

2023

Q3

Report for the first
three quarters

1 January to 30 September

SURTECO

€ million	Q3			Q1-3		
	1/7/-30/9/ 2022	1/7/-30/9/ 2023	Δ %	1/1/-30/9/ 2022	1/1/-30/9/ 2023	Δ %
Sales revenues	177.8	208.6	+17	593.0	637.3	+7
of which						
- Germany	39.9	39.7	-1	145.9	129.9	-11
- Foreign	137.9	168.9	+22	447.1	507.4	+13
EBITDA	18.8	11.3	-40	74.0	46.7	-37
EBITDA margin in %	10.6	5.4		12.5	7.3	
EBITDA adjusted ¹	18.8	18.9	+1	74.0	64.0	-14
EBITDA margin adjusted in %	10.6	9.1		12.5	10.0	
EBIT	7.6	-3.5	-146	41.1	4.1	-90
EBIT margin in %	4.3	-1.7		6.9	0.6	
EBIT adjusted ²	7.6	6.7	-12	41.1	27.6	-33
EBT	7.2	-7.4	-202	39.2	-4.5	-112
Consolidated net profit	5.0	-9.3	-287	27.4	-13.3	-148
Earnings per share in €	0.32	-0.60	-287	1.77	-0.86	-148
Number of shares	15,505,731	15,505,731		15,505,731	15,505,731	

	30/9/2022	30/9/2023	Δ %
Net financial debt in € million	171.2	378.3	+121
Level of debt in %	39	94	+55 pts.
Equity ratio in %	49.3	37.2	-12.1 pts.
Number of employees	3,145	3,825	+22

	31/12/2022	30/9/2023	Δ %
Net financial debt in € million	152.8	378.3	+148
Level of debt in %	36	94	+58 pts.
Equity ratio in %	50.0	37.2	-12.8 pts.
Number of employees	3,052	3,825	+25

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

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

QUARTERLY RELEASE

SURTECO GROUP

January - September 2023

Business report

Sales and business performance SURTECO Group

Weak demand in our sectors continued in the third quarter of 2023. Internal surveys carried out by the Association of the German Furniture Industry (Verband der deutschen Möbelerindustrie e.V.) indicated that sales of home furniture manufacturers in Germany fell back by around 12 % during the first seven months of 2023 compared with the year-earlier period.¹ Nevertheless, business at the SURTECO Group increased by +7 % to € 637.3 million in the first three quarters of 2023 after € 593.0 million in the year-earlier period. This increase was due to the additional sales generated by the acquired divisions of Omnova from 1 March 2023 onwards. Without the acquired business, the sales would have fallen by -10 %. Since weak demand leads to inadequate capacity utilization with consequent loss in productivity, and earnings also experience negative impacts from one-off exceptional effects, earnings before financial result and income tax (EBIT) came down by -90 % to € 4.1 million after € 41.1 million in the year-earlier period. Particularly as a result of provisions for staff measures, the one-off effects amount to a total of € 23.5 million on 30 September 2023. After adjustment for one-off effects (acquisition and integration costs, purchase-price allocation

for Omnova, provisions for staff measures and consultancy costs for a programme to improve earnings), adjusted EBIT amounted to € 27.6 million.

SURFACES

The surface activities of the Group, including melamine edge-bandings in Europe and South America are grouped together in the Segment SURFACES. The sales revenues of the segment fell during the first three quarters of 2023 to € 205.0 million after pro-forma sales of € 224.1 million in the year-earlier period. This decline by -9 % is rooted in the constrained demand in Germany and Europe as a whole. Consequently, EBIT of the segment also fell to € -6.1 million after pro-forma EBIT of € 6.4 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 € 117.0 million in the months from January to September 2023. This is -9 % below the pro-forma year-earlier value of € 128.8 million. The Segment EBIT amounting to € 12.2 million is below the year-earlier pro-forma value of € 15.6 million.

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 three quarters of 2023 in the amount of € 105.9 million were -9 % below the pro-forma value of € 116.5 million for the previous year. Accordingly, segment EBIT also eased to € 9.6 million (2022 pro forma: € 12.7 million).

¹ Press Release dated 21 August 2023 www.vhk-herford.de/presse

NORTH AMERICA

The Segment NORTH AMERICA 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 and they include the plant in Thailand. Hence, the sales of the segment for the first three quarters in 2023 increased by +113 % to € 170.5 million after pro-forma sales of € 80.0 million in the first three quarters 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 € -10.0 million after a pro-forma result of € 7.3 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. So far in 2023, the Asian market has also been affected by a trend of falling demand. Hence, sales dropped by -10 % to € 39.0 million (2022 pro-forma: € 43.6 million). Segment EBIT decreased to € 5.7 million after a pro-forma value of € 8.1 million in the first three quarters of 2023.

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 € 1,082.9 million on 30 September 2023. This involved an increase in the current assets from € 341.8 million at year-end 2022 to € 367.2 million and a rise

in non-current assets from € 510.0 million to € 715.7 million. On the liabilities side of the balance sheet, current liabilities increased to € 367.8 million (31/12/2022: € 114.7 million) and non-current liabilities went up to € 312.0 million (31/12/2022: € 311.0 million) on the balance sheet date for the first three quarters of 2023. Equity fell to € 403.1 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 37.2 % on 30 September 2023. Net financial debt increased from € 152.8 million to € 378.3 million, which results in a level of debt of 94 % (31/12/2022: 36 %).

Cash flow from current business operations in the first three quarters of 2023 amounted to € 78.9 million after € 35.8 million in the previous year. As a result of the acquisition of the Omnova divisions, cash flow from investment activities was € -275.9 million after € -19.8 million in the previous year. The free cash flow consequently amounts to € -197.0 million in the first nine months of 2023 after € +16.0 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	30/9/ 2023
ASSETS		
Current assets	341.8	367.2
Non-current assets	510.0	715.7
Balance sheet total	851.8	1,082.9
LIABILITIES		
Current liabilities	114.7	367.8
Non-current liabilities	311.0	312.0
Equity	426.1	403.1
Balance sheet total	851.8	1,082.9

Group results

While the cost of materials ratio came down to 50.7 % (2022: 51.6 %) during the first three quarters of 2023, the personnel costs ratio went up to 26.5 % after 22.7 % in the previous year, driven by factors including provisions for personnel measures. Owing to integration costs arising from the Omnova acquisition, the ratio of other operating expenses also increased to 16.2 % (2022: 14.5 %). Consequently, on the basis of a total output of € 633.7 million (2022: € 597.2 million) earnings before financial result, income tax and depreciation and amortization (EBITDA) fell to € 46.7 million (2022: € 74.0 million). Adjusted by the one-off effects of transaction and integration costs, provisions for personnel measures, consultancy costs and PPA step-up of inventories, adjusted EBITDA

CALCULATION OF FREE CASH FLOW

€ million	1/1/-30/9/ 2022	1/1/-30/9/ 2023
Cash flow from current business operations	35.8	78.9
Purchase of property, plant and equipment	-30.9	-28.3
Purchase of intangible assets	-3.7	-1.0
Proceeds from disposal of property, plant and equipment	14.8	0
Acquisition of companies	0	-246.6
Cash flow from investment activities	-19.8	-275.9
Free cash flow	16.0	-197.0

amounted to € 64.0 million. Amortization and depreciation were € -42.6 million above the year-earlier value of € -32.9 million due to the purchase price allocation (PPA) arising from the Omnova acquisition. Hence, earnings before financial result and income tax (EBIT) fell to € 4.1 million (2022: € 41.1 million) during the first three quarters of 2023. Adjusted EBIT (adjusted by transaction and integration costs, consultancy costs, provisions for personnel measures, PPA step-up of inventories and PPA depreciation) amounted to € 27.6 million. Interest expenses rose owing to bridging finance for the acquisition of the Omnova divisions. Hence, the financial result amounted to € -8.6 million after € -2.0 million in the previous year. Accordingly, earnings before income tax (EBT) were reduced to € -4.5 million (2022: € 39.2 million). After deduction

of € -8.8 million (2022: € -11.8 million) income tax and minority interests of € 0.1 million (2022: € 0.0 million), consolidated net profit amounts to € -13.3 million after € 27.4 million in the previous year.

Outlook for the business year 2023

The framework conditions for business performance continue to be unfavourable, 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. To this end, provisions were set aside for personnel measures in the third quarter. EBIT in the range from € 5 million to € 15 million is therefore now projected for the business year 2023. Adjusted EBIT (adjusted by one-off expenses) is forecast to be in the range from € 35 million to € 45 million.

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

Income Statement

€ 000s	Q3		Q1-3	
	1/7/-30/9/ 2022	1/7/- 30/9/ 2023	1/1/-30/9/ 2022	1/1/-30/9/ 2023
Sales revenues	177,844	208,593	592,958	637,346
Changes in inventories	-3,045	-1,415	300	-5,673
Own work capitalized	1,279	620	3,900	2,052
Total output	176,078	207,797	597,158	633,725
Cost of materials	-91,057	-104,529	-308,100	-321,152
Personnel expenses	-42,592	-60,697	-135,726	-167,991
Other operating expenses	-27,554	-32,304	-86,643	-102,791
Other operating income	3,904	1,068	7,332	4,868
EBITDA	18,779	11,335	74,021	46,659
Depreciation and amortization	-11,152	-14,583	-32,894	-42,593
EBIT	7,627	-3,518	41,127	4,066
Financial result	-399	-3,848	-1,955	-8,575
EBT	7,228	-7,365	39,172	-4,509
Income tax	-2,277	-1,906	-11,756	-8,843
Net income	4,951	-9,271	27,416	-13,352
Non-controlling interests	0	10	0	69
Consolidated net profit	4,951	-9,261	27,416	-13,283
Basic and undiluted earnings per share in €	0.32	-0,60	1.77	-0,86
Number of shares	15,505,731	15,505,731	15,505,731	15,505,731

Consolidated Balance Sheet

€ 000s	31/12/2022	30/9/2023
Assets		
Cash and cash equivalents	117,752	97,125
Trade accounts receivable	61,391	90,800
Inventories	142,129	157,389
Current income tax assets	5,901	5,935
Other current non-financial assets	9,272	11,446
Other current financial assets	5,371	4,483
Current assets	341,816	367,178
Property, plant and equipment	251,193	288,754
Intangible assets	43,832	107,617
Rights of use	32,112	35,317
Goodwill	161,979	264,392
Financial assets	10	9
Non-current income tax assets	4,507	4,507
Other non-current non-financial assets	855	91
Other non-current financial assets	1,353	752
Deferred taxes	14,202	14,240
Non-current assets	510,043	715,679
	851,859	1,082,857

Consolidated Balance Sheet

€ 000s	31/12/2022	30/9/2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term financial liabilities	9,510	214,801
Trade accounts payable	60,946	97,131
Contractual liabilities in accordance with IFRS 15	4	4
Income tax liabilities	9,260	3,542
Short-term provisions	6,021	11,599
Other current non-financial liabilities	3,939	6,027
Other current financial liabilities	25,012	34,656
Current liabilities	114,692	367,760
Long-term financial liabilities	261,001	260,637
Pensions and other personnel-related obligations	9,548	11,913
Long-term provisions	140	140
Other non-current non-financial liabilities	90	54
Other non-current financial liabilities	15	15
Deferred taxes	40,299	39,240
Non-current liabilities	311,093	311,999
Capital stock	15,506	15,506
Capital reserve	122,755	122,755
Retained earnings	262,580	277,803
Consolidated net profit	25,233	-13,283
Capital attributable to owners of the parent	426,074	402,781
Non-controlling interests	0	317
Equity	426,074	403,098
	851,859	1,082,857

Consolidated Cash Flow Statement

€ 000s	Q1-3	
	1/1/-30/9/ 2022	1/1/-30/9/ 2023
Earnings before income tax	39,172	-4,509
Reconciliation of cash flow from current business operations	19,161	36,306
Internal financing	58,333	31,797
Changes in assets and liabilities (net)	-22,568	47,144
Cash flow from current business operations	35,765	78,941
Cash flow from investment activities	-19,817	-275,863
Cash flow from financial activities	34,018	176,275
Change in cash and cash equivalents	49,966	-20,647
Cash and cash equivalents		
1 January	73,056	117,752
Effects of changes in the exchange rate on cash and cash equivalents	110	20
30 September	123,132	97,125

Segment reporting

Sales revenues

€ 000s	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	Reconciliation	SURTECO Group
1/1/-30/9/2023							
External sales	204,974	116,984	105,852	170,526	39,010		637,346
Internal sales	10,944	807	275	26	19	-12,071	
Total sales	215,918	117,791	106,127	170,552	39,029	-12,071	637,346
1/1/-30/9/2022*							
External sales	224,126	128,799	116,520	79,961	43,552		592,958
Internal sales	12,151	3,074	93	0	0	-15,318	0
Total sales	236,277	131,873	116,613	79,961	43,552	-15,318	592,958

Segment earnings

€ 000s							
1/1/-30/9/2023							
EBIT	-6,058	12,234	9,649	-10,044	5,655	-7,370	4,066
1/1/-30/9/2022*							
EBIT	6,357	15,623	12,675	7,346	8,144	-9,018	41,127

* For Business Units pro forma

Segment reporting

By regional markets

Sales revenues

€ 000s	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	SURTECO Group
1/1/-30/9/2023						
Germany	56,716	22,643	50,547	0	0	129,906
Rest of Europe	143,239	51,138	55,062	1,010	0	250,449
America	1,614	39,251	30	153,539	447	194,881
Asia, Australia, Others	3,405	3,952	213	15,977	38,563	62,110
	204,974	116,984	105,852	170,526	39,010	637,346
1/1/-30/9/2022*						
Germany	64,295	24,859	56,716	0	0	145,870
Rest of Europe	154,406	57,478	58,919	0	0	270,803
America	2,073	41,113	6	79,748	555	123,495
Asia, Australia, Others	3,352	5,349	879	213	42,997	52,790
	224,126	128,799	116,520	79,961	43,552	592,958

* For Business Units pro forma

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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