

Report for the first **Q3** three quarters 2019



1 January to 30 September

SURTECO
GROUP

.....
we create.
we innovate.

€ million	1/7/-30/9/ 2018	1/7/-30/9/ 2019	Δ %	1/1/-30/9/ 2018	1/1/-30/9/ 2019	Δ %
	Q3			Q1-3		
Sales revenues	169.0	166.6	-1	534.2	519.3	-3
of which						
- Germany	42.0	41.6	-1	132.4	130.1	-2
- Foreign	127.0	125.0	-2	401.8	389.2	-3
EBITDA	18.4	22.4	+21	62.2	64.6	+4
EBITDA margin in %	10.9	13.4		11.7	12.4	
EBIT	8.4	11.4	+36	31.9	31.6	-1
EBIT margin in %	5.0	6.8		6.0	6.1	
EBT	7.0	10.4	+47	28.0	28.0	-
Consolidated net profit	4.2	6.8	+61	19.3	19.5	+1
Earnings per share in €	0.27	0.44	+61	1.25	1.26	+1
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/9/2018	30/9/2019	Δ %	31/12/2018	30/9/2019	Δ %
Net financial debt in € million	220.3	190.5	-14	197.5	190.5	-4
Level of debt in %	62	52	-10 pts	56	52	-4 pts
Equity ratio in %	41.9	45.8	+3.9 pts	41.8	45.8	+4 pts
Number of employees	3,333	3,167	-5	3,304	3,167	-4

SURTECO GROUP GROUP INTERIM MANAGEMENT REPORT AT 30 SEPTEMBER 2019

Business report

Macroeconomic and sector-related framework conditions

Uncertainty increases for global business

The development of the global economy defines the operating business of the SURTECO Group because the procurement and investment confidence of customers is ultimately based on the economic development of the relevant countries and regions and this exerts an impact on the demand for SURTECO products. The most important geographical markets for SURTECO are Europe, and North and South America. The share represented by these regions, including Germany, amounts to 92 % of Group sales. Important customer sectors include the wood-based, flooring and furniture industry. The Group also generates sales in the interior design sector, in the caravan industry and as a supplier to cruise ships.

In view of increasing uncertainties relating to the impacts of trade disputes, geopolitical risks and Brexit, the International Monetary Fund (IMF) has downgraded its forecast for development of the global economy in its "World Economic Outlook" in October for the third time this year. While the experts were still expecting global growth of 3.5 % in January 2019, the current forecasts of +3.0 % are significantly more depressed. The easing of dynamic performance is primarily reflected in the weakening momentum being experienced by the emerging economies and developing countries, which can only look forward to significantly reduced expansion of their economies compared with previous years of 3.9 %. The IMF is projecting growth of +1.7 % for the developed economies, after +2.3 % in the previous year.

The US economy (+2.4 %) is increasingly being held back by the trade disputes. The prospects for the eurozone (+1.2 %) are also becoming more dismal, which is mainly due to what is now only meagre growth of 0.5 % in Germany. The situation in France (+1.2 %) and Spain (+2.2 %) is somewhat better, while Italy's economy is stagnating due to the high level of sovereign debt (+/-0.0 %). The United Kingdom is more and more subject to the impacts of Brexit. The rise in growth for 2019 consequently looks set to shrink to 1.2 %. Even though there has been a slight recovery compared with the previous period, no notable stimuli are anticipated from the countries in Central and Eastern Europe (+1.8 %). The IMF has reduced its overall annual forecast for Asia to 5.9 %. The key factor remains the decline in growth experienced by China from +6.6 % in 2018 to just +6.1 %. As far as the other BRIC states are concerned, development in Brazil is disappointing (+0.9 %) as is development in Russia (+1.1 %). India's growth at 6.1 % is likewise far removed from the dynamic performance of recent years.¹

Sales and business performance

The disposal of the North American impregnating business in July 2019 (annual sales volume: approximately € 33 million) needs to be taken into account in order to obtain a realistic assessment of the sales development in the third quarter. Adjusted by this effect, the quarterly sales were 2 % above the year-earlier value in spite of sustained weak demand in the flooring sector and generally slack dynamic performance in business. Accumulated annual sales from January to September at € 519.3 million fell by 3 % and were below the year-earlier amount (€ 534.2 million), though adjusted by the transaction they eased by around 1 %. Germany and other European markets supplied by SURTECO were particularly affected by the global economic uncertainties. Sales in the internal market fell back by 2 % compared with the first three year-earlier quarters and business in the rest of Europe fell by 3 %. In North America (USA and Canada), sales were 3 % below the previous year owing to the disposal of the impregnating business, whereas sales on the continent of South America increased by 6 % in spite of the economic weakness in the principal market of Brazil and by 1 % in Australia. Against the background of a slowdown in economic growth experienced in some Asian countries, sales in this region dropped significantly by 21 %, though these countries are less important for SURTECO. The foreign sales ratio of the Group fell to 75.0 % (2018: 75.2 %) during the months from January to September 2019.

Decoratives

During the first nine months of the business year 2019, the sectors in the Decoratives Segment underwent restrained development. According to the German Federal Office for Statistics, sales in the entire German furniture industry therefore remained in negative territory until July 2019. The sector of living area, dining room and bedroom was particularly affected by a decline of more than 4 %. The segment supplies these markets with decorative prints, finish foils and edgings. The demand for laminate flooring – where decorative prints are used as a material to provide a decorative finish – has also posted a significant decline across Europe. Sales of decorative prints therefore slipped by 2 % compared with the year-earlier figure during the months between January and September. Business with pre-impregnated finish foils was 6 % below the year-earlier level, whereas sales with fully impregnated finish foils increased slightly by 2 %. In the context of trends towards haptic surfaces, the company increased sales with release papers by 5 % as a result of investments in this area. Owing to the restrained development in the furniture industry, business with paper and plastic edgings fell by 5 %. Overall, sales development in the segment stood at € 378.7 million and this was 1 % below the year-earlier value (€ 384.4 million). Sales in Germany came down by 2 % and fell by 3 % in the rest of Europe. The market in Asia experienced the biggest fall at -25 %. Increases were achieved in Australia with +2 %, in North America (USA and Canada) with +7 % and in South America with +6 %.

Profiles

Even after nine months of the current business year, sales development in the Profiles Segment was above the level of the previous year (€ 66.0 million) at € 71.0 million. Positive developments in skirtings (+11 %) made a contribution to this increase as a result of new products and new customers acquired from bolstered sales activities. In spite of economic uncertainties in the British sales market, the broad range of sector differentiation also boosted business with technical profiles (including roller-shutter systems) by 3 %. Sales of other products and complementary products for skirtings held for resale rose by 7 % in the first three quarters of 2019 compared with the equivalent year-earlier period. Geographically, the segment has been operating almost exclusively in Europe. Sales in the internal market rose by 6 % and by 9 % in the rest of Europe.

Technicals

Sales in the Technicals Segment amounted to € 69.6 million in the first three quarters of 2019 and this figure was significantly below the value of € 83.8 million for the previous year, overwhelmingly due to the sale of the impregnating business in the USA. After adjustment, a fall of 12 % would have been posted. However, the market weakness of laminate flooring is also hampering the development of the continuing impregnating business in Germany. Sales of impregnated products therefore fell by 26 % (adjusted sales approximately 21 %) compared with the first three quarters of the previous year. Owing to a fallback in demand due to the economic conditions, particularly in Eastern Europe, business with paper-based finish foils for special applications fell by 17 %. Conversely, sales of special edgebandings increased by 7 %. The slight decline of 2 % for the

plastic foils produced in Sweden is simply a reflection of negative exchange rate effects. Operating business with this product group underwent a modest increase. The drop in sales for the segment was primarily caused by a fall in sales of 29 % in the North American market. However, sales were also below the year-earlier figures in Germany [-20 %] and in the rest of Europe [-9 %].

Expenses

The cost of materials for the Group was influenced by several factors during the third quarter. The sale of the highly material-intensive impregnating business in North America exerted a positive impact on the cost of materials ratio (cost of materials / total output), as did the modest relaxation in the purchase prices of the most important raw materials paper and plastics. However, this development was somewhat held back by significantly increased energy costs. Nevertheless, the accumulated cost of materials over the months from January to September at € 254.2 million was significantly below the previous year (€ 266.4 million) and the cost of materials ratio was brought down from 49.3 % to 48.6 %. Personnel expenses fell slightly against the background of a reduced personnel strength from € 134.9 million in the previous year to € 133.2 million in the first three quarters of 2019. Primarily on the back of the lower total output, the personnel expense ratio (personnel expenses / total output) therefore rose from 25.0 % in the previous year to 25.5 % in 2019. As a result of consistent cost discipline, other operating expenses were reduced significantly from € 78.8 million in the previous year to € 74.7 million. This ratio also fell from 14.6 % in the previous year to 14.3 % as a function of the total output.

Group results

In line with the sales development, the total output of the Group at € 523.0 million was 3 % below the value for the previous year during the first three quarters of 2019. By contrast with the previous year, however, other operating income at € 3.9 million was € 1.4 million above the value for the previous year. Deducting expense items totalling € 462.1 million after € 480.1 million yields an operating result (EBITDA) of € 64.6 million (2018: € 62.2 million). The corresponding margin in relation to sales therefore rose from 11.7 % in 2018 to currently 12.4 %. Owing to higher investments and additional depreciation and amortization arising from the new IFRS 16 accounting standard, amortization and depreciation at € 33.0 million was above the value for the previous year (€ 30.3 million). Earnings before financial result and income tax (EBIT) at € 31.6 million were consequently slightly below the year-earlier value of € 31.9 million. However, as a function of sales, the margin at 6.1 % was slightly above the year-earlier value of 6.0 %. The financial result at € -3.6 million was below the year-earlier value (€ -3.9 million). The pre-tax result (EBT) at € 28.0 million was therefore virtually identical with the year-earlier value. If income tax amounting to € -8.3 million is deducted (2018: € -8.5 million) along with shares of non-controlling interests amounting to € 0.2 million (2018: € 0.2 million), consolidated net profit rose slightly from € 19.3 million in the previous year to € 19.5 million in the first three quarters of 2019. Earnings per share therefore increased from € 1.25 in the previous year to € 1.26.

Result of the segments

In spite of the declining business development in the Decoratives Segment, the segment result increased

to € 26.9 million (2018: 25.9 million) essentially owing to an improved material expense ratio and lower other operating expenses. The earnings of the Profiles Segment also went up in the first three quarters from € 7.1 million in 2018 to € 7.9 million. In the Technicals Segment, the declining business in the flooring market, the elimination of positive PPA effects and one-off costs for the sales process of the North American impregnating business resulted in a decline in earnings from € 3.7 million in 2018 to € 1.7 million.

Net assets and financial position

Abbreviated balance sheet of the SURTECO Group

€ million	31/12/ 2018	30/9/ 2019
ASSETS		
Current assets	343.7	290.3
Non-current assets	500.8	509.3
Balance sheet total	844.5	799.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	177.9	116.1
Non-current liabilities	313.4	317.0
Equity	353.2	366.5
Balance sheet total	844.5	799.6

On 30 September 2019, the balance sheet total of the Group fell by 5 % to € 799.6 million (31 December 2018: € 844.5 million). This was overwhelmingly due to the repayment of the final tranche from the US private placement amounting to € 60 million in August 2019. Accordingly, cash and cash equivalents came down from € 120.9 million at year-end 2018 to € 74.1 million. Owing to the completed sale of the North American impregnating business, assets held for sale were derecognized. Current assets therefore fell to € 290.3 million after € 343.7 million on the balance sheet date 2018. Rights of use arising from the new IFRS 16 accounting standard amounted to € 10.8 million on the quarterly balance sheet date. This led to an increase in non-current assets from € 500.8 million to € 509.3 million. The reduction of current liabilities from € 177.9 million to € 116.1 million reflects the decline in short-term financial liabilities arising from the repayment of the US private placement tranche and lower liabilities and short-term provisions. Non-current liabilities increased slightly to € 317.0 million (31 December 2018: € 313.4 million) owing to higher long-term financial liabilities that have arisen as a consequence of the new IFRS 16 accounting standard. Equity at € 366.5 million rose by 4 % (31 December 2018: € 353.2 million). Along with the simultaneous fall in the balance sheet total, the equity ratio therefore increased from 41.8 % at year-end 2018 to 45.8 % on the quarterly balance sheet date.

Calculation of Free Cash flow

€ million	1/1/-30/9/ 2018	1/1/-30/9/ 2019
Cash flow from current business operations	16.8	56.6
Purchase/Sale of property, plant and equipment	-32.6	-24.3
Purchase/Sale of intangible assets	-1.3	-1.8
Income/Losses from disposal of fixed assets	-0.7	0.1
Proceeds from the disposal of companies reported at equity	0.3	0.5
Cash flow from investment activities	-34.3	-25.5
Free cash flow	-17.5	31.1

On the basis of EBT at the year-earlier level, cash flow from current business operations rose essentially on account of the change in assets and liabilities (net) from € 16.8 million in the first three quarters of 2018 to € 56.6 million during the period under review. Cash flow from investment activity at € -25.5 million was below the year-earlier value of € -34.3 million owing to the disposal of the impregnating business. This meant that free cash flow increased substantially to € 31.1 million in the months from January to September 2019 after € -17.5 million in the previous year.

Risk and opportunities report

SURTECO GROUP SE with its Decoratives, Profiles and Technicals 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 2018. 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. From the business year 2019, the damage classes were adjusted appropriately to the new corporate structure.

Damage class	Qualitative	Quantitative
1	Minor	> € 1.0 - 2.0 million
2	Moderate	> € 2.0 - 3.0 million
3	Major	> € 3.0 - 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 %

In the first three quarters of 2019, three market risks with a damage class 1 and a probability class 4 were identified in the Decoratives Segment, one procurement risk with a damage class 1 and a probability class 3 and a personnel risk with a damage class 1 and a probability class 4. No significant risks above the reporting threshold of € 1.0 million were reported in the Profiles and Technicals Segments. We refer to the Group Management Report 2018 for further information on opportunities.

Transactions with related parties

Readers are referred to the Appendix for information on transactions with related parties.

Outlook for the business year overall 2019

The sales forecast of € 655 million to € 685 million seems achievable at the upper end. The same applies to the operating result of € 38 million to € 40 million. However, due to the persistently difficult economic environment, further measures from the "Alpha" optimization program could be necessary to secure earnings for the next year and significantly improve the medium-term Results.



The SURTECO Share

Unfortunately, the performance of the SURTECO share was unable to continue the positive development in the first half of the year during the course of the third quarter of 2019. After the share price still posted an increase of more than 10 % during the first half of the year, SURTECO was impacted by the increased sell-off pressure for Small Cap securities from the beginning of July until the end of September. The shares started the quarter at prices of just above € 25 and steadily lost ground before reaching € 20.40 at the end of the quarter on 30 September. Compared with the year-end price of € 22.30 for 2018, the share has posted a loss for the year of around 9 %. Even after adding the dividend of € 0.55 paid out at the end of June, an overall negative performance still remains of nearly 6 %. The financial analysts who regularly assess the company attribute a considerably higher price potential to the share of between € 24.50 and € 36.60.

Accordingly, the market capitalization of SURTECO GROUP SE was € 316.3 million based on an unchanged number of shares of around 15.5 million at the end of September 2019. 23.5 % of the shares are currently in free float. 58.5 % of the shares continue to be in the hands of the company's founding shareholders. Shareholders will find additional information including the latest share analyses and valuations by major financial institutions on the Internet page: www.surteco-group.com under the category "Investor Relations".

January - September 2019

Number of shares	15,505,731
Free float in %	23.5
Price on 28/12/2018 in €	22.30
Price on 30/9/2019 in €	20.40
High in €	27.50
Low in €	19.90
Market capitalization as at 30/9/2019 in € million	316.3

Share price performance January - September 2019 in €



SURTECO GROUP

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2018	1/7/-30/9/ 2019	1/1/-30/9/ 2018	1/1/-30/9/ 2019
Sales revenues	168,970	166,516	534,185	519,256
Changes in inventories	1,254	610	1,999	-285
Own work capitalized	1,315	1,438	3,624	3,987
Total output	171,539	168,564	539,808	522,958
Cost of materials	-85,473	-79,561	-266,352	-254,207
Personnel expenses	-42,972	-42,822	-134,853	-133,238
Other operating expenses	-25,540	-24,980	-78,839	-74,738
Other operating income	891	1,176	2,469	3,871
EBITDA	18,445	22,377	62,233	64,646
Depreciation and amortization	-10,080	-10,985	-30,346	-33,021
EBIT	8,365	11,392	31,887	31,625
Financial result	-1,316	-1,000	-3,874	-3,599
EBT	7,049	10,392	28,013	28,026
Income tax	-2,751	-3,500	-8,488	-8,321
Net income	4,298	6,892	19,525	19,705
Of which				
Owners of the parent (consolidated net profit)	4,219	6,806	19,305	19,469
Non-controlling interests	79	86	220	236
Basic and diluted earnings per share in €	0.27	0.44	1.25	1.26
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

SURTECO GROUP

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2018	1/7/-30/9/ 2019	1/1/-30/9/ 2018	1/1/-30/9/ 2019
Net income	4,298	6,892	19,525	19,705
Components of comprehensive income not to be reclassified to the income statement	0	0	0	0
Net gains/losses from hedging of net investment in a foreign operation	220	-254	-480	-712
Exchange differences for translation of foreign operations	-1,562	2,347	-1,230	2,840
Financial instruments available-for-sale	0	0	0	0
Components of comprehensive income that may be reclassified to the income statement	-1,342	2,093	-1,710	2,128
Other comprehensive income for the period	-1,342	2,093	-1,710	2,128
Comprehensive income	2,956	8,985	17,815	21,833
Owners of the parent (consolidated net profit)	2,877	8,899	17,595	21,597
Non-controlling interests	79	86	220	236

SURTECO GROUP

€ 000s	31/12/2018	30/9/2019
ASSETS		
Cash and cash equivalents	120,954	74,061
Trade accounts receivable	57,519	70,472
Receivables from affiliated enterprises	676	812
Inventories	126,969	124,027
Current income tax assets	5,442	3,973
Other current non-financial assets	7,690	6,334
Other current financial assets	7,378	10,629
Assets available for sale	17,124	0
Currents assets	343,752	290,308
Property, plant and equipment	255,751	257,251
Rights of use	0	10,753
Intangible assets	59,329	54,608
Goodwill	162,864	162,701
Assets accounted for using the equity method	2,378	2,771
Financial assets	30	36
Other non-current non-financial assets	54	89
Other non-current financial assets	2,098	2,143
Deferred taxes	18,285	18,902
Non-current assets	500,789	509,254
	844,541	799,562

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SURTECO GROUP

€ 000s	31/12/2018	30/9/2019
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	65,905	8,706
Trade accounts payable	65,078	61,440
Contractual liabilities in accordance with IFRS 15	165	8
Income tax liabilities	3,096	2,521
Short-term provisions	11,598	8,666
Other current non-financial liabilities	2,468	3,476
Other current financial liabilities	29,578	31,301
Current liabilities	177,888	116,118
Long-term financial liabilities	252,584	255,852
Pensions and other personnel-related obligations	12,828	12,470
Long-term provisions	5	571
Other non-current non-financial liabilities	18	30
Deferred taxes	48,013	48,017
Non-current liabilities	313,448	316,940
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	193,093	205,317
Consolidated net profit	18,630	19,469
Capital attributable to owners of the parent	349,984	363,047
Non-controlling interests	3,221	3,457
Equity	353,205	366,504
	844,541	799,562

SURTECO GROUP

€ 000s	Q1-3	
	1/1/-30/9/ 2018	1/1/-30/9/ 2019
Earnings before income tax	28,013	28,026
Reconciliation to cash flow from current business operations	20,380	27,435
Internal financing	48,393	55,461
Changes in assets and liabilities (net)	-31,619	1,170
Cash flow from current business operations	16,774	56,631
Cash flow from investment activities	-34,301	-25,524
Cash flow from financial activities	-15,644	-77,950
Change in cash and cash equivalents	-33,171	-46,843
Cash and cash equivalents		
1 January	133,373	120,954
Effect of changes in exchange rate on cash and cash equivalents	-814	-50
30 September	99,388	74,061

SURTECO GROUP

€ 000s	Capital stock	Capital reserve	Retained earnings				Consolidated net profit	Non-controlling interests	Total
			Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings			
1 January 2018	15,506	122,755	0	-1,923	-8,768	192,552	26,192	2,922	349,236
Net income	0	0	0	0	0	0	19,305	220	19,525
Other comprehensive income	0	0	0	0	-1,709	0	0	0	-1,709
Comprehensive income	0	0	0	0	-1,709	0	19,305	220	17,816
Dividends - SURTECO GROUP SE	0	0	0	0	0	-12,405	0	0	-12,405
Allocation to retained earnings	0	0	0	0	0	26,192	-26,192	0	0
Other changes	0	0	0	0	0	-91	0	0	-91
Changes in equity	0	0	0	0	0	13,696	-26,192	0	-12,496
30 September 2018	15,506	122,755	0	-1,923	-10,477	206,248	19,305	3,142	354,556
1 January 2019	15,506	122,755	0	-2,148	-9,674	204,915	18,630	3,221	353,205
Net income	0	0	0	0	0	0	19,469	236	19,705
Other comprehensive income	0	0	0	0	2,128	0	0	0	2,128
Comprehensive income	0	0	0	0	2,128	0	19,469	236	21,833
Dividends - SURTECO GROUP SE	0	0	0	0	0	-8,528	0	0	-8,528
Allocation to retained earnings	0	0	0	0	0	18,630	-18,630	0	0
Other changes	0	0	0	0	0	-6	0	0	-6
Changes in equity	0	0	0	0	0	10,096	-18,630	0	-8,534
30 September 2019	15,506	122,755	0	-2,148	-7,546	215,011	19,469	3,457	366,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS [abbreviated]

Segment Reporting

REPORT FOR THE FIRST THREE QUARTERS 2019

Q3

Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Recon- ciliation	SURTECO Group
1/1/-30/9/2019					
External sales	378,686	71,003	69,567	0	519,256
Internal sales	11,988	997	2,657	-15,642	0
Total sales	390,674	72,000	72,224	-15,642	519,256
1/1/-30/9/2018					
External sales	384,389	65,948	83,848	0	534,185
Internal sales	12,687	1,052	3,026	-16,765	0
Total sales	397,076	67,000	86,874	-16,765	534,185

Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Recon- ciliation	SURTECO Group
1/1/-30/9/2019					
EBIT	26,930	7,863	1,713	-4,881	31,625
1/1/-30/9/2018					
EBIT	25,932	7,091	3,733	-4,869	31,887

By regional markets

Sales revenues SURTECO Group

€ 000s	1/1/-30/9/2018	1/1/-30/9/2019
Germany	132,382	130,052
Rest of Europe	248,136	241,579
America	106,980	105,775
Asia, Australia, Others	46,687	41,850
	534,185	519,256

Sales revenues Decoratives

€ 000s	1/1/-30/9/2018	1/1/-30/9/2019
Germany	81,290	79,824
Rest of Europe	178,256	172,686
America	82,693	88,380
Asia, Australia, Others	42,150	37,796
	384,389	378,686

Sales revenues Profiles

€ 000s	1/1/-30/9/2018	1/1/-30/9/2019
Germany	35,756	37,982
Rest of Europe	29,619	32,219
America	32	196
Asia, Australia, Others	541	606
	65,948	71,003

Sales revenues Technicals

€ 000s	1/1/-30/9/2018	1/1/-30/9/2019
Germany	15,336	12,246
Rest of Europe	40,261	36,674
America	24,255	17,199
Asia, Australia, Others	3,996	3,448
	83,848	69,567

Accounting principles

The consolidated financial statements of the SURTECO Group for the period ended 31 December 2018 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 September 2019 as in the preparation of the consolidated financial statements for the business year 2018.

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 2018 for further information. The comments included in this report also apply to the quarterly financial statements for the year 2019 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.

Where the standards adopted by the IASB had to be applied from 1 January 2019, they were taken into account in these abbreviated consolidated interim financial statements if they exert effects on the SURTECO Group. The preparation of the abbreviated consolidated interim financial statements requires assumptions and esti-

mates 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 mandatory standards and interpretations to be applied for the first time in the business year as from 1 January 2019 were taken into account when drawing up the interim financial statements. The application of these IFRS regulations exerted no material effect on the net assets, financial position and results of the Group. The content of IFRS 9 "Financial Instruments" yielded no substantial changes for the Annual Report 2018. The first-time application of IFRS 16 "Leases" was carried out as the modified retrospective approach in accordance with IFRS 16 C5b without any adjustment of the previous year. The leasing contracts formerly classified as "operating Lease" in accordance with IFRS 17 are recognized at the cash value of the outstanding leasing rates in accordance with the new standard. The weighted average interest rate of the lessee is applied to the leasing liabilities. The associated rights of use were recognized in the amount of the associated leasing liability. An allowance was not necessary. Furthermore, reference is made to the explanations on the applicable standards provided in the notes to the consolidated financial statements on 31 December 2018.

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.

Since 1 January 2019, the Management Board has been managing the company through the new Decoratives, Profiles and Technicals Segments. Up until 31 December 2018, the management of the company

was steered through the previous Paper and Plastics Segments. The reporting to the Management Board was adjusted to take account of this. The year-earlier values were presented on a pro-forma basis. We draw your attention to the fact that differences may occur when using rounded amounts and percentages on account of commercial rounding. 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 September 2019, 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.

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.

Dividend payout for the business year 2018

The Annual General Meeting of SURTECO GROUP SE resolved on 27 June 2019 to pay out a dividend for the business year 2018 amounting to € 0.55 per no-par-value share. The payout amount of € 8,528,152.05 was payable on 2 July 2019.

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.

Events after the balance sheet date

After 30 September 2019 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.

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

30 April 2020

Annual Report 2019

15 May 2020

Three-month report January – March 2020

25 June 2020

Annual General Meeting

14 August 2020

Six-month report January – June 2020



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**SURTECO
GROUP**

we create.
we innovate.



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