

2023

Q2

Report for the first half year

1 January to 30 June

SURTECO

€ million	Q2			Q1-2		
	1/4/-30/6/ 2022	1/4/-30/6/ 2023	Δ %	1/1/-30/6/ 2022	1/1/-30/6/ 2023	Δ %
Sales revenues	202.1	223.1	+10	415.1	428.8	+3
of which						
- Germany	49.8	42.5	-15	105.9	90.2	-15
- Foreign	152.3	180.6	+19	309.2	338.6	+10
EBITDA	24.2	16.2	-33	55.2	35.3	-36
EBITDA margin in %	12.0	7.3		13.3	8.2	
EBITDA adjusted ¹	24.2	24.0	-	55.2	45.1	-18
EBIT	13.3	0	-100	33.5	7.6	-77
EBIT margin in %	6.6	0.0		8.1	1.8	
EBIT adjusted ²	13.3	11.3	-15	33.5	20.9	-38
EBT	12.6	-2.3	-118	31.9	2.9	-91
Consolidated net profit	8.9	-7.7	-186	22.5	-4.0	-118
Earnings per share in €	0.57	-0.49	-186	1.45	-0.26	-118
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/6/2022	30/6/2023	Δ %
Net financial debt in € million	175.3	381.0	+117
Level of debt in %	41	94	+53 pts.
Equity ratio in %	48.7	37.4	-11,3 pts.
Number of employees	3,193	3,716	+16

	31/12/2022	30/6/2023	Δ %
Net financial debt in € million	152.8	381.0	+149
Level of debt in %	36	94	+58 pts.
Equity ratio in %	50.0	37.4	-12,6 pts.
Number of employees	3,052	3,716	+22

¹ One-off effects: Acquisition and integration costs, consultancy costs, PPA Step-up inventories

² One-off effects: Acquisition and integration costs, consultancy costs, PPA Step-up inventories, PPA depreciation

INTERIM MANAGEMENT REPORT

SURTECO GROUP

30 JUNE 2023

Business report

Macroeconomic and sector-specific framework conditions

Experience indicates that the demand for long-term capital goods such as furniture correlates with general economic growth. In line with this, the furniture and supplier industry are likely to have felt the impact of the global increases in interest rates by the central banks directed towards combating general inflation. On this basis, research by Commerzbank in July 2023¹ assumes an increase in the global gross domestic product of +2.9 % during the current year, after growth of +3.6 % was still being recorded in 2022. Growth of +0.5 % (2022: +3.5 %) is projected for the eurozone. According to Commerzbank, Germany is likely to slide into a mild recession in 2023 with a drop in growth of -0.5 % (2022: +1.8 %), while modest growth is forecast for France (+0.5 % after +2.5 % in 2022) and Italy (+1.0 % after +3.8 % in 2022). Commerzbank has predicted that the gross domestic product of the United Kingdom is likely to be +0.2 % (2022: +4.1 %) and growth in the USA is projected at +1.5 % (2022: +2.1 %).

¹ Research Commerzbank - www.firmenkunden.commerzbank.de

The German furniture industry is correspondingly also experiencing slack demand. The furniture industry, the furniture trade and the furniture supply industry are currently witnessing a great deal of uncertainty among consumers. This is reportedly reflected in a marked reticence with respect to purchases in the lower and medium furniture price segments.² Planning permissions paving the way for building projects serve as an early indicator of demand for interior furnishings and these are also under pressure. Hence, the number of apartments approved in Germany was 27 % less in January to May 2023 than in the equivalent year-earlier period.³ Building planning permissions for private residential units also fell significantly in the USA during this period.⁴

Acquisition of the Omnova divisions

On 28 February 2023, the company acquired the "Laminates and performance films and coated fabrics" divisions from Omnova Solutions Inc, USA, (Omnova), a subsidiary company of the British company Synthomer plc. The divisions complement the product range with thermoplastic and paper-based laminates and special foil laminates for kitchens, bathrooms, caravans and for luxury vinyl tiles. Furthermore, coated fabrics have been established as an additional mainstay for enhancing the differentiated profile of the sectors. Their uses include the transport sector and marine applications. The transaction was primarily financed through borrowing. Further details are provided in the notes.

² Press Release dated 4 June 2023 - www.vhk-herford.de

³ Press Release No. 280 dated 18 July 2023 - www.destatis.de

⁴ Press Release dated 20 June 2023 - www.census.gov

Business performance SURTECO Group

During the first half year of 2023, the sales revenues of the SURTECO Group went up by +3 % to € 428.8 million (2022: € 415.1 million). A key factor for this rise related to the acquired Omnova divisions as of 1 March 2023. After adjustment by these sales, a significant reduction in demand continued to be posted in our sectors. Since this leads to lack of capacity utilization and hence to productivity losses, and costs relating to the Omnova acquisition exerted a negative impact on the result, earnings before financial result and income tax (EBIT) at € 7.6 million were -77 % below the year-earlier value of € 33.5 million. Adjusted by acquisition and integration costs, and the purchase price allocation (PPA) for Omnova and consultancy costs for a programme geared towards achieving an improvement in earnings amounting to a total of € 13.3 million, adjusted EBIT amounted to € 20.9 million.

SURFACES

The Segment SURFACES encompasses the surface activities of the Group including melamine edgebandings in Europe and South America. The sales revenues of the segment fell to € 142.3 million in the first half year of 2023 after pro-forma sales of € 164.8 million in the year-earlier period. This reduction of -14 % is likely to be essentially due to restrained demand in Germany and Europe owing to the high level of inflation and the increased level of interest. This also exerts a negative impact on the utilization capacity of the production plants while fixed costs continue to be high. Consequently, EBIT of the segment came down to € -1.7 million after pro-forma EBIT of € 9.7 million in the year-earlier period.

EDGEBANDS

The Segment EDGEBANDS comprises all the plastic edging activities of the Group in Europe and South America. The segment sales amount to € 78.8 million during the months January to June 2023. This is -13 % below the pro-forma year-earlier value of € 90.4 million. Owing to the current restrained demand compared with the satisfactory development in the year-earlier period, this value is nevertheless within the scope of expectations. The same applies to the Segment EBIT amounting to € 9.4 million after the pro-forma value of € 10.9 million in the previous year.

PROFILES

The Segment PROFILES bundles the activities with technical extrusions (profiles), skirtings and associated products in Europe and South America. Sales for the segment in the first half year of 2023 in the amount of € 73.1 million were 9 % below the pro-forma value of € 80.6 million for the previous year. Accordingly, segment EBIT fell to € 6.8 million (2022 pro forma: € 9.4 million).

NORTH AMERICA

The NORTH AMERICA segment includes the activities with all the products of the Group in this region. Sales of the acquired divisions of Omnova are allocated to this segment, including the plant in Thailand. Hence, the sales of the segment for the first half year in 2023 increased by +112 % to € 108.9 million after pro-forma sales of € 51.5 million in the first half of the previous year. As a result of one-off acquisition expenses and ongoing integration costs accruing from the acquired divisions, EBIT fell back to € -6.3 million after a pro-forma result of € 4.4 million in the equivalent year-earlier period.

ASIA / PACIFIC

The Segment ASIA / PACIFIC encompasses business with all product groups in the area Asia, Australia and Oceania. During the first half of the year 2023, the Asian market was also affected by a trend of falling demand. Hence, sales fell by -8 % to € 25.6 million (2022 pro forma: € 27.9 million). Segment EBIT decreased to € 3.8 million after a pro-forma value of € 5.6 million in the first half year of 2022.

Net assets, financial position and results of operations

Balance sheet performance / Cash flow statement

Essentially owing to acquisition of the divisions of Omnova and the financing of borrowings for the purchase, the balance sheet total of the Group increased from € 851.8 million at year-end 2022 to € 1,086.9 million on 30 June 2023. This involved an increase in current assets from € 341.8 million at year-end 2022 to € 381.9 million and a rise in non-current assets from € 510.0 million to € 705.0 million.

On the liabilities side of the balance sheet, current liabilities increased to € 367.6 million (31/12/2022: € 114.7 million) and non-current liabilities went up to € 313.2 million (31/12/2022: € 311.0 million) on the balance sheet date of the first half year for 2023. Equity fell to € 406.1 million (31/12/2022: € 426.1 million). Owing to the substantially increased balance sheet total, the equity ratio fell from 50.0 % at year-end 2022 to 37.4 % on 30 June 2023. Net financial debt increased from € 152.8 million to € 381.0 million, which results in a level of debt of 94 % (31/12/2022: 36 %).

Cash flow from current business operations in the first half year of 2023 amounted to € 37.2 million after € 18.8 million in the previous year. As a result of the acquisition of the Omnova divisions, cash flow from investment activities was € - 242.4 million after € -21.2 million in the previous year. The free cash flow consequently amounts to € -205.2 million in the first six months of 2023 after € -2.4 million in the previous year.

All the amounts referred to were provisionally valued for purposes of the Omnova acquisition until a complete valuation is provided by an independent assessment.

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/ 2022	30/6/ 2023
ASSETS		
Current assets	341.8	381.9
Non-current assets	510.0	705.0
Balance sheet total	851.8	1,086.9
LIABILITIES		
Current liabilities	114.7	367.6
Non-current liabilities	311.0	313.2
Equity	426.1	406.1
Balance sheet total	851.8	1,086.9

Working capital rose from € 142.6 million at year-end 2022 to € 155.9 million on 30 June 2023. The covenants (financial indicators with threshold values, with compliance or non-compliance with these being monitored) were complied with up to the half-year balance sheet date.

Group results

In the first half year of 2023, the price situation for the Group's most important raw materials was stable. Consequently, the cost of materials ratio eased slightly from 51.5 % in the previous year to 50.9 % in the reporting period. Conversely, the personnel costs in relation to total output went up from 22.1 % in the previous year to 25.2 % in the first half year of 2023. The ratio of other operating expenses also increased, primarily owing to the integration costs for the Omnova divisions, from 14.0 % in the previous year to 16.5 % in the months from January to June 2023. Overall, the expense items amounted to € -394.4 million after € -369.2 million in the previous year. On the basis of a total output of € 425.9 million (2022: € 421.1 million) and other operating income of € 3.8 million (2022: € 3.4 million), earnings before financial result, income tax and depreciation and amortization (EBITDA) fell by -36 % to € 35.3 million (2022: € 55.2 million). The EBITDA margin (EBITDA/Sales) amounted to 8.2 % after 13.3 % in the previous year. Amortization and depreciation were € -27.7 million above the year-earlier value of € -21.7 million due to a number of factors including the purchase price allocation (PPA) arising from the Omnova acquisition. As a result, earnings before financial result and income tax (EBIT) of the Group amounted to € 7.6 million in the first half year of 2023 after € 33.5 million in the previous year. As a ratio of sales, the EBIT margin was 1.8 % (2022: 8.1 %). Interest expenses rose owing to the bridging finance for the acquisition of the Omnova divisions. Hence, the financial result amounted to € -4.7 million after € -1.6 million in the previous year. Accordingly, earnings before income tax (EBT) were reduced by -91 % to € 2.9 million (2022: € 31.9 million). After deduction of € -6.9 million (2022: € -9.5 million) income tax and minority interests of € 0.1 million (2022: € 0.0 million), consolidated net profit amounts to € -4.0 million after € 22.5 million in the previous year.

CALCULATION OF FREE CASH FLOW

€ million	1/1/-30/6/ 2022	1/1/-30/6/ 2022
Cash flow from current business operations	18.8	37.2
Purchase of property, plant and equipment	-18.8	-13.5
Purchase of intangible assets	-2.3	-0.5
Proceeds from disposal of property, plant and equipment	-0.1	-
Acquisition of companies	0	-228.4
Cash flow from investment activities	-21.2	-242.4
Free cash flow	-2.4	-205.2

Risk and Opportunity Report

SURTECO GROUP SE with its Segments is exposed to a large number of risks on account of global activities and intensification of competition. The detailed description of the Risk Management System and the individual risk categories is provided in the risk and opportunities Report that forms part of the Annual Report 2022. The identified individual risks are allocated to damage and probability classes on the basis of their expected gross financial burden to EBT for the current and subsequent years on the basis of the following tables.

		Damage class				
		1	2	3	4	5
Probability class	5	L	M	H	H	H
	4	L	M	M	H	H
	3	L	L	M	M	H
	2	L	L	M	M	M
	1	L	L	L	M	M

Compared with year-end 2022, one low regulatory risk was additionally identified in the Business Unit SURFACES, whereas a procurement risk was downgraded from moderate to low. An additional low financing risk was identified in the Business Unit Profiles. A further low personnel risk was identified at Group level, whereas a low interest-rate risk ceased to apply.

Damage class	Qualitative	Quantitative € 000s
1	Slight	1,000 - 4,999
2	Minor	5,000 - 9,999
3	Moderate	10,000 - 14,999
4	Major	15,000 - 19,999
5	Threat to existence as a going concern	> 20,000

Probability class	Qualitative	Quantitative
1	Very improbable	1 % - 15 %
2	Improbable	16 % - 40 %
3	Possibly	41 % - 60 %
4	Probably	61 % - 85 %
5	Very probably	86 % - 100 %

Overall risk assessments

The key influencing factors for the business activity of the SURTECO Group arise from the framework conditions governing the global economy and the relevant sectors, along with the procurement markets. While procurement markets are currently stable, the economic framework conditions have noticeably deteriorated. On 30 June 2023, an increase in the risk situation was consequently identifiable compared with year-end 2022.

Nevertheless, no risks are identifiable at the current point in time that could put the continuing existence of the Group as a going concern at risk.

Outlook for the Business Year 2023

The framework conditions for business performance are currently unfavourable owing to the high level of inflation and economic uncertainties. Ongoing weak demand is evident particularly in the important sales markets of Europe and North America. Furthermore, one-off costs in connection with the Omnova acquisition and the purchase price allocation (PPA) are impacting negatively on the result. Consequently, a programme was established to improve earnings in the areas of pricing, human resources, purchasing, operations and working capital. However, the anticipated potential benefits from the programme are unlikely to be sufficient to achieve the original forecast projected for EBIT of € 45 million to € 55 million. Furthermore, restructuring expenses will be incurred during the second half year of 2023. Consequently, EBIT in the

range from € 20 million to € 30 million is now projected for the business year 2023. Adjusted EBIT (adjusted by acquisition and integration costs, purchase price allocation from the acquisition of the Omnova divisions and costs resulting from the restructuring programme) is forecast to be in the range from € 45 million to € 55 million.

All the measures are intended to achieve a sustained level of EBIT above € 60 million and EBITDA (earnings before financial result, income tax and depreciation and amortization) above € 110 million before one-off effects starting from the business year 2024.

On account of the ongoing weak demand, Group sales in the business year 2023 will also be slightly below the original forecast of € 920 million to € 950 million.

Transactions with related parties

Readers are referred to the notes for transactions with related parties.

Income Statement

€ 000s	Q2		Q1-2	
	1/4/-30/6/ 2022	1/4/- 30/6/ 2023	1/1/-30/6/ 2022	1/1/-30/6/ 2023
Sales revenues	202,067	223,078	415,114	428,753
Changes in inventories	-657	-3,161	3,345	-4,258
Own work capitalized	1,476	739	2,621	1,433
Total output	202,886	220,656	421,080	425,928
Cost of materials	-104,804	-115,095	-217,043	-216,623
Personnel expenses	-46,376	-53,864	-93,134	-107,294
Other operating expenses	-28,772	-37,290	-59,089	-70,487
Other operating income	1,250	1,796	3,428	3,800
EBITDA	24,184	16,203	55,242	35,324
Depreciation and amortization	-10,890	-16,207	-21,742	-27,740
EBIT	13,294	-4	33,500	7,584
Financial result	-733	-2,289	-1,556	-4,728
EBT	12,561	-2,293	31,944	2,856
Income tax	-3,667	-5,416	-9,479	-6,937
Net income	8,894	-7,709	22,465	-4,081
Non-controlling interests	0	59	0	59
Consolidated net profit	8,894	-7,650	22,465	-4,022
Basic and undiluted earnings per share in €	0.57	-0.49	1.45	-0.26
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Statement of Comprehensive Income

€ 000s	Q1-2	
	1/1/-30/6/2022	1/1/-30/6/2023
Net income	22,465	-4,081
Components of comprehensive income not to be reclassified to the income statement		
Remeasurements of defined benefit obligations	0	-308
Components of comprehensive income that may be classified to the income statement		
Net gains / losses from hedging of net investment in a foreign operation	517	-2,176
of which included deferred tax	0	653
Exchange differences for translation of foreign operations	8,853	-3,619
Other comprehensive income	9,370	-5,450
Comprehensive income	31,835	-9,531
Owners of the parent (consolidated net profit)	31,835	-9,486
Non-controlling interests	0	-45

Consolidated Balance Sheet

€ 000s	31/12/2022	30/6/2023
Assets		
Cash and cash equivalents	117,752	96,778
Trade accounts receivable	61,391	98,440
Inventories	142,129	163,682
Current income tax assets	5,901	5,652
Other current non-financial assets	9,272	10,634
Other current financial assets	5,371	6,689
Current assets	341,816	381,875
Property, plant and equipment	251,193	282,641
Intangible assets	43,832	109,101
Rights of use	32,112	35,685
Goodwill	161,979	258,157
Financial assets	10	9
Non-current income tax assets	4,507	4,507
Other non-current non-financial assets	855	110
Other non-current financial assets	1,353	803
Deferred taxes	14,202	14,032
Non-current assets	510,043	705,045
	851,859	1,086,920

Consolidated Balance Sheet

€ 000s	31/12/2022	30/6/2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	9,510	216,024
Trade accounts payable	60,946	106,222
Contractual liabilities in accordance with IFRS 15	4	4
Income tax liabilities	9,260	3,513
Short-term provisions	6,021	5,220
Other current non-financial liabilities	3,939	5,262
Other current financial liabilities	25,012	31,410
Current liabilities	114,692	367,655
Long-term financial liabilities	261,001	261,760
Pensions and other personnel-related obligations	9,548	11,869
Long-term provisions	140	140
Other non-current non-financial liabilities	90	70
Other non-current financial liabilities	15	15
Deferred taxes	40,299	39,338
Non-current liabilities	311,093	313,192
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	262,580	271,494
Consolidated net profit	25,233	-4,022
Capital attributable to owners of the parent	426,074	405,733
Non-controlling interest	0	340
Equity	426,074	406,073
	851,859	1,086,920

Consolidated Cash Flow Statement

€ 000s	Q1-2	
	1/1/-30/6/ 2022	1/1/- 30/6/ 2023
Earnings before income tax	31,944	2,856
Reconciliation of cash flow from current business operations	13,500	18,845
Internal financing	45,444	21,701
Changes in assets and liabilities (net)	-26,627	15,495
Cash flow from current business operations	18,817	37,196
Cash flow from investment activities	-21,255	-242,423
Cash flow from financial activities	37,579	183,874
Change in cash and cash equivalents	35,141	-21,353
Cash and cash equivalents		
1 January	73,056	117,752
Effects of changes in the exchange rate on cash and cash equivalents	313	379
30 June	108,510	96,778

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Other comprehensive income	Currency translation adjustments	Other retained earnings	Consolidated net profit	Non-controlling interests	Total
1 January 2022	15,506	122,755	-2,264	-15,321	245,200	47,806	0	373,329
Net income	0	0	0	0	0	22,465	0	22,465
Other comprehensive income	0	0	0	9,370	0	0	0	9,370
Dividend payout SURTECO GROUP SE	0	0	0	0	-15,506	0	0	-15,506
Allocation to retained earnings	0	0	0	0	47,806	-47,806	0	0
Changes in consolidated companies	0	0	0	0	-15	0	0	-15
30 June 2022	15,506	122,755	-2,264	-5,951	277,485	22,465	0	429,996
1. Januar 2023	15,506	122,755	-1,245	-13,675	277,500	25,233	0	426,074
Net income	0	0	0	0	0	-4,022	-59	-4,081
Other comprehensive income	0	0	-308	-5,156	0	0	14	-5,450
Dividend payout SURTECO GROUP SE	0	0	0	0	-10,854	0	0	-10,854
Allocation to retained earnings	0	0	0	0	25,233	-25,233	0	0
Changes in consolidated companies	0	0	0	0	0	0	385	385
30 June 2023	15,506	122,755	-1,553	-18,831	291,878	-4,022	340	406,073

Segment reporting

Sales revenues

€ 000s	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	Reconciliation	SURTECO Group
1/1/-30/6/2023							
External sales	142,336	78,820	73,115	108,854	25,628		428,753
Internal sales	-7,507	-642	-205	-	-	-8,354	
Total sales	149,843	79,462	73,320	108,854	25,628	-8,354	428,753
1/1/-30/6/2022*							
External sales	164,804	90,358	80,563	51,467	27,922		415,114
Internal sales	-5,648	-2,428	-32	-	-	-8,108	
Total sales	170,452	92,786	80,595	51,467	27,922	-8,108	415,114

Segment earnings

€ 000s	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	Reconciliation	SURTECO Group
1/1/-30/6/2023							
EBIT	-1,711	9,436	6,829	-6,265	3,828	-4,533	7,584
1/1/-30/6/2022*							
EBIT	9,712	10,881	9,391	4,409	5,608	-6,501	33,500

* For Business Units pro forma

Segment reporting

By regional markets

Sales revenues

€ 000s	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	SURTECO Group
1/1/-30/6/2023						
Germany	39,112	15,906	35,128	-	-	90,146
Rest of Europe	99,817	34,775	37,835	95	-	172,522
America	1,143	25,316	14	95,302	190	121,965
Asia, Australia, Others	2,264	2,823	138	13,457	25,438	44,120
	142,336	78,820	73,115	108,854	25,628	428,753
1/1/-30/6/2022*						
Germany	47,548	18,045	40,304	-	-	105,897
Rest of Europe	113,400	42,021	39,671	-	-	195,092
America	1,754	26,927	3	51,391	335	80,410
Asia, Australia, Others	2,102	3,365	585	76	27,587	33,715
	164,804	90,358	80,563	51,467	27,922	415,114

* For Business Units pro forma

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles

SURTECO GROUP SE (Societas Europaea) is a company listed on the stock exchange under European law and is based in Buttenwiesen, Germany. The company is the ultimate parent company of the group of companies 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 the SURTECO Group for the period ended 31 December 2022 were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) as they were adopted by the EU, in the version valid on the closing date for the accounting period. As a matter of principle, the same accounting and valuation principles were used for the preparation of these abbreviated consolidated interim financial statements as at 30 June 2023 as in the preparation of the consolidated financial statements for the business year 2022.

The objective and purpose of interim reporting is to provide an information tool building on the consolidated financial statements and we therefore refer to the standards and interpretations applied in the valuation and accounting methods used in the preparation of the consolidated statements of the SURTECO Group for the period ending 31 December 2022 for further information. The comments included in this report also apply to the quarterly financial statements for the year 2023 if no explicit reference is made to them.

The regulations of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" for abbreviated interim financial statements and the German Accounting Standard (DRS) 16 "Interim Reporting [Zwischenberichterstattung]" were applied for this interim report.

The preparation of the abbreviated consolidated interim financial statements requires assumptions and estimates to be made by the management. This means that there may be deviations between the values reported in the interim report and the actual values achieved.

The overall business activities of the SURTECO Group are typically not subject to significant seasonal conditions.

The Group currency is denominated in euros (€). All amounts are specified in thousand euros (€ 000s), unless otherwise indicated.

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

These interim financial statements and the interim report have not been audited and they have not been subject to an audit review by an auditor.

Group of consolidated companies

As at 30 June 2023, the SURTECO Group interim consolidated financial statements include SURTECO GROUP SE and all the major companies which are material for the net assets, financial position and results of operations in which SURTECO GROUP SE holds a controlling interest.

Business combinations

On 28 February 2023, SURTECO North America, Inc. acquired 100 percent of the shares and voting rights in OMNOVA Engi-

FINANCIAL STATEMENTS (ABBREVIATED) |

neered Surfaces Inc. in Thailand, Rayong, from OMNOVA Solutions Inc. in the course of a share deal and as a consequence obtained control over the company. Furthermore, all assets and production employees at four US locations of OMNOVA Solutions Inc. were transferred in the course of an asset deal.

The identifiable acquired assets and liabilities on the date of the acquisition include inputs (a headquarters in Thailand, several factories in the USA and Thailand, patented technologies, property, plant and equipment, inventories and customer relations), production processes and an organized workforce. SURTECO therefore concludes that the acquired inputs and processes will together contribute significantly to the capacity to generate income. SURTECO came to the conclusion that both the acquired company in Thailand and the acquired American assets are business combinations in compliance with IFRS 3.

On the basis of the transaction, SURTECO has the opportunity to expand its product portfolio. Furthermore, it is expected that the acquisition carried out by SURTECO will create substantial market shares in the business areas Laminates and Films (LF) and Coated Fabrics (CF) particularly in the USA as a result of access to the customer base of OMNOVA. SURTECO also expects cost reductions on the basis of scale effects.

The provisionally transferred consideration on the date of the acquisition is made up of a basic purchase price of € 240.1 million and a total purchase price adjustment in the sum of € 15.8 million calculated on the basis of preliminary values. The purchase price adjustment proposed by the seller is currently subject to review by SURTECO.

On the reporting date, costs associated with the company merger for the SURTECO Group (transaction costs) amount to € 5.1 million. These costs are recorded under administrative expenses. The table below sets out details of the recorded amounts for the acquired assets and the debts as at 30 June 2023:

€ million	
Property, plant and equipment	72.0
Intangible assets	73.4
Inventories	40.8
Trade accounts receivable	29.2
Other assets	0.8
Cash and cash equivalents	13.9
Financial liabilities	-5.7
Trade accounts payable and other liabilities	-14.5
Deferred taxes	-1.9
Total identifiable acquired net assets	207.9

All of the above amounts have been provisionally valued pending a full independent valuation. The same applies to deferred taxes.

If within the period of one year after the date of acquisition new information about the facts and circumstances that existed at the acquisition date become known that would have led to corrections to the above amounts or to additional provisions, the accounting for the business acquisition will be adjusted.

FINANCIAL STATEMENTS (ABBREVIATED) |

The provisional goodwill is determined as follows:

€ million	
Transferred consideration (provisional)	256.0
Fair value of the identifiable net assets	207.9
Goodwill	48.0

The goodwill results primarily from the skills and professional qualifications of the workforce of OMNOVA and the anticipated synergies arising from integration of the company within the SURTECO Group. None of the goodwill recognized is expected to be deductible for tax purposes.

On 9 March 2023, the Polish subsidiary company Döllken Sp.z.o.o. joined together with a business partner to establish the joint company Döllken SusPro. Döllken Sp.z.o.o. has a shareholding of 55 %. The company set up is responsible for manufacturing wooden profiles and expands the product range of the Segment Profiles.

Segment reporting

In the business year 2023, the controlling of the company and therefore also the segment reporting will be carried out through the new segments of "Surfaces", "Edgebands" and "Profiles", which encompass the regions of Europe and South America, and through the regional segments of "North America" and "Asia/Pacific". The segments are organized across companies on the basis of sales markets. In line with this reorganization, all surface activities including melamine edgings in Europe and South America are situated in the Segment Surfaces. The Segment Edgebands bundles activities with plastic edgebandings in these regions while Profiles con-

centrates on skirtings and technical extrusions (profiles). The regional segments comprise all activities in the relevant geographical markets, independently of products.

Goodwill is allocated to the cash-generating units for purposes of the event-related (triggering events) impairment test. These cash-generating units correspond to the operating divisions.

No requirement for impairment was identified in any of the cash-generating units within the Group.

Financial Liabilities

The financial liabilities essentially include the promissory note loans of currently € 000s 225,000 taken out in the business years 2017 and 2022, and the bridging finance for payment of the Omnova acquisition in the amount of € 000 200,000. These are divided into tranches with differing terms of up to ten years. The interest rates are in a range of 1.536 % to 6.033 %.

The financial liabilities are comprised as follows:

€ 000s	31/12/ 2022	30/06/ 2023
Long-term financial liabilities to banks	237,363	235,537
Long-term financial liabilities for leases	23,638	26,223
Long-term financial liabilities	261,001	261,760

FINANCIAL STATEMENTS (ABBREVIATED) |

€ 000s	31/12/ 2022	30/06/ 2023
Short-term financial liabilities to banks	3,599	209,555
Short-term financial liabilities for leases	5,911	6,469
Short-term financial liabilities	9,510	216,024
Financial liabilities	270,511	477,784

Explanations of the important changes in the abbreviated balance sheet and the abbreviated income statement

The explanations of the most important changes to items in the balance sheet and income statement, and to the development in the reporting period are presented in the interim report.

Report on important transactions with related parties

During the period under review, the companies of the Group undertook no business transactions with related parties that could have exerted a material influence on the net assets, financial position and results of operations of the Group.

Dividend payout for the business year 2022

The Annual General Meeting of SURTECO GROUP SE resolved on 7 June 2023 to pay out a dividend for the business year 2022 amounting to € 0.70 per no-par-value share. The payout amount of € 10,854,011.70 was payable on 12 June 2023. The general meeting also resolved an allocation to the retained earnings of € 520,536.15.

Events after the balance sheet date

After 30 June 2023 up to the date when this report went to press, there were no events or developments that would be likely to lead to a significant change in the recognition or valuation of the individual assets or liabilities.

Approval of the interim consolidated financial statements for publication

The Management Board has approved this set of interim consolidated financial statements for publication as a result of the resolution of 28 July 2023.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 in the remaining business year.

Butenwiesen, 28 July 2023

The Management Board

Wolfgang Moyses

Andreas Pötz

Calculation of indicators

Cost of materials ratio in %	Cost of materials/Total output
Earnings per share in €	Consolidated net profit/Number of shares
EBIT	Earnings before financial result and income tax
EBIT margin in %	EBIT/Sales revenues
EBITDA	Earnings before financial result, income tax and depreciation and amortization
EBITDA margin in %	EBITDA/Sales revenues
Equity ratio in %	Equity/Total capital (= balance sheet total)
Level of debt (gearing) in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel costs/Total output
Working capital in €	Trade accounts receivable + Inventories – Trade accounts payable

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