2019

ANNUAL REPORT

SURTECO

At a glance...

[€ million]	2017	2018	2019	Δ 18-19 in %
Sales revenues	689.7	699.0	675.3	-3
Foreign sales ratio in %	75	76	75	
EBITDA	83.1	72.8	66.3	-9
EBITDA margin in %	12.0	10.4	9.8	
Depreciation and amortization	-38.4	-40.6	-45.2	
EBIT	44.7	32.2	21.1	-34
EBIT margin in %	6.5	4.6	3.1	
Financial result	-11.2	-5.1	-4.9	
EBT	33.5	27.1	16.2	-40
Consolidated net profit	26.2	18.6	9.4	-49
Earnings per share in €	1.69	1.20	0.61	-49
Number of shares	15,505,731	15,505,731	15,505,731	
Additions to fixed assets	42.7	47.5	36.4	
Balance sheet total	842.6	844.5	780.3	-8
Equity	349.2	353.2	354.6	-
Equity ratio in %	41.4	41.8	45.4	+3.6 pts
Net financial debt at 31 December	190.0	197.5	179.9	-9
Gearing (level of debt) at 31 December in %	54	56	51	-5 pts
Average number of employees for the year	3,091	3,329	3,217	-3
Number of employees on 31 December	3,295	3,304	3,174	-4

Profitability indicators in %	2017	2018	2019
Return on sales	4.8	3.8	2.4
Return on equity	7.8	5.5	2.7
Total return on equity	5.0	4.1	3.0

Europe
Germany
France
United Kingdom
Italy
Poland
Portugal
Russia
Sweden
Spain
Czech Republic
Turkey

America
Brazil
Canada
Mexico
USA

Asia / Oceania
Australia
Indonesia
Japan
Singapore

22 production and sales locations
16 additional assembly and sales locations

Group structure

SURTECO GROUP SE

BUSINESS UNITS

DECORATIVES	TECHNICALS	PROFILES
SURTECO GmbH	SURTECO Beteiligungen	Döllken Profiles

SURTECO GmbH
- BauschLinnemann North America
- SURTECO UK
- SURTECO Italy
- SURTECO USA
- SURTECO Art
- SURTECO USA/Canada
- Canplast Mexico 50 %
- SURTECO Australia
- SURTECO Asia
- SURTECO France
- SURTECO Turkey
- SURTECO Russia
- SURTECO Spain
- Probos Portugal
- Proadec Brazil
- Proadec UK
- Chapacinta Mexico

SURTECO Beteiligungen
- Kröning
- DAKOR
- Gislaved Folie

Döllken Profiles
- Döllken Poland
- Döllken Czechia
- Nenplas-Gruppe UK 85 %

The operating management of the Group is based on a cross-product sector approach. The Business Unit DECORATIVES offers a holistic approach for the wood-based and furniture industry while the Business Unit PROFILES with its skirtings and technical plastic profiles concentrates on the interior furnishing sector. The companies for individual special applications are grouped in the Business Unit TECHNICALS.

DECORATIVES

Edgebandings based on paper and plastic
Finish foils based on paper
Decorative printing
Release papers

TECHNICALS

Impregnated products
Plastic foils
Hybrid and genuine metal foils

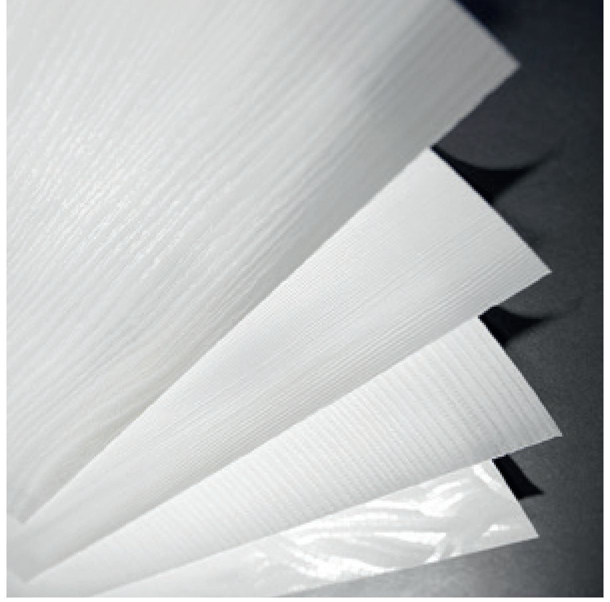
PROFILES

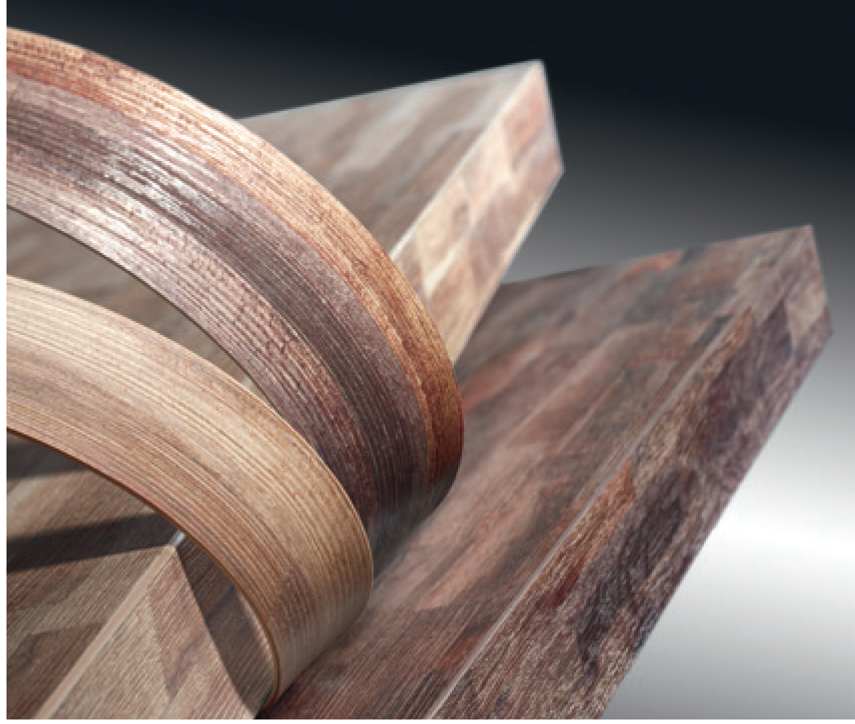
Skirtings
Technical extrusions
LED Strips

Business Unit

DECORATIVES

The Business Unit Decoratives comprises **SURTECO GmbH** and its subsidiaries and offers a holistic system and a product portfolio supplying professional solutions from a single source that is unique in the world.





Products

- Edgebandings based on paper and plastic for narrow-sided coating of wood-based materials
- Finish foils based on paper for laminating wood-based materials.
- Decorative prints for intra-Group refinement of finish foils or for further processing of melamine surfaces
- Release papers/release foils as surface-styling tools for melamine surfaces

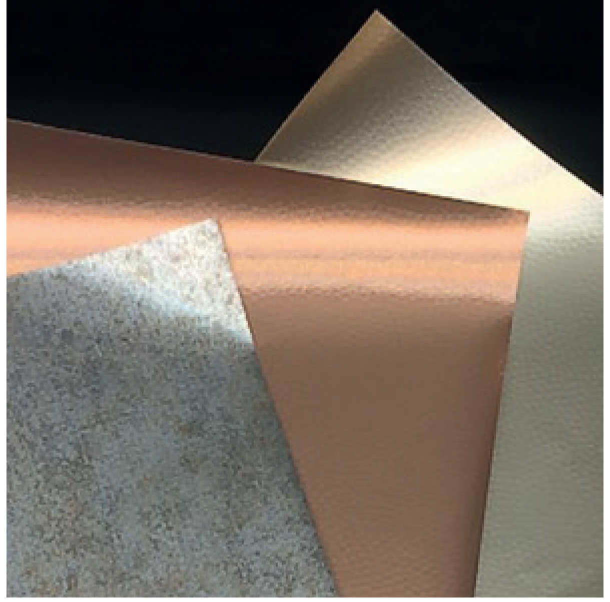
Sectors

Wood-based materials, household and office furniture, flooring, caravan fittings, doors

Business Unit

TECHNICALS

As a specialist supplier, **Kröning GmbH** markets styling elements for interior design. Technically sophisticated position prints, patina designs and strass effects (rhinestone) based on paper, plastics or genuine metal are examples of the powerful product range.



Products

- Multilayer hybrid foils made of genuine metal and PVC for unusual accents in furniture design
- Position prints for finish foils or melamine edgings as a special styling element

Sectors

Caravan, household furniture

The thermoplastic foils from Gislaved are found in a wide range of different sectors. They may be used as technical foils for medical or industrial products, in ship's cabins or woven into plastic carpets. The products of the specialist provider Gislaved are found on every ocean and on every continent.

Products

- Plastic foils for hard-wearing surfaces, technical applications and for further processing to form plastic carpets
- Customer-specific industrial and medical applications
- Fire-retardant decor foils

Sectors

Flooring, interior furniture and fittings for ships, domestic furniture

As one of the leading manufacturers of surface refinements, Dakor completes the Business Unit Technicals. Melamine overlays, and printed flooring decor and furniture decor films provide premium and hard-wearing surfaces. Balancing and core-layer papers complete the product range as a full-service provider.

Products

- Impregnates and overlays for melamine surfaces
- Balancing materials
- Core-material paper

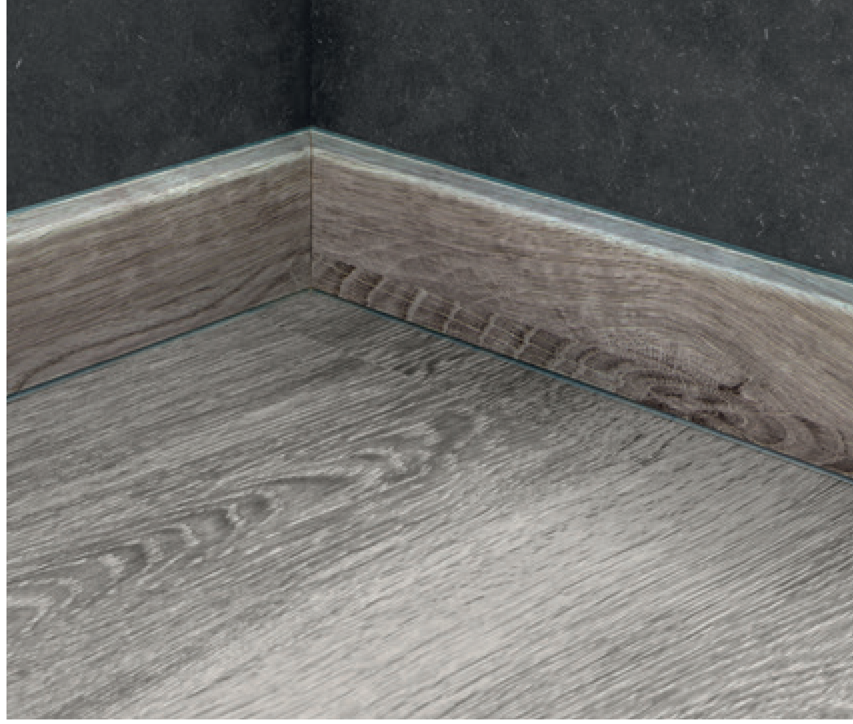
Sectors

Flooring, household furniture

Business Unit

PROFILES

The Business Unit Profiles combines the manufacture of plastic-based skirtings, extruded LED tapes and technical plastic extrusions (profiles). The supplied sectors are as diverse as the product and design selection.



Products

- Skirtings
- Technical extrusions (profiles)
- LED tapes

Sectors

Interior design, craft trade, industry, caravan, flooring

Annual Report 2019

ISIN: DE0005176903
Ticker symbol: SUR

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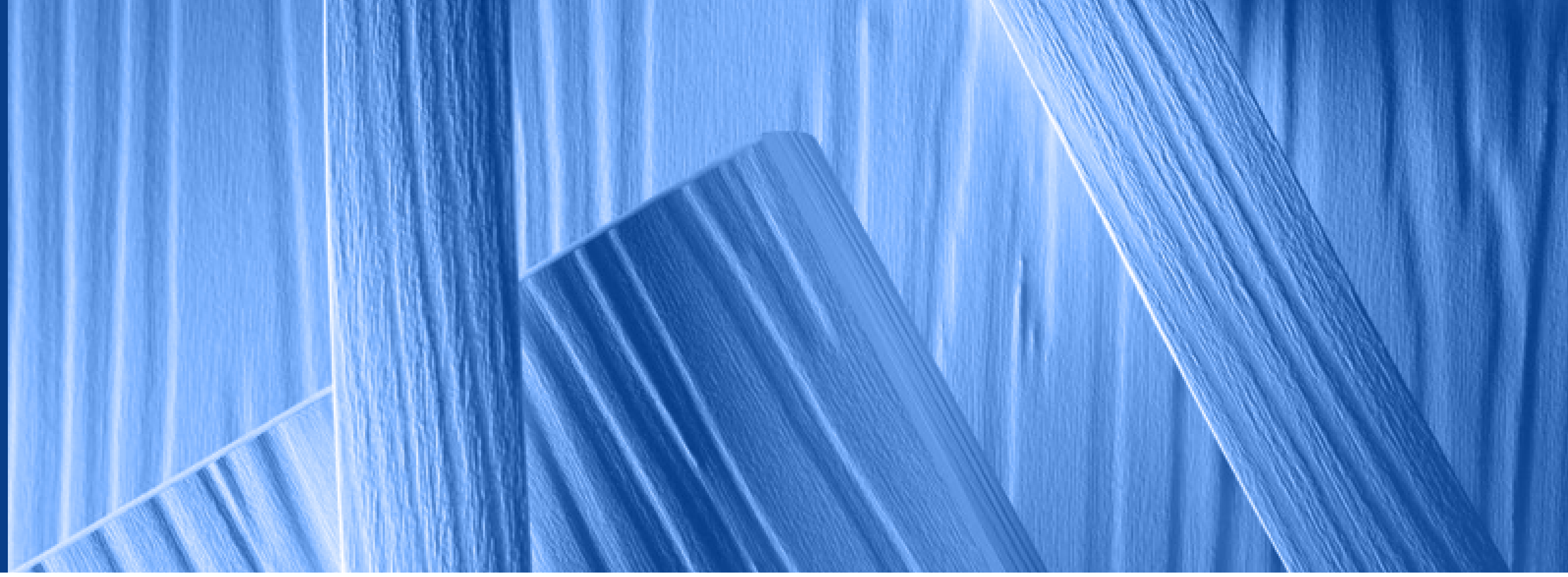


FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders and Friends of our Company,

We have generated Group sales of € 675 million and thus achieved our projected result for the business year 2019. Against the backdrop of restrained development in our core sectors – the furniture and wood-based industry – and taking account of the fact that we sold our North American impregnating operations with an annual volume of approximately € 33 million in July 2019, we achieved satisfactory sales development.

Operating EBIT of € 40.5 million is also in the forecast corridor. However, we are significantly adrift of our medium-term target of € 55 to 65 million with this result.

New alignment of the Group

With this background in mind, we decided to make some wide-ranging structural adjustments at the end of 2019. These are directed towards further streamlining of Group structures while also driving forward comprehensive investments in some future-oriented projects. We want to serve the markets in Spain and Turkey directly and this will further streamline our corporate structure. The reduction of approximately 175 jobs in the overhead area of SURTECO GmbH will serve to improve competitiveness at the German locations. These measures and additional necessary depreciation of stocks and unscheduled write-downs on machinery led to one-off expenses totalling € 19.4 million in the business year 2019.

New management structure

In future, the Management Board will operate within the framework of a functional organization. For this purpose, we have strengthened our organization with the appointment of Dr. Manfred Bracher, an experienced specialist in the area of plastic and laminate production. Dr. Bracher will take on the role of Chief Operating Officer (COO) and will move us forward rapidly in the realignment.

Appropriation of the net profit

Since we are currently unable to reliably assess the effects of the Coronavirus Crisis, the Supervisory Board and the Management Board want to postpone the decision on the proposal to the Annual General Meeting relating to the net profit in the amount of € 6.2 million (this would amount to a dividend of € 0.40 per share). The date of the next ordinary Annual General Meeting is also currently being reviewed.

Outlook

Although the structural adjustments will lead to a lower result in 2019, together with the strategic investments they will form the foundation for our future growth. The full-width digital printing system is particularly worthy of mention among the groundbreaking investments. We have been using digital printing intensively for a long time now and we have gathered a great deal of experience. We now have the know-how to launch a dedicated concept for full width. In conjunction with other investments in surface refinement – one of our core competences – our objective with these measures is to increase EBIT to between € 55 and 65 million over the medium term. Unfortunately, the dynamic development of the ubiquitous coronavirus pandemic renders a concrete forecast for the business year 2020 impossible. We are well prepared for the anticipated downturn in demand and our robust balance sheet structure provides us with adequate liquidity.

We are confident of being able to meet the challenges of this difficult situation successfully and we want to take off at full power once we have got through this crisis. We would be delighted if you were to continue to accompany us on our journey with your confidence and trust.

Regards

WOLFGANG MOYSES
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the business year 2019, 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 five meetings during the course of the business year 2019. 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 2019.

The Presiding Board of the Supervisory Board did not need to convene in the business year 2019.

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

	Plenary Supervisory Board		Audit Committee		Personnel Committee	
Meeting participation / Total number of meetings	Number	In %	Number	In %	Number	In %
Dr.-Ing. Jürgen Großmann Chairman	5/5	100	5/7	71	3/3	100
Björn Ahrenkiel until 27 June 2019	1/1	100	2/2	100	1/1	100
Dr. Markus Miele until 27 June 2019	1/1	100	-	-	1/1	100
Dr. Christoph Amberger Vice Chairman	5/5	100	-	-	3/3	100
Andreas Engelhardt Deputy Chairman	5/5	100	5/5	100	2/2	100
Tim Fiedler from 14 October 2019	2/2	100	-	-	-	-
Jens Krazeisen	5/5	100	-	-	-	-
Wolfgang Moyses until 30 September 2019	3/3	100	2/2	100	-	-
Tobias Pott from 27 June 2019	4/4	100	5/5	100	2/2	100
Udo Sadlowski until 21 January 2019	-	-	-	-	-	-
Thomas Stockhausen	5/5	100	-	-	-	-
Heinz-Dieter Stöckler from 5 February 2019	5/5	100	-	-	-	-
Jörg Wissemann from 27 June 2019	4/4	100	5/5	100	-	-

Focuses of advice

In the business year 2019, 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 were presented by the Management Board at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures.

The economic environment in which the company is operating was subject to particularly intensive discussion. These deliberations continued with the themes of 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, along with the impacts of digitalization on the business model of the company.

The Supervisory Board engaged intensively with the "Alpha" project in the course of a number of meetings and agreed to the relevant implementation measures as necessary. A report on the progress of the project and the implementation measures was regularly submitted to the Supervisory Board at each meeting.

In 2019, the Supervisory Board engaged intensively with the sale of the facility at East Longmeadow (Massachusetts, USA) of Süddekor LLC at a number of meetings and approved the sale. The sale was successfully completed in 2019.

At its meeting held on 19 December 2019, the Supervisory Board deliberated on a programme of comprehensive structural adjustments. The core of this project is the restructuring of SURTECO GmbH as the biggest domestic operating subsidiary company at its locations of Sassenberg, Gladbeck, Laichingen and Buttenwiesen. This involves corresponding adjustments to the workforce involving 175 employees, and additional structural and cost adjustments directed towards increasing efficiency, profitability and competitiveness. The Supervisory Board approved the restructuring concept submitted to it with a restructuring requirement of up to € 19 million. The Supervisory Board also approved the associated future personnel concept for the executive management of SURTECO GmbH and the other Group companies, as well as approving the takeover of executive management functions at SURTECO GmbH by the Members of the Management Board of SURTECO GROUP SE.

At its meeting on 19 December 2019, the Supervisory Board decided to exercise the acquisition option for the non-controlling interests in the British Nenplas Group, for which a majority shareholding was already purchased in 2016. The option has meanwhile been exercised. Other acquisition projects were presented by the Management Board to the Supervisory Board in 2019 and these were discussed. However, these projects have either not yet been pursued or not yet been brought to a conclusion.

These included the expansion of the production areas at Döllken Profiles GmbH at the location Bönen (logistics centre, expansion of production floorspace) with a volume of around EUR 10.6 million, the restructuring of an impregnating plant at SURTECO GmbH at the location, Sassenberg, with a volume of around EUR 3.8 million and other investments at the location Gladbeck in the amount of around EUR 1.5 million. A number of significant measures were approved at the meeting of the Supervisory Board on 28 October 2019.

At its meetings on 28 October 2019 and 19 December 2019, the Supervisory Board engaged with potential claims for compensation for damages against a former member of the Management Board pursuant to § 93 Stock Corporation Act (AktG). The necessary resolutions were adopted pursuant to the ruling handed down by the Federal Supreme Court and steps were taken to enforce the claims resulting from this judgement.

The plans (budget and investment plan) submitted by the Management Board for the business year 2020 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 19 December 2019, and the capital expenditure put forward by the Management Board was approved with a total volume of around EUR 32.3 million.

At its meeting held on 29 April 2019, the Supervisory Board adopted the proposals for the agenda of the ordinary Annual General Meeting 2019.

At its meeting held on 27 June 2019, the Supervisory Board amended the version of the Articles of Association of the company in § 3 (capital stock) since the Authorized Capital I and II had previously expired and the corresponding provisions in the Articles of Association had been rendered obsolete.

Compensation for the Management Board

The Supervisory Board approved the variable compensation elements for the Members of the Management Board for the business year 2018 at its meeting held on 29 April 2019.

On account of the resignation from the Management Board of Dr. Herbert Müller on 30 September 2019 and the agreement reached with him, the variable remuneration for Dr. Müller was fixed for the first half year of 2019 at the meeting of the Supervisory Board held on 28 October 2019.

Personnel decisions by the Supervisory Board

Already at the end of 2018, the Supervisory Board agreed with the Chairman of the Management Board of the company, Dr.-Ing. Herbert Müller, that he would prematurely end his contract of service scheduled to end on 30 June 2021 in the course of the year 2019, and further agreed the important key points for such a termination. Accordingly, a termination agreement was concluded with Dr. Müller on 7 March 2019, which the Supervisory Board established and agreed in writing. On the basis of this agreement, Dr. Müller stepped down as Chairman of the Management Board of the company with effect from midnight on 30 September 2019 and left the Management Board.

The Supervisory Board of the company had also approved the conclusion of a contract of service for the Management Board with Mr. Wolfgang Moyses at its meeting on 19 December 2018. At its meeting on 27 September 2019, the Supervisory Board accordingly appointed Mr. Moyses as a Member and Chairman of the Management Board of SURTECO Group SE for a period of office of five years with effect from 1 October 2019.

At its meeting held on 19 December 2019, the Supervisory Board approved the conclusion of a contract of service for the Management Board with Dr. Manfred Bracher, who is to be appointed as Chief Operating Officer (COO) of the company. The appointment of Dr. Bracher as 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.

At the meeting held on 19 December 2019, Mr. Andreas Riedl requested the Supervisory Board not to extend his contract, which was due to expire on 30 June 2020. The Supervisory Board thanked Mr. Riedl for his many years of successful activity in the SURTECO Group and expressed its regret concerning Mr. Riedl's decision.

Establishment of the compensation for the Audit Committee

At its meeting on 19 December 2019, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to § 12 (3) of the Articles of Association at a total amount of € 39,500.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 39,500.00 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 period of office of the Member of the Supervisory Board Mr. Björn Ahrenkiel, Vice Chairman of the Supervisory Board, finished at the end of the ordinary Annual General Meeting on 27 June 2019. Dr. Markus Miele, similarly a Member of the Supervisory Board and Deputy Chairman, had resigned from his office with effect from the end of the Annual General Meeting on 27 June 2019.

The Annual General Meeting for 2019, elected Mr. Jörg Wisseman, businessman, resident in Schlossborn, to replace Mr. Björn Ahrenkiel on the Supervisory Board, and elected Mr. Tobias Pott, businessman (BA), resident in Gütersloh, to replace Dr. Markus Miele.

Mr. Wolfgang Moyses resigned from his office as Member of the Supervisory Board with effect from midnight on 30 September 2019 prior to taking up his period of office as Chairman of the Management Board. On application by the Management Board and with the consent of the Supervisory Board, the Local Court Augsburg (Amtsgericht Augsburg) appointed by a resolution on 14 October 2019 Mr. Tim Fiedler, economist, resident in Düsseldorf, as Member of the Supervisory Board pursuant to § 104 (2) Sentence 1 and 2 of the Stock Corporation Act (AktG).

The office of Supervisory Board Member Mr. Udo Sadlowski as employee representative ended at midnight on 21 January 2019. With effect from 5 February 2019, Mr. Heinz-Dieter Stöckler was appointed as a Member of the Supervisory Board to replace Mr. Sadlowski as an employee representative in accordance with the provisions of the agreement dated 13 February 2007 relating to the participation of the employees in SURTECO GROUP SE.

In order to take account of the changes on the Supervisory Board with respect to the Supervisory Board Committees, the Supervisory Board at its meeting held on 27 June 2019 elected Mr. Andreas Engelhardt and Mr. Tobias Pott as Members of the Presiding Board of the Supervisory Board and as Members of the Personnel Committee. Furthermore, the Supervisory Board elected Mr. Andreas Engelhardt, Mr. Tobias Pott and Mr. Jörg Wissemann as Members of the Audit Committee, and Mr. Engelhardt simultaneously as the Chairman of the Audit Committee. Finally, the Supervisory Board at the same meeting elected Dr. Christoph Amberger as the Vice Chairman of the Supervisory Board and Mr. Andreas Engelhardt as Deputy Chairman.

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 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. The Audit Committee was convened seven 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** held three meetings during the year under review. At these meetings, the Personnel Committee addressed the proposal to calculate the variable compensation elements of the Members of the Management Board for the business year 2018, and (in the case of Dr. Müller also 2019) the proposal relating to an agreement in regard to the premature ending of the contract of service of Dr. Müller, and an addendum to the contract of service with Mr. Wolfgang Moyses, who stepped down from his position on the Supervisory Board on 27 September 2019. The Personnel Committee drew up appropriate proposals for resolutions, and the relevant resolution were passed by the plenary Supervisory Board 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 2019 and also took account of the regulations of the German Corporate Governance Code established on 7 February 2017. Furthermore, the Supervisory Board took note of the amendments in the new version of the Corporate Governance Code and requested the Audit Committee to make corresponding proposals for the future after the Act on the Implementation of the Shareholders' Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie, ARUG II) comes into force. A remuneration system is to be submitted to the ordinary Annual General Meeting in 2021. In parallel, the Rules of Procedure for the Management Board are to be amended in order to meet the provisions of the Act on the Implementation of the Shareholders' Rights Directive (ARUG II).

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 2020.

On 19 December 2019, 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 2019 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 with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The professional services firm, PricewaterhouseCoopers GmbH, 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 the Sustainability 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 2020 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. On the basis of the current coronavirus situation, we agree with the proposal by the Management Board to reach a decision on the appropriation of net profit later on in the year.

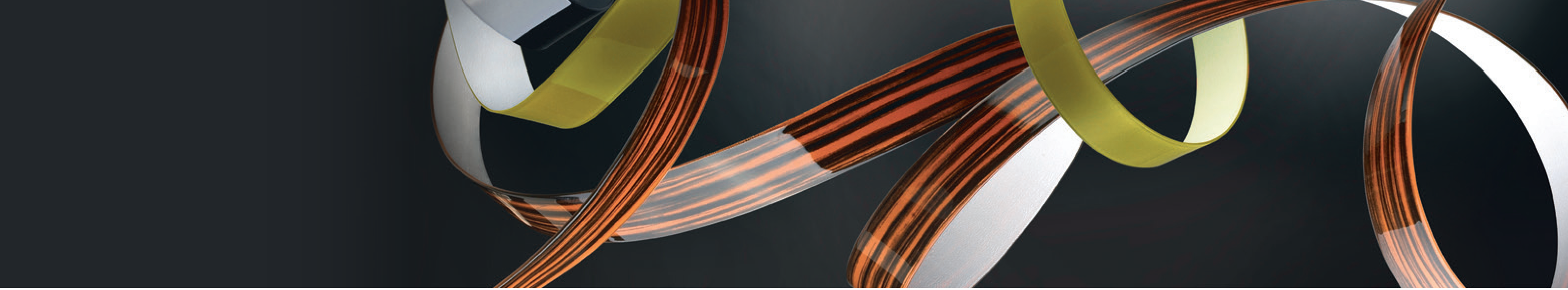
The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2020 and the Supervisory Board also accepted this proposal.

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 2019.

Buttenwiesen, April 2020.

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman



COMBINED MANAGEMENT REPORT

SURTECO GROUP AND SURTECO GROUP SE, BUTTENWIESEN FOR THE BUSINESS YEAR 2019

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. SURTECO GROUP SE serves within this structure as the holding company with a controlling function.

The manufactured products of the SURTECO Group are mainly used in the international flooring, wood-based, caravan and furniture industries, as well as by carpenters and artisan businesses. The products are generally used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with appealing visual and haptic properties. These coated wood-based materials serve as the starting material for the manufacture of furniture, doors, laminated flooring and other products used for interior furniture and fittings. The Group also offers an appropriate complementary product for flooring requirements, with skirtings for trade floorlayers, and for the commercial and industrial sectors of the interior-design industry. Technical extrusions (profiles) made of plastic for all industrial sectors and roller-shutter systems are also included in the product range.

Paper and plastic-based edgebandings constitute the product group produced by the SURTECO Group generating the strongest sales. These products are used to refine the narrow edges and the cut edges of wood-based boards. The offering ranges from paper-based edgebandings – also known as melamine edgebandings – in different versions through to thermoplastic edgebandings which are manufactured from a range of different plastics tailored to the area of application.

The finish foils of SURTECO are used for coating large areas of wood-based materials and consequently influence the visual and haptic appraisal of finished products such as items of furniture or panelling. Just 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 they are used as a material for providing a decorative finish. These papers are used within the Group for the manufacture of finish foils and impregnates. 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 the printed or single-colour decor paper, overlay or release paper, which is impregnated, dried and cut in 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 are wrapped with a wood-fibre core in a special three-part extrusion process. These products are mainly processed by trade floorlayers. Plastic skirtings are also produced especially for trade and industry in the interior design sector. They are then marketed together with commercial products as a complete product range. The Group also has a long track record in the manufacture of a wide range of extrusion products for interior design, for roller-shutter systems and for a broad spectrum of industrial applications.

The Group believes that the comprehensive product range gives it a unique selling proposition in the marketplace. 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 Group is increasingly using e-commerce as a sales channel. The most important sales markets for the Group include Germany, 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. Up until the business year 2018, the subsidiaries were organized in the Strategic Business Units (SBU) Paper and Plastics in line with the base materials used.
Owing to the restructuring of the Group and realignment from a product to a sector orientation, the management of the company and hence the segment reporting from 1 January 2019 will be carried out through the new segments also known as Business Units) Decoratives, Profiles and Technicals, which are replacing the previous Paper and Plastics Strategic Business Units. SURTECO GmbH is positioned in the Segment Decoratives including 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 activities as a specialist manufacturer in the niche markets of the companies Kröning GmbH, Dakor Melamin Imprägnierungen GmbH and Gislaved Folie AB, alongside the North American impregnating business until 19 July 2019 are bundled in the Technicals Segment.
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 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.

Segment Decoratives

Decoratives comprises SURTECO GmbH, including its subsidiary companies*. At its registered office in Buttenwiesen, SURTECO GmbH has focused on the manufacture of decorative papers and finish foils. At the production facility in Sassenberg, SURTECO GmbH produces paper edgebandings and finish foils, and at the production location of Laichingen finish foils are manufactured. Plastic edgebandings are produced at the production site in Gladbeck.
In the USA, the subsidiary company, BauschLinnemann North America, Inc., Myrtle Beach, SC, produces and sells finish foils specially tailored to the North American market, while SÜDDEKOR LLC, Agawam, produces decorative papers for the USA. Semi-finished products are delivered to the sales companies located in the United Kingdom (SURTECO UK Ltd., Burnley) and in Italy (SURTECO Italia s.r.l., Martellago) and Russia (SURTECO OOO, Moscow). The manufacture of plastic edgebandings abroad in the USA (SURTECO USA Inc., Greensboro, NC), in Canada (SURTECO Canada Ltd., Brampton, Ontario), in Australia (SURTECO Australia Pty Limited, Sydney) and Indonesia (PT Doellken Bintan Edgings & Profiles, Batam). The Probos Group produces plastic edgebandings at its head office in Portugal (Probos - Plásticos, S. A., Mindelo) and in Brazil (Proadec Brasil Ltda., São José dos Pinhais). Sales companies operated by the Probos Group are located in Germany (Proadec Deutschland GmbH, Bad Oeynhausen), in the United Kingdom (Proadec UK Ltd., Greenhithe), and in Mexico (Chapacinta, S. A. de C. V., Tultitlán). Another sales location of SURTECO Canada Ltd. in Mexico (Canplast Mexico S.A. de C.V., Chihuahua) additionally supports as a joint venture the market in Mexico. Furthermore, the subsidiary companies of SURTECO GmbH act as sales companies for global delivery in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S., Beaucouzé), Spain (SURTECO Iberia S.L., Madrid) and Turkey (SURTECO DEKOR A. Ş., Istanbul).
SURTECO art GmbH in Willich is responsible for the development of new decorative designs and engraving new print cylinders.

Segment Profiles

Döllken Profiles GmbH based in Bönen* and its subsidiary in Nohra manufacture floor strips and skirtings as well as wall edging systems for trade floorlayers, and for trade and industry in the interior design sector. The accessories and other products required for laying the products relating to all aspects of flooring are also supplied as product ranges for resale. The company maintains sales locations in Poland (Döllken Sp. z o.o., Sosnowiec) and the Czech Republic (Döllken CZ s.r.o., Prague) and a production business for technical extrusions in Dunningen. 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.

Segment Technicals

The manufacture and sale of impregnated products in Germany is carried out through Dakor Melamin Imprägnierungen GmbH in Heroldstatt*. The production location for impregnated products of SÜDDEKOR LLC, USA, in East Longmeadow was all grouped under the Business Unit Technicals, but it was sold on 19 July 2019. Gislaved Folie AB in Gislaved, Sweden, produces finish foils based on plastic and technical plastic foils for further processing to form carpets and for other industrial sectors. 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

As laid down in the rules and regulations applicable to a Societas Europaea (SE) – European Company, the ordinary Annual General Meeting of the company is held during the first six months after the end of a business year. Any amendments to the Articles of Association can only be made with legal effect following consent by the shareholders at the Annual General Meeting and subsequent entry in the Company Register.
The Supervisory Board monitors and advises the 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 appointed by the Works Councils of the three domestic companies with the largest number of employees as representatives of the workforce.
The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Management Board are appointed by the Supervisory Board and manage

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

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 increasing the value of the company in accordance with the interests of the shareholders, the business partners, the employees and the general collectivity of stakeholders.

ECONOMIC REPORT

Macroeconomic framework conditions

Since 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 provides a good indicator for the operating business activity of the SURTECO Group. The lion's share of Group sales is generated in Europe, North and South America, and in Australia. 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 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 its publication of April 2020 entitled "World Economic Outlook", the global economy expanded by 2.9 % in 2019 (2018: +3.6 %). At the beginning of the reporting year, experts at the IMF had a more optimist outlook with plus 3.5 % for 2019. Negative impacts arising from the trade war between China and the USA, uncertainties owing to the Brexit discussions and a slowdown of growth in some emerging markets and developing countries resulted in a number of downward revisions of forecasts as the year progressed. A review over the previous twelve months revealed that the growth in the advanced economies was 1.7 % (2018: +2.2 %), while growth in the emerging markets and developing countries was 3.7 % (2018: +4.5 %).

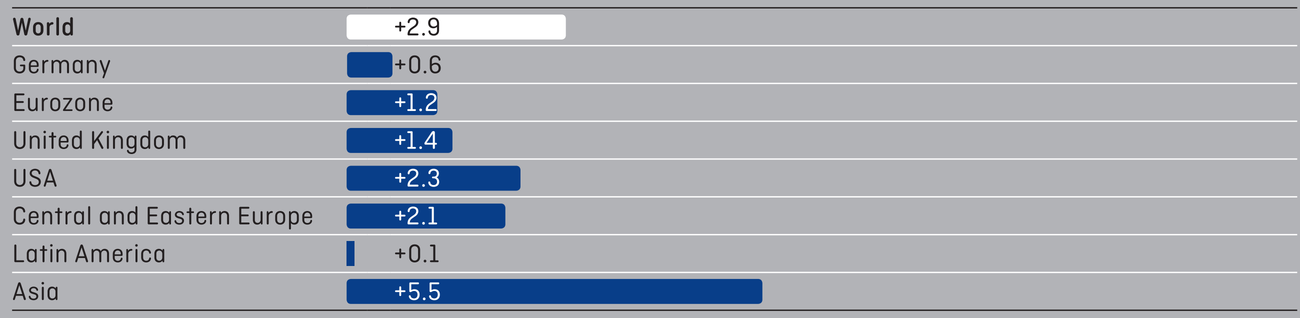
The US economy posted a moderate increase in growth of 2.3 % (2018: +2.9 %). In the eurozone, growth at 1.2 % (2018; +1.9) was significantly weaker. In particular, growth in Germany (+ 0.6 % after +1.5 % in 2018) remained below the values for the previous year, as was the case in France (+1.3 % after +1.7 %), Italy (+0.3 % after +0.8 %) and Spain (+2.0 % after +2.4 %). Although Brexit remained problematic, the United Kingdom achieved comparatively stable growth of 1.4 % (2018: +1.3 %). The upswing in emerging and developing Europe at +2.1 % was significantly below the year-earlier value of +3.2 %. Dynamic growth in China as the driving powerhouse in Asia continued on a downward trend and fell by 60 basis points in a year-on-year comparison to +6.1 %. The economies of the other BRIC countries Brazil (+1.1 % after +1.3 % in 2018), Russia (+1.3 % after +2.5 %) and India +4.2 % (2018: 6.1 %) also underwent development below the original expectations.[1]

Sales and business performance for the Group

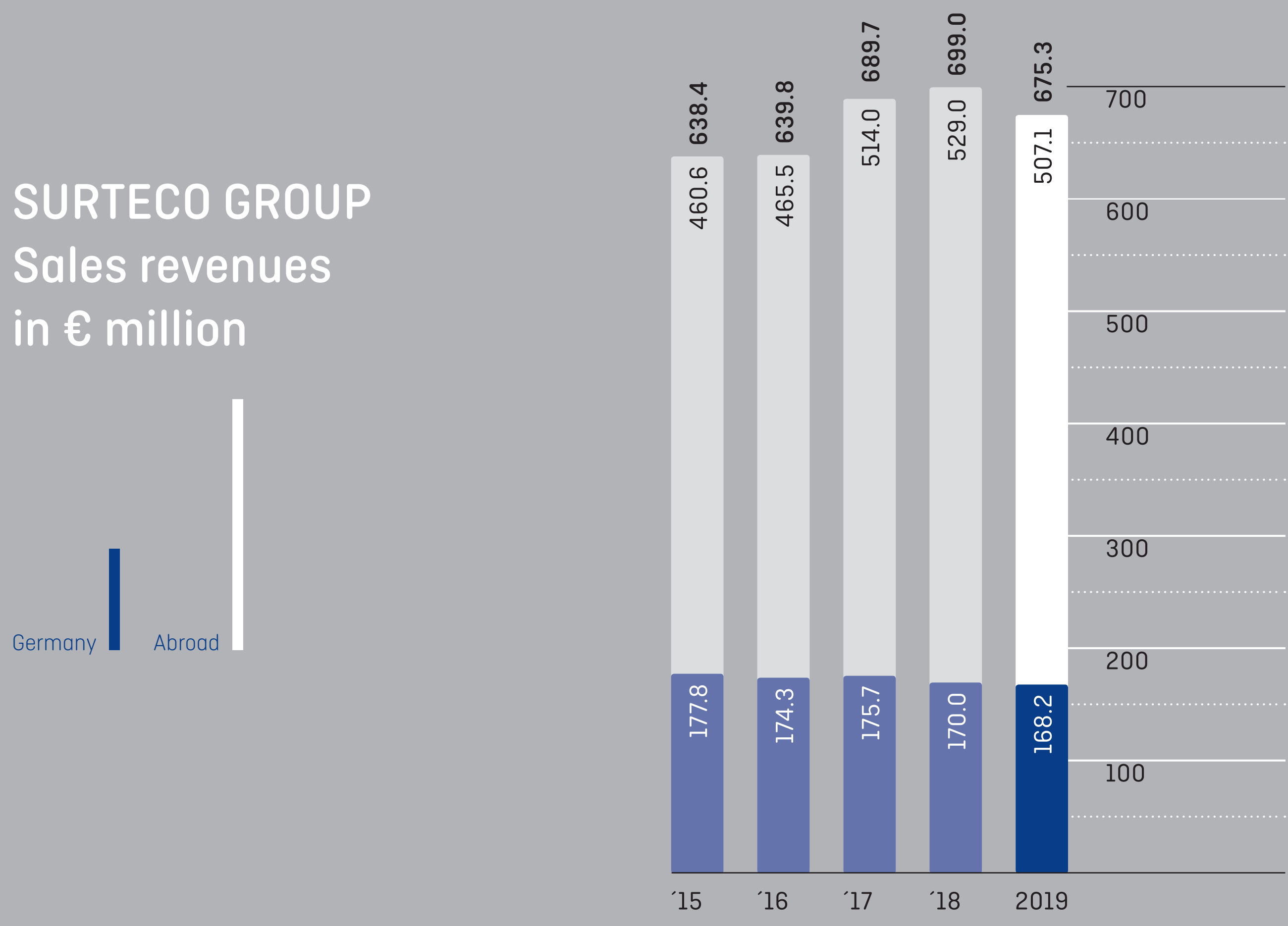
Even after the sale of the North American impregnating business in July 2019, sales of the Group at € 675.3 million (2018: € 699.0 million) were within the sales forecast of € 670 million to € 700 million communicated in the Combined Management Report from the previous year. Taking into account the fact that the divested business was still included in the forecast with approximately € 33 million for the entire year, the Group achieved the upper end of the range after adjustment for the divested business. In line with expectations, the business development in the Segment Decoratives was slightly below the previous year, while sales development in the Segment Technicals fell significantly more than forecast owing to the disposal and for operational reasons. Conversely, the Segment Profiles was even able to exceed sales expectations after a small increase in sales on account of the wide sector differentiation. Across the Group, sales in the domestic market gave way by 1 % and in the rest of Europe fell by 3 %. The fall of 6 % in North America and South America is almost exclusively due to the divested impregnating business. In Asia, the slide in economic performance and increased pressure on prices was evident in a fall in sales of 16 %, whereas in Australia business increased by 2 %. The proportion of foreign sales was 75 % in the business year under review after 76 % in the previous year.

[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2020.
The previous year's figures may have changed compared to the combined management report of the previous year due to updated data.

Economic growth for 2019 in %[1]



[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2020.
The previous year's figures may have changed compared to the combined management report of the previous year due to updated data.

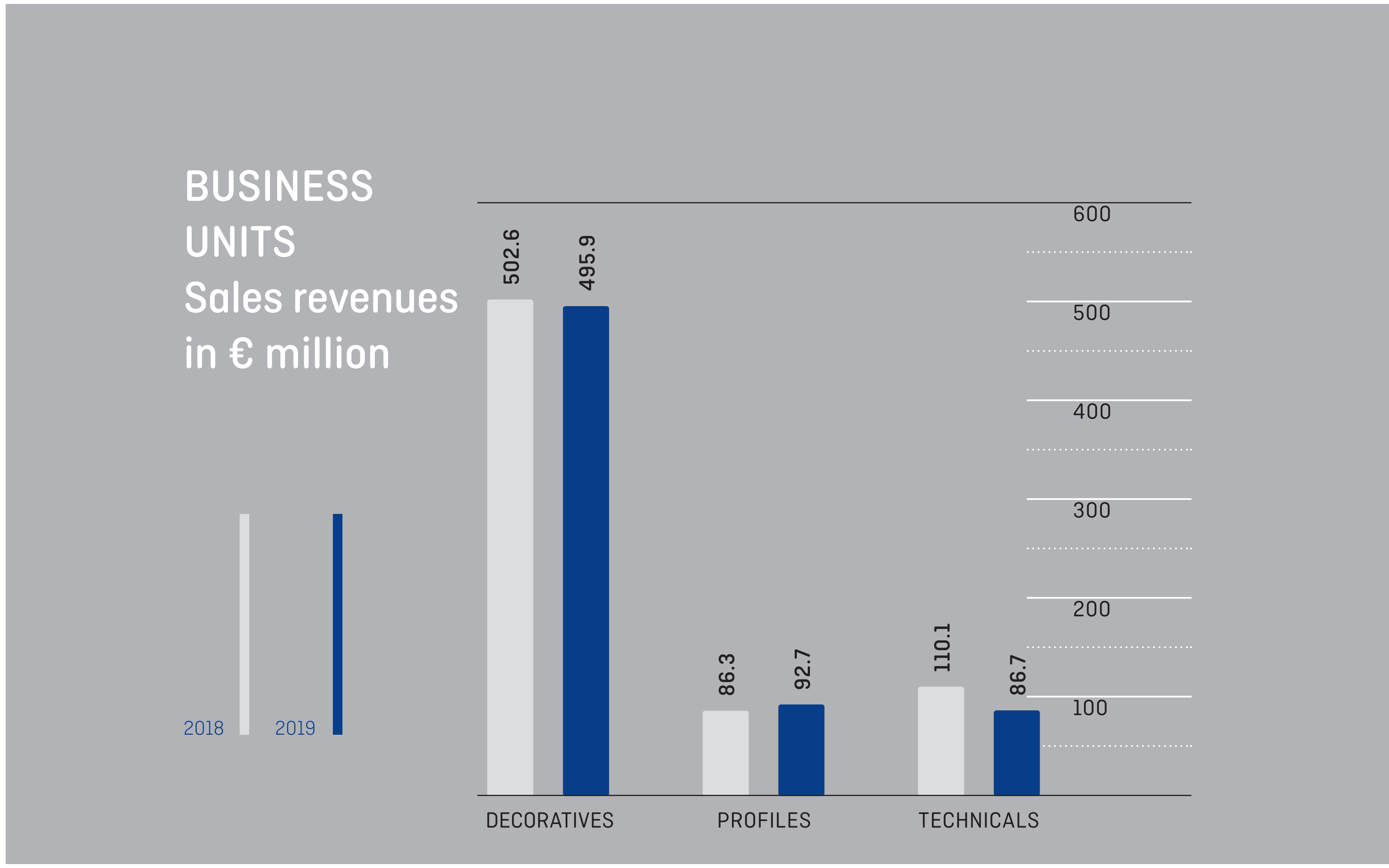


Decoratives

The products in the Segment Decoratives primarily undergo further refinement by the wood-based sector, the household, office and kitchen industries, and the door, flooring and caravan industries. According to the Federal Statistical Office, sales in Germany for wood-based materials manufacturers fell by approximately 4 % in 2019 by comparison with the previous year, while manufacturers of office, shop, kitchen and other furniture experienced a slight drop in sales over this period. This correlates with the global weakening of economic growth since the experience of the company indicates that the procurement affinity for long-life products such as furniture declines as economic performance drops. Furthermore, the sales volume for laminate flooring once again came under pressure in 2019. According to the Association of European Laminate Flooring Manufacturers (EPLF), members of the association sold a volume 1.5 % below that of the previous year worldwide in 2019. Against this background, external sales (business adjusted by internal sales within the Group) of the Segment Decoratives eased slightly in 2019, in line with the expectations of the previous Annual Report, and achieved € 495.9 million after € 502.6 million in 2018 (the pro-forma sales for 2018 in the previous Annual Report of € 519.1 million were calculated including Group domestic sales). The fall was most notable in finish foils (-5 %) and in edgebandings (-3 %). Sales from decorative printing remained at the year-earlier level. A sales increase of 13 % was achieved with other products and commercial products.

Profiles

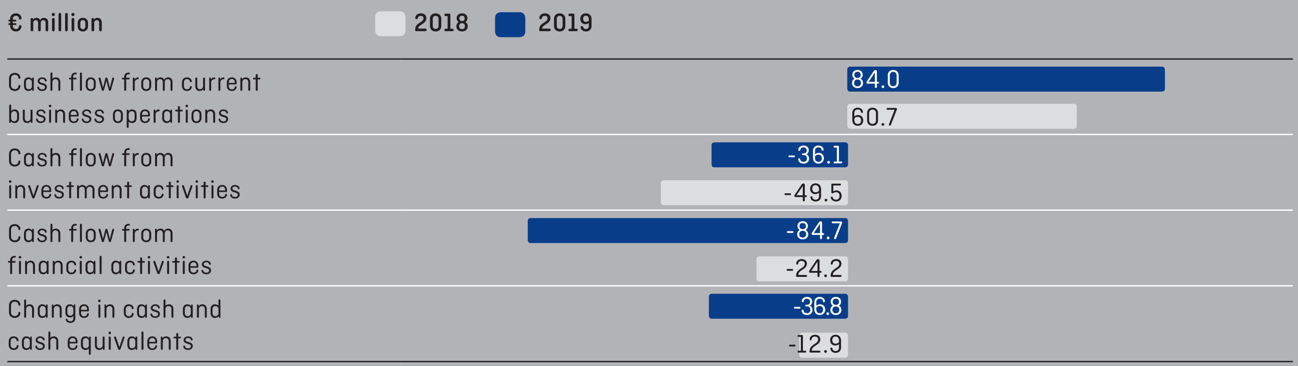
The Segment Profiles supplies the flooring market with skirtings for trade floorlayers and supplies for home improvement and do-it-yourself stores and with laminate, parquet, carpet and elastic floor coverings. The segment also supplies virtually all industrial sectors and the construction sector with technical plastic extrusions (profiles). In this respect, the Segment Profiles has a more broadly-based sector diversity than the other segments especially with regard to technical extrusions. As a result of focussing on individual growth areas of the relevant sales regions, a further penetration of markets in the skirting sector was achieved in the business year 2019. As a result of enhanced sales activities, sales with skirtings went up by 11 % compared with the previous year. Business with commercial goods offered alongside skirtings increased by 7 % in the business year 2019 by comparison with 2018. A fall in demand for technical extrusions, particularly in the British caravan and construction industries, was compensated by acquisition of new customers in other sectors. As a consequence of this, total sales with technical extrusions rose by 2 % compared with the previous year. Overall, the Segment Profiles generated external sales in the amount of € 92.7 million in the business year 2019 after € 86.3 million in the previous year. The forecast from the previous year was therefore exceeded after a modest upward trend in sales revenues.



Technicals

The sales revenues of the Segment Technicals in the business year 2019 were influenced primarily by the sale of the North American impregnating business in July 2019 and by the sustained decline in demand for laminate flooring. Up until the sale in July, the divested North American impregnating business generated sales in the amount of € 16.9 million in the business year 2019. The sale was carried out against the background of a planned streamlining of the Group structures. The segment continues to produce impregnated products in Germany, although these continued to suffer from a steady decline in demand in the laminate flooring market in the business year 2019. Sales with impregnates came down by 33 %, and adjusted by the divested business fell back by 23 % compared with the previous year. Business with finish foils was 7 % below the previous year in the business year 2019. The edgings business of the segment for niche markets in the furniture industry rose by 8 % in 2019 compared with the previous year. Overall, external sales of the Segment Technicals therefore dropped by 21 % to € 86.7 million (2018: € 110.1 million). Based on the continuing operations, sales were still significantly below the previous year and they were therefore below the forecast in the Combined Management Report for the previous year (slight fall in sales).

Change in financial resources at 31 December



Net assets, financial position and results of operations

Cash flow statement

On the basis of earnings before income tax (EBT) in the amount of € 16.2 million (2018: € 27.1 million) the internal financing of the Group in the amount of € 55.6 million in the business year 2019 was € 2.2 million below the year-earlier value of € 57.8 million. In particular, lower payments for income tax (€ -12.1 million after € -14.8 million in the previous year), the change in long-term provisions (€ 1.1 million after € 0.1 million in the previous year) and other expenses with no effect on liquidity in the amount of € -1.2 million after € -3.7 million in the previous year resulted in this value. The change in other assets rose primarily owing to the disposal from € 3.1 million in 2018 to € 14.9 million in 2019, while the change in trade accounts payable was € -2.2 million (2018: € 1.9 million). Overall, the change in net assets and liabilities amounted to € 28.4 million in the business year 2019 after € 2.9 million in the previous year. Insofar, the cash flow from current business operations rose from € 60.7 million in the previous year to € 84.0 million in 2019. A lower addition from property, plant and equipment (€ -33.6 million after € -45.0 million in the previous year) and a loss from the disposal of property, plant and equipment in the amount of € -0.4 million after € -2.5 million in the previous year led to cash flow from investment activities of € -36.1 million (2018: € -49.5 million). Accordingly, free cash flow increased from € 11.2 million in 2018 to € 47.9 million during the period under review. On account of the settlement of the last tranche from the US Private Placement in the amount of € 60 million, cash flow from financial activities was € -84.7 million after € -24.2 million in 2018.

Balance sheet performance

At 31 December 2019, the balance sheet total of the Group was reduced by 8 % to € 780.3 million (31 December 2018: € 844.5 million). The key factor for this was the announced repayment of the last tranche of a US Private Placement (USPP) in August 2019 with a volume of € 60 million. As a result of this repayment, cash and cash equivalents on the assets side of the

Calculation of free cash flow

€ million	1/1/-31/12/2018	1/1/- 31/12/2019
Cash flow from current business operations	**60.7**	**84.0**
Purchase of property, plant and equipment	-45.0	-33.6
Purchase of intangible assets	-2.5	-2.8
Proceeds from disposal of property, plant and equipment	-2.5	-0.4
Share of profit of companies accounted for using the equity method	0.5	0.7
Cash flow from investment activities	**-49.5**	**-36.1**
Free cash flow	**11.2**	**47.9**

Balance sheet structure of the SURTECO company

€ million	31/12/2018	Percentage of the balance sheet total in %	31/12/2019	Percentage of the balance sheet total in %
Assets				
Current assets	343.7	40.7	281.8	36.1
Non-current assets	500.8	59.3	498.5	63.9
Balance sheet total	**844.5**	**100.0**	**780.3**	**100.0**
LIABILITIES				
Current liabilities	177.9	21.1	123.4	15.8
Non-current liabilities	313.4	37.1	302.3	38.8
Equity	353.2	41.8	354.6	45.4
Balance sheet total	**844.5**	**100.0**	**780.3**	**100.0**

Balance sheet indicators of the SURTECO GROUP

	2018	2019
Equity ratio in %	41.8	45.4
Level of debt in %	56	51
Working capital in € million	119.4	112.8
Interest cover factor	12.0	9.6
Debt-service coverage ratio in %	30.0	30.4

balance sheet came down to € 83.6 million after € 120.9 million on the balance sheet date in 2018. Owing to the completed sale of the North American impregnating business, the assets held for sale were derecognized. Consequently, the current assets in the amount of € 343.7 million at the balance sheet date in the previous year fell to € 281.8 million at 31 December 2019. The reduction in non-current assets from € 500.8 million to € 498.5 million is primarily due to a lower value for property, plant and equipment of € 236.9 million (2018: € 255.8 million) in the previous year and deferred taxes of € 8.8 million (2018: € 18.3 million).
On the liabilities side, short-term financial liabilities came down as a result of repayment of the USPP from € 65.9 million to € 8.9 million on the balance sheet date 2019. The restructuring expenses for the planned reduction of approximately 175 jobs resulted in the increase of short-term provisions from € 11.6 million to € 20.0 million. Cumulatively, current liabilities decreased to € 123.4 million (2018: € 177.9 million) on the balance sheet date for 2019. Non-current liabilities at € 302.3 million were below the year-earlier value of € 313.4 million.
Equity increased from € 353.2 million at year-end 2018 to € 354.6 million at 31 December 2019. In conjunction with the reduced balance sheet total, the equity ratio went up from 41.8 % to the current level of 45.4 %. Net financial debt eased significantly and was € 179.9 million at year-end after € 197.5 million in the previous year. Working capital also improved from € 119.4 million in the previous year to € 112.8 million on the balance sheet date for 2019. In the business year 2019, the covenants (-> internal corporate controlling system) were complied with. On 31 December 2019, the Group had external credit lines amounting to € 34.5 million. At this point, € 0.6 million had been drawn on these lines.

Expenses

Production requires extremely intensive use of materials and the cost of materials is therefore the most critical expense item for all segments of the Group. The Segments Decoratives and Technicals mainly process technical raw papers, various plastics and chemical additives. The Segment Profiles primarily consumes plastics. In the business year 2019, some of the plastics purchasing prices for the Group underwent significant falls by comparison with the previous year. Although technical raw papers experienced some relaxation in procurement, owing to the so-called tanker effect arising from the production and delivery times of the papers, the falling prices are only reflected in the cost of materials with a time lag. As a consequence, average paper prices remained at the high year-earlier price level in 2019. The purchase prices for chemical additives were not uniform. While impregnating resins remained below the price levels of the previous year, the costs for varnishes and raw materials for paints rose slightly. In addition, energy costs also went up considerably by comparison with the previous year. Particularly at the German production plants, the expenses for electricity and gas rose in spite of lower consumption. Nevertheless, the cost of materials ratio (cost of materials / total output) in the Group eased compared with the previous year and fell from 49.5 % in the previous year to 48.2 % in the business year 2019. Taking the divested impregnating business into account, the cost of materials for the Group fell significantly from € 349.6 million in the previous year to € 326.5 million in the business year 2019.
The main reason for the increase in personnel expenses from € 185.3 million in the previous year to € 186.2 million lies in the provisions for a planned reduction of approximately 175 jobs. While the provisions essentially related to the Segment Decoratives, the personnel expenses at Profiles were above the level of the previous year owing to the increased total output. In the case of Technicals, the sale of the North American impregnating business exerted a positive impact on costs. Adjusted by expenses for the formation of provisions for personnel measures (€ 12.6 million for the business year 2019 and € 6.1 million for 2018), the personnel expenses of the Group gave way slightly on account of the reduction in personnel numbers.
Other operating expenses were impacted negatively in the business year 2019 by unscheduled provisions for adjustments to the company structure, but nevertheless they still fell from € 103.5 million in the previous year to € 102.7 million in 2019 as a result of strict cost discipline. However, the corresponding ratio in relation to total output at 15.2 % was slightly above the year-earlier level (14.7 %).

Investments

In 2019, the Group invested a total of € 36.4 million (2018: € 47.5 million) in fixed assets. An addition of € 33.6 million (2018: € 45.0 million) was attributable to property, plant and equipment and an addition of € 2.7 million (2018: € 2.5 million) to intangible assets. In the Segment Decoratives, the additions of fixed assets amounted to € 24.3 million after € 36.8 million in the previous year. Apart from replacement investments, the biggest payments and advance payments were made for the procurement of printing cylinders, new production plants and technical expansions of existing plants.
The additions in the Segment Profiles were essentially used for the expansion of a logistics centre with an extension of the production area and capital expenditure on extensions of production facilities, and they amounted to € 9.0 million (2018: € 7.0 million). € 3.0 million were attributable to the Segment Technicals after € 3.6 million in 2018, the majority of this expenditure being made for replacement and expansion investments, and for investments in building technology.

Group results

Against the background of divested impregnating activities in July 2019, a slight decline in operating business development and one-off inventory write-downs, the total output of the Group came down from € 706.5 million in the previous year to € 676.8 million in the business year 2019. In spite of restructuring expenses for personnel adjustments, the expense items overall fell to € 615.4 million compared with € 638.4 million in the previous year owing to divestments. Including other operating income amounting to € 4.8 million (2018: € 4.3 million), earnings before financial result, income tax and depreciation and amortization (EBITDA) amounted to € 66.3 million (2018: € 72.8 million). Depreciation and amortization amounting to € 45.2 million (2018: € 40.6 million) in the business year 2019 were driven by higher investments in the previous years, negative impacts in the amount of € 3.6 million of the newly applicable accounting standard IFRS 16 and by unscheduled depreciation of production facilities. As a consequence, earnings before financial result and income tax (EBIT) fell to € 21.1 million after € 32.2 million in the previous year. Adjusted by the one-off restructuring provision and other one-off unscheduled effects totalling € 19.4 million, EBIT amounted to € 40.5 million and hence reached the earnings forecast from the previous year. The financial result in the amount of € -4.9 million (2018: € -5.1 million) was influenced by the repayment of the final tranche from the USPP in August 2019 and by currency effects and one-off expenses for adjustment of the company structure. Earnings before income tax (EBT) in the business year 2019 were consequently € 16.2 million after € 27.1 million in the previous year. Deducting income tax in the amount of € 6.5 million (2018: € 8.2 million) and taking into account the non-controlling interests (€ 0.3 million in 2018 and 2019), a consolidated net profit of € 9.4 million (2018: € 18.6 million) was achieved. The number of shares issued remained constant at 15.5 million no-par-value shares. As a result, earnings per share amounted to € 0.61 after € 1.20 in the previous year.

Result of the segments

The restructuring and extraordinary expenses set out above for the business year 2019 primarily relate to the Segment Decoratives. Insofar, EBIT of the segment fell from € 25.5 million in the previous year to € 14.3 million in the business year 2019. Adjusted by the one-off negative impacts in the amount of € 19.0 million, the segment achieved the year-earlier forecast.
On account of the decline in business development in the continuing operations of the Segment Technicals, the result from the previous year fell back significantly compared to the expectations from the previous year and amounted to € 2.3 million in the business year 2019 (2018: € 3.9 million). EBIT for the Segment Profiles at € 9.5 million was slightly above the year-earlier value of € 9.3 million in line with expectations.

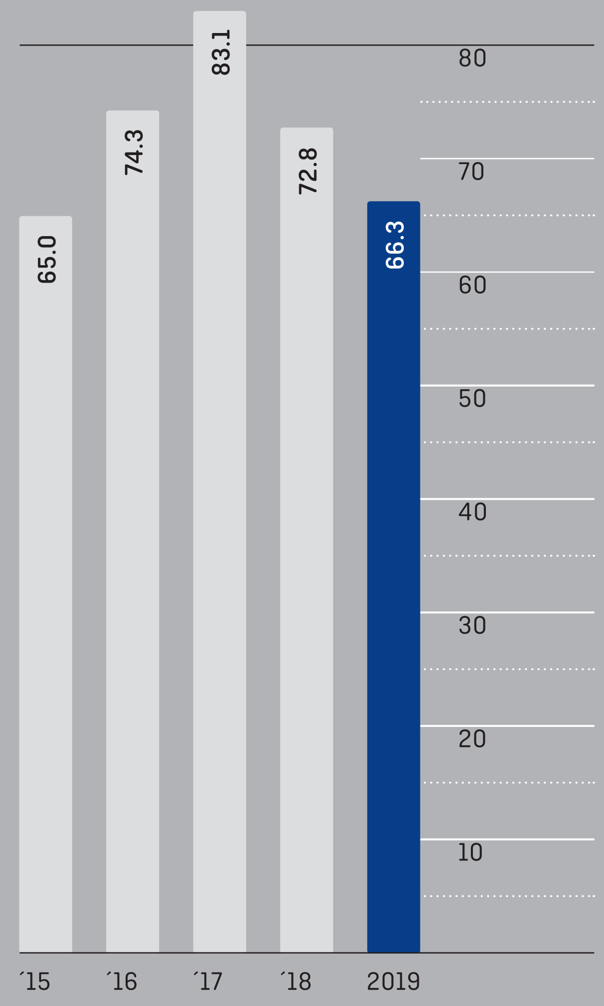
HGB (German Commercial Code) financial statements for SURTECO GROUP SE

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).
The balance sheet total of SURTECO GROUP SE fell back from € 647.0 million in the previous year to € 575.0 million on 31 December 2019. On the assets side of the balance sheet, fixed assets at € 314.3 million remained approximately at the level of the previous year (2018: € 314.7 million). The repayment of the last tranche from the USPP led to a reduction of cash in hand from € 102.1 million in the previous year to € 59.8 million. Receivables from affiliated enterprises came down from € 221.4 million on the year-earlier balance sheet date to € 191.7 million. Insofar, the current assets fell from € 331.6 million in the previous year to € 260.0 million on 31 December 2019. On the liabilities side, liabilities at € 279.5 million were below the year-earlier value of € 343.3 million primarily owing to the repayment of the tranche from the USPP. Equity decreased to € 293.5 million after € 297.6 million at year-end 2018. In conjunction with the reduction in balance sheet total, the equity ratio improved to 51.0 % after 46.0 % in the previous year.
The sales revenues of SURTECO GROUP SE in the amount of € 1.6 million (2018: € 2.2 million) entirely reflect intragroup reallocations. Income from profit and loss transfer agreements fell from € 14.7 million in the previous year to € 13.8 million in the business year 2019. Personnel expenses of € 6.6 million in the previous year were negatively impacted by provisions for the change on the Management Board. Consequently, the personnel expenses of SURTECO GROUP SE fell to € 3.9 million in the business year 2019. Interest income improved on account of the repayment of the tranche from the USPP in the amount of € -5.2 million in 2018 to € -4.1 million in the period under review. After the deduction of income tax in the amount of € -0.3 million (2018: € -1.6 million), net income of € 4.4 million remained after € 0.8 million in the previous year.

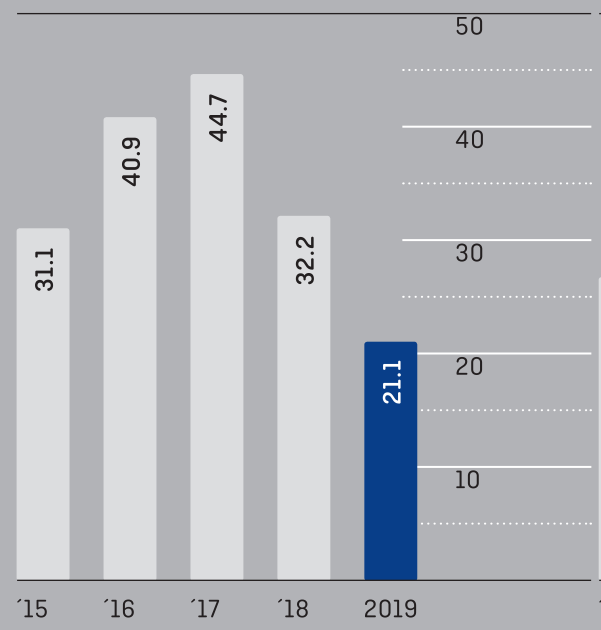
Overall statement on the economic situation

The operating development of the SURTECO Group was defined in the business year 2019 by the ongoing decline in demand from the laminate flooring industry and by a generally saturated market in the European furniture sector. More business in the

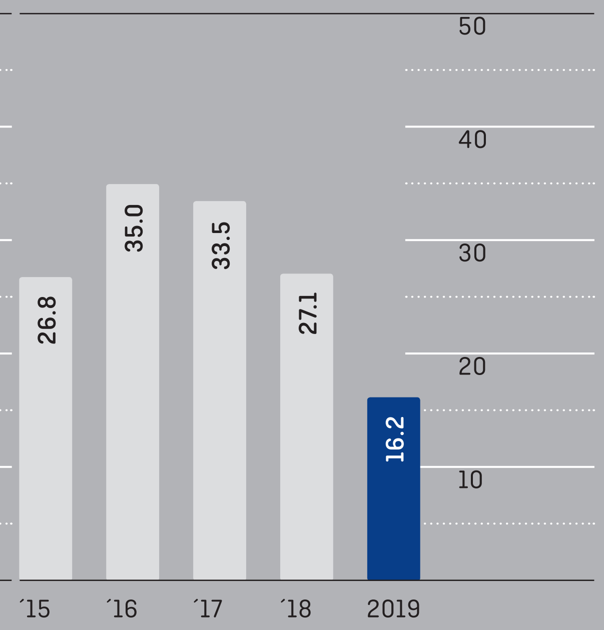
SURTECO GROUP
EBITDA in € million



SURTECO GROUP
EBIT in € million



SURTECO GROUP
EBT in € million



Segment Profiles was unable to compensate for this development trend so that after adjustment for all the one-off effects, sales were below the level of the previous year. Against this background, provisions were formed for personnel adjustments which exerted a negative impact of € 12.6 million on the result in 2019. Associated with a focus on growth areas and corresponding investments, the restructuring is intended as a preventive measure in order to pre-empt a gradual erosion of profits. Furthermore, in the business year 2019 one-off write-downs of inventories and extraordinary depreciation on fixed assets totalling € 6.8 million were incurred. On account of the continuing robust balance sheet indicators and the positive cash flows, the company nevertheless continues to be well positioned.

Research and development

The comprehensive product range of the SURTECO Group requires manufacturing concepts with appropriate centres of competence. Each production location has therefore specialized in the manufacture of a specific product or group of products. The Research and Development Departments (R&D) therefore work locally in order to strategically meet the special requirements for each application. The main functions of R&D Departments are geared to advanced development of the technical characteristics of the products and a further advance in their resilience and long service life, new surface variations with optical and haptic effects, and a further improvement in their processing capability.
The allocation of R&D employees was adjusted to take account of the restructuring of the segments. The employees working in quality control have been allocated to production since the business year 2019. Accordingly, an average of 168 employees (2018: 212) were working in the R&D Departments in 2019. The personnel and non-personnel expenses for research and development amounted to € 3.6 million after € 4.7 million in the previous year. The personnel expenses for R&D employees are included in the personnel expenses for the Group.

People and training

The number of employees decreased from 3,304 at year-end 2018 to 3,174 as at 31 December 2019. This is primarily due to an optimization programme for adjusting the processes and structures to the changed market conditions and to the divestment of the North American impregnating business in July 2019. Consequently, an analysis over the period of the year revealed that the number of people employed on average fell from 3,329 in 2018 to 3,217 in 2019. Since the optimization programme was primarily focused in the Segment Decoratives, the number of employees here came down to 2,408 after 2,563 in the previous year. In the Segment Technicals, the number of employees in the workforce came down from 277 on average in the previous year to 271 after adjustment for the divested impregnating business. Conversely, the number of employees working in the Segment Profiles rose from 468 in 2018 to 491 in 2019. An average of 19 employees were employed in the holding company SURTECO GROUP SE in 2019 after 20 in the previous year. The average age of employees decreased to 41.9 years (2018: 42.5) compared with the previous year, while the average length of service decreased to 12.3 years (2018: 12.7). In line with the fall in the number of employees in Germany, the number of apprentices also came down from 124 in the previous year to an average of 103 in the business year 2019. The training ratio as a function of the number of apprentices in relation to the number of employees in Germany fell from 6.7 % in the previous year to 5.8 % in the year under review.

Employees by regions

Location	31/12/2018	31/12/2019	Change
Germany	1,847	1,782	-65
Portugal	268	253	-15
Brazil	154	183	+29
United Kingdom	178	173	-5
USA	247	161	-86
Canada	130	126	-4
Sweden	108	120	+12
Asia	115	113	-2
Australia	99	102	+3
Poland	41	42	+1
Mexico	32	35	+3
Italy	28	26	-2
France	24	22	-2
Russia	13	13	-
Czech Republic	9	13	+4
Turkey	11	10	-1
	3,304	**3,174**	**-130**

Risk and opportunities report

Risk Management System

The SURTECO Group with its individual subsidiary companies is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any event or circumstance that can lead to a negative deviation for the SURTECO Group now and/or in future from the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies and deploying derivative financial instruments, if this is feasible at reasonable commercial conditions. However, it is not possible to exclude the possibility that insurance cover or hedging with financial instruments is inadequate in individual cases or that appropriate protection cannot be obtained for specific risks.
The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization. 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.

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 %

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.
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 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 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 participate indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at 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 above the threshold of € 1.0 million 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 may lead to excess capacities and tougher competition. New local competitors may also enter the market at any time, particularly in the plastics sector. Conversely, the barriers to entry in the paper segment are relatively high on account of the investment sums required. The Group is countering the high level of competitive pressure by expansion and reinforcement of existing business, innovative products, and not least a further increase in efficiency and productivity.
Since the SURTECO Group is represented worldwide through its network of sales companies and already holds a strong market position in its most important divisions, there is an opportunity to achieve further market penetration, for example on the back of 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 above the threshold of € 1.0 million 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, and detailed research into alternative raw materials.
An individual risk (procurement of semi-finished products) in damage class 1 and probability class 3 was identified in the Segment Decoratives in this risk class.
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 above the threshold of € 1.0 million 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 above the threshold of € 1.0 million 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 above the threshold of € 1.0 million 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 and production operation on this facility is expected to be launched already in 2020. 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 14 % in 2019. 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 by hedging positions with derivative financial instruments, and regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed 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 above the threshold of € 1.0 million 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 above the threshold of € 1.0 million 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 34.3 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 2019. From today's perspective, the financial indicators can also be complied with in the business year 2020.
No individual risks above the threshold of € 1.0 million were identified in this risk class within the Group.

FLUCTUATIONS IN VALUE FOR PARITICPATIONS

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 2019. 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 above the threshold of € 1.0 million 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.
An individual legal risk in damage class 2 and probability class 1 was identified in this risk class.

Risks from the coronavirus pandemic

After the balance sheet date, the novel coronavirus, as a result of which the respiratory disease COVID-19 can be triggered, quickly spread across the world with a significant number of infections. There is the general risk that the coronavirus pandemic may tangibly impact on supply chains, sales markets and production processes. Consequently, the procurement of goods may be fundamentally negatively impacted. Against this background, the company is examining options of being able to take countermeasures as appropriate by sourcing goods from other suppliers. A similar situation exists in relation to the sales markets of the SURTECO Group, although it is important to note that in important markets public life including the sale and production of furniture has been locked down and this will undoubtedly be reflected in the sales situation. The Group is meeting production outages at its German plants with short-time working, and at foreign locations, it is taking up any aid packages available in the individual countries outside Germany. A decline in business activity or bad debts may exert a negative impact on the liquidity of the Group. The Group has already made use of available credit lines

in order to secure liquidity, and the liquidity status is regularly checked. Investments are being reviewed and postponed as necessary. If sales and earnings fall significantly, there is a risk that the covenants will be negatively impacted.
In order to ensure that business processes are maintained, the Group has taken appropriate measures such as home-office workplaces social distancing 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 coronavirus pandemic into account, future risks 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 material 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 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 the beginning of 2020, the IMF was still assuming a modest upswing in the global economy by 40 basis points to 3.3 % over the course of 2020 in spite of the sustained geopolitical uncertainties and the ongoing unresolved concerns about the trade conflicts between the USA and China on the one hand and the eurozone on the other hand. In view of the corona pandemic, the IMF however drastically reduced its forecast in April 2020. The IMF now expects a downturn of 3.0 % for the global economy. A decline of 6.1 % is expected in advanced economies, with a decline of 5.9 % in the US and 7.5 % in the euro area. In emerging and developing Europe, the IMF forecasts a decline of 5.2 % and in the emerging and developing Economies of 1.0 %, while China is expected to post slight growth of 1.2 %.[1]

Framework conditions for the SURTECO Group

Even before the effects of the coronavirus pandemic emerged, the Association of the German Furniture Industry (VDM) was only expecting a slight increase of approximately one percent for the German furniture industry in 2020 and SURTECO was not expecting any significant momentum for demand from the laminate flooring market. However, the Group is also operating in sectors with more potential for growth than in the furniture sector, for example with the caravan industry and interior design for ships, and SURTECO is supplying virtually all industrial sectors with technical extrusions (profiles).
A key factor for the profit margins is in development on procurement markets. After purchase prices for the most important plastics fell back in the business year 2019, further development is currently still influenced by a lot of uncertainty factors. The fall in paper prices during 2019 should at least exert a positive impact on the beginning of 2020.
The following sales and earnings forecasts take account of facts and events that were known on the date when the financial statements were prepared. In particular, the impacts of the coronavirus pandemic on the SURTECO Group cannot yet be quantified on account of the exceptionally high level of uncertainty involved. A forecast is therefore provided as originally planned without the effects of the pandemic, supplemented by the expected qualitative development in conjunction with the coronavirus pandemic. The forecast period is the business year 2020.

Sales forecast for the Group and segments

Without the effects of the coronavirus pandemic, the company is anticipating a slight increase in sales revenues for the Segment Decoratives compared with the previous year. Adjusted by the absence of sales from the divested impregnating business, the sales of the Segment Technicals are also likely to be slightly above the value for 2019, without the effects of the coronavirus pandemic. Without the effects of the coronavirus pandemic, the management is assuming that a significant increase in sales for the Segment Profiles will take place by comparison with the previous year. In spite of the absence of the divested impregnating business in North America (included for seven months in 2019), the company is expecting sales in the segment at Group level to be in the corridor between € 675 million and € 700 million, without the effects of the coronavirus pandemic.

Earnings forecast for the Group and segments

Compared with 2019, the company is forecasting a substantial increase in EBIT in the Segment Decoratives, without the effects of the coronavirus pandemic. However, a significant increase in EBIT is also anticipated in the Segments Technicals and Profiles, without the effects of the coronavirus pandemic. Without the effects of the coronavirus pandemic, Group EBIT is projected to rise to between € 40 million and € 45 million.

Overall statement on expected performance

The impacts of the coronavirus pandemic cannot currently be estimated due to the exceptionally high level of uncertainty associated with this issue. Owing to the wide-ranging government measures introduced to stop the spread of the pandemic, a global recession should be anticipated together with sales that are likely to be substantially below the forecast of between € 675 million and € 700 million. A substantial drop in Group earnings below the forecast of between € 40 million and € 45 million should also be anticipated. If sales and earnings fall significantly lower, there is a risk that the covenants will be negatively impacted.

[1] Source: International Monetary Fund (IMF), World Economic Outlook, April 2020.
The previous year's figures may have changed compared to the combined management report of the previous year due to updated data.

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 2019. It takes into account the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 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 Supervisory Board reviewed the compensation system with the assistance of external expert consultants, and has come to the conclusion that it complies with the applicable statutory regulations and the recommendations of the German Corporate Governance Code with the exception of the deviations published in the Declaration of Conformity.

The compensation 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 (Chairman of the Management Board from 1 October 2019) and to € 360,000 p.a. (2018: € 280,000 p.a.) for Mr. Andreas Riedl. The annual basic salary for Dr. Ing. Herbert Müller (Chairman of the Management Board until 30 September 2019) amounted to € 360,000 p.a.

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

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 contract of service for the Member of the Management Board Mr. Andreas Riedl has 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.

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 receives a time limited supplement for accommodation in Buttenwiesen. He 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 2019, the ex-gratia compensation amounted to a total of € 000s 600.

PREMATURE TERMINATION OF THE CONTRACT OF SERVICE WITH THE 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. The agreement provides for continuation of the payment of the fixed salary of Dr. Müller (€ 000s 360 p.a. gross) as previously in monthly instalments until the end of the contract. A bonus for 2018 was also defined in accordance with the previously applicable principles and paid out in order to safeguard sustainable corporate governance. The provisions defined in the contract of service will continue to apply unchanged in respect of the retentions for previous years. The option of paying the retentions prematurely with a flat-rate deduction of 10 % was not taken up. Diverging from this, a bonus for the business year 2019 was 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 was agreed that retentions for safeguarding sustainability on it will not be made. This amount was not previously paid out to Dr. Müller. Furthermore, Dr. Müller received a one-off payment of € 2.45 million gross in compensation for the remaining period of his contract of service. This was paid in 2019. The payment and other benefits under the agreement also cover an ex-gratia compensation for the post-contractual competition prohibition relating to Dr. Müller, which applies until

30 June 2021. 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 PRELIMINARY 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

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	Dr.-Ing. Herbert Müller Chairman until 30 September 2019				Wolfgang Moyses Chairman from 1 October 2019				Andreas Riedl Chief Financial Officer			
€ 000s	2018	2019	2019 (Min)	2019 (Max)	2018	2019	2019 (Min)	2019 (Max)	2018	2019	2019 (Min)	2019 (Max)
Fixed compensation	360	270	270	270	-	137	137	137	280	360	360	360
Fringe benefits	48	32	0	[1]	-	7	0	[2]	39	40	0	[1]
Total	**408**	**302**	**270**	[1]	-	**144**	**137**	[2]	**319**	**400**	**360**	[1]
Variable compensation for one year	220	520	0	[1]	-	0	0	1,125	158	0	0	[1]
Variable compensation over several years (target attainment on the average bonuses of the past three years)	74	0	0	[1]	-	0	0	375	53	0	0	[1]
Total	**702**	**822**	**270**	[1]	-	**144**	**0**	**1,500**	**530**	**400**	**360**	[1]
Pension expenses	100	75	100	100	-	75	75	75	-	-	-	-
Total compensation	**802**	**897**	**370**	[1]	-	**219**	**212**	[2]	**530**	**400**	**360**	[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.

The following table shows the inflow (amount paid out) for the business years 2018 and 2019 from fixed remuneration, fringe benefits, variable compensation for the year and pension expenses.

Cash inflow	Dr.-Ing. Herbert Müller Chairman until 30 September 2019		Wolfgang Moyses Chairman from 1 October 2019		Andreas Riedl Chief Financial Officer	
€ 000s	2019	2018	2019	2018	2019	2018
Fixed compensation	270	360	137	-	360	280
Fringe benefits	32	48	7	-	40	39
Total	**302**	**408**	**144**	-	**400**	**319**
Variable compensation for one year	220	679	0	-	158	222
Variable compensation over several years (target attainment on the average bonuses of the past three years)	187	192	[1]	-	[1]	[1]
Miscellaneous	2,450[2]	-	-	-	-	-
Total	**3,159**	**1,279**	**144**	-	**558**	**541**
Pension expenses	75	100	75	-	-	-
Total compensation	**3,234**	**1,379**	**219**	-	**558**	**541**

[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] An agreement on a one-time payment of € 000s 2,450 was concluded with Dr.-Ing. Herbert Müller (see section "Premature termination of the contract of service with the Chairman of the Management Board Dr.-Ing. Herbert Müller" in this report).

Compensation for the Supervisory Board 2019:

in €	Total compensation 2018	Total compensation 2019	Basic salary	Compensation for work carried out on the Audit Committee
Dr.-Ing. Jürgen Großmann Chairman	52,000	**45,000**	36,000	9,000
Björn Ahrenkiel until 27 June 2019	49,000	**19,700**	13,200	6,500
Dr. Markus Miele until 27 June 2019	33,000	**13,200**	13,200	-
Dr. Christoph Amberger Vice Chairman	22,000	**27,000**	27,000	-
Andreas Engelhardt Deputy Chairman since 28 June 2018	11,200	**34,000**	27,000	7,000
Tim Fiedler since 14 October 2019	-	**3,900**	3,900	-
Jens Krazeisen	22,000	**18,000**	18,000	-
Wolfgang Moyses until 30 September 2019	31,000	**17,500**	13,500	4,000
Tobias Pott since 27 June 2019	-	**15,700**	9,200	6,500
Udo Sadlowski until 21 January 2019	22,000	**1,000**	1,000	-
Dr.-Ing. Walter Schlebusch until 28 June 2018	15,300	-	-	-
Thomas Stockhausen	22,000	**18,000**	18,000	-
Heinz-Dieter Stöckler since 5 February 2019	-	**16,300**	16,300	-
Jörg Wissemann since 27 June 2019	-	**15,700**	9,200	6,500
Total	**279,500**	**245,000**	**205,500**	**39,500**

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 be paid in the case of Dr. Wolfgang Moyses for a period of up to twelve months and in the case of Mr. Riedl 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 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. The excess (deductible) amounts to € 50,000 for each insurance claim and year.

OTHER BENEFITS

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

LOANS TO MEMBERS OF THE SUPERVISORY BOARD

During the period under review, no advances or loans were granted to Members of the Supervisory Board of SURTECO 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 5,406,475 no-par-value shares in SURTECO GROUP SE (status 31 December 2019). Dispositions over shares in SURTECO GROUP SE in the share pool are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

Direct or indirect participations greater than 10 % of the voting rights

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

Name, place	Voting rights in %
Klöpfer & Königer Verwaltungs-GmbH, Garching, Germany	15.00
ECCM Bank plc, Malta	12.28

Appointment and dismissal of Member 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 for the business year 2019 pursuant to § 315b German Commercial Code (HGB) is published on the Internet portal age of the company at www.surteco-group.com.

Follow-up report

We refer to our explanations in the sections "Risks from the coronavirus pandemic" and "Overall statement on expected performance" in this report as well as the appendix for information on events after the balance sheet date.

Declaration on corporate governance

The Declaration on Corporate Management 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 2019, can be accessed on the home page of the company by going to www.surteco-group.com and clicking on the menu item "Corporate Governance".

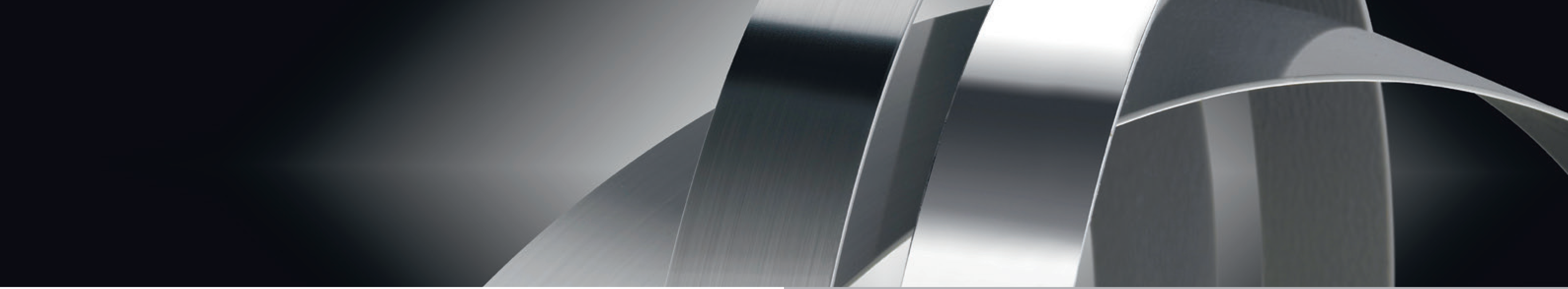
Appropriation of the net profit

The Management Board in consultation with the Supervisory Board of SURTECO GROUP SE will submit a proposal on the appropriation of the net profit of SURTECO GROUP SE in the amount of € 6.2 million at a later date owing to the current uncertain situation in relation to the coronavirus pandemic.

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 revenues
EBITDA margin in %	EBITDA/Sales revenues
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

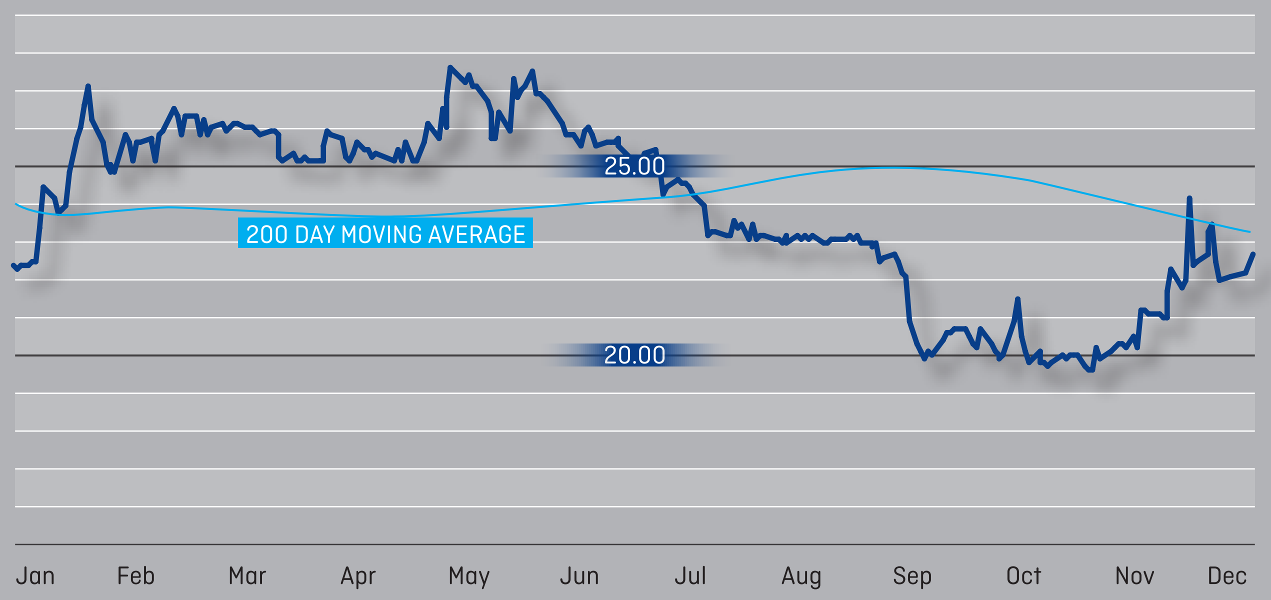


THE SURTECO SHARE

SURTECO share with weak performance in the second half year

Up until the middle of 2019, the share of SURTECO GROUP SE was able to benefit from a generally positive stock-market environment. Communication of the business figures for 2018 and robust development in the first quarter ensured that the share certificates climbed from € 22.30 at the end of 2018 to a high for the year of € 27.50 on 10 May. Profit-taking and payout of the dividend took the share price back to below € 26 at the end of June. An emerging trend in the third quarter for above-average selling pressure relating to small-cap shares led to significant price erosion through to a low for the year of € 19.60 in November. The stabilization of business and positive responses of the company's financial analysts resulted in a price rise to more than € 24 in the period to December. However, owing to the comprehensive measures directed towards improving efficiency communicated on 19 December, it was not possible to maintain this position in entirety up to the end of the year. SURTECO GROUP SE ended the stock market year on 30 December with a closing price of € 22.65. Hence, the share posted a small price increase of 2 % in 2019 and 4 % taking into account the dividend payment in 2019. The turbulence in the stock market caused by the Coronavirus Crisis also engulfed the SURTECO share and the share price fell to approximately € 19 by the editorial closing date of this Annual Report.

Share price performance 2019 in €



Market capitalization undergoes modest increase to more than € 350 million

Owing to the slight increase in share price, the market capitalization of SURTECO GROUP SE also rose from € 346 million at year-end 2018 to around € 351 million on 31 December 2019. The reason for this was an unchanged number of shares amounting to 15,505,731 million no-par-value shares. The free float came down further from 26.5 % to 23.5 %. Whereas 58.5 % of the shares remain in the hands of the founding shareholders of SURTECO GROUP SE, ECCM Bank plc continued to hold 12.3 % at the end of 2019 while the Rudolf Ostermann Stiftung held 5.7%.

Investor Relations as the central function of the Management Board

In 2019, 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 of Hauck & Aufhäuser, Pareto Securities and Sphene Capital. Alongside exchange through the Investor Relations Department on a daily basis, an important highpoint of communication with private investors was undoubtedly the Annual General Meeting held on 27 June 2019. The company also continues to maintain regular communication with the financial media.
All information on the company can be found on the Internet pages of SURTECO GROUP SE (www.surteco-group.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 may wish to discuss:

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

Phone: +49 82 74/99 88-508
Fax: +49 82 74/99 88-515
E-Mail: ir@surteco-group.com

SURTECO shares (Close price XETRA)

€	2018	2019
Number of shares at 31 December	15,505,731	15,505,731
Price at start of year	26.40	22.30
Year-end price	22.30	22.65
Price per share (high)	28.55	27.50
Price per share (low)	19.56	19.60
Stock-market turnover in shares per month	426,214	136,302
Market capitalization at year-end in € million	345.8	351.2
Free float in %	26.5	23.5

Shareholder indicators for the SURTECO Group

€ million	2018	2019
Sales	699.0	675.3
EBITDA	72.8	66.3
EBIT	32.2	21.1
EBT	27.1	16.2
Consolidated net profit	18.6	9.4
Earnings per share	1.20	0.61

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 2019

Consolidated Income Statement

€ 000s	Notes	1/1/-31/12/ 2018	1/1/-31/12/ 2019
Sales revenues	(1)	**698,977**	**675,272**
Changes in inventories	(2)	2,347	-3,713
Other own work capitalized	(3)	5,162	5,194
Total output		**706,486**	**676,753**
Cost of materials	(4)	-349,622	-326,492
Personnel expenses	(5)	-185,347	-186,186
Other operating expenses	(6)	-103,506	-102,718
Income/Expenses due to impairments under IFRS 9	(7)	508	186
Other operating income	(9)	4,260	4,751
EBITDA		72,779	66,294
Depreciation and amortization	(19)	-40,577	-45,175
EBIT		32,202	21,119
Interest income		1,432	459
Interest expenses		-7,490	-7,345
Other financial expenses and income		1,019	1,711
Income/Expenses due to impairments under IFRS 9		-570	-414
Share of profit of investments accounted for using the equity method		540	688
Financial result	(10)	-5,069	-4,901
EBT		27,133	16,218
Income tax	(11)	-8,204	-6,463
Net income		18,929	9,755
Of which:			
Owners of the parent (Konzerngewinn)		18,630	9,428
(consolidated net profit)		299	327
Basic and diluted earnings per share (€)	(12)	1.20	0.61
Number of shares at 31 December		15,505,731	15,505,731

Statement of Comprehensive Income

€ 000s			1/1/-31/12/ 2018			1/1/-31/12/ 2019
Net income			**18,929**			**9,755**
Components of other comprehensive income not to be reclassified to the income statement						
Remeasurements of defined benefit obligations	-168			-969		
of which included deferred tax	-57			333		
		-225			**-636**	
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	-712			-305		
of which included deferred tax	214			92		
Exchange differences translation of foreign operations	-408			1,050		
		-906			**837**	
Other comprehensive			**-1,131**			**201**
Comprehensive income			**17,798**			**9,956**
Owners of the parent (consolidated net profit)			17,499			9,629
Non-controlling interests			299			327

Consolidated Balance Sheet

€ 000s	Notes	31/12/2018	31/12/2019
ASSETS			
Cash and cash equivalents	(13)	120,954	83,579
Trade accounts receivable	(14)	57,519	52,630
Receivables from affiliated enterprises		676	172
Inventories	(15)	126,969	123,060
Current income tax assets	(16)	5,442	5,187
Other current non-financial assets	(17)	7,690	8,281
Other current financial assets	(17)	7,378	8,871
Assets held for sale	(18)	17,124	0
Current assets		**343,752**	**281,780**
Property, plant and equipment	(20)	255,751	236,875
Intangible assets	(21)	59,329	53,767
Rights of use	(22)	0	31,473
Goodwill	(23)	162,864	162,844
Investments accounted for using the equity method	(24)	2,378	2,516
Financial assets	(24)	30	30
Other non-current non-financial assets		54	81
Other non-current financial assets		2,098	2,188
Deferred taxes	(11)	18,285	8,771
Non-current assets		**500,789**	**498,545**
		844,541	**780,325**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(28)	65,905	8,928
Trade accounts payable		65,078	62,905
Contract assets under IFRS 15		165	4
Income tax liabilities	(25)	3,096	1,593
Short-term provisions	(26)	11,598	20,023
Other current non-financial liabilities	(27)	2,468	2,410
Other current financial liabilities	(27)	29,578	27,505
Current liabilities		**177,888**	**123,368**
Long-term financial liabilities	(28)	252,584	254,535
Pensions and other personnel-related obligations	(29)	12,828	13,765
Long term provisions		5	126
Other non-current non-financial liabilities		18	113
Deferred taxes	(11)	48,013	33,785
Non-current liabilities		**313,448**	**302,324**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		193,093	203,396
Consolidated net profit		18,630	9,428
Capital attributable to owners of the parent		349,984	351,085
Non-controlling interests		3,221	3,548
Equity	(30)	**353,205**	**354,633**
		844,541	**780,325**

Consolidated Cash Flow Statement

€ 000s	Notes	1/1/-31/12/ 2018	1/1/-31/12/ 2019
Earnings before income tax		**27,133**	**16,218**
Payments for income tax		-14,753	-12,085
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(19)	40,577	45,175
- Interest income and result for investments	(10)	5,518	6,198
- Gains/losses from the disposal of fixed assets		3,027	234
- Change in long-term provisions		19	1,058
- Other expenses/income with no effect on liquidity		-3,733	-1,205
Internal financing		**57,788**	**55,593**
Increase/decrease in			
- Trade accounts receivable	(14)	362	5,392
- Other assets		3,078	14,925
- Inventories	(15)	-7,237	3,908
- Accrued expenses		7,632	8,425
- Trade accounts payable		1,901	-2,172
- Other liabilities		-2,825	-2,035
Change in assets and liabilities (net)		**2,911**	**28,443**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(35)	**60,699**	**84,036**
Purchase of property, plant and equipment	(20)	-45,017	-33,619
Purchase of intangible assets	(21)	-2,520	-2,747
Proceeds/losses from the disposal of property, plant and equipment		-2,463	-442
Dividends received from investments accounted for using the equity method		540	688
CASH FLOW FROM INVESTMENT ACTIVITIES	(35)	**-49,460**	**-36,120**
Dividend paid to shareholders	(30)	-12,405	-8,528
Proceed of long-term financial liabilities	(34)	897	109
Repayment of lease obligations		-1,919	-5,461
Changes in short-term financial liabilities	(34)	-3,806	-63,943
Interest received	(10)	539	460
Interest paid	(10)	-7,490	-7,345
CASH FLOW FROM FINANCIAL ACTIVITIES	(35)	**-24,184**	**-84,708**
Change in cash and cash equivalents		**-12,945**	**-36,792**
Cash and cash equivalents			
1 January		133,373	120,954
Effect of changes in exchange rate on cash and cash equivalents		526	-583
31 December	(13)	**120,954**	**83,579**

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Retained earnings			Consolidated net profit	Non-controlling interests	Total
			Other comprehensive income	Currency translation adjustments	Other retrained earnings			
1 January 2018	15,506	122,755	-1,923	-8,768	192,552	26,192	2,922	349,236
Net income	0	0	0	0	0	18,630	299	18,929
Other comprehensive income	0	0	-225	-906	0	0	0	-1,131
Comprehensive income	0	0	-225	-906	0	18,630	299	17,798
Dividend payout SURTECO GROUP SE	0	0	0	0	-12,405	0	0	-12,405
Allocation to retained earnings	0	0	0	0	26,192	-26,192	0	0
Adjustments due to new accounting standards	0	0	0	0	-1,424	0	0	-1,424
Changes in equity	0	0	0	0	12,363	-26,192	0	-13,829
31 December 2018	15,506	122,755	-2,148	-9,674	204,915	18,630	3,221	353,205
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

NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

SURTECO GROUP SE, BUTTENWIESEN FOR THE BUSINESS YEAR 2019

I. Accounting Principles

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

The consolidated financial statements of SURTECO GROUP SE and its subsidiaries for the fiscal year 2019 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 2019.

The consolidated financial statements and the consolidated management report for 2019 will be published in the Federal Gazette (Bundesanzeiger).

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

The 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 2019 were prepared on 15 April 2020 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 2020. 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.
Individual standards were changed in the course of the Annual Improvement Procedure (AIP 2015-2017).

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IFRS 16	Leases	01/01/2019	yes	yes
IAS 19 (A)	Amendments relating to employee benefits and their interaction, including short-term benefits or a defined contribution pension plan	01/01/2019	yes	none
IAS 28 (A)	Amendments relating to long-term participations in associates and joint ventures	01/01/2019	yes	none
IFRIC 23	Clarification of uncertainties over income tax treatments	01/01/2019	yes	none
IFRS 9 (A)	Prepayment features with negative compensation payments	01/01/2019	yes	none
IFRS 3 (A) & IFRS 11 (A)	Amendments relating to changes to revaluation of previously held shares	01/01/2019	yes	none
IAS 12 (A)	Amendments relating to income tax consequences of payments on financial instruments classified as equity	01/01/2019	yes	none
IAS 23 (A)	Amendments relating to borrowing costs that can be capitalized as assets	01/01/2019	yes	none

The accounting standard IFRS 16 Leases published by the IASB is being adopted by the SURTECO Group for the first time from 1 January 2019.

First-time adoption of IFRS 16

In January 2016, the IASB published IFRS 16 Leases. IFRS 16 abolishes the existing classification of leasing contracts on the lessee side in operating and finance leasing arrangements. IFRS 16 introduces a uniform lessee accounting model, according to which the lessee is obliged to recognize assets (for the right of use) and leasing liabilities in case there are leasing contracts over a period of more than twelve months. Leasing arrangements that have so far not been reported have to be recognized in the balance sheet.

IFRS 16 applies to business years which start on or after 1 January 2019. The standard will not be adopted in advance.

The SURTECO Group made use of the following simplifications on first-time adoption of IFRS 16:

- Application of a fixed-term interest rate. Country-specific differentiation of the interest rate was not implemented because all the financing for the SURTECO Group is carried out through SURTECO Group SE.
- Application of a single discount rate on a portfolio of leases with a similar structure
- Reporting of leases which have a residual term of less than 12 months on 1 January 2019 are presented as short-term leases.
- Leases for “small tickets” (low value assets) and “short term” leases are not reported.
- Initial costs are not recognized for the valuation of rights of use on the date of first-time application.
- The retrospective determination of the term of leases in the case of contracts with extension or termination options.

In the case of leases concluded prior to the transition point, the SURTECO Group has decided not to review whether a contract on the date of first-time application is or includes a lease, but to retain the assessments previously made under IAS 17 and IFRIC 4.

The SURTECO Group reports assets for rights of use and corresponding liabilities if in individual cases the Group does not make use of the exceptions for short-term leases or small ticket assets (low value) as follows:

- The right of use should be recognized as part of fixed assets and depreciated straight line over the term of the contract.
- The liability is capitalized as a liability in the amount of the present value of leasing payments to be made in the future and depreciated in accordance with the effective-interest method (see notes below). The liabilities for purposes of IFRS 16 are recognized in accordance with their maturities under financial liabilities.

In the case of finance leases with the SURTECO Group as the lessee, assets and liabilities are already reported in accordance with IAS 17. In these cases, and for leases where the Group acts as a lessor, no substantial impacts are expected on the consolidated financial statements.

The leasing liability as at 1 January is composed as follows:

€ 000s	2019
As at 31 December 2018, the recognized obligations arising from operate leases:	4,870
less short-term leases which are recorded straight line as expense	-100
less leases on small ticket assets (low value) which are recorded straight line as expense	-
less contracts which were reassessed as leasing agreements	-
plus adjustments on account of payments arising from service components	1,252
plus/less adjustments on account of differing assessments of extension and termination options	5,776
plus/less adjustments on account of changes to indices or (interest) rates which exert an impact on variable payments	
Outstanding gross payments for leases to be reported in future in accordance with IFRS 16	**11,798**
Discounted with the incremental interest rate of the lessor on the date of first-time application of IFRS 16	-633
Leasing liabilities reported on 1 January 2019	**11,165**
of which are:	
Short-term leasing liability	3,697
Long-term leasing liability	7,468

As at 1 January 2019, calculations were based on a weighted average incremental borrowing rate of interest in the amount of 1.1051 %.

The following items were recognized in the balance sheet in connection with leases:

€ 000s		31/12/2018		1/1/2019
Property, plant and equipment				
Land and buildings finance lease	21,566		0	
Office equipment	498			
		22,064		0
Rights of use				
Land and buildings (former finance lease)			21,566	
Land and buildings	0		9,202	
Technical plant and machinery	0		216	
Office equipment	0		227	
Office equipment (formerly finance lease)			498	
Vehicles	0		1,310	
IT and communication	0		210	
		0		33,230
Net deferred tax liabilities				7

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 1 / IAS 8 (A)	Definition of materiality	01/01/2020 *	yes	no
IFRS 9, IAS 39 & IFRS 7 (A)	Effects of the IBOR Reform	01/01/2020 *	yes	no
Conceptual Framework (A)	Changes to the conceptual framework	01/01/2020 *	no	currently being analyzed
IFRS 3 (A)	Clarification for definition of a business model in company mergers	01/01/2020 *	no	no
IFRS 17	Insurance contracts	01/01/2021 *	no	currently 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)

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 2019. 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.

Investments in associates in which the SURTECO Group exerts a significant influence (generally through a shareholding of 20 % to 50 %) and investments in joint ventures are valued according to the equity method.

As of the reporting date, two companies are not included in the consolidated financial statements (2018: 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:

	31/12/2018	Changes due to IFRS standards	Additions	Disposals Restructuring in the Group	Disposals Sales / Liquidation	31/12/2019
Consolidated subsidiaries						
- of which in Germany *	9	0	0	0	0	9
- of which abroad	28	0	0	0	-3	25
Subsidiaries reported at acquisition costs						
- of which in Germany	0	0	0	0	0	0
- of which abroad	2	0	0	0	0	2
Companies accounted for using the equity method						
- of which in Germany	0	0	0	0	0	0
- of which abroad	1	0	0	0	0	1
	40	0	0	0	-3	37

* of which 2 special-purpose entities

The companies included in the consolidated financial statements as of 31 December 2019 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 2019 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

In the business year 2019, the following structural changes were recognized within the SURTECO Group:

- Restructuring within the Nenplas Group: liquidation of Delta Plastics Ltd., (Wolverhampton), Nenplas Properties Ltd., (Ashbourne) and Nenplas Properties Holdings Ltd. (Ashbourne)

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	Nohra
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 to the previous year – to the SURTECO Group.

The consolidated financial statements have been prepared on the basis of historic acquisition and production cost, with the exception 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 2019).

The accounting of business combinations is carried out by the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets provided, the equity instruments issued, and the liabilities incurred or taken over on the date of exchange. Assets, liabilities and contingent liabilities identified within the course of a first-time business combination were 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". Currently existing non-controlling interests were 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.

The SURTECO Group has an investment in one company under jointly managed agreements. 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 SURTECO Group has only joint arrangements in the form of joint ventures.

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 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.

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 based on 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	
		31/12/2018	31/12/2019	2018	2019
US dollar	USD	0.8733	0.8907	0.8472	0.8932
Canadian dollar	CAD	0.6412	0.6840	0.6537	0.6732
Australian dollar	AUD	0.6164	0.6247	0.6331	0.6209
Singapore dollar	SGD	0.6414	0.6620	0.6279	0.6547
Swedish krone	SEK	0.0975	0.0957	0.0975	0.0945
Sterling GBP	GBP	1.1151	1.1766	1.1303	1.1403
Turkish lira	TRY	0.1651	0.1497	0.1795	0.1574
Polish zloty	PLN	0.2327	0.2348	0.2347	0.2327
Russian rouble	RUB	0.0125	0.0143	0.0135	0.0138
Czech koruna	CZK	0.0389	0.0394	0.0390	0.0390
Mexican peso	MXN	0.0444	0.0471	0.0440	0.0464
Brazilian real	BRL	0.2251	0.2218	0.2319	0.2270

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 reflects the consideration.

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 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.

All revenues are realised on a specific date in the SURTECO Group.

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

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 provision is based on experience values. Sales revenues are only reported in the scope in which it is probable that a significant cancellation of the sales is not necessary, insofar as the associated uncertainty no longer exists.

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.

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 using a valuation method.

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

A three-level fair value hierarchy is to be applied. The input factors used in the valuation procedures are classified as follows:

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

The scope of IFRS 13 is far-reaching and encompasses 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 determined payments, which are neither listed on a market arising from financial liabilities, nor derivative financial obligations, are recognized in the balance sheet under other liabilities in accordance with their remaining term. 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 as follows:

- At amortized costs: 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 are 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.
- At fair value through other comprehensive income: Assets that are held to collect contractual cash flows and for the disposal of financial assets, and for which the payment flows are exclusively interest and settlement payments. Changes to the book value are recognized in other comprehensive income, with the exception of impairment income/expenses, interest income and foreign-exchange losses/gains. Impairments do not lead to changes in the book value but are also recognized in other comprehensive income. When the financial asset is derecognized, the accumulated profit or loss from equity previously recognized in other comprehensive income is reclassified in the income statement and recognized in earnings from financial derivatives. Interest income is recognized in financial income using the effective interest method. Foreign-exchange gains/losses are shown as exchange-rate effects of the financial result in the income statement.
- At fair value through profit and loss: Debt instruments that are neither measured at amortized costs nor at fair value through other comprehensive income are measured at fair value through profit and loss. Gains and losses are offset under other profits/losses in the relevant period in which they arise.

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 programm

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 with the scope of investment and financial transactions. Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at the fair value on the date at which the contract is closed. They are subsequently revalued at market value on the 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 operation.

In the SURTECO Group, cash flow hedges are used exclusively for hedging purposes. The effective part of the changes in fair value of derivatives is recorded in the provision for cash flow hedges as a component of equity. The profit or loss relating to the ineffective part is recorded directly through profit or loss under the other operating income or losses.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. Ultimately, the deferred amounts are reported in the result for financial derivatives if the hedged underlying transaction exerts an effect on the profit/loss.
- 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 in 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 cash 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 collected for these financial instruments by 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, for contractual assets and for leasing values.

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 significant overdues on account of the customer structure or receivables for which an insolvency or similar proceeding has been opened through their debtor 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.

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. For the valuation category in accordance with IAS 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 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 direct costs and an appropriate proportion of the overheads and depreciation.

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

The costs for replacement of part of a fixed asset are included in the book value of the fixed asset (property, plant and equipment) at the date on which they were incurred, insofar as the criteria for recognition are fulfilled. When a major inspection is carried out, the costs are capitalized in the book value of the fixed asset as a replacement, insofar as the criteria for recognition are 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

Up until 2018, leasing relationships relating to property, plant and equipment were either classified as finance or operating leases. Since 1 January 2019, leases have been 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. 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:

- 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. On 1 January 2019 (or 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 leaving 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 assets, on reinstatement of the location at which the assets are 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 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. While the SURTECO Group applies the acquisition cost method of IAS 16 for its land and buildings recognized in property, plant and equipment, it has decided not to apply this principle for rights of use on buildings.

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 a large number of conditions. Leasing agreements do not include any credit conditions and are not used as collateral for drawing on credit lines.

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

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

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

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

On each 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 (23) 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 net asset values of the individual cash generating units are compared with their individual recoverable amount, i.e. the higher value from the net sale price and value in use. In the determination of the 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 cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account customer-centric allocations on the basis of strategic business units. The cash generating units of the SBUs are the operating divisions under the reportable segments. The reportable segments are ‘Decoratives’, ‘Profiles’ and ‘Technicals’. The scope of ‘Technicals’ is comprised of several immaterial individual segments which are grouped together owing to clarity.

In the cases in which the book value of the cash generating unit is higher than their recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected Strategic Business Unit is amortized in the amount of the allowance thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant Strategic Business Unit proportionately to the book value. Any 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 related to the relevant tax year and any obligations arising from the previous years. The valuations are subject to the applicable statutory regulations taking into account current legal precedents and the prevailing professional opinion.

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 institutions were closed in the past. New employees will be offered a company pension plan through an external welfare fund and pension scheme; they will not receive any direct commitments from the company.

Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken account in the determination of the provision.

The pension obligations of SURTECO are subject to various market risks. The risks essentially related to changes in market interest rates, inflation which exerts an effect on the level of pension adjustments, the longevity and on general market fluctuations.

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 with prudent estimation of the relevant influencing parameters. The obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pension accruals, including the interest portion contained therein, is recognized under personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on 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 on the basis of 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 taking the following actuarial assumptions into account:

	2018	2019
Interest rate	1.87%	0.82%
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 0.82 % (2018: 1.87 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms.

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

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

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

Segment reporting

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, which have to be based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects. The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

VIII. Notes to the Income Statement

(1) Sales revenues

The sales revenues are comprised as follows:

Business (product) € 000s	2018	2019
Edgebandings	258,535	250,714
Foils	135,842	128,033
Decorative printing	91,002	91,056
Impregnates / Release papers	97,977	77,879
Skirtings and related products	48,793	53,397
Technical extrusions	36,141	36,315
Other	30,687	37,878
	698,977	675,272

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

€ 000s	2019			
	Decoratives	Profiles	Technicals	Total
Edgebandings	239,748	571	10,395	250,714
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

€ 000s	2018[1]			
	Decoratives	Profiles	Technicals	Total
Edgebandings	248,423	454	9,658	258,535
Foils	104,817	0	31,025	135,842
Decorative printing	91,002	0	0	91,002
Impregnates / Release papers	29,399	0	68,578	97,977
Skirtings and related products	2,074	46,719	0	48,793
Technical extrusions	4,124	32,017	0	36,141
Other	22,768	7,118	801	30,687
	502,607	86,308	110,062	698,977

[1] These are pro forma values which are used for better comparability

(2) Changes in inventorie

The changes in inventories relate to work in progress amounting to € 000 +724 (2018: € 000s -270) and finished products amounting to € 000s -4,437 (2018: € 000s 2,617).

(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	2018	2019
Cost of raw materials, consumables and supplies, and purchased merchandise	344,853	325,035
Cost of purchased services	4,769	1,457
	349,622	326,492

(5) Personnel expenses

The following table shows personnel expenses:

€ 000s	2018	2019
Wages and salaries	155,665	156,539
Social security contributions	19,425	19,627
Pension costs	10,257	10,020
	185,347	186,186

Regarding the defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 316 (2018: € 000s 331) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 8,071 (2018: € 000s 8,061) 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.

The average number of employees amounts to 3,218 (2018: 3,329).

The following table shows the employee structure:

			2018			2019
	Industrial	Salaried	Total	Industrial	Salaried	Total
Production	1,707	206	1,913	1,625	222	1,846
Sales	57	390	447	52	389	441
Engineering	136	49	185	135	40	175
Research and development, quality assurance	94	118	212	65	103	168
Administration, materials management	166	406	572	187	401	588
	2,160	1,169	3,329	2,064	1,155	3,218

The number of employees by regions is as follows:

	2018	2019
Germany	1,866	1,792
European Union	659	636
Rest of Europe	31	35
Asia/Australia	204	213
America	569	542
	3,329	3,218

(6) Other operating expenses

The other operating expenses are composed as follows:

€ 000s	2018	2019
Operating expenses	27,305	26,602
Sales expenses	49,883	48,790
Administrative expenses	24,050	24,574
Expenses arising from the ending of legal disputes	1,535	73
Impairment losses on receivables	733	2,679
	103,506	102,718

Uncapitalized research and development costs (personnel and materials costs) in the Group amounted to € 000s 3,584 (2018: € 000s 4,721).

The effects of changes in exchange rate through profit and loss included in other operating expenses amounted to € 000s 150 (2018: € 000s 274) in the business year 2019.

Owing to the first-time application of IFRS 16, rental and lease expenses are no longer recognised in other operating expenses. We refer to our explanations in the sections (II), (VII), (8) and (22).

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

In the business year 2019, impairment reversal incomes are recorded.

In the business year 2019, impairment reversal income in the amount of € 000s 185 (2018: € 000s 1,078) is recorded for trade accounts receivable. These were determined on the basis of the simplified impairment model (provision matrix).

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	Likely	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.

The receivables from affiliated companies include operational receivables and a loan issued. These receivables amount to € 000s 828. They were written down in full in the business year. The impairment expense in the amount of € 000s 414 is attributable to operating receivables (operating result) and in the amount of € 000s 414 to the loan issued (financial result).

(8) Leases

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

€ 000s		2018		2019
Depreciation and Amortization on finance lease in accordance with IAS 17				
Land and buildings	-1,061		0	
Office equipment	-190		0	
		-1,251		0
Depreciation and amortization on rights of use				
Land and buildings	-		-2,642	
Land and buildings (formerly finance lease)			-1,061	
Technical plant and machinery	-		-63	
Office equipment	-		-196	
Office equipment (formerly finance)			-139	
Vehicles	-		-666	
IT and communication	-		-71	
		0		-4,838

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

€ 000s		2018		2019
IFRS 16: Expenses in other operating expense:				
Expenses in conjunction with short-term leases	-		-1,296	
Expenses in conjunction with leases on small ticket assets (low value)	-		-10	
Expenses in conjunction with variable lease payments not included in leasing liabilities	-		-20	
Expenses in conjunction with payments in advance and other expenses not included in leasing liabilities	-		-433	
		-		-1,759

In the business year 2019, payments for leasing obligations amounted to € 000s 6,047 (2018: € 000s 2,474; finance lease in accordance with IAS 17).

In accordance with IFRS 16, interest expense in the amount of € 000s 586 (2018: € 000s 390, interest share of finance lease in accordance with IAS 17) was recognized under interest expense.

(9) Other operating income

The following table shows other operating income:

€ 000s	2018	2019
Income tax rebates (abroad)	938	1,123
Rental income	771	699
Claims for compensation	537	453
Income from reductions of allowances	288	558
Income from asset disposals	198	141
Income from allocated charges	67	296
Other operating income	1,461	1,481
	4,260	**4,751**

(10) Financial results

€ 000s	2018	2019
Interest and similar income	1,432	460
Interest and similar expenses	-7,490	-7,345
Interest (net)	**-6,058**	**-6,885**
Currency gains/losses, net	1,725	1,886
Other financial earnings	-706	-175
Other financial expenses and income	**1,019**	**1,711**
Impairment expenses in accordance with IFRS 9	**-570**	**-414**
Share of profit of investments accounted for using the equity method	**540**	**688**
Financial result	**-5,069**	**-4,901**

Interest expenses on financial liabilities that were not measured at fair value through profit or loss in the amount of € 000s 15 (2018: € 000s 24) were included in the financial result.

We refer to section (7) 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		2018		2019
Current income taxes				
- Germany	1,477		456	
- international	9,181		10,380	
		10,658		10,836
Deferred income taxes				
- from time differences	-1,736		-9,353	
- from losses carried forward	-718		4,979	
		-2,454		-4,374
		8,204		**6,462**

An average overall tax burden of 30.00 % (2018: 28.57 %) results for the German companies. The tax rate takes considers the trade tax (14.17 %; 2018: 12.75 %), 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 18 % and 34 % (2018: 17 % - 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 5,559 (2018: € 000s 5,423) due to restricted utility. The loss carry-forwards amounting to € 000s 4,894 expire within ten years, and € 000s 559 can be carried forward indefinitely.

Deferred tax liabilities amounting to € 000s 4,447 (2018: € 000s 19,405) were not recognized on temporary differences in connection with investments in subsidiaries, 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	
	2018	Change	2019	2018	Change	2019
Inventories	1,207	785	1,992	1,018	25	1,043
Receivables and other assets	1,556	-331	1,225	6,826	-4,231	2,595
Tax losses carried forward	768	4,211	4,979	0	0	0
Goodwill	0	0	0	3,216	603	3,819
Property, plant and equipment	2,260	-1,008	1,252	20,622	4,767	25,389
Intangible assets	45	1	46	11,421	-260	11,161
Other current assets	0	0	0	13	-13	0
Other non-current assets	508	-62	446	1,111	-1,111	0
Financial liabilities	21,770	-14,759	7,011	18,439	-18,247	192
Pensions and other personnel-related obligations	1,464	388	1,852	647	162	809
Trade accounts payable	1,158	63	1,221	661	699	1,360
Other liabilities	5,230	-1,298	3,932	1,720	884	2,604
	35,966	**-12,009**	**23,957**	**65,694**	**-16,723**	**48,971**
Netting	-17,681		-15,186	-17,681		-15,186
	18,285	**-12,009**	**8,771**	**48,013**	**-16,723**	**33,785**

Non-current deferred taxes are included in the deferred tax assets in the amount of € 000s 15,209 (2018: € 000s 9,124), in the deferred tax liabilities in the amount of € 000s 42,680 (2018: € 000s 56,879).

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

€ 000s	2018	2019
Earnings before Taxes (EBT)	27,133	16,218
Expected income tax	7,752	4,865
Reconciliation:		
Changes in tax rates	-1,503	20
Differences in tax rates	-716	-1,383
Share of profit of investments accounted for using the equity method	-131	-389
Use of loss carry-forwards not including deferred tax assets	905	-458
Expenses not deductible from taxes	1,308	4,351
Tax-free income	-855	-1,337
Allowance on deferred tax assets	-445	130
Tax expenses / income not related to the reporting period	959	884
Permanent differences	802	-415
Other effects	128	235
Income tax	**8,204**	**6,462**

The average expected tax rate amounts to 30.0 % (2018: 28.57 %).

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.

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	2018	2019
Actuarial gains/losses	-57	333
Net investment in a foreign operation	214	92
	157	**425**

(12) Earnings per share

	2018	2019
Consolidated net profit in € 000s	18,630	9,428
Weighted average of no-par-value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	1.20	0.61

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	2018	2019
Cash in hand and bank balances	67,954	70,490
Fixed-term deposits	53,000	13,089
	120,954	**83,579**

(14) Trade accounts receivable

€ 000s		2018		2019
Trade accounts receivable	61,008		56,152	
Less allowances	-3,489		-3,522	
Book value		**57,519**		**52,630**

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

The allowances developed as follows:

€ 000s	2018		2019	
	Specific allowance	Allowance acc. to IFRS 9	Specific allowance	Allowance acc. to IFRS 9
1/1/	4,426	-	2,574	915
First-time application in accordance with IFRS 9	-	1,994	-	-
Recourse	-179	-	-278	
Release of unused amounts	-2,198	-1,078	-120	-185
Addition (effect on expenses)	430	-	583	-
Exchange rate differences	95	-	33	-
31/12/	**2,574**	**915**	**2,792**	**730**

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			
31/12/2019						
		1%	3%	21%	25%	29%
Book value of trade accounts receivable	38,175	33,325	4,462	231	97	59
Allowance in accordance with IFRS 9	403	181	133	48	24	17
Allowance in accordance with IFRS 9 for factoring receivables	416					
Less lump-sum allowances	-89					
Allowance in accordance with IFRS 9 as at 31/12/2019	730					
31/12/2018						
		1%	4%	29%	35%	40%
Book value of trade accounts receivable	61,339	51,037	9,365	330	169	439
Allowance in accordance with IFRS 9	1,036	351	353	96	59	178
Less lump-sum allowances	-121					
Allowance in accordance with IFRS 9 as at 31/12/2018	915					

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

The maximum amount exposed to default in trade accounts receivable amounts to € 000s 4,381 (2018: € 000s 4,122) on 31 December 2019. The receivables of the individual companies are hedged depending on the size of the company, the receivable structure and the risk profile of the receivable.

The nominal amount for all written-down assets, for which an insolvency or other proceeding is currently ongoing, amounts to € 000s 704 as at 31 December 2019 (2018: € 000s 279).

(15) Inventories

The inventories of the Group are comprised as follows:

€ 000s	2018	2019
Raw materials, consumables and supplies	43,491	37,067
Work in progress	12,502	11,778
Finished products and goods	70,976	74,211
Payments on account for inventories	0	5
	126,969	**123,061**

Impairments of € 000s 4,296 (2018: € 000s 3,195) were reported on inventories.

Of the inventories, € 000s 22,281 (2018: € 000s 54,905) 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		2018		2019
Other current non-financial assets				
Income tax assets (value added tax, wage tax)	4,482		4,873	
Prepaid expenses	2,735		2,521	
Other	473		887	
		7,690		8,281
Other current financial assets				
Call option	4,300		4,300	
Receivables factoring	799		2,218	
Bonuses receivables	696		1,067	
Security deposits	151		117	
Creditors with debit balances	204		208	
Receivables from employment relationships	99		319	
Other loans	200		0	
Other	929		642	
		7,378		8,871
		15,068		**17,152**

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

Other current financial assets
See section (34) for explanations of the call option (purchase option).

The receivables recognized from factoring result from the sales of trade receivables of SURTECO GROUP SE to a factor. 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 2019 amounting to € 000s 10,187 (2018: € 000s 7,731) led to a partial disposal. A continuing involvement asset in the amount of € 000s 129 (2018: € 000s 112) was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 129 (2018: € 000s 112) was reported under other current liabilities. The maximum amount of the receivables sold amounts to € 000s 19,825 (2018: € 000s 19,915; book value € 000s 21,412) in the business year.

In the case of other current financial liabilities, obligations of € 000s 5,454 (2018: € 000s 3,818) were additionally recognized with respect to the factor for receivables settled to the reporting date.

(18) Assets held for sale

On the reporting date, the SURTECO Group has no assets held for sale. The assets held for sale in the previous year were disposed of in the course of the business year 2019.

(19) Fixed assets

The fixed assets are comprised as follows:

€ 000s	Property, plant and equipment	Intangible assets	Goodwill	Rights of use	Total
Acquisition costs					
1/1/2018	664,166	118,966	208,073	0	991,205
Currency adjustment	1,042	-266	-238	0	538
Additions	45,017	2,520	0	0	47,537
Disposals	-7,546	-26	0	0	-7,572
Reclassification to assets held for sale	-25,794	-206	0	0	-26,000
Transfers	-304	304	0	0	0
31/12/2018	**676,581**	**121,292**	**207,835**	**0**	**1,005,708**
1/1/2019 [1]	**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	-1,634	1,634	0	0	0
Reclassification on account of IFRS 16	-28,316	0	0	28,316	0
31/12/2019	**674,996**	**125,881**	**182,487**	**42,136**	**1,025,501**
Depreciation and amortization					
1/1/2018	405,958	52,290	44,770	0	503,018
Currency adjustment	341	-80	201	0	462
Additions	30,618	9,958	0		40,576
Disposals	-6,996	-12	0	0	-7,008
Reclassification to assets held for sale	-9,091	-193	0	0	-9,284
31/12/2018	**420,830**	**61,963**	**44,971**	**0**	**527,764**
1/1/2019 [2]	**428,679**	**61,611**	**19,493**	**0**	**509,783**
Currency adjustment	1,033	577	182	19	1,811
Additions	32,800	8,737	0	4,838	45,175
Disposals	-15,617	-130	-32	-448	-16,227
Transfers	-1,319	1,319	0	0	0
Reclassifications 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**
Book value at 31/12/2019	**236,874**	**53,767**	**162,844**	**31,473**	**484,959**
Book value at 31/12/2018	**255,751**	**59,329**	**162,864**	**0**	**477,944**

[1] The values carried forward for acquisition costs were adjusted on account of allowances in the subledgers for property, plant and equipment in the amount of € 000s 8,279, for intangible assets in the amount of € 000s -350 and for goodwill in the amount of € 000s 25,478.
[2] The values carried forward in accumulated depreciation and amortization were adjusted on account of allowances in the subledgers for property plant and equipment in the amount of € 000s -7,849, for intangible assets in the amount of € 000s 352 and for goodwill in the amount of € 000s -25,478.

(20) 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						
1/1/2018	143,176	26,622	391,720	89,005	13,643	664,166
Currency adjustment	5	1	1,336	-320	20	1,042
Reclassification to assets held for sale	-6,112	0	-18,935	-747	0	-25,794
Additions	4,684	0	19,487	8,189	12,657	45,017
Disposals	-358	0	-4,833	-2,310	-45	-7,546
Transfers	1,572	-278	4,208	1,039	-6,845	-304
31/12/2018	**142,967**	**26,345**	**392,983**	**94,856**	**19,430**	**676,581**
1/1/2019 [3]	**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
Reclassifications 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**
Depreciation and amortization						
1/1/2018	58,202	4,220	280,606	62,925	5	405,958
Currency adjustment	-2	1	454	-112	0	341
Reclassification to disposals	-423	0	-8,333	-335	0	-9,091
Additions	3,775	810	19,364	6,669	0	30,618
Disposals	-347	0	-4,529	-2,120	0	-6,996
Transfers	252	-252	11	-11	0	0
31/12/2018	**61,457**	**4,779**	**287,573**	**67,016**	**5**	**420,830**
1/1/2019 [4]	**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	6,617	0	32,800
Disposals	-1,510	0	-10,585	-3,522	0	-15,617
Transfers	-1,888	0	-1,448	114	1,903	-1,319
Reclassifications on account of IFRS 16	0	-6,562	0	-892	0	-7,454
Write-up	-526	0	526	0	0	0
31/12/2019	**61,286**	**0**	**304,796**	**70,131**	**1,908**	**438,122**
Book value at 31/12/2019	**83,966**	**0**	**111,500**	**25,434**	**15,976**	**236,875**
Book value at 31/12/2018	**81,510**	**21,566**	**105,410**	**27,840**	**19,425**	**255,751**

As at 31 December 2019, property, plant and equipment with a carrying amount of € 000s 471 (2018: € 000s 1,221) was pledged as collateral for existing liabilities.
In the business year 2019, impairments in the amount of € 000s 1,330 were carried out on technical equipment.

[3] The values carried forward for acquisition costs were adjusted similarly for land and buildings by € 000s 160, for finance leasing in respect of land and buildings by € 000s 722, for technical plant and machinery by € 000s 6,641, for other plant, factory and office equipment by € 000s 757.
[4] The values carried forward in accumulated depreciation and amortization were adjusted similarly for land and buildings by € 000s -159, for finance leasing in respect of land and buildings by € 000s -722, for technical plant and machinery by € 000s -6,226, for other plant, factory and office equipment by € 000s -74

(21) 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					
1/1/2018	**34,058**	**76,241**	**8,507**	**160**	**118,966**
Currency adjustment	-153	78	-191	0	-266
Reclassification to assets held for sale	-206	0	0	0	-206
Additions	2,128	0	304	88	2,520
Disposals	-26	0	0	0	-26
Transfers	402	0	49	-147	304
31/12/2018	**36,203**	**76,319**	**8,669**	**101**	**121,292**
1/1/2019 [5]	**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**
Depreciation and amortization					
1/1/2018	**24,437**	**23,797**	**4,056**	**0**	**52,290**
Currency adjustment	-115	142	-107	0	-80
Additions	4,075	5,624	259	0	9,958
Disposals	-12	0	0	0	-12
Reclassification to assets held for sale	-193	0	0	0	-193
31/12/2018	**28,192**	**29,563**	**4,208**	**0**	**61,963**
1/1/2019 [6]	**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**
Book value at 31/12/2019	**4,404**	**44,609**	**4,047**	**708**	**53,768**
Book value at 31/12/2018	**8,011**	**46,756**	**4,461**	**101**	**59,329**

5 The values carried forward for acquisition costs were adjusted similarly for concessions, patents, licences, technology and similar rights by € 000s -52, for customer relations, trademarks and similar rights by € 000s 999 and for development expenses by € 000s -1,303.
6 The values carried forward for accumulated depreciation and amortization were adjusted similarly for concessions, patents, licences and similar rights by € 000s 2,575, for customer relations, trademarks, technology and similar rights by € 000s -2,695 and for development expenses by € 000s 236.

(22) Rights of use

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

T€	31/12/2018		31/12/2019	
Property, plant and equipment				
Land and buildings finance lease	21,566		0	
Office equipment	498			
		22,064		**0**
Rights of use				
Land and buildings (formerly finance lease)			20,504	
Land and buildings	0		9,009	
Technical plant and machinery	0		94	
Office equipment	0		66	
Office equipment (formerly finance lease)			358	
Vehicles	0		1,080	
IT and communication	0		362	
		0		**31,473**

The allocations to rights of use during the business year 2019 amounted to € 000s 15,248.

(23) Goodwill

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

Goodwill developed as follows:

€ 000s	2018	2019
1/1/	163,303	162,864
Currency adjustment	-439	-20
31/12/	162,864	162,844

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

The value of the significant goodwill recognized in the year under review was also evident in a variation in the discount rate and the growth rate by +/- 0.5 %.

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

€ 000s		2018	Reconciliation	2019
CGU Edgebandings	111,652		-111,652	0
CGU Skirtings	36,281		-36,281	0
CGU Technical Foils	7,939		-7,939	0
Strategic Business Unit Plastics		155,873	-155,873	0
Strategic Business Unit Paper		6,991	-6,991	0
		162,864	-162,864	0
CGU Decoratives			117,289	117,289
CGU Profiles			36,281	36,281
CGU Technical Foils			7,793	7,793
CGU DAKOR			498	498
CGU Kröning			982	982
		162,864	-20	162,844

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 3.6 % for sales and 11.7 % for EBITDA. For the period after the fifth year, a growth rate of 0.5 % was used for sales and for EBITDA, since the value in use is mainly determined by the terminal value and this responds in a particularly sensitive way to changes in assumptions with respect to its growth rate and its interest rate.

The costs of capital are calculated as a weighted average of the costs of equity and debt. As far as possible, external information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors. An increased market risk was taken account by a 0.5 % point higher “additional risk” compared with the previous year. Market conditions for loans are taken into account for borrowing costs. This yielded an interest rate of 7.3 % (2018: 7.9 %) before taxes in December 2019.

Based on the impairment tests carried out in the business year 2019, 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.

(24) Investments accounted for using the equity method

€ 000s	Investments in joint ventures
Acquisition costs	
1/1/2018	**1,988**
Currency adjustment	61
Proportionate earnings	541
Payout	-212
31/12/2018	**2,378**
Currency adjustment	169
Proportionate earnings	688
Payout	-719
31/12/2019	**2,516**

The investments accounted for using the equity method relate to one joint venture in the business year 2019.

Name	Country of registration	Percentage of shares held	Type of business activity	Type of participation
Canplast Mexico S.A. de C.V.	Mexico	50%	Sale of edgebandings	Joint-venture company

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

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

€ 000s	2018 Joint ventures	2019 Joint ventures
Current assets	4,143	5,206
Non-current assets	745	810
Current liabilities	-1,045	-1,714
Non-current liabilities	-23	-368
Net assets (100 %)	**3,820**	**3,934**
Share of the Group in the net assets (50 %)	1,910	1,967
Book value of the share	2,378	2,516
Sales revenues	7,890	9,427
EBT	1,509	2,294
Profit after taxes	1,082	1,376
Share of the Group in total income	541	688
Payout received from joint ventures	212	719

The financial assets developed as follows::

€ 000s	2018	2019
1/1/	831	31
Participations	0	-1
Loans	-800	0
31/12/	31	30

(25) Income tax liabilities

Tax liabilities include the income tax due for the business year 2019 or earlier business years and not yet paid, and the anticipated tax payments for previous years.

(26) Short-term provisions

€ 000s	1/1/2019	Currency adjustment	Expense	Release	Addition	31/12/2019
Warranty	1,389	1	-741	-410	1,322	1,561
Legal disputes	2,287	-4	-13	0	1,340	3,610
Restructuring	6,308	-19	-4,120	-1,562	12,651	13,258
Impending losses	214	0	-171	0	131	174
Other	1,400	-3	-179	-241	444	1,421
	11,598	-25	-5,224	-2,213	15,887	20,023

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.

The restructuring provision includes expenses which are used for an optimization programme to harmonize the processes and structures 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 will come with fulfilment of the sales transactions.

(27) Other current financial and non-financial liabilities

€ 000s		2018		2019
Other current non-financial liabilities				
Tax liabilities (value added tax)	1,247		1,200	
Social insurance against occupational accidents	816		791	
Supervisory Board remuneration	304		246	
Deferred income	13		119	
Other	88		54	
		2,468		2,410
Other current financial liabilities				
Liabilities from employment relationships *	16,637		13,462	
Other current liabilities factoring	3,818		5,454	
Put option	3,407		3,834	
Bonuses and promotional costs	1,642		1,287	
Debitors with credit balances	2,095		2,118	
Commissions	547		261	
Payments on account received	492		808	
Other	940		281	
		29,578		27,505
		32,046		29,915
* of which social security.		611		830

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).

(28) Financial liabilities

The financial liabilities are comprised as follows:

€ 000s	2018	2019
Long-term financial liabilities to banks	241,522	237,609
Long-term financial liabilities for leases	11,062	16,926
Long-term financial liabilities	**252,584**	**254,535**
Short-term financial liabilities to banks	64,057	4,137
Short-term financial liabilities for leases	1,848	4,791
Short-term financial liabilities	**65,905**	**8,928**
Financial liabilities	**318,489**	**263,463**

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 2.92 %.

For collateral in respect of financial debt, please refer to section (20).

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

€ 000s	2018	2019
Leasing payments to be made in the future		
in less than one year	2,181	5,215
between one year and five years	11,440	16,046
after more than five years	17	1,327
Interest share		
in less than one year	-334	-420
between one year and five years	-395	-398
after more than five years	0	-52
Present value		
in less than one year	1,848	4,795
between one year and five years	11,045	15,647
after more than five years	17	1,275
	12,910	**21,717**

The increase in liabilities from leasing obligations is due to first-time application of IFRS 16.

(29) Pensions and other personnel-related obligations

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

The financing of the projected benefit obligations arising from pension obligations amounts to € 000s 11,800 (2018: € 000s 10,997) internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 212 (2018: € 000s 232), which secures the obligations partly or fully congruently.

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

€ 000s	2018			2019		
	Present value of obligation	Present value of plan assets	Provision	Present value of obligation	Present value of plan assets	Provision
1/1/	**11,032**	**-228**	**10,804**	**10,996**	**-231**	**10,765**
Pension payments on account	-503	0	-503	-228	0	-228
Payments from plan settlements	0	7	7	0	7	7
Current service expense	65	0	65	56	0	56
Interest income	0	-6	-6	0	17	17
Interest expense	234	-4	230	0	-4	-4
Remeasurements						
Actuarial gains / losses						
From changes in demographic parameters	156	0	156	-5	0	-5
From experience adjustments	124	0	124	-342	0	-342
From changes in financial parameters	-112	0	-112	1,316	0	1,316
	168	0	168	969	0	969
Other changes	0	0	0	0	0	0
Currency adjustments	0	0	0	7	0	7
31/12/	**10,996**	**-231**	**10,765**	**11,800**	**-212**	**11,588**

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 2019 before deferred taxes amounts to € 000s 969 (2018: € 000s 168). Up to now, a total of € 000s 3,973 (2018: € 000s 3,006) 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 480.

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	Change in present value of pension obligations			
	2018		2019	
	Increase	Decrease	Increase	Decrease
Increase in the interest rate by 0.25%		305		368
Decrease in the interest rate by 0.25%	321		349	
Increase in future pension rises by 0.25%	256		305	
Decrease in future pension rises by 0.25%		288		319

A similar approach is adopted by determining the sensitivities and the scope of obligation. 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 11.3 years to 31 December 2019.

The additional personnel-related obligations include partial-retirement and long-service agreements. The partial-retirement obligations amount to € 000s 259 (2019: € 000s 322) on the reporting date and these obligations are balanced by plan assets amounting to € 000s 170 (2018: € 000s 237) because of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 2,088 on the reporting date (2018: € 000s 1,979)

Out of the non-current obligations arising from partial-retirement arrangements € 000s 30 (2018: € 000s 80) are due in 2020.

(30) 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.

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

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 comprehensive income:

€ 000s	31/12/2018			31/12/2019		
	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	-225			636		
Components of other comprehensive income that may be classified to the income statement						
Net gains / losses from a net investment in a foreign operation		-498			213	
Exchange differences in translation of foreign operations		-408			1,050	
Other comprehensive income	-225	-906	-1,131	636	1,263	1,899

Dividend proposal

The dividend payout of SURTECO GROUP SE is based on net profit reported in the financial statements of SURTECO GROUP SE in accordance with commercial law in conformity with § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG). The financial statements of SURTECO GROUP SE drawn up in accordance with commercial law have recorded a net profit of € 000s 6,202 (2018: € 000s 8,528). The Management Board in consultation with the Supervisory Board of SURTECO GROUP SE will submit a proposal for the appropriation of the net profit of SURTECO GROUP SE at a later date on account of the current uncertain situation in relation to the coronavirus pandemic.

(31) Non-controlling interest

The following table provides an overview of financial information for companies with non-controlling interests which are important for the SURTECO Group.

The table presents balance sheet values at 31 December 2019 for the companies of the Nenplas Group before elimination of intragroup transactions and without the effect arising from the purchase price allocation:

€ 000s	Nenplas Holding Ltd.	Nenplas Ltd.	Polyplas Extrusion
	31/12/2019	31/12/2019	31/12/2019
ASSETS	5,571	17,464	7,642
Current assets	0	6,740	4,842
Non-current assets	5,571	10,724	2,800
LIABILITIES	5,571	17,464	7,642
Current liabilities	3,511	1,381	880
Non-current liabilities	0	979	1,436
Shareholders' equity	2,060	15,104	5,326

€ 000s 3,548 (2018: € 000s 3,221) were attributed to non-controlling interests in the equity of the Nenplas companies on 31 December 2019.

(32) Contingent liabilities and other financial obligations

Contingent liabilities were recognized on 31 December 2019 amounting to € 000s 0 (2018: € 000s 28) and relate exclusively to a special-purpose entity. There are no identifiable points of reference for assuming that the conditions underlying the investment allowance are no longer applicable. Furthermore, guarantees were provided for non-consolidated companies (see 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 11,799 (2018: € 000s 0) were recognized arising from orders for investment projects already in progress or planned in the area of items of property, plant and equipment and intangible assets (commitments from orders).

(33) Capital management

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. The capital is defined as the shareholders' equity recognized in the balance sheet and the net debt.
Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts. The Group is not subject to the imposition of any statutory capital requirements.

The dividend payout for the business year 2019 amounted to € 000s 8,528.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 9.6 (2018: 12.0) in 2019. The debt-service coverage ratio was 30.4 % in 2019 (2018: 30.0 %). The net debt amounted to € 000s 179,884 (2018: € 000s 197,535) on 31 December 2019 and the equity ratio was 45.4 % (2018: 41.8 %). 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.

(34) 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 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 2019. 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 (31)) 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 2019.

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.

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	-	-	-	-

2018 € 000s	Book value 31/12/18	2019 Interest	 Repayment	2020 - 2023 Interest	 Repayment	2024 ff. Interest	 Repayment
Financial liabilities to banks	305,580	5,880	63,756	12,652	129,957	5,844	112,380
Financial liabilities from leasing obligations	12,909	334	1,848	395	11,045	0	17
Financial liabilities	318,489	6,214	65,604	13,047	141,002	5,844	112,397
Trade accounts payable	65,078	-	65,078	-	-	-	-
Other financial liabilities	29,578	-	29,578	-	-	-	-

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 2019 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 (bp):

€ 000s	Income statement 100 bp Rise	 100 bp Fall	Equity / Other comprehensive income 100 bp Rise	 100 bp Fall
31/12/2019				
Variable interest instruments	423	-727	423	-727
	423	-727	423	-727
31/12/2018				
Variable interest instruments	416	-759	416	-759
	416	-759	416	-759

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
31/12/2019				
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
31/12/2018				
Primary financial instruments				
in US dollars	1,523	-1,246	0	0
in other currencies	331	-271	1,836	-1,502
	1,854	-1,517	1,836	-1,502

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.

31/12/2019 € 000s	Category acc. IFRS 9	Book value	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	AC	83,579	83,579				n.a.	n.a.
Trade accounts receivable	AC	52,630	52,630				n.a.	n.a.
Receivables from affiliated companies	AC	172	172				n.a.	n.a.
Other current financial assets								
- Continuing involvement	n.a.	129					n.a.	n.a.
- Receivable from loan issued	AC	0	-				-	-
- Other current financial assets (in the scope of IFRS 7)	AC	7,174	7,174				-	-
- Other current financial assets (not in the scope of IFRS 7)	n.a.	2,305	-					
- Call option	FVPL	4,300	-		4,300		4,300	2
Financial assets								
- Shares in affiliated companies	FVPL	20			20		20	3
- Participations	FVPL	10			10		10	3
Other non-current financial assets								
- Other non-current financial assets	AC	2,188	2,188				n.a.	n.a.
Liabilities								
Short-term financial liabilities								
- Financial liabilities from leasing obligations	n.a.	4,791				4,791	n.a.	n.a.
- Liabilities to banks	AC	4,137	4,137				n.a.	n.a.
Trade accounts payable	AC	62,906	62,906				n.a.	n.a.
Other current financial liabilities							n.a.	n.a.
- Continuing involvement	n.a.	129						
- Contractual liabilities	n.a.	4						
- Other current financial liabilities (in the scope of IFRS 7)	AC	17,935	17,935				n.a.	n.a.
- Other current financial liabilities (not in the scope of IFRS 7)	n.a.	5,607	-					
- Put option	FVPL	3,834			3,834		3,834	3
Long-term financial liabilities								
- Financial liabilities from leasing obligations	n.a.	16,926				16,926		
- Liabilities to banks	AC	237,610	237,610				255,213	
Aggregated according to valuation categories in accordance with IFRS 9								
Amortized Costs (Assets)	AC	145,743	145,743					
Fair Value through P&L (Asset)	FVPL	4,330			4,330			
Amortized Costs (Liabilities)	AC	322,588	322,588					
Fair Value through P&L (Liabilities)	FVPL	3,834			3,834			

31/12/2018 € 000s	Category acc. IFRS 9	Book value	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	AC	120,954	120,954				n.a.	n.a.
Trade accounts receivable	AC	57,519	57,519				n.a.	n.a.
Receivables from affiliated companies	AC	676	676				n.a.	n.a.
Other current financial assets								
- Continuing involvement	n.a.	112					n.a.	n.a.
- Receivable from loan issued	AC	200	200				207	2
- Other current financial assets (in the scope of IFRS 7)	AC	1,512	1,512				-	-
- Other current financial assets (not in the scope of IFRS 7)	n.a.	1,254	-					
- Call option	FVPL	4,300	-		4,300		4,300	3
Financial assets								
- Shares in affiliated companies	FVPL	20			20		20	3
- Participations	FVPL	10			10		10	3
Other non-current financial assets								
- Other non-current financial assets	AC	2,098	2,098				n.a.	n.a.
Liabilities								
Short-term financial liabilities								
- Financial liabilities from leasing obligations	n.a.	1,848				1,848	n.a.	n.a.
- Liabilities to banks	AC	64,057	64,057				n.a.	n.a.
Trade accounts payable	AC	65,078	65,078				n.a.	n.a.
Other current financial liabilities							n.a.	n.a.
- Continuing involvement	n.a.	112						
- Contractual liabilities	n.a.	165						
- Other current financial liabilities (in the scope of IFRS 7)	AC	5,434	5,434				n.a.	n.a.
- Other current financial liabilities (not in the scope of IFRS 7)	n.a.	20,624	-					
- Put option	FVPL	3,407			3,407		3,407	3
Long-term financial liabilities								
- Financial liabilities from leasing obligations	n.a.	11,062				11,062	11,213	2
- Liabilities to banks	AC	241,522	241,522				249,729	2
Aggregated according to valuation categories in accordance with IFRS 9								
Amortized Costs (Assets)	AC	182,959	182,959					
Fair Value through P&L (Asset)	FVPL	4,330			4,330			
Amortized Costs (Liabilities)	AC	376,091	376,091					
Fair Value through P&L (Liabilities)	FVPL	3,407			3,407			

Key to abbreviations	
IFRS 9:	
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". 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 current financial assets recognized at fair value through profit or loss or respectively the Nenplas call option included therein corresponds to the fair value of the call option for the acquisition of the remaining 15 % of the shares in the Nenplas Group amounting to € 000s 4,300 (2018: € 000s 4,300). Correspondingly, the call option granted to the seller for the 15 % of the Nenplas shares in the amount of the fair value of € 000s 3,834 (2018: € 000s 3,407) is recognized as a current financial liability. The valuation of the option is based on the current and expected EBITDA. The purchase and sale option was exercised on 31 December 2019 and is being 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 the course of this business year and the previous business year, there were no reclassifications between the measurement categories or reclassifications within the fair value hierarchy. The SURTECO Group decides as necessary with the date of the event or the change in circumstances which have caused 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	2018	2019
Gains from assets recognized at amortized costs	1,704	1,538
Losses from assets recognized at amortized costs	-1,007	-2,829
Gains/losses from assets recognized at amortized costs	**697**	**-1,291**
Gains from liabilities recognized at amortized costs	2,493	1,149
Losses from liabilities recognized at amortized costs	-8,559	-6,688
Gains/losses from liabilities recognized at amortized costs	**-6,066**	**-5,539**
Gains from liabilities recognized at fair value through profit and loss	893	-
Losses from liabilities recognized at fair value through profit and loss	-	-390
Gains/losses from liabilities recognised at fair value through profit and loss	**893**	**-390**

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 449 and interest expenses in the amount of € 000s -6,013 relate to the net gains and losses respectively.

6. Offsetting of financial assets and financial liabilities

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

Balance sheet offsets occurred with trade accounts payable and on which credits are granted or received.

a. Financial assets

€ 000s				Related amounts not set off in the balance sheet		
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
31/12/2019						
Trade accounts receivable	54,013	-1,383	52,630	-	-	52,630
	54,013	**-1,383**	**52,630**	**0**	**-**	**52,630**
31/12/2018						
Trade accounts receivable	58,633	-1,115	57,518	-	-	57,826
	58,633	**-1,115**	**57,518**	**0**	**-**	**57,826**

b. Financial liabilities

€ 000s	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral provided	Net amount
31/12/2019						
Trade accounts payable	64,289	-1,383	62,906	-	-	62,906
	64,289	**-1,383**	**62,906**	**0**	**-**	**62,906**
31/12/2018						
Trade accounts payable	66,193	-1,115	65,078	-	-	63,174
	66,193	**-1,115**	**65,078**	**0**	**-**	**63,174**

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

X. SUPPLEMENTARY INFORMATION

(35) Notes to the cash flow statement

The cash flow statement was prepared in accordance with IAS 7. It is structured on the basis of cash flows arising from operating activities, from investment such as 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, as well as interest payments from loans and financial liabilities.

(36) Segment reporting

The activities of the SURTECO Group are segmented on the basis of 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. Each company within the Group is assigned to the appropriate segment 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 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 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	Recon-ciliation	SURTECO Group
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
Impairment expenses/income in accordance with IFRS 9	0	0	0	-414	-414
Segment earnings (EBT)	14,607	8,347	2,051	-8,788	16,218
Substantial income/expense items	-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	2,172	-6,462
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
2018 *					
External sales	502,607	86,308	110,062	0	698,977
Internal sales within the SURTECO Group	16,526	1,277	3,742	-21,545	0
Total sales	519,133	87,585	113,804	-21,545	698,977
Depreciation and amortization	-29,586	-5,940	-4,877	-173	-40,576
Segment earnings (EBIT)	25,543	9,345	3,897	-6,582	32,203
Interest income	465	1,113	144	-290	1,432
Interest expenses	-2,223	-429	-572	-4,267	-7,491
Impairment expenses/income in accordance with IFRS 9	0	0	0	-570	-570
Segment earnings (EBT)	24,406	9,947	3,650	-10,869	27,134
Substantial income/expense items	-5,400		-700	0	-6,100
Share of profit of investments accounted for using the equity method	541	0	0	0	541
Segment working capital	107,601	19,933	11,984	-3,386	136,132
Voluntary disclosures:					
Income tax	-6,807	-909	-303	-185	-8,204
Investments (property, plant and equipment, and intangible assets)	36,820	7,021	3,576	119	47,536
Employees	2,563	468	277	21	3,329

*These are pro-forma values which are used to provide better comparability.

Segment information by regional markets € 000s	2018			2019		
	Sales Revenues	Non-current assets	Investments	Sales Revenues	Non-current assets	Investments
	169,990	233,139	30,877	168,181	239,825	26,967
Rest of Europe	325,193	166,542	6,928	315,573	163,125	5,332
America	141,648	47,869	7,932	133,757	50,414	3,223
Asia/Australia	54,984	30,394	1,800	51,774	31,595	844
Other	7,162	0	0	5,987		
	698,977	477,944	47,537	675,272	484,959	36,366

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

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

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

Reconciliation of balance sheet total with net segment assets € 000s	2018	2019
Balance sheet total	844,541	780,325
Less financial assets		
- Cash and cash equivalents	120,954	83,579
- Financial assets and investments accounted for using the equity method	2,462	2,627
- Tax assets / deferred tax assets	23,727	13,958
Segment assets	697,398	680,161
Current and non-current liabilities	491,336	425,692
Less financial liabilities		
- Short-term and long-term financial liabilities	318,489	263,463
- Tax liabilities / deferred tax liabilities	51,109	35,378
- Pensions and other personnel-related obligations	12,828	13,765
Segment liabilities	108,910	113,086
Net segment assets	588,488	567,075

(37) 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.

€ 000s	2018	2019
Services rendered (income)	1,132	1,905
Services received (expense)	0	0
Receivables (31/12/)	139	149
Liabilities (31/12/)	0	0

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

€ 000s	2018	2019
Services rendered (income)	805	747
Services received (expense)	0	324
Receivables (31/12/)	537	23
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 2019, the SURTECO Group issued guarantees amounting to € 000s 106 (2018: € 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.

(38) Compensation for executive officers and former executive officers

Supervisory Board
Total compensation of the Supervisory Board for the business year 2019 amounted to € 000s 245 (2018: € 000s 280). It includes basic remuneration of € 000s 206 (2018: € 000s 242) and compensation for audit-committee activities of € 000s 39 (2018: € 000s 38).

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 1,516 (2018: € 000s 1,728) for the business year 2019. Out of this amount, € 000s 767 (2018: € 000s 730) were attributable to the fixed compensation, € 000s 520 (2018: € 000s 784) to the performance-based compensation and € 000s 79 (2018: € 000s 114) to fringe benefits and € 000s 150 (2018: € 000s 100) to pension expenses. Out of the total compensation of the active members of the Management Board, € 000s 0 (2018: € 000s 127) are long term, € 000s 520 (2018: € 000s 1,501) are short term and € 000s 150 (2018: € 000s 100) are pension expenses.

The former Member of the Management Board Dr.-Ing. Gereon Schäfer receives for 2019 an ex gratia payment totalling € 000s 600 (2018: (April to December) € 000s 450).

The information about individual compensation and the information in accordance with IAS 24 is provided in the compensation report of the Management Report of the SURTECO Group and SURTECO GROUP SE.

(39) Auditor's fee

At the Annual General Meeting on 27 June 2019, 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 2019.

The total fee for the business year amounted to € 000s 778 (2018: € 000s 873). Out of this € 000s 528 (2018: € 000s 661) was attributed to services for auditing the financial statements, € 000s 0 (2018: € 000s 3) to other assurance services, € 000s 249 (2018: € 000s 134) to tax consultancy services and € 000s 1 (2018: € 000s 75) 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. Other confirmation services in the previous year included voluntarily commissioned confirmation services. The tax consultancy services essentially relate to consultancy services for the preparation of tax returns. The other services include project-related consultancy services.

(40) Events after the reporting date

The novel coronavirus, as a result of which the respiratory disease COVID-19 can be triggered, quickly spread across the world with a significant number of infections during the course of 2020. The government measures taken to prevent the spread of the virus have exerted impacts on the economic activities of companies and hence also on their financial reporting. Substantial negative effects can also be expected for the net assets, financial position and results of operations of the SURTECO Group.

No further events or developments occurred up to 15 April 2020 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2019.

XI. Executive Officers of the Company

Management Board
(in the business year 2019)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Wolfgang Moyses Business Manager, Munich (from 1 October 2019)	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 • Member of the Advisory Board of Simona Asia
Dr.-Ing. Herbert Müller Engineer, Heiligenhaus (until 30 September 2019)	Chairman of the Management Board, Group Strategy	• Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke
Andreas Riedl Business Administrator, Donauwörth	Board Member CFO	-

Members of the Supervisory Board
(in the business year 2019)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Jürgen Großmann Engineer, Hamburg (Chairman)	Shareholder of the GMH Group, Georgsmarienhütte	• Member of the Board, Hanover Acceptances Limited, London • Chairman of the Board of Trustees of RAG Stiftung, Essen
Björn Ahrenkiel Lawyer, Hürtgenwald (until 27 June 2019)	Lawyer	-
Dr. Markus Miele Industrial Engineer, Gütersloh (until 27 June 2019)	Managing Shareholder of Miele & Cie. KG, Gütersloh	• Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf • Chairman of the Advisory Board of Wilhelm Böllhoff GmbH & Co. KG, Bielefeld
Dr. Christoph Amberger Independent Businessman, Utting am Ammersee (Vice Chairman)	Independent Businessman	• Member of the Advisory Board of Frischpack GmbH, Mailling • Member of the Advisory Board of Detia Degesch Gruppe, Laudenbach • Deputy Chairman of the Supervisory Board of Klöpfer & Königer GmbH und Co. KG, Garching • Member of the Supervisory Board of Erber AG, Getzersdorf, Austria
Andreas Engelhardt Personally liable Shareholder, Bielefeld (Deputy Chairman)	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
Tim Fiedler Economist, Düsseldorf (from 14 October 2019)	Managing Shareholder of G. Schürfeld + Co. (GmbH & Co.) KG, Hamburg	• Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Advisory Board of Drewsen Spezialpapier GmbH & Co. KG, Lachendorf • Member of the Board of Trustees of Gustav & Catharina Schürfeld-Stiftung, Lachendorf

Members of the Supervisory Board
(in the business year 2019)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Jens Krazeisen* Process Mechanic, Buttenwiesen	Chairman of the Works Council of SURTECO GmbH, Buttenwiesen	-
Tobias Pott Business Administrator, Gütersloh (from 27 June 2019)	Managing Shareholder of Reifen Pott Autoservice GmbH, Gütersloh	-
Wolfgang Moyses Business Manager, Munich (until 30 September 2019)	Chairman of the Management Board of SIMONA AG, Kirn (until 15 August 2019)	• Member of the Supervisory Board of Brabender Inc., South Hackensack • Customer Advisory Board of Landesbank Rheinland-Pfalz, Mainz
Udo Sadlowski* Training Manager, Essen (until 21 January 2019)	Chairman of the Works Council of SURTECO GmbH, Gladbeck (until 21 January 2019)	-
Heinz Dieter Stöckler* Chairman of the Works Council, Essen (from 5 February 2019)	Chairman of the Works Council of SURTECO GmbH, Gladbeck	-
Thomas Stockhausen* Specialist in Safety at Work, Sassenberg	Chairman of the Works Council of SURTECO GmbH, Sassenberg	-
Jörg Wissemann Business Manager, Schlossborn (from 27 June 2019)	Managing Director of MSU Consulting GmbH, Bad Homburg	-

* Employee Representatives

Committees of the Supervisory Board
(as at 31 December 2019)

Presiding Board			
Dr.-Ing. Jürgen Großmann (Chairman)	Dr. Christoph Amberger	Andreas Engelhardt	Tobias Pott
Personnel Committee			
Dr.-Ing. Jürgen Großmann (Chairman)	Andreas Engelhardt	Dr. Christoph Amberger	Tobias Pott
Audit Committee			
Andreas Engelhardt (Chairman)	Dr.-Ing. Jürgen Großmann	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 19 December 2019 and made this declaration available to shareholders on the website of the company at: www.surteco-group.com.

Shareholdings as at 31/12/2019

No.	Company	Town/City	Country	Consoli-dated	Percentage of shares held	Partici-pation
Parent Company						
100	SURTECO GROUP SE	Buttenwiesen	Germany			
BUSINESS UNIT DECORATIVES						
401	SURTECO GmbH	Buttenwiesen/ Gladbeck/Sassenberg	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 0.01	502 501
505	Proadec UK Ltd.	Greenhithe (Kent)	United Kingdom	F	100.00	502
506	Proadec Deutschland GmbH	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 1.00	401 513
516	SURTECO France S.A.S.	Beaucouzé	France	F	100.00	401
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş.	Istanbul	Turkey	F	99.75 0.25	401 520
518	SURTECO OOO	Moscow	Russia	F	100.00	401
519	SURTECO Iberia S.L.	Madrid	Spain	NC	100.00	401
550	SURTECO USA Inc.	Greensboro	USA	F	100.00	401
560	SURTECO Canada Ltd.	Brampton	Canada	F	100.00	401
561	Doellken-Canada Ltd.	Brampton	Canada	F	100.00	560
572	Canplast Mexico S.A. de C.V.	Chihuahua	Mexico	E	50.00	561

No.	Company	Town/City	Country	Consoli-dated	Percentage of shares held	Partici-pation
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
BUSINESS UNIT PROFILES						
520	Döllken Profiles GmbH (formerly: Döllken Weimar GmbH)	Nohra	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	85.00	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-Verwaltungs-gesellschaft mbH & Co. KG	Grünwald	Germany	F		520
	SANDIX Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Weimar KG	Düsseldorf	Germany	F		520

F = Full Consolidation E = Consolidation at Equity NC = Not Consolidated

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, 2019, 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, 2019, 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, 2019. 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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, 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, 2019. 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 162.8 million (20.9 % of total assets or 45.9 % 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. As at January 1, 2019, a change in the Group's internal management and reporting system resulted in a redefinition of the business segments as well as an adjustment of the groups of cash-generating units.. 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. Furthermore, we evaluated the redefinition of the business segments as of January 1, 2019 on the basis of the internal reporting to the Executive Board and satisfied ourselves by inspecting the minutes of the Executive Board

meetings that the new segment structure corresponds to the internal, regular reporting. In this context, we have also understood the resulting adjustment of the groups of cash-generating units. 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. Taking into account the information available, we determined that the carrying amounts of the respective cash-generating units, including the goodwill, were adequately covered by the discounted future cash flows.
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 (23) 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
- 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

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on June 27, 2019. We were engaged by the supervisory board on October 18, 2019. 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, 15 April 2020
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, 15 April 2020

The Management Board

Wolfgang Moyses	Andreas Riedl	Manfred Bracher

BALANCE SHEET (HGB) (SHORT VERSION)

€ 000s	31/12/2018	31/12/2019
ASSETS		
Intangible assets	17	27
Tangible assets	403	318
Investments		
- Interest in affiliated enterprises	297,767	297,767
- Notes receivable to affiliated enterprises	16,526	16,221
- Participations	1	1
Fixed assets	**314,714**	**314,334**
Receivables and other assets		
- Receivables from affiliated enterprises	221,431	191,712
- Other assets	8,094	8,545
Cash in hand, bank balances	102,067	59,782
Current assets	**331,592**	**260,039**
Prepaid expenses	**712**	**612**
	647,018	**574,985**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	15,506	15,506
Additional paid-in capital	170,177	170,177
Retained earnings	103,394	101,580
Net profit	8,529	6,202
Equity	**297,606**	**293,465**
Tax accruals	1,341	0
Other accruals	4,719	2,050
Accrued expenses	**6,060**	**2,050**
Liabilities to banks	304,891	241,149
Trade accounts payable	295	75
Liabilities to affiliated enterprises	33,333	33,191
Other liabilities	4,820	5,051
Liabilities	**343,339**	**279,466**
Deferred income	**13**	**4**
	647,018	**574,985**

INCOME STATEMENT (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2018	1/1/-31/12/ 2019
Sales revenues	2,161	1,643
Income from profit and loss transfer agreements	14,733	13,820
Other operating income	1,663	690
Personnel expenses	-6,576	-3,894
Amortization and depreciation on intangible assets and property, plant and equipment	-172	-132
Other operating expenses	-4,487	-3,902
Income from long-term securities and loans from financial assets	441	429
Interest income	-5,216	-4,074
Income taxes	-1,652	-260
Earnings after tax	**895**	**4,320**
Other taxes	-95	67
Net income	**800**	**4,387**
Transfer from retained earnings	7,729	1,815
Net profit	**8,529**	**6,202**

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-Str. 2, 86647 Buttenwiesen, Germany.

GLOSSARY

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

Corporate Governance
Corporate Governance is understood as the legal and factual regulatory framework for the management and supervision of an enterprise.

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

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

EBIT
Earnings before financial result and income tax

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

EBT
Earnings before income tax

Equity-Methode
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 companies accounted for using the equity method.

Extrusion
The process of extrusion involves plastics, being squeezed through a nozzle in a continuous procedure. The plastic is initially 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.

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

German Corporate Governance Code
The German Corporate Governance Code (the "Code") contains principles, recommendations and suggestions for the Management Board and the Supervisory Board that are intended to ensure that the company is managed in the enterprise's best interests. The Code highlights the obligation of Management Boards and Supervisory Boards – in line with the principles of the social market economy – to take into account the interests of the share-holders, the enterprise's workforce and the other groups related to the enterprise (stakeholders), to ensure the continued existence of the enterprise and its sustainable value creation (the enterprise's best interests).

Hybrid products
This product group includes finish foils that combine the technical and visual advantages of several different base materials such as paper, plastic or real metal in a multi-layered structure.

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

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

International Accounting Standards Board (IASB)
IASB has been the abbreviation for the International Accounting Standards Board. The function of the IASB is the development and revision of international accounting standards (IFRS - International Financial Reporting Standards).

GLOSSARY

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 (IASC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretation Committee (SIC).

Preimpregnated paper

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

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.

SE

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

FINANCIAL CALENDAR

2020

15 May 2020	Three-month report January – March 2020
14 August 2020	Six-month report January – June 2020
13 November 2020	Nine-month report January – September 2020

2021

30 April 2021	Annual Report 2020
14 May 2021	Three-month report January – March 2021
23 June 2021	Annual General Meeting
28 June 2021	Dividend payout
13 August 2021	Six-month report January – June 2021
12 November 2021	Nine-month report January – September 2021

PUBLICATION DETAILS

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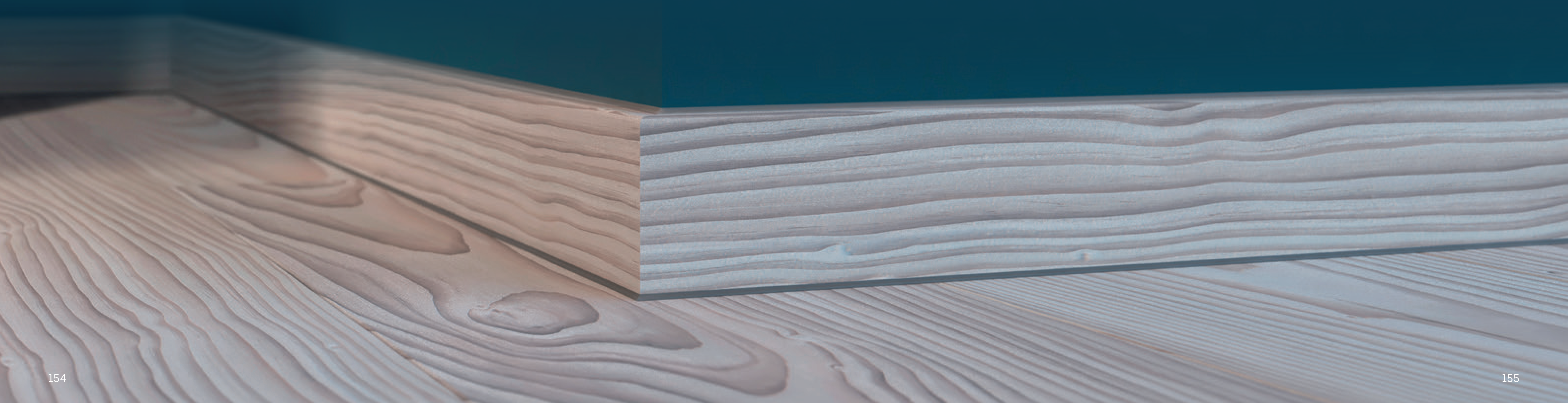
TEN YEAR OVERVIEW

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales revenues in € 000s	388,793	408,809	407,720	402,115	618,469	638,394	639,815	689,651	698,977	675,272
Foreign sales in %	67	67	69	70	72	72	73	75	76	75
EBITDA in € 000s	62,547	56,116	51,699	59,660	62,842	64,957	74,338	83,093	72,779	66,294
Depreciation and amortization in € 000s	-20,934	-21,099	-22,045	-22,613	-35,235	-33,847	-33,461	-38,423	-40,577	-45,175
EBIT in € 000s	41,613	35,017	29,654	37,047	27,607	31,110	40,877	44,670	32,202	21,119
Financial result in € 000s	-9,520	-12,089	-8,463	-9,056	-5,344	-4,293	-5,840	-11,155	-5,069	-4,901
EBT in € 000s	32,093	22,928	21,191	27,991	22,263	26,843	35,037	33,515	27,133	16,218
Consolidated net profit in € 000s	21,754	12,484	15,028	21,876	18,464	17,721	23,867	26,192	18,630	9,428
Balance sheet total in € 000s	480,996	482,135	467,250	626,109	636,669	655,727	673,869	842,596	844,541	780,325
Equity in € 000s	212,969	216,504	223,178	311,025	321,101	334,381	346,552	349,236	353,205	354,633
Equity ratio in %	44	45	48	50	50	51	51	41	42	45
Average number of employees for the year	1,990	2,050	1,994	2,114	2,682	2,727	2,736	3,091	3,329	3,217
Number of employees at 31/12	2,003	2,005	1,967	2,664	2,705	2,695	2,833	3,295	3,304	3,174
Capital stock in €	11,075,522	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
Number of shares at 31/12	11,075,522	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
Earnings per share in € (by weighted average of shares issued)	1.96	1.13	1.36	1.86	1.19	1.14	1.54	1.69	1.20	0.61
Dividend per share in €	0.90	0.45	0.45	0.65	0.70	0.80	0.80	0.80	0.55	*
Dividend payout in € 000s	9,968	4,984	4,984	10,079	10,854	12,405	12,405	12,405	8,528	*
PROFITABILITY INDICATORS										
Return on sales in %	8.2	5.6	5.3	6.9	3.6	4.2	5.5	4.8	3.8	2.4
Return on equity in %	10.8	5.9	6.9	7.3	6.0	5.5	7.2	7.8	5.5	2.7
Total return on total equity in %	8.9	6.8	6.6	5.9	5.1	5.5	6.5	5.0	4.1	3.0

* (Proposal by the Management Board and Supervisory Board at a later date)



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