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: 2022

Q3

Report for the first  
three quarters

1 January to 30 September

**SURTECO**

€ million	Q3			Q1-3		
	1/7/-30/9/ 2021	1/7/-30/9/ 2022	Δ %	1/1/-30/9/ 2021	1/1/-30/9/ 2022	Δ %
Sales revenues	188.3	177.8	-6	566.1	593.0	+5
of which						
- Germany	47.1	39.9	-15	147.0	145.9	-1
- Foreign	141.2	137.9	-2	419.1	447.1	+7
EBITDA	30.7	18.8	-39	90.6	74.0	-18
EBITDA margin in %	16.3	10.6		16.0	12.5	
EBIT	20.2	7.6	-62	59.1	41.1	-30
EBIT margin in %	10.7	4.3		10.4	6.9	
EBT	19.5	7.2	-63	56.4	39.2	-31
Consolidated net profit	13.7	5.0	-64	39.4	27.4	-30
Earnings per share in €	0.88	0.32	-64	2.54	1.77	-30
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/9/2021	30/9/2022	Δ %
Net financial debt in € million	155.1	171.2	+10
Level of debt in %	38	39	+1.0 pts.
Equity ratio in %	50.8	49.3	-1.5 pts.
Number of employees	3,161	3,145	-1

	31/12/2021	30/9/2022	Δ %
Net financial debt in € million	152.6	171.2	+12
Level of debt in %	37	39	+2.0 pts.
Equity ratio in %	52.0	49.3	-2.7 pts.
Number of employees	3,165	3,145	-1

# QUARTERLY RELEASE

## SURTECO GROUP

### January - September 2022

## Business report

### Sales and business performance

In the third quarter of 2022, the framework conditions for the business development of the SURTECO Group deteriorated dramatically. In the wake of the conflict between Russia and Ukraine, and the increased rate of inflation, essentially owing to enormously high energy costs, the GfK Consumer Climate Index<sup>1</sup> fell to a new all-time low in September 2022. This also resulted in a tangible downturn in demand with our key sales sectors. As a consequence, business transactions at € 177.8 million fell back in the third quarter of 2022 by -6 % compared with the equivalent year-earlier quarter (€ 188.3 million). Accumulated sales for the Group over the first three quarters amounted to € 593.0 million, owing to the positive development in the first half of the year and the fact that the significant increase in prices for raw materials was passed on. This was still +5 % above the year-earlier value of € 566.1 million. In the first three quarters of 2022, sales in Germany dropped by -1 % compared with the equivalent year-earlier period. Sales in the rest of Europe went up slightly by +1 %, in North and South American by +20 % and in Asia, Australia and other markets by +8 %.

<sup>1</sup> Source: [www.gfk.com](http://www.gfk.com)

### DECORATIVES

During the months from July to September 2022, sales in the Segment Decoratives fell by -5 % compared with the equivalent year-earlier period. This fall essentially impacted the European companies of the Group, while sales in America and Asia/Pacific continued to remain above year-earlier values, supported by positive exchange rate effects. Accumulated over the first three quarters of 2022, sales of the segment rose by +4 % to € 426.9 million after € 410.8 million in the previous year. Over this period, business with edgebandings increased by +4 %, with finish foils by +9 % and with other products and commercial goods by +2 % compared with the first three quarters of the previous year, while sales with decorative prints eased slightly by -1 %.

### PROFILES

Business with profiles is generated almost exclusively in Europe. In view of this circumstance, the deterioration in economic framework conditions in this region also exerted downward pressure on development of the segment such that sales during the third quarter of 2022 fell back by -2 % compared with the year-earlier period. During the period from January to September, the sales of € 112.5 million were nevertheless still +10 % above the year-earlier value of € 102.6 million. Sales with skirtings went up by +7 %, with technical profiles up by +15 % and with commercial goods and other products up by +1 %.

## TECHNICALS

The companies in the Technicals segment are also primarily active in Europe. Consequently, the decline in sales during the third quarter amounted to -17 % compared with the year-earlier period. Accumulated over the first three quarters, a modest increase in sales of +2 % was achieved to € 53.6 million. Business with impregnates rose by +4 % in the months from January to September 2022 compared with the year-earlier figure and with finish foils based on plastic and paper by +5 %, while sales with edgebandings fell back by -15 % during the same period.

## Group results

During the first three quarters of 2022, total output of the Group at € 597.2 million went up by +3 % compared with the year-earlier figure of € 579.8 million. Owing to the very high prices for plastic, chemicals and paper, the cost of materials amounted to € -308.1 million after € -283.3 million in the previous year. As a function of total output, the cost of materials ratio rose from 48.9 % in the previous year to 51.6 % in the months January to September 2022. The increased energy costs primarily exerted an indirect effect on the purchase prices for raw materials, while the direct energy costs in the SURTECO Group were still in line with expectations due to the longer-term supply contracts. Personnel expenses at € -135.7 million also rose compared with the year-earlier value (€ -130.7 million). The personnel expense ratio (personnel expenses / total output) amounted to 22.7 % after 22.5 % in the previous year. During the first three quarters of 2022, other operating expenses amounted to € -86.6 million after

## Abbreviated balance sheet of the SURTECO Group

€ million	31/12/ 2021	30/9/ 2022
<b>ASSETS</b>		
Current assets	303.5	384.9
Non-current assets	491.6	504.3
<b>Balance sheet total</b>	<b>795.1</b>	<b>889.2</b>
<b>LIABILITIES</b>		
Current liabilities	204.1	161.9
Non-current liabilities	177.3	289.0
Equity	413.7	438.3
<b>Balance sheet total</b>	<b>795.1</b>	<b>889.2</b>

€ -79.5 million in the previous year. The corresponding ratio (other operating expenses / total output) rose from 13.7 % in the previous year to 14.5 %. As a consequence, earnings before financial result, income tax and depreciation and amortization (EBITDA) fell by -18 % to € 74.0 million (2021: € 90.6 million) in the first three quarters of 2022. The EBITDA margin (EBITDA / sales) amounted to 12.5 % after 16.0 % in the previous year. After deducting depreciation and amortization of € -32.9 million (2021: € -31.5 million), earnings before financial result and income tax (EBIT) amounted to € 41.1 million (2021: € 59.1 million). The EBIT margin (EBIT / sales) fell from 10.4 % in the previous year to 6.9 %. Earnings before income tax (EBT) amounted to € 39.2 million after € 56.4 million in the previous year. After deducting income tax of € -11.8 million (2021: € -17.0 million),

## CALCULATION OF FREE CASH FLOW

€ million	1/1/-30/9/ 2021	1/1/-30/9/ 2022
<b>Cash flow from current business operations</b>	<b>29.5</b>	<b>35.8</b>
Sale of companies	-0.2	-
Purchase of property, plant and equipment	-21.5	-30.9
Purchase of intangible assets	-2.8	-3.7
Proceeds from disposal of property, plant and equipment	1.3	14.8
<b>Cash flow from investment activities</b>	<b>-23.1</b>	<b>-19.8</b>
<b>Free cash flow</b>	<b>6.4</b>	<b>16.0</b>

consolidated net profit of € 27.4 million (2021: € 39.4 million) was achieved in the first three quarters of 2022. With an unchanged number of shares at 15.5 million no-par-value shares issued, earnings per share amounted to € 1.77 (2021: € 2.54).

### Result of the segments

While in the months from January to September, EBIT of the Segment Decoratives fell back from € 50.7 million in the previous year to € 37.4 million in 2022, and EBIT in Technicals came down from € 4.7 million to € 0.4 million, EBIT in the Segment Profiles increased from € 10.4 million in the previous year to € 12.3 million in 2022.

## Net assets, financial positions and results of operations

In the first half year of 2022, the company took out promissory notes totalling € 125 million for the purpose of refinancing and for general corporate financing. Out of this, a total of € 104.0 million has so far been paid out, and the value date for the remaining sum is in the fourth quarter of 2022. By contrast, financial debts amounting to € 47.6 million were repaid in the first three quarters. Hence, current assets totalling € 303.5 million at year end 2021 rose to € 384.9 million on 30 September 2022, while non-current assets at € 504.3 million remained at just slightly above the value of € 491.6 million on 31 December 2021. The balance sheet total of the Group rose from € 795.1 million at year end 2021 to € 889.2 million on 30 September 2022. On the liabilities side of the balance sheet, current liabilities came down from € 204.1 million at year end 2021 to € 161.9 million primarily owing to the repayments referred to above, while non-current liabilities rose from € 177.3 million to € 289.0 million due to taking out promissory notes. Equity increased to € 438.3 million after € 413.7 million on 31 December 2021. The equity ratio (equity / balance sheet total) eased by 2.7 percentage points to 49.3 %, while the level of debt (net financial debt / equity) rose from 37 % to 39 %. During the first three quarters of 2022, cash flow from current business operations amounted to € 35.8 million after € 29.5 million in the previous year. Deducting cash flow from investment activities of € -19.8 million (2021: € -23.1 million), free cash flow in the months from January to September 2022 amounted to € 16.0 million after € 6.4 million in the previous year.

## Risk and Opportunity Report

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 2021.

### Overall risk assessments

The key risks for the SURTECO Group result from the economic downturn in demand resulting from the uncertainties due to the conflict between Russia and Ukraine, the high level of inflation and the ongoing challenges relating to the pandemic. The high energy costs are currently only exerting an indirect impact through the cost of raw materials to the Group companies. Passing on increases in the prices of raw materials is partly possible and with a time lag.

Currently, no risks can be identified that could put the continuing existence of the Group as a going concern at risk.

not least the negative impacts of the war in Ukraine have led to the IMF correcting the forecast downwards a number of times. This downturn is also reflected in the demand for durable assets such as furniture. While passing on the significant increase in raw material prices is likely to keep sales revenues of the SURTECO Group within the forecast framework corridor between € 730 million and € 750 million, the low capacity utilization resulting from demand issues is likely to depress the earnings margin. This means that the countermeasures already introduced, such as the introduction of short-time working in the affected areas, are not sufficient to mitigate the reduced demand. Insofar, EBIT of between € 37 million and € 42 million is now projected for the business year 2022.

## Outlook for the Business Year 2022

In the World Economic Outlook published on 11 October 2022, the International Monetary Fund (IMF) only forecast an increase of +3.2 % for global economic development in 2022. In January, the IMF was still projecting global growth of +4.4 %.<sup>1</sup> A number of setbacks have meanwhile impacted on the global economy that had already been weakened by the COVID-19 pandemic. An unexpectedly high level of inflation, a significant slowdown in economic development in China and

<sup>1</sup> Source: [www.imf.org](http://www.imf.org)

## Income Statement

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2021	1/7/- 30/9/ 2022	1/1/-30/9/ 2021	1/1/-30/9/ 2022
<b>Sales revenues</b>	<b>188,273</b>	<b>177,844</b>	<b>566,147</b>	<b>592,958</b>
Changes in inventories	8,972	-3,045	10,870	300
Own work capitalized	945	1,279	2,775	3,900
<b>Total output</b>	<b>198,190</b>	<b>176,078</b>	<b>579,792</b>	<b>597,158</b>
Cost of materials	-99,502	-91,057	-283,340	-308,100
Personnel expenses	-42,006	-42,592	-130,661	-135,726
Other operating expenses	-26,829	-27,554	-79,547	-86,643
Other operating income	885	3,904	4,335	7,332
<b>EBITDA</b>	<b>30,738</b>	<b>18,779</b>	<b>90,579</b>	<b>74,021</b>
Depreciation and amortization	-10,517	-11,152	-31,476	-32,894
<b>EBIT</b>	<b>20,221</b>	<b>7,627</b>	<b>59,103</b>	<b>41,127</b>
Financial result	-696	-399	-2,720	-1,955
<b>EBT</b>	<b>19,525</b>	<b>7,228</b>	<b>56,383</b>	<b>39,172</b>
Income tax	-5,803	-2,277	-16,958	-11,756
<b>Consolidated net profit</b>	<b>13,722</b>	<b>4,951</b>	<b>39,425</b>	<b>27,416</b>
Basic and undiluted earnings per share in €	0.88	0.32	2.54	1.77
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

## Consolidated Balance Sheet

€ 000s	31/12/2021	30/9/2022
<b>Assets</b>		
Cash and cash equivalents	73,056	123,132
Trade accounts receivable	74,515	90,072
Inventories	140,900	156,085
Current income tax assets	2,745	3,228
Other current non-financial assets	9,156	7,835
Other current financial assets	3,136	4,596
<b>Current assets</b>	<b>303,508</b>	<b>384,948</b>
Property, plant and equipment	241,527	248,468
Rights of use	27,769	40,498
Intangible assets	46,822	44,637
Goodwill	162,911	156,496
Financial assets	10	10
Non-current income tax assets	4,507	4,507
Other non-current non-financial assets	148	139
Other non-current financial assets	1,358	1,511
Deferred taxes	6,590	8,001
<b>Non-current assets</b>	<b>491,642</b>	<b>504,267</b>
	<b>795,150</b>	<b>889,215</b>



## Consolidated Balance Sheet

€ 000s	31/12/2021	30/9/2022
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term financial liabilities	92,784	49,508
Trade accounts payable	63,582	57,217
Contractual liabilities in accordance with IFRS 15	4	4
Income tax liabilities	10,692	10,258
Short-term provisions	7,047	7,277
Other current non-financial liabilities	3,276	4,894
Other current financial liabilities	26,758	32,730
<b>Current liabilities</b>	<b>204,143</b>	<b>161,888</b>
Long-term financial liabilities	132,827	244,797
Pensions and other personnel-related obligations	11,888	11,828
Long-term provisions	505	134
Other non-current non-financial liabilities	107	92
Other non-current financial liabilities	39	28
Deferred taxes	31,959	32,124
<b>Non-current liabilities</b>	<b>177,325</b>	<b>289,003</b>
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	227,615	272,647
Consolidated net profit	47,806	27,416
<b>Equity</b>	<b>413,682</b>	<b>438,324</b>
	<b>795,150</b>	<b>889,215</b>

## Consolidated Cash Flow Statement

€ 000s	Q1-3	
	1/1/-30/9/ 2021	1/1/- 30/9/ 2022
<b>Earnings before income tax</b>	<b>56,383</b>	<b>39,172</b>
Reconciliation of cash flow from current business operations	25,921	19,161
<b>Internal financing</b>	<b>82,304</b>	<b>58,333</b>
Changes in assets and liabilities (net)	-52,827	-22,568
<b>Cash flow from current business operations</b>	<b>29,477</b>	<b>35,765</b>
Cash flow from investment activities	-23,093	-19,817
Cash flow from financial activities	-69,264	34,018
<b>Change in cash and cash equivalents</b>	<b>-62,880</b>	<b>49,966</b>
<b>Cash and cash equivalents</b>		
1 January	133,466	73,056
Effects of changes in the exchange rate on cash and cash equivalents	-316	110
<b>30 September</b>	<b>70,270</b>	<b>123,132</b>

## Segment reporting

### Sales revenues

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
<b>1/1/-30/9/2022</b>					
External sales	426,872	112,452	53,634	0	592,958
Internal sales	8,510	1,563	3,739	-13,812	0
<b>Total sales</b>	<b>435,382</b>	<b>114,015</b>	<b>57,373</b>	<b>-13,812</b>	<b>592,958</b>
<b>1/1/-30/9/2021</b>					
External sales	410,764	102,625	52,758	0	566,147
Internal sales	11,808	1,465	3,931	-17,204	0
<b>Total sales</b>	<b>422,572</b>	<b>104,090</b>	<b>56,689</b>	<b>-17,204</b>	<b>566,147</b>

### Segment earnings

€ 000s	Decoratives	Profiles	Technicals	Reconciliation	SURTECO Group
<b>1/1/-30/9/2022</b>					
<b>EBIT</b>	<b>37,396</b>	<b>12,324</b>	<b>425</b>	<b>-9,018</b>	<b>41,127</b>
<b>1/1/-30/9/2021</b>					
EBIT	50,660	10,387	4,657	-6,601	59,103

## Segment reporting

### By regional markets

#### Sales revenues SURTECO Group

€ 000s	1/1/-30/9/2021	1/1/- 30/9/2022
Germany	147,026	145,870
Rest of Europe	266,734	270,684
America	103,420	123,640
Asia, Australia, Others	48,967	52,764
	<b>566,147</b>	<b>592,958</b>

#### Sales revenues Decoratives

€ 000s	1/1/-30/9/2021	1/1/- 30/9/2022
Germany	81,521	76,330
Rest of Europe	179,990	177,584
America	103,149	123,423
Asia, Australia, Others	46,104	49,535
	<b>410,764</b>	<b>426,872</b>

#### Sales revenues Profiles

€ 000s	1/1/-30/9/2021	1/1/- 30/9/2022
Germany	54,833	56,715
Rest of Europe	47,179	54,958
America	28	6
Asia, Australia, Others	585	773
	<b>102,625</b>	<b>112,452</b>

#### Sales revenues Technicals

€ 000s	1/1/-30/9/2021	1/1/- 30/9/2022
Germany	10,672	12,825
Rest of Europe	39,565	38,142
America	243	211
Asia, Australia, Others	2,278	2,456
	<b>52,758</b>	<b>53,634</b>

## 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

# Q3

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# SURTECO