pott

XII. Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of SURTECO GROUP SE have submitted the Declaration of Compliance in respect of the Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG) on 31 December 2020 and made this declaration available to shareholders on the website of the company at: www.surteco-group.com.

Shareholdings as at 31/12/2020

		Town/City	Country	Consolidated	Percentage of shares held	Participation
Parent Company						
100	SURTECO GROUP SE	Buttenwiesen	Germany			

		Town/City	Country	Consolidated	Percentage of shares held	Participation
BUSINESS UNIT DECORATIVES						
401	SURTECO GmbH	Buttenwiesen	Germany	F	100.00	100
321	SURTECO art GmbH	Willich	Germany	F	100.00	401
341	SÜDDEKOR LLC	Agawam	USA	F	100.00	401
405	SURTECO UK Ltd.	Burnley	United Kingdom	F	100.00	401
441	BauschLinnemann North America Inc.	Myrtle Beach	USA	F	100.00	401
443	SURTECO North America Inc.	Myrtle Beach	USA	NC	100.00	401
470	SURTECO Italia s.r.l.	Martellago	Italy	F	100.00	401
501	Global Abbasi, S. L.	Madrid	Spain	F	100.00	401
502	Probos - Plásticos, S. A.	Mindelo	Portugal	F	100.00	501
503	Proadec Brasil Ltda.	Sao José dos Pinhais	Brazil	F	100.00	502
504	Chapacinta, S. A. de C. V.	Tultitlán	Mexico	F	99.99	502
					0.01	501
505	Proadec UK Ltd.	Greenhithe (Kent)	United Kingdom	F	100.00	502
506	Proadec Deutschland GmbH i.L.	Bad Oeynhausen	Germany	F	100.00	502
512	SURTECO Australia Pty Limited	Sydney	Australia	F	100.00	401
513	SURTECO PTE Ltd.	Singapore	Singapore	F	100.00	401
514	PT Doellken Bintan Edgings & Profiles	Batam	Indonesia	F	99.00	401
					1.00	513
516	SURTECO France S.A.S.	Beaucouzé	France	F	100.00	401
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş. i.L.	Istanbul	Turkey	F	99.75	401
518	SURTECO OOO	Moscow	Russia	F	100.00	401
550	SURTECO USA Inc.	Greensboro	USA	F	100.00	401
560	SURTECO Canada Ltd	Brampton	Canada	F	100.00	401

		Town/City	Country	Consolidated	Percentage of shares held	Participation
BUSINESS UNIT TECHNICALS						
200	Surteco Beteiligungen GmbH	Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
410	Kröning GmbH	Hüllhorst	Germany	F	100.00	200
330	DAKOR Melamin Imprägnierungen GmbH	Heroldstatt	Germany	F	100.00	200
610	SURTECO Svenska AB	Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB	Gislaved	Sweden	F	100.00	610

		Town/City	Country	Consolidated	Percentage of shares held	Participation
BUSINESS UNIT PROFILES						
520	Döllken Profiles GmbH	Bönen	Germany	F	100.00	100
531	Döllken Sp.z o.o.	Katowice	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	100.00	520
541	Nenplas Ltd.	Ashbourne	United Kingdom	F	100.00	540
542	Polyplas Extrusions Ltd.	Stourport-on-Severn	United Kingdom	F	100.00	541
	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 NC = Not Consolidated

"The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette."

Independent Auditor's Report

To SURTECO GROUP SE, Buttenwiesen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SURTECO GROUP SE, Buttenwiesen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated income statement, statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SURTECO GROUP SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the „Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the „Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matter:

❶ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to EUR 162.9 million (20.4 % of total assets or 43.6 % of equity) is reported under the „Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.
Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section IX (22) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "declaration on corporate governance" of the group management report
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.
Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.
Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.
The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file SURTECO_KA_LB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error. The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].
The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement.

We also:
- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on October 2, 2020. We were engaged by the supervisory board on October 27, 2020. We have been the group auditor of SURTECO GROUP SE, Buttenwiesen, without interruption since the financial year 2011.
We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Jürgen Schumann.

Munich, 28. April 2021
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

Jürgen Schumann	ppa. Bernhard Obermayr
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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, 28 April 2021

The Management Board

Wolfgang Moyses	Manfred Bracher

Balance Sheet (HGB) (SHORT VERSION)

€ 000s	31/12/2019	31/12/2020
ASSETS		
Intangible assets	27	13
Tangible assets	318	178
Investments		
- Interest in affiliated enterprises	297,767	297,767
- Notes receivable to affiliated enterprises	16,221	16,892
- Participations	1	1
Fixed assets	**314,334**	**314,851**
Receivables and other assets		
- Receivables from affiliated enterprises	191,712	201,663
- Other assets	8,545	3,694
Cash in hand, bank balances	59,782	98,053
Current assets	**260,039**	**303,410**
Prepaid expenses	**612**	**508**
	574,985	618,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	15,506	15,506
Additional paid-in capital	170,177	170,177
Retained earnings	101,580	101,580
Net profit	6,202	28,047
Equity	**293,465**	**315,310**
Tax accruals	0	636
Other accruals	2,050	5,426
Accrued expenses	**2,050**	**6,062**
Liabilities to banks	241,149	253,206
Trade accounts payable	75	114
Liabilities to affiliated enterprises	33,191	39,449
Other liabilities	5,051	4,628
Liabilities	**279,466**	**297,397**
Deferred income	**4**	**0**
	574,985	618,769

Income Statement (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2019	1/1/-31/12/ 2020
Sales revenues	1,643	1,543
Income from profit and loss transfer agreements	13,820	32,894
Other operating income	690	998
Personnel expenses	-3,894	-6,544
Amortization and depreciation on intangible assets and property, plant and equipment	-132	-112
Other operating expenses		-3,774
Income from long-term securities and loans from financial assets	429	438
Interest income		-2,395
Income taxes	-260	-1,200
Earnings after tax	**4,320**	**21,848**
Other taxes	67	-3
Net income	**4,387**	**21,845**
Profit carried forward from the previous year	0	6,202
Transfer from retained earnings	1,815	0
Net profit	**6,202**	**28,047**

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

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

GLOSSARY

Corporate Governance

Corporate Governance relates to the framework for managing a company based on legal and objective principles.

Dealing-at-arm's-length principle

Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must stand up to the test of dealing-at-arm's length, which involves 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.

German Corporate Governance Code

The German Corporate Governance Code includes principles, recommendations and ideas for the Management Board and Supervisory Board that are intended to contribute to the company being managed in the interests of the enterprise. The code elucidates the duties of the Management Board and Supervisory Board to act in harmony with the principles of the social market economy taking into account the concerns of the shareholders, the workforce and the other groups associated with the enterprise (stakeholders) in the interests of the enterprise and creating the enterprise's long-term value added (interest of the enterprise).

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 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 rata basis to reflect performance of the associated enterprise.

Extrusion

The process of extrusion involves plastics being squeezed through a nozzle in a continuous procedure. The plastic is initially melted as it passes through an 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 merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

Hybrid products

This product group covers finish foils which combine in a multilayer structure the technical and optical advantages of several different basic materials such as paper, plastic or true metals.

Impairment test

Periodic comparison of an asset´s book value with its recoverable amount (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.

International Accounting Standards Board (IASB)

IASB is the abbreviation for the International Accounting Standards Board. The function of the IASB is to draw up and revise international accounting standards (IFRS - International Financial Reporting Standards).

International Financial Reporting Interpretations Committee (IFRIC)

The IFRIC is a committee in the International Accounting Standards Committee Foundation. 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.

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 Standards Interpretation Committee (SIC).

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.

SE

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

Release papers

These are an auxiliary material used in the compression of melamine impregnates with wood-fibre boards. The release papers form a separating layer between the hot pressed boards and the material. The release paper controls the texture and the degree of gloss finish to be provided on the surface being generated.

Ten year overview

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales revenues in € 000s	408,809	407,720	402,115	618,469	638,394	639,815	689,651	698,977	675,272	626,989
Foreign sales in %	67	69	70	72	72	73	75	76	75	73
EBITDA in € 000s	56,116	51,699	59,660	62,842	64,957	74,338	83,093	72,779	66,294	88,322
Depreciation and amortization in € 000s	-21,099	-22,045	-22,613	-35,235	-33,847	-33,461	-38,423	-40,577	-45,175	-42,177
EBIT in € 000s	35,017	29,654	37,047	27,607	31,110	40,877	44,670	32,202	21,119	46,145
Financial result in € 000s	-12,089	-8,463	-9,056	-5,344	-4,293	-5,840	-11,155	-5,069	-4,901	-2,847
EBT in € 000s	22,928	21,191	27,991	22,263	26,843	35,037	33,515	27,133	16,218	43,298
Consolidated net profit in € 000s	12,484	15,028	21,876	18,464	17,721	23,867	26,192	18,630	9,428	33,687
Balance sheet total in € 000s	482,135	467,250	626,109	636,669	655,727	673,869	842,596	844,541	780,325	798,776
Equity in € 000s	216,504	223,178	311,025	321,101	334,381	346,552	349,236	353,205	354,633	373,329
Equity ratio in %	45	48	50	50	51	51	41	42	45	47
Average number of employees for the year	2,050	1,994	2,114	2,682	2,727	2,736	3,091	3,329	3,217	3,103
Number of employees at 31/12	2,005	1,967	2,664	2,705	2,695	2,833	3,295	3,304	3,172	3,052
Capital stock in €	11,075,522	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Number of shares at 31/12	11,075,522	11,075,522	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Earnings per share in € (by weighted average of shares issued)	1.13	1.36	1.86	1.19	1.14	1.54	1.69	1.20	0.61	2.17
Dividend per share in €	0.45	0.45	0.65	0.70	0.80	0.80	0.80	0.55	–	0.80*
Dividend payout in € 000s	4,984	4,984	10,079	10,854	12,405	12,405	12,405	8,528	–	12,405
PROFITABILITY INDICATORS										
Return on sales in %	5.6	5.3	6.9	3.6	4.2	5.5	4.8	3.8	2.4	6.9
Return on equity in %	5.9	6.9	7.3	6.0	5.5	7.2	7.8	5.5	2.7	9.3
Total return on equity in %	6.8	6.6	5.9	5.1	5.5	6.5	5.0	4.1	3.0	6.0

* (Proposal by the Management Board and Supervisory Board)

FINANCIAL CALENDAR

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