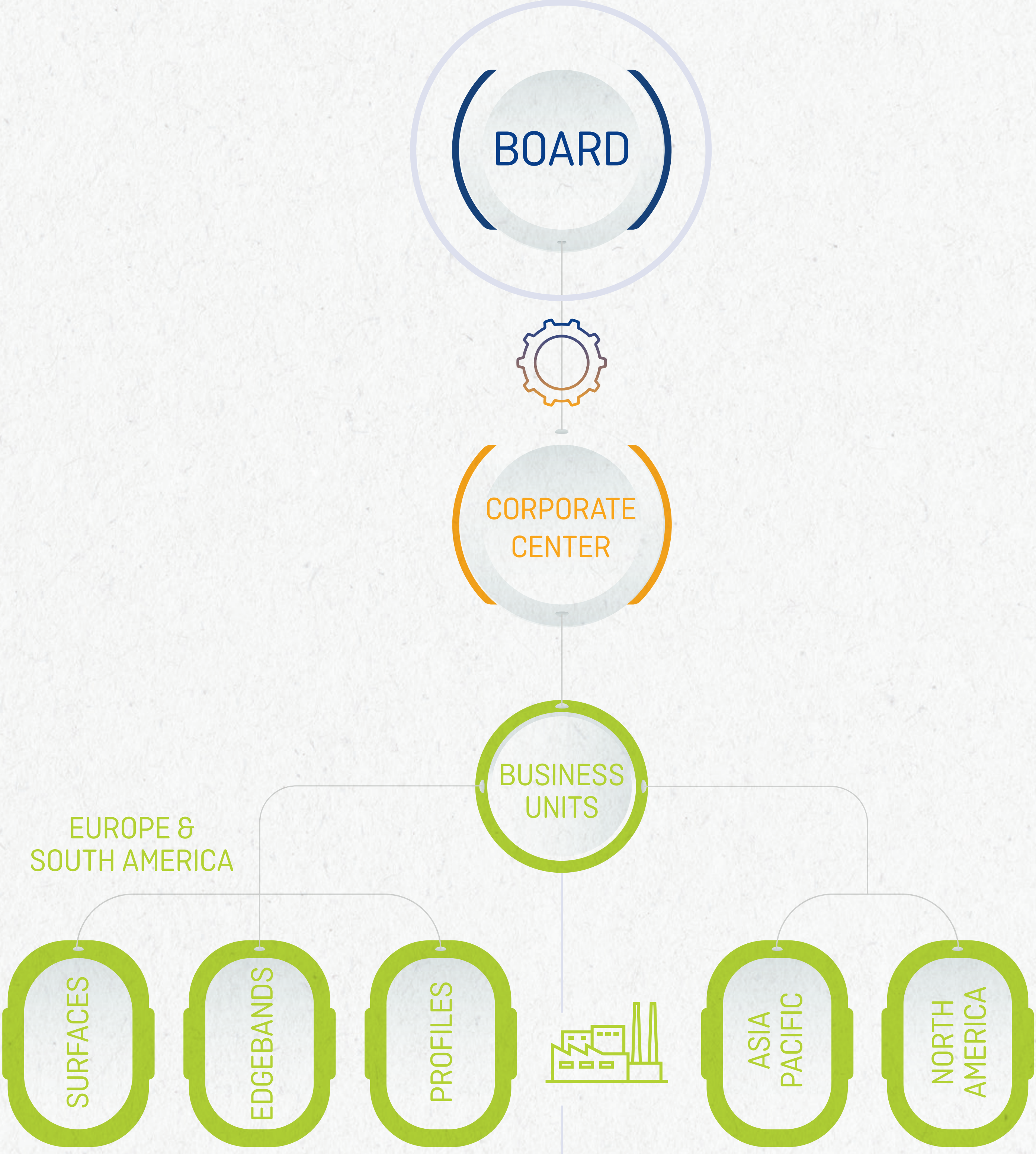
SURTECO

We make rooms worth living in.

Annual Report 2023

CORPORATE STRUCTURE

The operational management of the group is based on a customer- and market-oriented approach. In Europe and South America, the business units Profiles, Edgebands, and Surfaces serve their customers in their respective industries. The regional business units ASIA / PACIFIC and NORTH AMERICA supply their markets with the comprehensive range of SURTECO products. The corporate headquarters is responsible for the strategic management of the group across all business units.


BOARD
CORPORATE CENTER
BUSINESS UNITS
EUROPE & SOUTH AMERICA
SURFACES
EDGEBANDS
PROFILES
ASIA PACIFIC
NORTH AMERICA

Business Unit

SURFACES

SPECIALISTS FOR SURFACES

The Business Unit SURFACES specializes in surface solutions for virtually all spheres of daily living. The decor papers, finish foils and melamine edgings from SURFACES are found in homes, at the workplace and even in mobile living situations and on ships.


STOCKHOLM




Business Unit

EDGEBANDS

SPECIALISTS FOR EDGEBANDS

EDGEBANDS concentrates on the manufacture and sale of plastic edgebands in Europe and South America. EDGEBANDS offers the ideal edgings in a multitude of variations and designs to suit any application.

Business Unit
PROFILES

SPECIALISTS FOR PROFILES

The speciality produced by PROFILES features plastic-based skirtings for professional floorlayers and technical plastic profiles as a complementary range and destined for virtually all industrial areas of application.

Business Unit

ASIA / PACIFIC

COMPLETE RANGE FOR ASIA

The ASIA / PACIFIC area is a top priority for strategic alignment. Bundling companies into the Business Unit will enable the successful business operations to be further expanded in these geographical regions.





Business Unit

NORTH AMERICA

COMPLETE RANGE FOR AMERICA

The aquisition of OMNOVA performance films, laminates and coated fabrics has significantly bolstered SURTECO's product offerings and market presence. Initiatives to merge commercial teams, promote market cross-selling of products, share best manufacturing and business practices are in active development, reinforcing the company's strategic direction and focus on growth and profitability.


DIANA
OF THE FIFTIES, SIXTIES,
SEVENTIES

Annual Report
2023

ISIN: DE0005176903
Ticker symbol: SUR

CONTENTS

DEAR SHAREHOLDERS,

The business year 2023 was defined by weak demand for our products. In particular, the high level of interest rates impacted negatively on the construction industry and the renovation sector. The anticipated recovery for our business in the second half of 2023 failed to materialise. Consequently, we were unable to achieve our original targets with sales of € 835 million and EBIT of € 8.1 million. Adjusted by the one-off exceptional effects arising from the integration of Omnova and the provisions for personnel measures, adjusted EBITDA – our indicator for analysis of continuous operational performance – at € 86.4 million was actually somewhat above the year-earlier level of € 84.2 million. The adjusted EBIT, which also takes account of PPA depreciation and amortization arising from the acquisition, amounts to € 37.1 million after € 40.2 million in the previous year. This result was only possible as a result of our Performance Plus Programme. This programme enabled us to make substantial cost savings and reduce our working capital. As a result, we were able to almost offset the drop in sales in our core business without Omnova.

STRATEGY

Our focus in 2023 was primarily on the complete integration of the Omnova divisions in our processes and our corporate structure. In the business year 2023, this was represented by our new Business Units for the first time. Furthermore, we continued to develop and implement our strategy. An expansion of our location in Brazil significantly increased production capacity in this geographical market with high growth opportunities and extended the production range. The storage capacity of our very profitable location in Australia was also ramped up. Furthermore, we continued to drive forward the organizational structure and we established global responsibilities and structures in Purchasing and IT.

BALANCE SHEET STRUCTURE

The acquisition of the Omnova divisions was evident in the increase of our balance sheet total at the end of 2023. As a consequence of this, the equity ratio came down from 50 % in the previous year to the value of 37 %. The borrowing to finance the acquisition was fully funded over the long term by a syndicated loan taken out in the business year 2023. This initially increased the level of debt from 36 % in the previous year to 91 % on the balance sheet date. We are pursuing a stringent roadmap in order to continuously reduce this value. We have already witnessed the initial successes with a reduction of working capital and net financial debt during the course of the reporting period. Thus, we succeeded in generating high cash flow from current business operations of approximately € 100 million notwithstanding the challenging environment.

DIVIDEND POLICY

One-off exceptional effects, finance costs and difficult framework conditions led to a net loss of € -27 million for SURTECO GROUP SE in the year 2023. This was offset by a withdrawal from other retained earnings when the financial statements were drawn up. The Supervisory Board and the Management Board decided to retain the liquidity in the company for this year and to refrain from proposing a dividend to be voted on by the Annual General Meeting. However, we are committed to our aim of paying out a stable dividend over the medium term.

OUTLOOK

The prospects for 2024 continue to be reserved. Although we made a good start to the new year, we are not anticipating a rapid and strong recovery in demand for our operations. The Performance Plus Programme has reduced our cost base and is supporting our endeavour to achieve earnings even with low volumes. The exceptional one-off expenses caused by the integration of the Omnova divisions are also no longer being incurred. Furthermore, these divisions are being consolidated over the entire year for the first time. In 2023, these divisions were only included in consolidation for 10 months. As a consequence, we are currently assuming sales in the range between € 860 to € 910 million for the entire business year 2024. We expect adjusted EBITDA to be in a range between € 85 and € 105 million.

The acquisition of the Omnova divisions and the benefits of our new strategy have enabled us to open up new opportunities for a sustainable increase in our corporate value. We should like to express our thanks to you for the trust you have placed in us and we would be delighted if you continued to accompany us on our journey into an exciting future.

WOLFGANG MOYSES
CHAIRMAN OF THE MANAGEMENT BOARD

ANDREAS PÖTZ
MEMBER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

In the business year 2023, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We advised the Management Board regularly on the management of the company and monitored the measures it took.

In the course of this process, we were involved in all the fundamental decisions taken. The Management Board regularly kept us informed in comprehensive written and verbal reports. We were notified promptly about the key aspects of the performance of the business and about significant business transactions. We were also given detailed information about the current income situation and planning, as well as the risks and risk management.

The economic situation presented in the reports by the Management Board and the development perspectives of the Group were the subject of careful and detailed discussion in the meetings of the Supervisory Board, as were the individual business areas and the key participations in Germany and abroad, as well as the general economic environment. Resolutions were adopted as far as this was necessary in compliance with statutory regulations or the Articles of Association.

The Supervisory Board convened for a total of four meetings during the course of the business year 2023. The Members of the Supervisory Board took part in the meetings of the Supervisory Board and the meetings of its committees as follows in the business year 2023:

Meeting participation / Total number of meetings	Plenary Supervisory Board		Audit Committee	
	Number	In %	Number	In %
Mr. Andreas Engelhardt Chairman	4/4	100	4/4	100
Mr. Tim Fiedler Deputy Chairman	4/4	100	-	-
Mr. Tobias Pott Vice Chairman	4/4	100	4/4	100
Mr. Jens Krazeisen	4/4	100	-	-
Mr. Jochen Müller	4/4	100	4/4	100
Mr. Dirk Mühlenkamp	4/4	100	-	-
Mr. Jan Oberbeck	4/4	100	-	-
Mr. Thomas Stockhausen	4/4	100	-	-
Mr. Jörg Wissemann	4/4	100	4/4	100

FOCUSES OF ADVICE

In the business year 2023, the Supervisory Board intensively addressed the reporting of the Management Board in detail and discussed the position of the company on the basis of the latest business figures available for the company. The most recent relevant indicators of the SURTECO Group and the subsidiary companies and participations, in particular, the key financial controlling parameters were presented by the Management Board at the meetings of the Supervisory Board, where they were analysed and compared with the projected figures.

The economic environment in which the Group is operating was subject to especially intensive discussion. This related in particular to the tense framework conditions as a result of the ongoing war in Ukraine, the high level of inflation and the elevated interest rates. All these factors have resulted in a slowdown in construction activities and consequently also in the demand for SURTECO products. Furthermore, the Supervisory Board engaged intensively with the economic framework conditions of the acquired Omnova divisions. The measures derived from the "Performance Plus" programme initiated by the company in order to improve earnings along with the current status of implementation were subject to intensive deliberations at all the meetings of the Supervisory Board.

At its meeting held on 13 April 2023, the Supervisory Board approved the annual financial statements of SURTECO GROUP SE and the SURTECO Group for the business year 2022, as well as the summarized Management Report, the Sustainability Report, appropriation of the net profit and the Report of the Supervisory Board. At this meeting, the Supervisory Board furthermore approved the Compensation Report for the business year 2022, adopted the proposals for the agenda of the ordinary virtual Annual General Meeting in 2023 and approved the proposal by the Audit Committee for the appointment of the auditor to audit the financial statements for the business year 2023.

The Supervisory Board held in-depth discussions at several meetings about the ongoing development of the strategy of the company. The expansion and consolidation of the organizational structure with the new Business Units were a constituent part of the deliberations.

At several meetings, the Supervisory Board was informed about the status of integration of the divisions "Laminates and performance films and coated fabrics" acquired from Omnova Solutions Inc. at the end of 2022. In particular, the integration of processes and the IT infrastructure into the SURTECO organization were debated in depth. The unsatisfactory business development of these companies after the acquisition was also addressed at several meetings. The Supervisory Board also engaged with the funding for the bridging loan. At its meeting on 24 October 2023, the Supervisory Board agreed to the replacement of the bridging loan by a syndicated loan with a volume of € 230 million.

Furthermore, the Supervisory Board engaged with the topic of sustainability and particularly in this regard with the requirements of the Corporate Sustainability Reporting Directive. These require an external audit of the Sustainability Report with effect from the business year 2024 and the publication of this audit as a constituent element of the Management Report. The Supervisory Board gathered information about the current status of implementation and about the objectives concerning the sustainability aspects.

The planning submitted by the Management Board (budget and investment plan) for the business year 2024 was discussed at the meeting of the Supervisory Board held on 18 December 2023 and the proposals were approved subject to the premise that additional headroom should be sought from the areas of Operational Excellence, Human Resources and operational expenses.

COMPENSATION OF THE MANAGEMENT BOARD

A resolution was passed on the variable compensation elements for the Members of the Management Board for the business year 2022 in a circulatory procedure after the April meeting of the Supervisory Board. At the meeting held on 13 April 2023, approval was given to a settlement agreement with the former Member of the Management Board Herbert Müller and a resolution was passed to the effect that this agreement would be presented to the ordinary Annual General Meeting for the year 2023 for purposes of approval.

PERSONNEL DECISIONS OF THE SUPERVISORY BOARD

At its meeting held on 7 June 2023, the Supervisory Board passed a resolution that the appointment of Mr. Wolfgang Moyses as a Member and Chairman of the Management Board with effect from midnight on 30 June 2023 be revoked by mutual consent and that Mr. Wolfgang Moyses should be reappointed in advance as a Member of the Management Board and Chairman of the Management Board for the period from 1 July 2023 to 30 June 2028. No further personnel measures were taken in relation to the Management Board in 2023.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

The term of office of Mr. Andreas Engelhardt as a Member of the Supervisory Board of SURTECO GROUP SE ended when the Annual General Meeting for 2023 was concluded. The Annual General Meeting held on 7 June 2023 confirmed Mr. Andreas Engelhardt in his office. At the meeting held on 7 June 2023, the Supervisory Board once again appointed Mr. Andreas Engelhardt as Chairman of the Supervisory Board.

There were no further personnel changes on the Supervisory Board during the reporting period.

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTE

At its meeting on 18 December 2023, the Supervisory Board defined the compensation for the members of its Audit Committee for the business year 2023 pursuant to § 12 (3) of the Articles of Association at a total amount of € 36,000.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 36,000.00 was allocated to the individual members of the Audit Committee on the basis of their respective time commitment.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed in the Notes of the Annual Report. The committees have the function of preparing issues, topics and resolutions for the meetings of the Supervisory Board. There is also a Presiding Board of the Supervisory Board in accordance with the Rules of Procedure of the Supervisory Board.

The **Presiding Board** of the Supervisory Board prepares the resolutions of the Supervisory Board if they relate to measures requiring the consent of the Supervisory Board. In urgent cases, the Rules of Procedure permit the Presiding Board to take the place of the Supervisory Board and grant consent to specific measures and transactions requiring approval. The Presiding Board did not need to make any decisions in the reporting period.

The **Audit Committee** addressed issues relating to accounting and risk management, the Annual Financial Statements and the quarterly figures, the mandatory independence of the auditor, the tender for the audit of the financial statements, the appointment of the auditor to carry out the audit, the determination of the focuses of the audit and the agreement of the fee. The Audit Committee was in regular contact with the Management Board and the auditors. The Audit Committee was convened four times during the course of the business year, and held one of these meetings at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit. Two meetings of the Audit Committee were held as video conferences.

The **Personnel Committee** did not have to make any decision during the reporting period.

Reports on any meetings convened by the committees were submitted to the plenary session of the Supervisory Board.

CORPORATE GOVERNANCE

The Supervisory Board continued to address the development of the corporate governance principles in the company in 2023 and also took particular account of the amendments to the German Corporate Governance Code from 28 April 2022. At its meeting held on 16 April 2024, the Management Board and the Supervisory Board submitted a new Declaration of Compliance at this meeting, which was included in the Declaration on Corporate Governance pursuant to § 289a German Commercial Code (HGB) and may be viewed on the Internet site of the company.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual Financial Statements of the company were drawn up in accordance with German accounting principles. The Consolidated Financial Statements for the business year 2023 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Management Board submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report, and the Sustainability Report together with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The professional services firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO GROUP SE, as well as the Management Report and the Consolidated Management Report and granted each of the documents an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management Report, and the Sustainability Report, and the audit reports of the auditor, and the recommendation for the appropriation of the net profit were submitted punctually to all the Members of the Supervisory Board. Intensive discussions on the financial statements were carried out in the Audit Committee meeting and at the Balance Sheet Meeting of the Supervisory Board held on 16 April 2024 in the presence of the auditor and following a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents. Furthermore, we took note of the report by the auditor. We have no objections. We therefore concur with the result of the audit. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements prepared by the Management Board. The Annual Financial Statements have therefore been adopted. We are in agreement with the Management Reports and in particular with the assessment of the ongoing development of the company and the Sustainability Report. We agree with the proposal by the Management Board to offset the loss incurred for the year during the business year 2023 in accordance with the German Commercial Code (HGB) by drawing on other retained earnings and the proposal not to pay any dividend.

The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2023, which provided for the appointment of auditor Baker Tilly Holding GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, Nuremberg Branch. The Supervisory Board accepted this proposal.

The Supervisory Board would like to thank the Management Board, the executive managers, the members of the Works Councils, and all the members of staff for the work they have carried out and for their commitment during the business year 2023.

BUTTENWIESEN, APRIL 2024.
THE SUPERVISORY BOARD

ANDREAS ENGELHARDT
CHAIRMAN

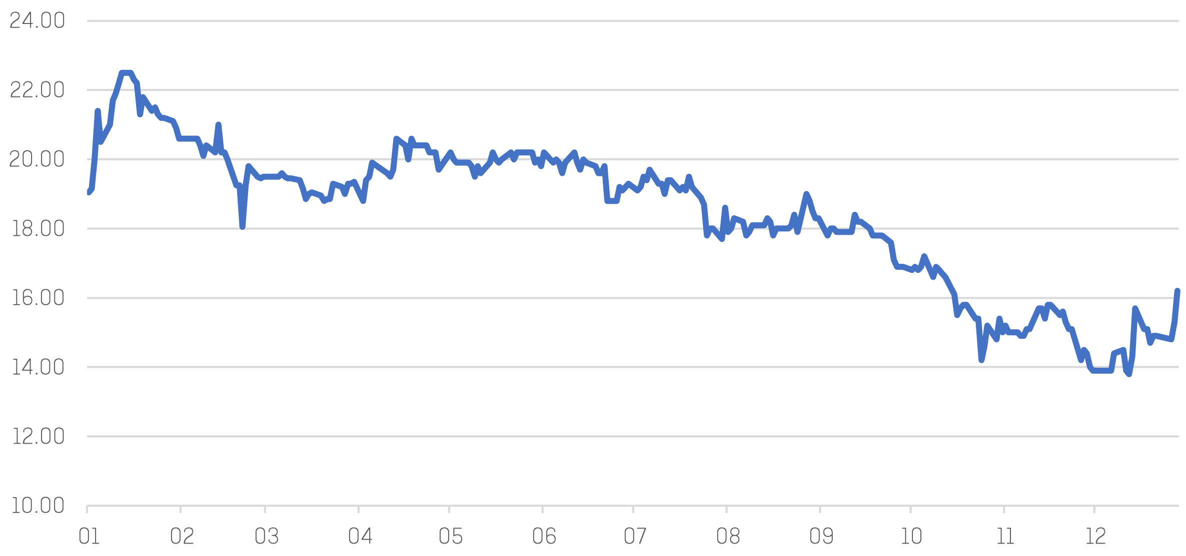
The SURTECO share

SURTECO shares volatile in 2023

After a markedly weak year in 2022, a new upturn was recorded for the stock-market in 2023. In spite of negative external influences such as the ongoing war in Ukraine being prosecuted by Russia, interest increases introduced by the European Central Bank (ECB) in 2023 and the downturn in industrial output, the various indexes nevertheless posted significant gains. The SDAX rose by 16.1 % over the course of the year and reached a high of 13,960.36 points for the year on 28 December 2023, after the annual low of 12,076 points was recorded in October 2023. The index fell far short of the record high it had achieved in 2021 at 17,407.60 points.

The SURTECO share was unable to keep pace with the upswing experienced by the indexes in 2023. It started the year 2023 with a share price of € 19.05, which continued to maintain the level from the year-end closing price of € 19.10 for the previous year 2022. Following on from this, the company had already reached the high for the year at € 22.50 on 12 January 2023. The share maintained its most stable price in the months of May to July. On 31 July 2023, the share price fell to € 17.70 in the wake of the resolution passed by the Annual General Meeting approving the dividend of € 0.70 per share. Over the remainder of the year 2023, it was unable to continue maintaining a stable share price. It then reached a low for the year of € 13.80 on 13 December 2023. In spite of the share's decline during the autumn months, the share price recovered again at the end of the year. The closing price for the year amounted to € 16.20 By comparison with the year-end price for the previous year and the closing price for 2023, the SURTECO share fell back by a total of 15.2 %.

Share price performance 2023 in €



SURTECO shares (Close price XETRA)

€	2022	2023
Number of shares at 31 December	15,505,731	15,505,731
Year-end price	19.10	16.20
Price per share (high)	37.10	22.50
Price per share (low)	18.90	13.80
Stock-market turnover in shares per month	18,994	23,049
Market capitalization at year-end in € million	296.2	251.2

Shareholder indicators for the SURTECO Group

€ million	2022	2023
Sales	747.7	835.1
EBITDA	84.2	66.6
EBIT	40.2	8.1
EBT	36.8	-7.7
Consolidated net profit	25.2	-12.3
Earnings per share	1.63	-0.79

Indicators of the share

Type of security	No-par-value share
Market segment	Official market, Prime Standard
WKN	517690
ISIN	DE0005176903
Ticker symbol	SUR
Reuters´ticker symbol	SURG.D
Bloomberg´s ticker symbol	SUR
Date of first listing	02/11/1999

Market capitalization of € 251.2 million at year-end

As a consequence of the decline in share-price development, the market capitalization came down to € 251.2 million at year-end 2023 after € 296.2 million in the previous year with an unchanged number of shares amounting to 15,505,731 no-par-value issued shares. There were no significant changes to the shareholder structure in 2023. On the basis of the voting rights notifications, the proportion of the "SURTECO Pool", which is made up of founding and family members, continues to hold 56.9 % of the voting rights shares. The LUDA Foundation currently holds 26.2 % of the voting rights shares and Lazard Frères Gestion 4.7 %. Since Lazard as a fund company counts as part of the free float, this is 16.9 %.

Investor Relations as a central function of the Management Board

In 2023, the Management Board of SURTECO GROUP SE once again sought to engage in a close dialogue with institutional and private investors in an atmosphere of trust. During the course of the reporting year, SURTECO was regularly analysed and evaluated consistently with “Buy” by the equity research analysts of Pareto Securities und Sphene Capital. Alongside exchange through the Investor Relations Department on a daily basis, an important highpoint of communication with private investors was undoubtedly the Annual General Meeting held on 7 June 2023. Once again, this was held in June as an in-person event and the meeting was also transmitted by livestream. Additionally, the company continues to maintain regular communication with the financial media.

All information on the company can be found on the Internet pages of SURTECO GROUP SE (www.surteco.com). Furthermore, you are always very welcome to contact the Investor Relations Department of the company directly if you have any questions or ideas you wish to discuss:

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Combined Management Report SURTECO GROUP und SURTECO GROUP SE for the business year 2023

Principles of the Group

OVERVIEW

The SURTECO Group is a Group of mutually complementary companies operating on the global stage. It has primarily specialized in the manufacture of decorative surface coatings for furniture, flooring and interior design. The Group also develops, produces and sells skirtings and technical extrusions (profiles). SURTECO GROUP SE operates within this structure as the holding company with a controlling function.

The products are mainly used in the flooring, wood-based, caravan and furniture industries, as well as by carpenters and artisan businesses. The manufactured surface products are used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with appealing visual and haptic properties. The skirtings and technical extrusions (profiles) are supplied to craft trades, wholesale, industry and do-it-yourself stores.

Paper and plastic-based edgebandings constitute the product group generating the strongest sales within the SURTECO Group. These products are used to refine the narrow edges and the cut edges of wood-based boards. The finish foils of SURTECO are used for coating large areas of wood-based materials and consequently influence the visual and haptic properties of finished products such as items of furniture or panelling. As in the case of edgebandings, the finish foils are based on specialist technical papers and on plastics. The SURTECO Group is also a producer of decorative papers (printed decorative designs). These specialist papers are printed with wood, stone or fantasy decors and used as a material for providing a decorative finish. They are deployed within the Group for the manufacture of finish foils and impregnates. They are also supplied directly to customers from the flooring, furniture and wood-based materials industry. Decor development takes place at the Group's in-house design studio, which also produces the printing cylinders necessary for production. Similar to finish foils, impregnates from SURTECO are used to refine large areas of wood-based materials The base is formed by printed or single-colour decor paper, overlay or release paper, which is impregnated, dried and cut into formats. The product range is mainly deployed for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. The skirtings produced by the SURTECO Group are either manufactured entirely of plastic or they consist of a wood core that is wrapped in a special extrusion process. The Group also has a long track record in the manufacture of a wide range of extrusion products for interior design, furniture shutter systems and manifold industrial applications.

On 28 February 2023, the Group acquired the divisions "Laminates and Performance Films and Coated Fabrics" from Omnova Solutions Inc, USA, a subsidiary of British group Synthomer plc. The acquisition was transacted through Omnova North America Inc., USA (formerly SURTECO North America Inc., USA), hereinafter referred to as Omnova. Omnova comprises all the activities in the USA and Thailand. The purchase price was

€ 263.7 million. Four production and sales locations as well as another sales location were taken over. This transaction expanded the market presence in North America and augmented the product portfolio by laminates, performance films and coated fabrics. Laminates are primarily applied as furniture surfaces with enhanced requirements for resilience. Examples of applications for performance films include decorative material in LVT flooring while coated fabrics are used like artificial leather on seating of all kinds.

The products are either marketed by direct sales or shipped to customers through the Group's own sales locations, and through dealers and agents on all continents of the world. The most important sales markets for the Group include Germany, the rest of Europe, and North and South America. Production and sales facilities in Europe, North and South America, and Australia and Asia ensure fast delivery tailored to the target market.

INTERNAL CORPORATE CONTROLLING SYSTEM

Central controlling for the Group is carried out by the holding company SURTECO GROUP SE with registered office in Buttenwiesen, Bavaria, Germany.

Within the framework of the corporate strategy, the organizational structure of the Group continued to be adapted to the needs of the customers. In the business year 2023, the controlling of the company and therefore also the segment reporting will be carried out through the new segments (Business Units) 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. The production and sale of all paper- and plastic-based finish foils, impregnates and release papers, along with decorative papers and paper-based edgebandings in Europe and South America are situated in Surfaces. Edgebands bundles activities with plastic edgebandings in these regions while Profiles concentrates on skirtings and technical extrusions (profiles). The regional segments comprise all activities in the relevant geographical markets, independently of products. The acquired business activities of Omnova, including the production company in Thailand, are allocated to the Segment North America. The segments of the Group carry out their business operations on the basis of the strategic objectives of the Group. For comparability, the previous year's values for the segments are given in the new pro forma structure.

The group-wide functions Group HR, Operational Excellence, Sustainability, Corporate Development, Internal Auditing, Legal, Governance & Compliance, Group Controlling, Group Accounting, Group Procurement, Treasury, Investor Relations and IT are handled by the holding company in Corporate Centres, which were newly created in the course of setting up the new organizational structure. The group-wide functions Treasury, Internal Audit, Investor Relations, Group Controlling and Group Accounting already existed.

In the business year 2023, the Group used the financial controlling parameters of Sales and EBIT, and since the beginning of the business year 2024, the adjusted earnings before financial result, income tax and depreciation and amortization (adjusted EBITDA) are being applied for purposes of financial controlling instead of EBIT. One-off exceptional effects, such as expenses in association with an acquisition or an optimization of the company structure, are not included in adjusted EBITDA. This change helps to provide the Management Board and the Supervisory Board with transparent assessment of the operational development of the Group without one-off exceptional effects. A combined true and fair view of a number of indicators, the covenants, is also applied as a bundle of key financial controlling parameter. These are comprised of the indicators equity ratio and leverage. The covenants define threshold values which the Group does not intend to exceed or fall short of. Compliance or non-compliance with these covenants is monitored, and reports are regularly submitted. Non-financial controlling parameters are not applied as controlling parameters at Group level or within the holding company.

For SURTECO GROUP SE as an individual company, financial and non-financial performance indicators and hence also their forecast play a subordinate role. Compliance with statutory requirements under corporate law is not affected by this.

PRODUCTION AND SALES LOCATIONS

SURFACES

The companies of the Segment Surfaces produce decor papers, finish foils, impregnates and release papers along with paper-based edgebandings. The production sites in Germany are located in Buttenwiesen, Sassenberg, Heroldstatt, Hüllhorst and Laichingen. The site in Willich is responsible for the development of new decors. Outside Germany, plastic-based finish foils are manufactured in Sweden. Semi-finished products are delivered to the sales office in Poland and in cooperation with the Segments Edgebands and Profiles (extrusions) to the sales companies in France, Italy, Russia and the United Kingdom, which are then finished to customers' specific orders and supplied there.

EDGEBANDS

The Segment Edgebands concentrates on the production and sale of plastic edgebandings. The production companies are located in Gladbeck, Germany, and in Portugal and Brazil. A sales company is located in Mexico and in cooperation with the Segments Surfaces and Profiles in France, Italy, Russia and the United Kingdom.

PROFILES

Profiles manufactures floor-strip and skirting systems, wall edging systems and technical extrusions (profiles) in Bönen, Grammetal and Dunningen (all three locations are in Germany). Additionally, the accessories and other articles required for laying the products relating to all aspects of flooring are supplied as product ranges for resale. The segment maintains sales locations in Poland and the Czech Republic, and in cooperation with the Segments Surfaces and Edgebands in France, Italy, Russia and the United Kingdom. There are also two production sites for technical extrusions (profiles) in the United Kingdom.

NORTH AMERICA

The Segment North America provides all products supplied by the Group in this region. Production and sales companies are located in the USA and one production company is located in Canada. Furthermore, the production and sales location in Thailand from the Omnova acquisition is allocated to this segment.

ASIA / PACIFIC

Production locations in Australia and Indonesia are included in the Segment Asia / Pacific. Sales locations in Singapore, China and Japan look after regional supply of the complete product range offered by SURTECO.

MANAGEMENT AND CONTROLLING

The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Management Board are appointed by the Supervisory Board and manage the affairs of the company in accordance with the statutory regulations, the Articles of Association, and the rules of procedure governing the Management Board and the Supervisory Board. In the business year 2023, the Management Board was made up of two members. The Management Board and the Supervisory Board gear their actions and their decisions to the interests of the company. They are committed to the objective of sustainably increasing the value of the company in accordance with the interests of the shareholders, business partners, employees and general collectivity of stakeholders.

The Supervisory Board monitors and advises the Management Board on the running of the company. It is made up of nine members. Six members are appointed by the Annual General Meeting as representatives of the shareholders. Three members are sent by the works councils of the three domestic companies with the largest number of employees to represent the employees.

Economic report

MACROECONOMIC FRAMEWORK CONDITIONS

On the basis of our experience, the inclination of consumers to consume and hence the demand for our products correlates with general economic growth. According to the assessment of the Council of Experts (Sachverständigenrat) for assessing macroeconomic development,[1] the high inflation rates impacted private consumer expenditure in many regions of the world. The Council of Experts therefore only predicted growth of gross domestic product (GDP) for global trade in 2023 of +2.7 % after +2.9 % in 2022. In this context, the advanced economies are attributed an increase of +1.5 % (2022: +2.6 %) and the emerging markets a rise of +4.7 % (2022: +3.5 %). GDP in Germany decreased by -0.2 % (2022: +1.8 %) while a slight increase of +0.6 % was posted in the eurozone after +3.5 % in 2022. GDP in the USA rose by +2.4 % (2022: +2.1 %) and in the United Kingdom by +0.5 % (2022: +4.0 %). Growth in Central and Eastern Europe amounted to +0.3 % (2022: +4.4 %), in Latin America to +1.3 % (2022: +4.1 %) and in Asia to +4.5 % (2022: +3.2 %).

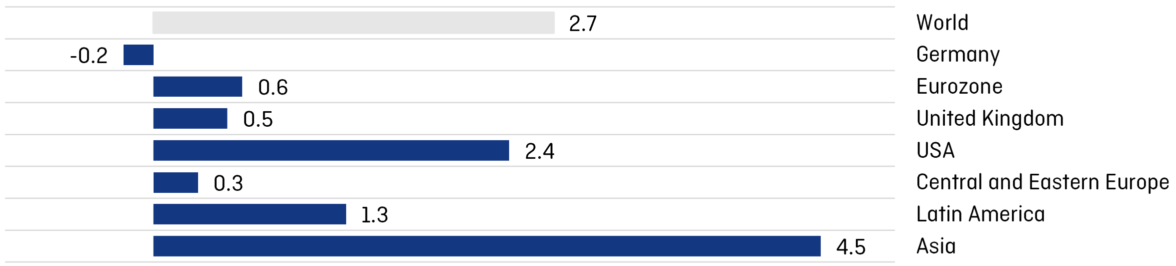
The customer segments relevant for SURTECO presented a challenge in 2023 in the form of restrained consumption behaviour by consumers in the German furniture sector. As posted by the Association of the German Furniture Industry (VDM), the full order backlogs from the beginning of the year were all processed and order books became significantly emptier by the end of the year. As a consequence, a sector survey indicated that 40 percent of furniture manufacturers went over to short-time working during the last quarter of 2023.[2] Hence, sales with office furniture and shop fittings still went up by +3.0 % in 2023 while sales with kitchen furniture eased by -0.3 % and with other furniture by -11.2 %. Manufacturers of wood-based panels and chipboard had to contend with a drop in sales of -15.6 % in 2023.[3]

SALES AND BUSINESS PERFORMANCE FOR THE GROUP

In the business year 2023, sales of the SURTECO Group rose by +12 % to € 835.1 Mio. € (2022: € 747.7 Mio. €). This was essentially due to the additional sales generated by the acquired Omnova divisions from 1 March 2023. Nevertheless, sales were substantially below the original forecast of € 920 million to € 950 million. Our view is that the framework conditions caused by the war between Russia and Ukraine, the high level of inflation and other geopolitical conflicts resulted in a tangible fall in demand within the sectors relevant to our business. This means that without the sales from Omnova, business performance would have fallen by -7 %. Overall, business operations in Germany came down by -9 % compared with the equivalent year-earlier value and in the rest of Europe (not including Germany) by -4 %. On the back of the Omnova acquisition, sales in North and South America went up by +65 % and in Asia, Australia and in the other markets by +21 % compared with the previous year.

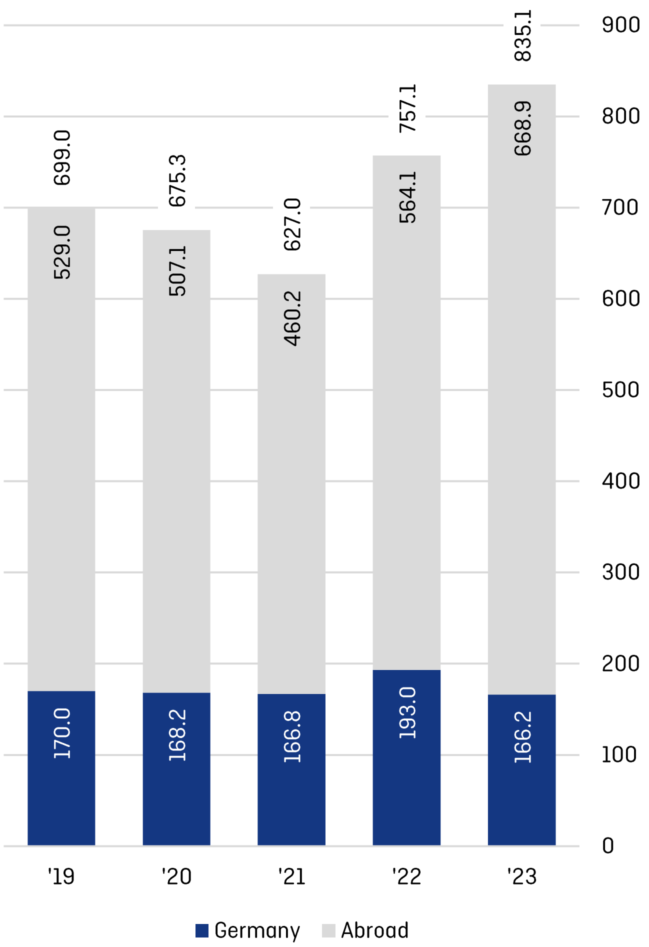
1 Source: The Council of Experts (Sachverständigenrat) for assessing macroeconomic development, Annual Expert Report 23/24 dated 27 October 2023, year-earlier values: Updated Economic Forecast 2023 and 2024 published on 22 March 2023
2 Source: Associations of the German furniture industry (VDM/VHK). Press Release dated 11/1/2024
3 Source: Destatis Federal Statistical Office. https://www.destatis.de. Wirtschaftszweige WZ08-1621, WZ08-3101, WZ08-3102, WZ08-3109

Economic growth in 2023 in %[1]



1 Source: Council of Experts (Sachverständigenrat) for assessing macroeconomic development, Updated Economic Forecast 2023 and 2024 published on 27 October 2023

SURTECO GROUP Sales revenues in € million



SURFACES

The Segment Surfaces encompasses the surface activities of the Group including melamine edgings in Europe and South America. The sales revenues of the segment fell to € 265.6 million in 2023 after pro-forma sales of € 277.6 million in the year-earlier period. This downturn of -4 % meant that the forecast for the segment (slight increase) was not achieved, which is to be primarily due to the restrained demand in Germany and Europe owing to the high level of inflation and the increased rates of interest.

EDGEBANDS

The Segment Edgebands comprises all plastic edging activities of the Group in Europe and South America. Owing to volume effects arising from declining demand, segment sales at € 151.1 million in 2023 were -7 % below the pro-forma year-earlier value of € 162.5 million. As a consequence, the sales are below the forecast (equivalent level).

PROFILES

The Segment Profiles bundles the activities in Europe and South America with technical extrusions (profiles), skirtings and associated products. Sales of the segment at € 137.4 million in 2023 were -8 % below the pro-forma value of the previous year amounting to € 148.5 million. An absence of volume due to generally weak demand also led to a fall in this segment. An equivalent sales level was expected for this segment in the forecast but ultimately it could not be achieved.

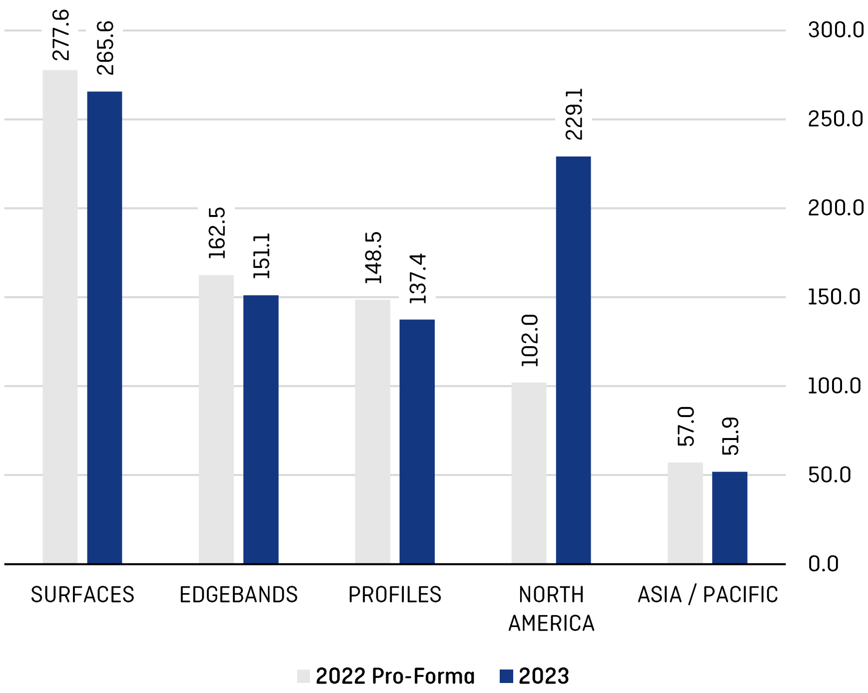
NORTH AMERICA

The Segment North America groups the activities with all products of the Group in this region. The sales of the acquired divisions of Omnova in the USA and the production facility in Thailand are allocated to this segment. The sales in 2023 rose by +125 % to € 229.1 million after pro-forma sales of € 102.0 million in the previous year. The sales forecast (substantial increase) was therefore achieved for this segment.

ASIA / PACIFIC

The Segment Asia / Pacific comprises the business activities with all product groups in the area of Asia, Australia and Oceania. The Asian market was also impacted by somewhat declining demand during 2023. As a consequence, sales fell by -9 % to € 51.9 million (2022 pro-forma: € 57.0 million). The expected slight increase in sales predicted in the forecast was therefore not achieved.

SEGMENTS Sales revenues in € million

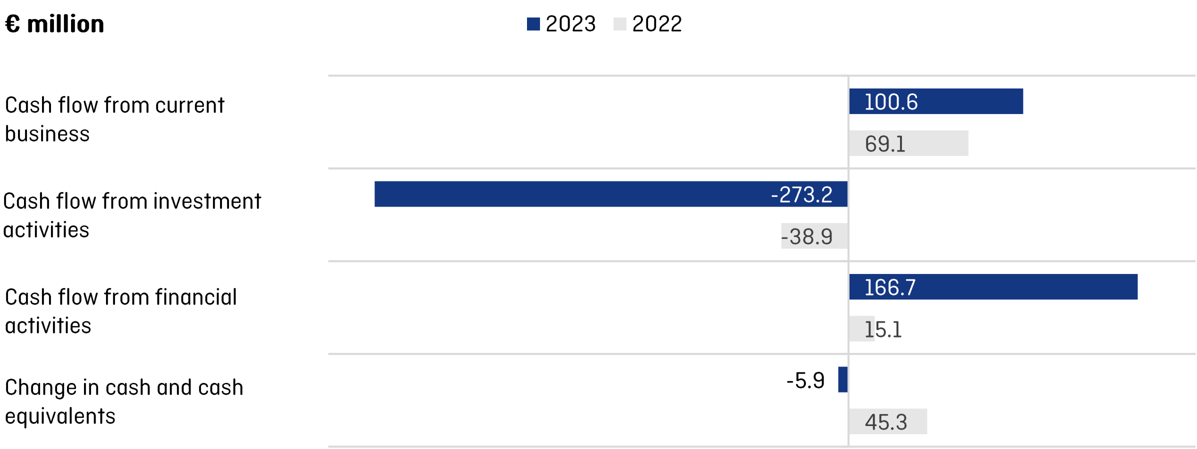


Net assets, financial position and results of operations

CASH FLOW STATEMENT

Essentially due to lower earnings before income tax (EBT), the internal financing of the Group in 2023 fell to € 38.2 million (2022: € 61.9 million). The change in assets and liabilities (net) in the business year amounted to € 62.3 million after € 7.2 million in the previous year. Insofar, cash flow from current business operations amounted to € 100.6 million (2022: € 69.1 million) As a result of the Omnova acquisition, the cash outflow from the acquisition of companies amounted to € -243.1 million. Cash flows from investment activities amounted to € -273.2 million after € -38.9 million in the previous year. This results in a free cash flow of € -172.6 million for 2023 (previous year: € 30.2 million). Primarily due to taking on financial debt, the cash flow from financing activities amounted to € 166.7 million after € 15.1 million in the previous year. Hence, cash and cash equivalents fell from € 117.8 million at year-end 2022 to € 111.8 million at 31 December 2023.

Change in financial resources at 31 December



Calculation of free cash flow

€ million	1/1/-31/12/2022	1/1/-31/12/2023
Cash flow from current business operations	**69.1**	**100.6**
Acquisition of business	0.0	-243.1
Purchase of property, plant and equipment	-45.2	-34.8
Purchase of Intangible assets	-5.1	-4.0
Proceeds from disposal of property, plant and equipment	11.4	8.7
Cash flow from Investment activity	**-38.9**	**-273.2**
Free cash flow	**30.2**	**-172.6**

BALANCE SHEET PERFORMANCE

The balance sheet total of the Group amounted to € 1,041.8 million as at 31 December 2023 after € 851.9 million as at 31 December 2022. On the assets side, trade accounts receivable increased despite a resumption of factoring as a result of the acquisition of Omnova although there was a reduction in inventory assets and cash. Overall, current assets at € 342.8 million remained virtually constant around the year-earlier value of € 341.8 million. The non-current assets increased from € 510.0 million to € 699.0 million driven by the acquisition. Property, plant and equipment increased from € 251.2 million to € 310.6 million, intangible assets from € 43.8 million to € 107.9 million and goodwill from € 162.0 million to € 223.4 million.

On the liabilities side of the balance sheet, current liabilities amounted to € 199.9 million at year-end 2023 after € 114.7 million in the previous year. This increase essentially results from a reclassification of non-current liabilities due to term maturity. Owing to taking out the syndicated loan of € 200 million, non-current liabilities increased from € 311.1 million to € 449.0 million. Equity decreased to € 392.9 million after € 426.1 million as at 31 December 2022. The equity ratio (equity/balance sheet total) eased to 37.7 % (2022: 50.0 %). Net financial debt at € 359.3 was above the year-earlier value of € 152.8 million and the level of debt (net debt/equity) increased from 35.9 % to 91.5 %. The working capital came down primarily due to increased trade accounts payable from € 142.6 million at the year-end 2022 to € 129.2 million on the balance sheet date for 2023. In the business year 2023, the covenants (-> internal corporate controlling system) were complied with subject to utilization of waivers during the course of the year. On 31 December 2023, the Group had external credit lines amounting to € 42.4 million. At this point, € 0.8 million had been drawn on these lines.

Balance sheet structure of the SURTECO Group

€ million	31/12/2022	Percentage of the balance sheet total in %	31/12/2023	Percentage of the balance sheet total in %
ASSETS				
Current assets	341.8	40.1	342.8	32.9
Non-current assets	510.0	59.9	699.0	67.1
Balance sheet total	**851.8**	**100.0**	**1,041.8**	**100.0**
LIABILITIES				
Current liabilities	114.7	13.5	199.9	19.2
Non-current liabilities	311.0	36.5	449.0	43.1
Equity	426.1	50.0	392.9	37.7
Balance sheet total	**851.8**	**100.0**	**1,041.8**	**100.0**

Balance sheet indicators of the SURTECO Group

	2022	2023
Equity ratio in %	50.0	37.7
Level of debt in %	35.9	91.4
Working capital in € million	142.6	129.2
Interest cover factor	21.0	4.4
Debt-service coverage ration in %	45.3	12.8

INVESTMENTS

Additions to property, plant and equipment, and intangible assets (investments) amounted to € 182.7 million (2022: € 50.3 million) in the business year 2023. An addition of € 103.1 million (2022: € 45.2 million) was attributable to property, plant and equipment. This essentially results from replacement and expansion investments in technical systems and machinery, for land, buildings, and assets under construction as well as due to the Omnova acquisition. The addition of intangible assets amounted to € 79.6 million (2022: € 5.3 million) and primarily includes effects arising from the Omnova acquisition as a result of the valuation of the customer base, the brand, technology and software expenses. In the business year 2023, investments of € 14.7 million (2022: € 26.1 million) were attributable to Surfaces, € 7.7 million (2022: € 7.2 million) to Edgebands, € 6.6 million (2022: € 6.7 million) to Profiles, € 151.2 million (2022: € 7.0 million) to North America and € 2.5 million (2022: € 3.2 million) to Asia / Pacific.

EXPENSES

The cost of materials forms the biggest expense item in all the segments of the Group. Purchase prices for technical raw papers, various plastics and chemical additives exert the greatest impact. In the case of plastics, papers and chemical additives, purchase prices in the business year 2023 generally eased compared with the previous year. Since the acquired Omnova divisions have a higher cost of materials ratio, the cost of materials in relation to total output (cost of materials ratio) at 51.7 % across the Group in 2023 remained only slightly below the year-earlier value of 52.0 %. The absolute cost of materials amounted to € -432.0 million after € -390.7 million in the previous year. Personnel expenses at € -218.1 million in the business year 2023 were above the year-earlier value of € -174.9 million on account of various factors including provisions for personnel measures. As a ratio of total output, the personnel expense ratio increased from 23.3 % in the previous year to 26.1 % during the reporting period. In absolute terms, the other operating expenses at € -132.1 million were including through on-off expenses above the year-earlier value of € -112.5 million. In relation to total output, the ratio increased to 15.8 % (2022: 15.0 %).

GROUP RESULTS

The total output of the Group at € 835.3 million went up by 11.2 % in the business year 2023 compared with the year-earlier value of € 751.3 million. Taking account of the expense items totaling € -782.2 million (2022: € -678.1 million) and the other operating income amounting to € 14.2 million (2022: € 10.9 million) earnings before financial result, income tax and depreciation and amortization (EBITDA) fell by -20.9 % to € 66.6 million (2022: € 84.2 million). The EBITDA margin (EBITDA /sales) fell back from 11.3 % in the previous year to 8.0 % in 2023. Adjusted by one-off exceptional effects (transaction and integration costs, consultancy costs, provisions for personnel measures and PPA step-up inventories), adjusted EBITDA amounted to € 86.4 million in 2023. Depreciation and amortization amounted to € -58.5 million after € -44.0 million in the previous year. Consequently, earnings before financial result and taxes (EBIT) amounted to € 8.1 million (2022:

€ 40.2 million). The Group therefore fell short of the original EBIT target of between € 45 million and € 55 million primarily due to the one-off expenses from the acquisition and the declining demand. The EBIT target of € 5 million to € 15 million, adjusted on 16 October 2023, was achieved. The EBIT margin (EBIT / sales) came down to 1.0 % (2022: 5.4 %). Adjusted by the one-off exceptional effects including the PPA depr., adjusted EBIT was at € 37.1 million. As a result of additionally taking out borrowing in 2023, the financial result at € -15.8 million deteriorated compared with the year-earlier value of € -3.4 million. Earnings before income tax (EBT) at € -7.7 million was -120.8 % below the year-earlier value of € 36.8 million. Deduction of income tax amounting to € -4.8 million (2022: € -11.6 million) yields consolidated net loss of € -12.4 million (2022: net profit € 25.2 million) in the business year 2023. Earnings per share amounted to € -0.79 for an unchanged number of shares at 15.5 million after € 1,63 in the previous year.

RESULTS OF THE SEGMENTS

EBIT of € -2.6 million meant that earnings for the Segment Surfaces was below the pro-forma year-earlier value of € 1.8 million. The majority of provisions for personnel measures accounted for this decline. The segment therefore fell short of the forecast (substantial increase). In line with the forecast, EBIT of Edgebands at € 14.0 million was significantly below the pro-forma year-earlier value of € 19.7 million. Due to provisions for personnel measures and a lack of volume, Profiles achieved an EBIT of € 9.5 million (previous year: pro forma € 12.3 million), meaning that the forecast (significant increase) was not achieved. Instead of the forecast substantial increase, EBIT for the Segment North America fell owing to the one-time effects from the Omnova acquisition of pro-forma € 7.2 million in the previous year to € -11.8 million in the business year 2023. EBIT of Asia / Pacific in 2023 amounted to € 7.2 million (2022: pro-forma € 10.2 million). This segment therefore also fell short of the forecast (significant increase) due to a lack of volume.

HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO GROUP SE

The financial statements of the holding company SURTECO GROUP SE were prepared on the basis of the accounting principles in accordance with the Third Book of the German Commercial Code (§§ 242 ff. and 264 ff. HGB) for large joint-stock companies and the Stock Corporation Act (Aktiengesetz, AktG).

As at 31 December 2023, the balance sheet total of SURTECO GROUP SE amounted to € 818.3 million after € 611.6 million in the previous year. On the assets side of the balance sheet, fixed assets amounted to € 486.8 million compared with the year-earlier value (€ 313.1 million) owing to loans made to affiliated enterprises in the course of the Omnova acquisition, and current assets went up from € 297.7 million in the previous year to € 331.2 million on 31 December 2023 due to increased receivables from affiliated companies. On the liabilities side of the balance sheet, equity capital fell to € 288.6 million after € 326.6 million in the previous year. Consequently, the equity ratio came down from 53.4 % in the previous year to 35.3 % in 2023. On the balance sheet date for 2023, liabilities increased to € 524.8 million (2022: € 270.8 million) as a result of financing for the Omnova acquisition, while provisions eased to € 5.0 million (2022: € 14.2 million).

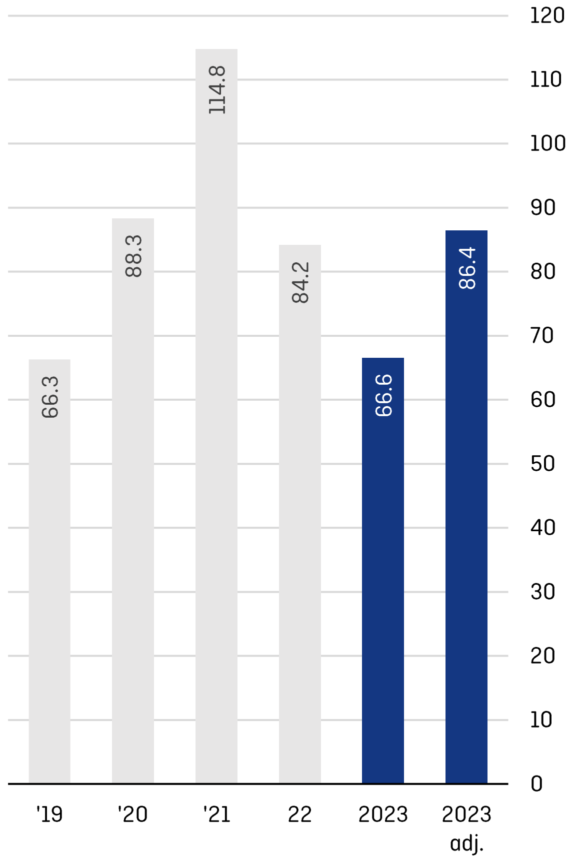
The sales revenues of SURTECO GROUP SE in the amount of € 2.0 million (2022: € 1.8 million) result entirely from intragroup reallocations. Personnel expenses amounted to € -7.6 million (2022: € -5.5 million). On account of losses due to exchange-rate differences, other operating expenses increased to € -20.4 million after € -8.7 million in the previous year. Income from profit and loss transfer agreements fell from € 26.4 million in the previous year to € 5.0 million 2023, while expenses arising from loss assumption amounting to € -4.0 million in the previous year increased to € -22.2 million in 2023. The interest income amounted to

€ 4.7 million (2022: € -1.4 million) and income taxes amounted to € 0.4 million (2022: € 2.3 million). Consequently, a net loss amounting to € -27.2 million arises for SURTECO GROUP SE in the year 2023 after net income of € 11.4 million in the previous year. After the transfer from other retained earnings amounting to € 27.2 million (2022: € 0.0 million) a net profit amounting to € 0.0 million (2022: € 11.4 million) results. No proposal was put forward by the Management Board for appropriation of profit.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In the business year 2023, sales markets continued to suffer from the high level of pressure exerted by high energy prices, inflation and a number of geopolitical conflicts. In addition, the integration of the acquired Omnova divisions had to be carried out in the context of these difficult framework conditions. Consequently, sales and earnings failed to develop as originally assumed. The Group countered these challenges with strict cost management, along with further advancement and implementation of the corporate strategy with the core fields Operational and Commercial Excellence, Product Leadership, Sustainability, Digital Transformation and Corporate Culture.

SURTECO GROUP EBITDA in € million

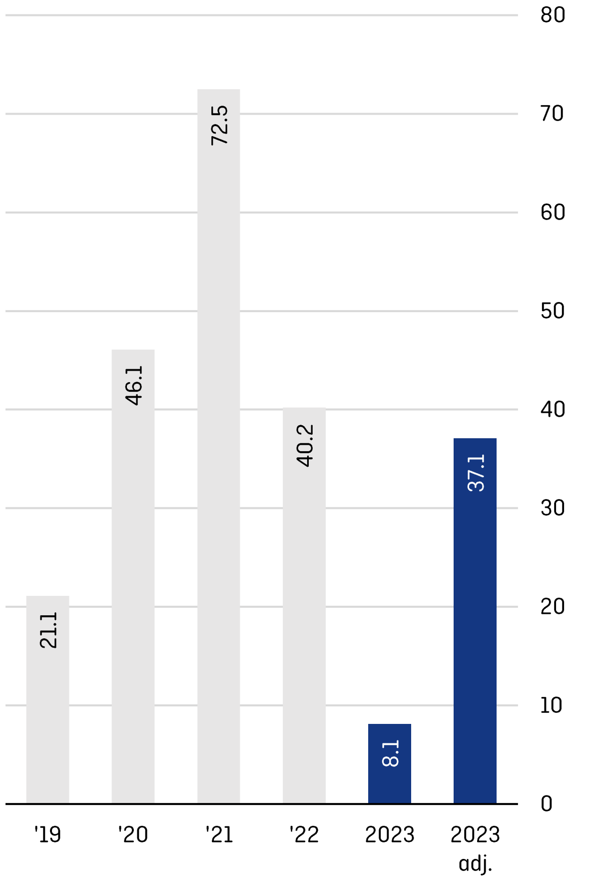


Research and development

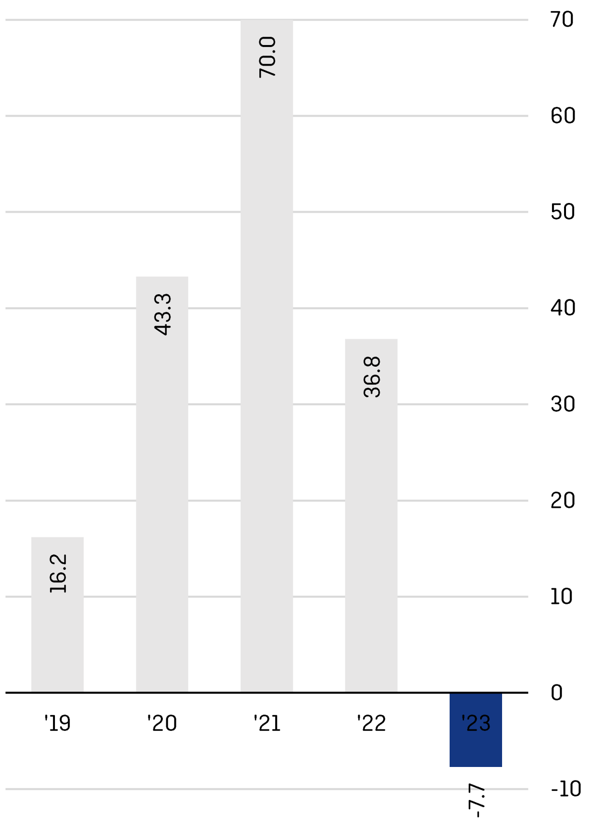
Research and development at the SURTECO Group is carried out at local level owing to the specialization of the production locations. In the case of surface products, the focus is on advanced development of the optical and haptic properties, and the resilience of the products. The focus for technical extrusions (profiles) and skirtings is on the technical characteristics. The research and development departments also work consistently on achieving qualification for alternative raw materials, the development of new product categories, optimization of the production processes and in research on sustainable products and raw materials.

In the business year 2023, expenses for research and development in the Group amounted to € 2.5 million after € 3.5 million in the previous year. An average of 169 (2022: 141) employees were working in the research and development departments of the Group. The corresponding personnel costs for employees in research and development are included in the Group's personnel expenses.

SURTECO GROUP EBIT in € million



SURTECO GROUP EBT in € million



People and training

The number of employees across the Group increased to 3,685 owing to the Omnova acquisition at year-end 2023 after 3,052 on 31 December 2022. In Surfaces, the number of employees was 1,034 (2022: 1,107), in Profiles 512 (2022: 554), in Edgebands 830 (2022: 872), in North America 1,077 (2022: 286) and in Asia / Pacific 207 (2022: 215). As at 31 December 2023, 25 employees were working in the holding company SURTECO GROUP SE (2022: 18). The average age of the employees in the Group increased to 44.1 years (2022: 42.4 years) and the average length of service increased to 12.6 years (2022: 12.5 years). The average sickness rate went up in 2023 to 9.0 % (2022: 4.4 %), while the fluctuation rate fell to 5.8 % (2022: 10.8 %). In the business year 2023, an average of 83 apprentices (2022: 95) were employed at the German Group sites. In relation to the average number of employees in Germany, the training rate was therefore 5.3 % (2022: 5.7 %).

Location	Employees 31/12/2022	Employees 31/12/2023	Change
Germany	1,627	1,495	-132
Portugal	242	200	-42
Brazil	227	247	+20
United Kingdom	182	179	-3
USA	175	588	+413
Sweden	119	119	+0
Asia	117	457	+340
Canada	111	136	+25
Australia	98	103	+5
Poland	38	46	+8
Mexico	40	42	+2
Italy	26	27	+1
France	23	20	-3
Russia	12	13	+1
Czech Republic	15	13	-2
	3,052	**3,685**	**+633**

Internal controlling and risk management system

OVERALL INTERNAL CONTROLLING SYSTEM*

The SURTECO Group in its current form was created by the merger and acquisition of various individual companies and groups of companies with established processes and IT systems. This means that the entire Internal Controlling System is made up of many different modules which are gradually being transferred to standardized processes and group-wide software solutions. The appropriateness and effectiveness of the entire Internal Controlling System are continuously monitored by the Management Board as the responsible body and guaranteed using the essential components of the Internal Controlling System described below.

The Management Board has no information to indicate that the risk management system and the Internal Controlling System are not overall appropriate or effective.

Instructions

The platform for internal controlling is the provision of guidelines, directives and instructions. Alongside instructions relating to location, divisional and process issues, group-wide guidelines and directives from the Management Board are applicable. The Group uses different systems for distribution and the biggest companies are already equipped with the future group-wide solution.

Training and information

Information can be disseminated quickly using the “RoomMe” Intranet of the SURTECO Group. An online system with testing options is available for training sessions. Locations that are not yet connected to the online system train their employees and communicate with them in classic face-to-face events.

Controlling

Controlling activities are carried out by various offices. The checks carried out by Internal Audit include the entire Internal Controlling System. Furthermore, a number of the Group’s locations also have quality, environmental, energy and workplace safety systems certified by external agencies. Authorization concepts and access controls guarantee the protection of business secrets and meet the principle of minimum information.

Transparency

Comprehensive internal reporting to the relevant executive management, the Management Board and the Supervisory Board is implemented as part of the individual management systems. External information is primarily provided through financial reporting, the declaration on corporate governance and through the sustainability report.

Compliance Management System (CMS)

The CMS is based on the triad of specifications, avoidance and control. The values of corporate culture form the foundation for the specifications applicable throughout the Group. They are defined in the “SURTECO Code of Conduct” and in binding guidelines. Global distribution to all employees of the Group is ensured through a management software system. The company implements training sessions for all employees for purposes of prevention (avoidance). These cover general compliance principles and special topics geared to relevant target groups. A whistleblower system, which is also available to third parties, can be used to report information about legal violations within the company in a protected framework. A defined Compliance Team directs this process and reports directly to the Management Board. Any compliance risks are recorded and monitored as part of the risk management system. The risk assessment is carried out with an analysis of the potential extent of damage and the probability of occurrence. The measures are tailored accordingly with defined responsibilities and monitoring of implementation.

* The content of this section relates to unaudited, voluntary content.

RISK MANAGEMENT SYSTEM (RMS)

The Risk Management System is an integral part of the group-wide planning, control and reporting process. It consists of a large number of building blocks that are integrated into the overall structure and process organization. The Management Board is responsible for risk policy in the SURTECO Group. Risks are identified on the basis of group-wide guidelines by the Management Board together with the management of the Business Units. The management of the Business Units receives the instructions of the Management Board and in this context, it is responsible for the risks that it takes in its business. The management integrates employees in risk management as part of governance functions. Binding rules for risk management processes are defined in the risk management manual applicable throughout the Group.

ACCOUNTING-BASED INTERNAL CONTROLLING SYSTEM – REPORT IN ACCORDANCE WITH § 289 (4) AND § 315 (4) GERMAN COMMERCIAL CODE (HGB)

The Internal Controlling System comprises the accounting-based processes and controls which are fundamental for the consolidated financial statements. The SURTECO Group bases the structure of its Internal Controlling System on the relevant publications of the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW).

The preparation of the accounts and the financial statements is primarily carried out decentrally and in accordance with local standards. The consolidated financial statements are prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), in accordance with EU adoption, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the regulations to be applied in addition pursuant to § 315e (1) German Commercial Code (HGB). A uniform chart of accounts for the Group and the use of accounting policies form the basis for these documents. The Group holding company supports the companies on issues relating to accounting and manages the consolidated accounting process.

The subsidiary companies are included in the consolidated financial statements and in the combined management report using a partly integrated accounting and consolidation system, and on the basis of reporting packages. Consolidation is initially carried out as a multistage process at the level of the subsidiary companies, then at the level of segments and finally at Group level. The consolidated financial statements are prepared using a permanent structured process based on a calendar for the financial statements.

The plausibility of the figures is ensured at every level by manual and systematic checks. Transparent responsibilities and access rules for IT systems relevant to the financial statements are significant elements in this process. The controlling principles of separation of functions, double-check principle and approval and release procedures are applied to the annual financial statements and the consolidated financial statements. Information from external service providers is checked for plausibility.

Risk and opportunities report

The SURTECO Group is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any event or circumstance that can lead to a negative deviation for the SURTECO Group now and/or in future from the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies, if this is feasible at reasonable commercial conditions. However, it is not possible to exclude the possibility that insurance cover or hedging with financial instruments is inadequate in individual cases or that appropriate protection cannot be obtained for specific risks.

The following section is a description of the risks and opportunities that can exert a significant impact on the financial position, results of operations and net assets of the SURTECO Group. Group Investment Controlling prepares a consolidated risk report from the individual risks reported. On the basis of the amount of damage to EBT, the risks are allocated to damage classes in accordance with the following table:

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

The probability of occurrence is allocated in the following classes:

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 %

All risks are classified and aggregated from a combination of these two factors according to risk categories into the categories Low (L), Moderate (M) and High (H) using the following matrix:

		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

The identified individual risks are allocated to risk categories to which the SURTECO Group is fundamentally exposed. The following risk and opportunities report explains these risk categories in general terms and provides information about the recorded individual risks in each category.

Appropriate measures for reducing and overcoming the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing over time, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. Apart from regular reporting to the Management Board and the Supervisory Board, managers have a duty to report risks that occur unexpectedly without delay. The usefulness and efficiency of risk management and the controlling systems are monitored at regular intervals by the Management Board and the management of the subsidiary companies. The Group is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.

Risks and opportunities resulting from sustainability aspects are integrated in the group-wide Risk Management System of the SURTECO Group. They include risks and opportunities arising from social, environmental and governance factors, which can exert an impact on the financial position, results of operations and net assets of the SURTECO Group. Opportunities essentially arise on account of positive developments from outside influences of the kind that are described in the risk categories. Any opportunities identified are also recorded and documented, although they are not allocated to classes.

The risks and opportunities presented below apply equally to SURTECO GROUP SE and the SURTECO Group.

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

Macroeconomic risks, market risk and market opportunities

In our opinion, the business development of the SURTECO Group depends significantly on macroeconomic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of the relevant countries is therefore analysed as an indicator for the business performance of the company since the manufactured products are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods correlates with economic development. In our opinion, the performance of the flooring, furniture and wood-based industries in the individual countries and markets is particularly important for the business development of the Group.

The Group has production sites and additional sales locations on four continents, and this places the Group in the position of being able to provide local supply to its customers worldwide, as well as being in a position to identify trends in regional markets at an early stage. This gives the company an opportunity to gain first-mover advantage when participating in trends. The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans, and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered. The most relevant geographical markets are located in Europe, in North and South America, and Australia. The Group may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the companies to benefit indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at the SURTECO Group.

Similar to the development of geographical markets, the Group also monitors the dynamic performance of relevant sectors. The focus of this analysis is essentially on the flooring, furniture and wood-based industries. The Group will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.

A low risk in this category was identified in each case in the Segment Surfaces and in the Segment Profiles and a moderate risk in this category was identified in the Segment Asia / Pacific.

Competitive risks and opportunities

An increased production depth has been observed in the market over recent years. This can lead to excess capacities and tougher competition. Furthermore, new local competitors may enter the market at any time.

Since the SURTECO Group is represented worldwide through its sales network and, in our opinion, already holds a strong market position in its most important divisions, there is an opportunity to achieve further market penetration, for example on the back of integration of sales and marketing activities of the individual subsidiary companies. There is also an opportunity to play a proactive role in future consolidation within the sector.

No individual risk was identified in this category above the damage potential of € 000s 1,000.

OPERATIONAL RISKS

Procurement risks and opportunities

The Group is dependent on outsourcing from suppliers and partners for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks, for example as a result of unexpected supply difficulties or unforeseeable price increases resulting from market consolidation, market bottlenecks or currency effects, and other macroeconomic influences which could impact negatively on results. The Group meets risks associated with supply by a process of continuous material and supplier management. The measures involve analysing the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications, arranging supply contracts, the qualification of alternative suppliers and detailed research into alternative raw materials.

A low risk in this category was identified in each case in the Segment Edgebands and in the Segment Surfaces.

The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significantly positive impact on the earnings situation. The research and development departments have a rolling programme of continuously carrying out research into alternative raw materials and additives so that there is a possibility of identifying cheaper or higher quality substitute products.

Production risks / Technology risks

An efficient and smooth-running production process is the enabler for the delivery capability of the companies. This entails the risk that machines or equipment may break down or the production workflow may be disrupted in some other way. To a certain extent, the companies of the Group are able to distribute production over several sites and thereby effectively minimize the risk of downtime. Production processes that cannot be distributed, or this can only be done with difficulty, are protected against production outage with standard measures such as subdivision into different fire zones. Furthermore, the production procedures, manufacturing technologies, machinery used and processes are continuously developed and optimized, the systems and equipment are carefully maintained, and the employees receive training. If there are any complaints, extensive investigations are carried out in order to ascertain the causes. It is not possible to exclude the possibility that complaints may actually be traced to semi-finished products, and when this is the case, it is not always effective to seek recourse with the supplier. Environmental officers apply defined standards and regulations to monitor the environmental safety of products and production.

A low risk was identified in this category in the Segment Surfaces.

The production area also offers opportunities. A continuous improvement process was implemented to identify and continuously realize any established potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company.

IT risks

Ensuring secure operation of all business processes requires constant monitoring and improvement of the information technologies used in the Group. Against the background of a growing potential for risk based on increasing integration of computer-supported business processes in communication between the Group companies and in communication with customers, suppliers and business partners, ongoing development of the measures used to make information secure is a top priority. Risks relating to the availability, dependability and efficiency of information technology systems are limited by making strategic investments and as appropriate by commissioning specialist companies. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can also be avoided through the planned implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.

Two low risks were identified in this category at Group level.

Personnel risks

In our opinion, the success of the company is bound up with having a workforce of qualified personnel at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the skills of technical specialists and managers. The unexpected loss of employees, temporary absence of personnel or difficulties in the search for suitable employees can exert negative impacts on business activities.

A low risk was identified in this category at Group level.

FINANCIAL RISKS

Financing risks and financing opportunities

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. The majority of the financial liabilities of the Group have residual terms of up to five years (-> maturity structure in sub-section 32.3 of the Notes to the Consolidated Financial Statements). The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators (covenants) were agreed with the lenders at standard market conditions in a number of loan agreements, for example the equity ratio, and these have to be complied with. These covenants are continuously monitored by the Management Board and the Supervisory Board. If there is an impending breach of any of the covenants, consultations on individual measures take place as necessary. If the covenants are breached, the lenders have the right to serve notice on the loan agreements. At the beginning of 2023, a bridging loan amounting to € 200 million with its own covenants was taken out for financing the purchase price in relation to the acquisition of the divisions "Laminates and Performance Films and Coated Fabrics" from Omnova Solutions Inc, USA. These covenants were complied with in the business year 2023. Owing to the acquisition-related increase in financial debt, a waiver was agreed for the covenants of some old contracts with a volume of € 15.0 million. In December 2023, the company successfully organized refinancing for the bridging loan. The new financing comprises a syndicated loan with a volume of € 230 million, of which € 30 million is in the form of current-account lines that replace some of the existing lines. The covenants of the loan agreements were harmonized within the framework of this refinancing. The company is currently assuming that these covenants can be complied with over the next 12 months, even though the limits are very tightly defined. Consequently, there is the general risk that the covenants cannot be complied with, particularly if unforeseen events occur or an extended recession takes hold, and that notice may therefore be served on credit contracts.

A low risk was identified in this category at Group level.

Interest and currency risks, currency opportunities

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros may entail currency risks (translation risks). For example, the Proadec Group generates around one third of its sales revenues in Brazil denominated in the historically volatile currency of the Brazilian real. However, the biggest proportion of sales in a foreign currency within the SURTECO Group was represented by the US dollar with approximately 30 % in 2023. The translation risk is not hedged because the influences are non-cash. Conversely, transaction risks arise as a result of the procurement or sale of goods in different currencies and from foreign-currency loans, which are given out to Group companies for financing.

The financial liabilities are structured with variable and fixed-interest rates. The company meets the remaining variable-interest and currency risks with regular and intensive analysis of a range of early-warning indicators. Hedging of individual risks is discussed and decided by the central Treasury Department with the Management Board and the responsible Managing Directors. Where possible, currency fluctuations are balanced through natural hedging. Opportunities are possible if there are appropriate positive developments of the currencies and interest rates.

No individual risk was identified in this category above the damage potential of € 000s 1,000.

Liquidity risks

The Corporate Treasury Department in the holding company SURTECO GROUP SE is responsible for monitoring and controlling the liquidity of the Group and the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The positive level of operating cash flow and the short payment targets mean that the companies have adequate liquid funds continuously available. There is also the option of drawing on open credit lines and a factoring agreement.

Nevertheless, there is a risk that earnings and liquidity can be compromised by default on customer accounts receivable and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit ratings of contracting parties and carefully monitoring default with customers. The Group counters the risk arising from debit balances in accounts payable by means of a broadly-based customer structure and cover provided by appropriate trade credit insurance policies.

No individual risk above the damage potential of €000s 1,000 was identified in this category.

Impairment risks for goodwill, assets and investments

The SURTECO Group recognizes goodwill and other assets in the balance sheet. The values in use for the cash generating units of the Group were assessed as being higher than the net asset values within the scope of the impairment test for the business year 2023. As a consequence, no impairments were recognized. In the case of SURTECO GROUP SE and its subsidiary SURTECO Beteiligungen GmbH, write-downs under commercial law in the amount of € 11.5 million were carried out for the participation in DAKOR Melamin Imprägnierungen GmbH and in the amount of € 2.8 million in SURTECO art GmbH. There was no requirement for adjustments in any of the remaining units. However, the possibility that planned targets for segments and units may not be reached in the future cannot be excluded; there may then be a consequent requirement to carry out an additional impairment.

No individual risk above the damage potential of € 000s 1,000 was identified in this category.

LEGAL AND REGULATORY RISKS / OPPORTUNITIES

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on the sales and the profitability. The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the manufactured products reduces risk. Risks can also arise from compliance breaches. The Management Board has implemented a Compliance Management System in order to prevent this from happening. Nevertheless, the possibility of becoming involved in court or arbitration proceedings cannot be excluded. When business activities are carried out in third-party countries and at foreign locations of the Group, there are risks of social unrest, and economic and political instability. In particular, the conflict between Russia and Ukraine could lead to restrictions on trade in these countries. Furthermore, there is the general risk that unexpected fiscal risks may occur on account of the international alignment of the Group and the large number of subsidiaries.

No individual risk above the damage potential of €000s 1,000 was identified in this category.

RISKS FROM THE ACQUISITION OF THE DIVISIONS “LAMINATES AND PERFORMANCE FILMS AND COATED FABRICS”

On 28 February 2023, the Group took over the divisions “Laminates and Performance Films and Coated Fabrics” from Omnova Solutions Inc, USA, a company owned by the British group Synthomer plc. The divisions have specialized in the production and sale of laminates, foils, and vinyl-coated materials, and employ approximately 880 co-workers in the USA and Thailand. SURTECO financed the transaction through bridging finance, which was fully funded by a syndicated loan at the end of 2023. The purchase price amounts to a total of € 264 million. There is a general risk that future sales and profits cannot be generated to the extent that is expected.

RISKS FROM THE RUSSIA-UKRAINE WAR

At the beginning of the conflict between Russia and Ukraine, the company had decided not to produce any orders relating to the Russian market until further notice and to discontinue deliveries to the Russian market. Following in-depth analysis of the situation, the company decided to restart business activity within the framework of the statutory possibilities in light of its responsibilities to employees. Continuation of operations was additionally planned for the business year 2024. There is a general risk that more stringent sanctions could impair this activity.

OVERALL RISK ASSESSMENT

The Group regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Management Board and the Supervisory Board are informed of risks at an early stage. There are no risks which alone or in combination with other risks could pose a threat to the continued existence of the company as a going concern. Even taking the Russia-Ukraine war into account, risks of this nature posing a threat to the continued existence of the company as a going concern cannot currently be identified.

The analysis of all risks and opportunities leads to the conclusion that the substantive influencing factors for the business operations of the SURTECO Group come from the procurement markets and arise from the framework conditions for the global economy and the relevant sectors. Consequently, the main potential for risk relates to an unexpected price increase or shortage of raw materials, and in a major and extended recession in the global economy or in individual markets and sectors relevant for the Group. By the same token, an economic upswing or more favourable purchasing conditions also offer the most significant opportunities for more positive business development.

Fundamentally, the overall risks of the SURTECO Group have not undergone significant change compared with the previous year. However, the risk-bearing capacity of the Group has been reduced owing to the planned repayment of the financial liabilities.

The opportunities and risks described can exert a significant effect on the net assets, financial position and results of the Group's operations. Additional risks that are unknown at the moment could also impact negatively on business activities.

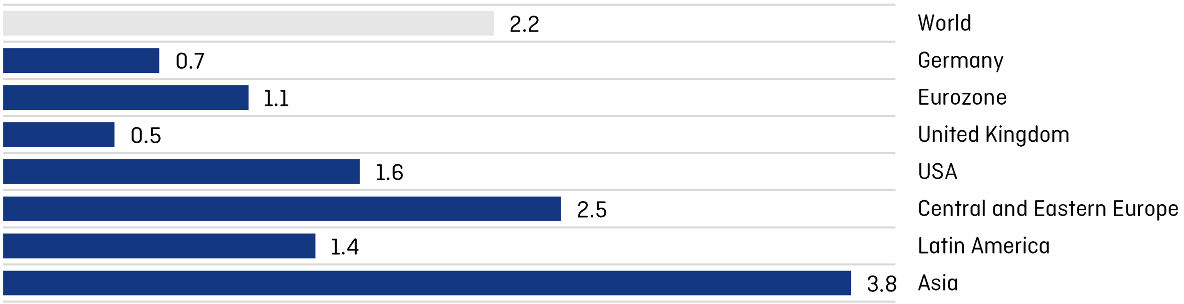
Outlook report

MACROECONOMIC FRAMEWORK CONDITIONS

According to the Council of Experts (Sachverständigenrat) for assessing macroeconomic development,[1] the prospects for consumption will remain depressed across the world. However, assuming that rates of inflation are likely to fall, private consumption is projected to give rise to modest momentum for global growth. In Germany, the economy looks set to recover only slowly in view of the global sluggishness of economic activity. The Council of Experts is therefore assuming an increase in GDP of +0.7 % in Germany for the year 2024. Growth is likely to be around +1.1 % throughout the eurozone and +0.5 % in the United Kingdom. The Council of Experts projects growth of +1.6 % for the USA and +1.4 % for Latin America. An increase of +2.5 % is expected in Central and Eastern Europe. According to the Council of Experts, GDP in Asia is likely to rise by +3.8 % in 2024.

The Associations of the German Furniture Industry (VDM/VHK) anticipate that sales for the German furniture industry (including the upholstered-furniture and mattress sectors) will flatline in 2024. At least in the first quarter of 2024, 57 percent of furniture manufacturers intend to introduce short-time working according to a sector survey.[2]

Forecast economic growth 2024 in %[1]



1 Source: The Council of Experts (Sachverständigenrat) for assessing macroeconomic development, Updated Economic Forecast 23/24 published on 27 October 2023.
2 Source: Associations of the German Furniture Industry (VDM/VHK). Press release dated 11 January 2024

FRAMEWORK CONDITIONS FOR THE SURTECO GROUP

Against the background of the ongoing geopolitical tensions and the persistent high level of inflation, restrained demand in our most important sales markets is anticipated for the business year 2024. The significant fall in construction activity most particularly in Germany itself does not give rise to hopes of an ongoing recovery in the furniture sector.

In contrast to this background, the acquired Omnova divisions are being consolidated for the first time over an entire year in the business year 2024. A modest rise in purchase prices overall must be anticipated for the cost of the most important raw materials such as paper, plastic and chemical additives.

SALES FORECAST FOR THE GROUP AND SEGMENTS

For the business year 2024, sales revenues at the level of the business year 2023 are anticipated for the Business Units (BU) Surfaces, Profiles and Asia Pacific. The anticipated sales for the BU Edgebands are projected to be slightly above the value for 2023 while sales of the BU North America are anticipated to be significantly above the year-earlier level. Accumulated at Group level, sales revenues for 2024 are expected to be in the range between € 860 million and € 910 million.

EARNINGS FORECAST FOR THE GROUP AND SEGMENTS

In the business year 2024, adjusted EBITDA for the Business Units Surfaces and North America is expected to undergo a substantial increase compared with 2023. Adjusted EBITDA in 2024 is projected to be significantly above the values in 2023 for the Business Units Edgebands, Profiles and Asia / Pacific. At Group level, adjusted EBITDA is forecast to be in the range from € 85 to 105 million.

OVERALL STATEMENT ON EXPECTED PERFORMANCE

The business year 2023 was characterized by the generally restrained demand, one-off expenses such as transaction and integration costs arising from the Omnova acquisition and by consultancy fees and expenses for personnel measures. In the business year 2024, these one-off expenses will not be reflected at the level of EBITDA. Since the framework conditions in the year 2024 are likely to continue to remain tense, only a slight operational increase in earnings is expected alongside elimination of the one-off expenses. The expected increase in sales results essentially from the first-time consolidation over an entire year of the acquired Omnova divisions. From today’s perspective, the covenants for financial liabilities can be complied with over the next 12 months.

Information pursuant to § 289a and § 315a German Commercial Code (HGB)

CAPITAL STOCK

The subscribed capital (capital stock) of SURTECO GROUP SE is € 15,505,731.00 and is fully paid up. it is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case. Each share guarantees one vote at the Annual General Meeting of the company. Apart from the statutory restrictions in certain cases, there are no restrictions on the voting right. There are no different categories of voting rights.

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Management Board is aware that shareholders of SURTECO GROUP SE have joined together to form a share pool. The objective of this pool is to jointly exercise the voting rights of 8,818,310 no-par-value shares in SURTECO GROUP SE (in accordance with voting rights announcements), which is equivalent to a proportion of 56.87 % of the voting rights.

DIRECT OR INDIRECT PARTICIPATIONS GREATER THAN 10 % OF THE VOTING RIGHTS

Alongside the share pool, the following shareholders have notified us of a direct or indirect participation in our company that is greater than 10 % of the voting rights (status 31 December 2023):

Name, place	Voting rights in %
Banasino Investments Ltd., Cyprus	11.22
ECCM Bank plc, Malta	15.00

SIGNIFICANT AGREEMENTS SUBJECT TO CONDITIONS

On the balance sheet date, SURTECO GROUP SE had several promissory note loans and credits with a total nominal value of € 437.4 million outstanding. If there is a change of control, the creditors have the right to terminate their outstanding loans early.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD

The appointment and dismissal of Members of the Management Board is carried out pursuant to §§ 84 ff. Stock Corporation Act (AktG). Changes to the Articles of Association are made in accordance with the regulations of §§ 179 ff. Stock Corporation Act (AktG).

SEPARATE NON-FINANCIAL GROUP REPORT

The Non-financial Group Report (Sustainability Report) for the business year 2023 pursuant to § 315b German Commercial Code (HGB) is published on the Internet portal of the company at www.surteco.com.

FOLLOW-UP REPORT

Pursuant to the purchase contract dated 13 December 2022 (closing 28 February 2023) between Synthomer Inc. (formerly OMNOVA Solutions Inc., seller) and OMNOVA North America Inc. (formerly SURTECO North America Inc., buyer) the OMNOVA business in the USA and Thailand was acquired.

On 13 December 2022, OMNOVA North America Inc. also concluded with the insurer AIG Specialty Insurance Company (Illinois/USA) insurance cover for loss and damages resulting from the assurances and warranties for the acquisition referred to above. Furthermore, on 21 February 2024, OMNOVA North America Inc. registered a claim with the insurer relating to the economic loss sustained arising from this transaction in respect of the loss of a key customer. The insurer is currently assessing the claim made under the insurance policy.

Moreover, a deferred purchase price of USD 5.0 million plus interest was agreed between the contractual parties under the purchase agreement referred to above, which falls due for payment on 28 March 2024. OMNOVA North America Inc. informed Synthomer Inc. in a letter dated 20 March 2024 that the deferred purchase price plus interest occasioned by the loss of a key customer and the associated economic loss would not be paid for the time being. The contractual parties are making strenuous efforts to reach a bilateral agreement that is mutually acceptable.

With effect from 3 April 2024, SURTECO GROUP SE is purchasing, as part of a share deal through its subsidiary company Nenplas Ltd, Ashbourne, United Kingdom, in each case 100 % of the company shares in Wand Plastic Profiles Limited, Stourbridge, CJM Development Ltd., Stourbridge and R&D Extrusions Ltd., Kettering, respectively, all with registered office in the United Kingdom.

The purchase price amounts to GBP 000s 968 of which GBP 000s 50 was retained as security. So far, additional acquisition costs amounting to GBP 000s 112 have been incurred. The first-time reporting of this business combination is expected for the second quarter of 2024. Owing to the short period of time until the balance sheet date, fair values cannot be determined and even provisional goodwill cannot be posted.

The acquired companies specialize in the production and sale of technical extrusions (profiles) of all kinds based on plastic and these companies recently generated substantial profits in the double-digit range. The companies have particular expertise in the British construction market as a result of which further growth potential in residential construction can be leveraged in addition to expanding the existing business.

The purchase of these companies opens up new market opportunities, broadens the production portfolio and empowers access to new customers. The synergies between the companies will be used to exploit the full potential and accelerate growth. These acquisitions are part of the BU Profiles strategy of diversifying and reducing our dependence on individual industries.

Up until 16 April 2024, there were no further events or developments that could lead to a significant change to the recognition or valuation of individual assets or liabilities as at 31 December 2023.

Declaration on corporate governance

The Declaration on Corporate Governance pursuant to § 289f and § 315d German Commercial Code (HGB) in the form of the Corporate Governance Report including details on defining the promotion of women in management positions in accordance with § 76 (4) and § 111 (5) Stock Corporation Act (AktG), the description of the diversity concept in relation to the composition of the body authorized to represent the company and the Supervisory Board, the Declaration of Compliance with justification and archive, the information on the practices of company management, the composition and working methods of the Management Board and the Supervisory Board including its committees, the Articles of Association (statutes), and the auditor for 2023, can be accessed on the home page of the company by going to www.surteco.com and clicking on the menu item "Investor Relations – Corporate Governance".

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

Calculation of indicators

EBITDA adjusted	Earnings before financial result, income tax and depreciation and amortization - acquisition and integration costs, consultancy costs, provisions for staff measures, PPA Step-up inventories
EBIT adjusted	Earnings bevor financial result and income tax - acquisition costs, consultancy costs, provisions for staff measures, PPA Step-up inventories, PPA depreciation
Cost of materials ratio in %	Cost of materials/Total output
Debt-service coverage in %	(Consolidated net profit + Depreciation and amortization) / Net debt
Earnings per share in €	Consolidated net profit/Weighted average of the issued shares
EBIT margin in %	EBIT/Sales
EBITDA margin in %	EBITDA/Sales
Leverage	Net dept/EBITDA adjusted for the last 12 month
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash flow from current business operations - (Acquisition of property, plant and equipment + Acquisition of intangible assets + Acquisition of companies + Proceeds from disposal of property, plant and equipment + Dividends received)
Interest cover factor	EBITDA/Interest (net) (Interest income – Interest expenses)
Level of debt in %	Net debt/Equity
Net debt in €	Short-term financial liabilities + Long-term financial liabilities – Cash and cash equivalents
Personnel expense ratio in %	Personnel expenses/Total output
Working Capital in €	(Trade accounts receivable + Inventories) – Trade accounts payable

Consolidated financial statements **2023**

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Consolidated financial statements 2023

Consolidated Income Statement for the period 1 January to 31 December

€ 000s	Notes	1/1/-31/12/ 2022	1/1/-31/12/ 2023
Sales revenue	(1)	**747,698**	**835,089**
Changes in inventories	(2)	-1,082	-2,709
Other own work capitalized	(3)	4,649	2,905
Total output		**751,265**	**835,285**
Cost of materials	(4)	-390,731	-432,017
Personnel expenses	(5)	-174,880	-218,103
Other operating expenses	(6)	-112,473	-132,098
Income/Expenses due to impairments under IFRS 9	(7)	124	-738
Other operating income	(9)	10,876	14,245
EBITDA		**84,181**	**66,574**
Depreciation and amortization	(19)	-44,000	-58,450
EBIT		**40,181**	**8,124**
Interest income		984	2,410
Interest expenses		-4,997	-17,483
Other financial expenses and income		655	-1,090
Share of profit of investments accounted for using the equity method		0	378
Financial result	(10)	-3,358	-15,785
EBT		**36,823**	**-7,661**
Income Tax	(11)	-11,590	-4,762
Consolidated net profit/loss		**25,233**	**-12,423**
Thereof:			
Owner of parent company (group net profit/loss)		25,233	-12,289
Non controlling interests		0	-134
Basic and diluted earnings per share (€)	(12)	1,63	-0.79
Number of shares at 31 December		15,505,731	15,505,731

Statement of Comprehensive Income for the period 1 January to 31 December

€ 000s	1/1/-31/12/ 2022	1/1/-31/12/ 2023
Consolidated net profit	**25,233**	**-12,423**
Components of other comprehensive income not to be reclassified to the income statement		
Remeasurements of defined benefit obligations	1,446	72
of which included deferred tax	-427	22
Components of other comprehensive income that may be reclassified to the income statement		
Exchange differences translation of foreign operations	1,661	-10,373
Other comprehensive income	**2,680**	**-10,279**
Comprehensive income	**27,913**	**-22,702**
Owners of the parent (consolidated net profit/loss)	27,913	-22,568
Non-controlling interest	0	-134

Consolidated Balance Sheet

€ 000s	Notes	31/12/2022	31/12/2023
ASSETS			
Cash and cash equivalents	(13)	117,752	111,811
Trade accounts receivable	(14)	61,391	72,802
Inventories	(16)	142,129	139,692
Current income tax assets	(17)	5,901	4,795
Other current non-financial assets	(18)	9,272	7,943
Other current financial assets	(18)	5,371	5,767
Current assets		**341,816**	**342,810**
Property, plant and equipment	(20)	251,193	310,554
Intangible assets	(21)	43,832	107,887
Rights of use	(22)	32,112	34,740
Goodwill	(23)	161,979	223,437
Investments in associates		0	399
Financial assets	(24)	10	1
Non-current income tax assets		4,507	4,507
Other non-current non-financial assets		855	443
Other non-current financial assets		1,353	209
Deferred taxes	(11)	14,202	16,801
Non-current assets		**510,043**	**698,978**
		851,859	**1,041,788**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(28)	9,510	68,678
Trade accounts payable		60,946	83,322
Contract assets under IFRS 15		4	4
Income tax liabilities	(25)	9,260	2,390
Short-term provisions	(26)	6,021	4,512
Other current non-financial liabilities	(27)	3,939	3,776
Other current financial liabilities	(27)	25,012	37,188
Current liabilities		**114,692**	**199,870**
Long-term financial liabilities	(28)	261,001	402,432
Pensions and other personnel-related obligations	(29)	9,548	11,451
Long term provisions		140	133
Other non-current non-financial liabilities		90	40
Other non-current financial liabilities		15	15
Deferred taxes	(11)	40,299	34,947
Non-current liabilities		**311,093**	**449,018**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		262,580	266,658
Consolidated net profit/loss		25,233	-12,289
Capital attributable to owners of the parent		**426,074**	**392,630**
Non-controlling interests		0	270
Equity	(30)	**426,074**	**392,900**
		851,859	**1,041,788**

Consolidated Cash Flow Statement

€ 000s	Notes	1/1/-31/12/ 2022	1/1/-31/12/ 2023
EBT		**36,823**	**-7,661**
Payments for income tax		-15,408	-20,459
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(18)	44,000	58,450
- Interest income and result for investments	(10)	4,013	14,695
- Gains/losses from the disposal of fixed assets		-5,272	-5,720
- Change in long-term provisions		-2,706	52
- Other expenses/income with no effect on liquidity		458	-1,125
Internal financing		**61,908**	**38,232**
Increase/decrease in			
- Trade accounts receivable	(14)	14,196	10,976
- Other assets		-3,019	4,024
- Inventories	(16)	164	40,277
- Accrued expenses		-1,007	-1,506
- Trade accounts payable		-1,914	1,905
- Other liabilities		-1,191	6,673
Change in assets and liabilities (net)		**7,229**	**62,349**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	**(34)**	**69,137**	**100,581**
Payout from business combinations		0	-243,087
Purchase of property, plant and equipment	(20)	-45,187	-34,769
Purchase of intangible assets	(21)	-5,134	-4,045
Inflows from the disposal of property, plant and equipment		11,381	8,728
CASH FLOW FROM INVESTMENT ACTIVITIES	**(34)**	**-38,940**	**-273,173**
Dividend paid to shareholders		-15,506	-10,854
Repayment of lease obligations		-1,908	-7,799
Borrowing of financial liabilities	(33)	121,463	404,071
Repayment of financial liabilities	(33)	-84,953	-203,647
Interest received	(10)	984	2,410
Interest paid	(10)	-4,996	-17,483
CASH FLOW FROM FINANCIAL ACTIVITIES	**(34)**	**15,084**	**166,698**
Change in cash and cash equivalents		**45,281**	**-5,895**
Cash and cash equivalents			
1 January		73,056	117,752
Effect of changes in exchange rate on cash and cash equivalents		-585	-47
31 December	**(13)**	**117,752**	**111,811**

Consolidated Statement of Changes in Equity

€ 000s	Capital stock	Capital reserve	Other compre-hensive income	Currency trans-lation adjust-ments	Other retained earnings	Consoli-dated net profit/loss	Minorities	Total
1 January 2022	**15,506**	**122,755**	**-2,264**	**-15,321**	**245,200**	**47,806**	**0**	**413,680**
Consolidated net profit / loss	0	0	0	0	0	25,233	0	25,233
Other comprehensive income	0	0	1,019	1,661	0	0	0	2,680
Allocation to retained earnings	0	0	0	0	47,806	-47,806	0	0
Dividend payout SURTECO GROUP SE	0	0	0	0	-15,506	0	0	-15,506
Withdrawals from consolidation group	0	0	0	-15	0	0	0	-15
31 December 2022	**15,506**	**122,755**	**-1,245**	**-13,675**	**277,500**	**25,233**	**0**	**426,074**
1 January 2023	**15,506**	**122,755**	**-1,245**	**-13,675**	**277,500**	**25,233**	**0**	**426,074**
Consolidated net profit / loss	0	0	0	0	0	-12,289	-134	-12,423
Other comprehensive income	0	0	95	-10,396	0	0	22	-10,279
Allocation to retained earnings	0	0	0	0	25,233	-25,233	0	0
Dividend payout SURTECO GROUP SE	0	0	0	0	-10,854	0	0	-10,854
Addition to consolidation group	0	0	0	0	0	0	382	382
31 December 2023	**15,506**	**122,755**	**-1,150**	**-24,071**	**291,879**	**-12,289**	**270**	**392,900**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SURTECO GROUP SE FOR THE BUSINESS YEAR 2023

I. 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 address is Johan-Viktor-Bausch-Str. 2, 86647 Buttenwiesen (Germany). The company is the ultimate parent company of the Group and is registered in the Company Register of the Local Augsburg Court (Amtsgericht Augsburg) under HRB 23000. The purpose of the companies consolidated in the SURTECO Group is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO GROUP SE and its subsidiaries for the fiscal year 2023 have been prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the balance-sheet date, as they were adopted by the EU, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the regulations to be applied in addition pursuant to § 315e (I) German Commercial Code (HGB). New standards adopted by the IASB will be applied after they have been adopted by the EU from the date on which they are first mandatory. Application and change to the valuation and accounting principles will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

Pursuant to § 315e German Commercial Code (HGB), the consolidated financial statements have been drawn up in accordance with Clause 4 of Directive (EU) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002 relating to application of the International Accounting Standards in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and were supplemented by specific information and the consolidated management report, and were adjusted in conjunction with § 315e German Commercial Code (HGB).

The consolidated financial statements have been drawn up in the reporting currency euros (€). Unless otherwise indicated, all amounts have been given in thousand euros (€ 000).

We refer to that fact that differences may occur when rounded amounts and percentages are used on account of commercial rounding.

The reporting date of SURTECO GROUP SE and the consolidated subsidiaries is 31 December 2023.

The consolidated financial statements and the combined management report of the SURTECO Group and SURTECO GROUP SE for 2023 will be published in the Company Register.

Some items in the consolidated income statement and the consolidated balance sheet for the Group have been combined and stated separately in the Notes to the Consolidated Financial Statements. This is intended to improve the clarity and informative nature of presentation of the consolidated financial statements.

The consolidated income statement has been drawn up in accordance with the cost of production method.

The consolidated financial statements of SURTECO GROUP SE for the fiscal year 2023 were prepared on 16 April 2024 and forwarded to the Supervisory Board for auditing. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements. The Supervisory Board is to approve the consolidated financial statements at the meeting on 16 April 2024. The Management Board will then release the statements for publication.

II. Accounting principles in accordance with the international financial reporting standards

CHANGE IN ACCOUNTING AND VALUATION METHODS

With the exception of the changes presented below, the accounting and valuation methods correspond to the methods applied in the previous year.

ACCOUNTING STANDARDS AND INTERPRETATIONS APPLIED

During the business year, revised standards and interpretations were applied for the first time. They gave rise to no material effects on the net assets, financial position and results of operations of the Group.

Standard/Interpretation	Application obligation to apply for the business on or from	Adoption by the EU Commission	Expected effects on SURTECO
Amendments to IAS 12: temporary exemption from the rules on deferred tax assets and liabilities related to OECD Pillar 2 income taxes and presentation of deferred taxes related to assets and liabilities through individual transactions	01/01/2023	yes	none
Amendments to IAS 17: Initial Application of IFRS 17 and IFRS 9 & Comparative Information	01/01/2023	yes	none
Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	01/01/2023	yes	none
Annual Improvements to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01/01/2023	yes	none

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED AND HAVE TO BE APPLIED IN THE FUTURE BUT ARE NOT YET MANDATORY

The following new and revised standards and interpretations, which were not yet mandatory during the reporting period or had not yet been adopted by the European Union, are not being applied in advance.

Standard/Interpretation	Application obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
Amendments to IAS 1: Classification of Liabilities as Current or Non-current incl. the deferral of the mandatory effective date published in July 2020 & incl. Covenants effective date in October 2022	01/01/2024	yes	being analysed
Amendments to IFRS 16: Lease Liability in a ‚Sale and Leaseback’	01/01/2024	yes	being analysed
Amendments to IAS 21: Lack of exchangeability’	01/01/2025	no/open	being analysed
Amendments to IAS 7 Statement of Cash Flows & IFRS 7 Financial Instruments: Supplier Finance Arrangements’	01/01/2024	no/open	being analysed

(A) Amended

(R) Revised

* Date of first-time application in accordance with IASB-IFRS (since these regulations have not yet been adopted in EU law)

III. Consolidated companies

SURTECO GROUP SE and all significant companies, in which SURTECO GROUP SE has a controlling influence, are included in the consolidated financial statements as of 31 December 2023. Control exists if SURTECO GROUP SE has a right to receive variable returns based on the relationship with a company and possesses power of disposal over the company. The term “power” implies that SURTECO GROUP SE has existing rights enabling it to direct the relevant activities of the company and thus exert a significant influence on the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which control exists until it is no longer possible to exercise such control.

Alongside SURTECO GROUP SE, the following companies are included in the consolidated financial statements for the Group:

	31/12/2022	Additions	Disposals	31/12/2023
Consolidated subsidiaries				
- of which in Germany	6	0	0	6
- of which abroad	23	3	0	26
Subsidiaries reported at acquisition costs				
- of which abroad	0	1	0	1
Subsidiaries reported at acquisition costs				
- of which in Germany	0	0	0	0
- of which abroad	1	0	-1	0
	30	**4**	**-1**	**33**

The companies included in the consolidated financial statements as of 31 December 2023 and disclosures on subsidiaries and participations held directly and indirectly by SURTECO GROUP SE are included in the list under "Shareholdings".

The annual financial statements and the combined management report of SURTECO GROUP SE for the business year 2023 are submitted to the Company Register and published there.

In the business year 2023, the following structural changes were recognized within the SURTECO Group:

- Acquisition of 55 % in Döllken SusPro Sp. Z o.o., Sosnowiec, Poland
- First-time inclusion of Megufo AB, Sweden in the group of consolidated companies – 'at equity'
- First-time consolidation of OMNOVA North America Inc., formerly SURTECO North America Inc.
- Acquisition of OMNOVA Engineered Surfaces Inc., Thailand, 100 % of the shares and voting rights as part of a share deal

IV. Business Combination

On 28 February 2023, OMNOVA North America, Inc. (formerly SURTECO North America, Inc.) acquired 100 percent of the shares and voting rights in OMNOVA Engineered Surfaces Inc. located in Rayong, Thailand, and as a consequence of this, acquired control over the company. The company was acquired from OMNOVA Solutions Inc., a manufacturer of laminates, performance films and coated fabrics, as part of a share deal. Simultaneously as part of an asset deal, all assets and liabilities, as well as the production workers of four American locations of OMNOVA Solutions Inc. were taken over in the USA.

The controlling influence over OMNOVA North America, Inc. (formerly SURTECO North America, Inc.) has existed since 0:00 on 28 February 2023. The first-time inclusion in the consolidated financial statements for the Group was carried out on 1 March 2023 within the scope of full consolidation.

The transaction represents a classic business combination in accordance with IFRS 3 involving resource inputs and procedures (processes) to be applied, which can contribute to the generation of outputs. The identifiable assets and liabilities purchased at the time of the acquisition include inputs (a head office in Thailand, several factories in the USA and Thailand, patented technologies, property, plant and equipment, inventories and customer relationships), production processes, and an organized workforce. The SURTECO Group therefore concludes that the acquired inputs and processes jointly contribute significantly to the ability to generate income. The SURTECO Group has reached the conclusion that the acquired company in Thailand and the purchased American assets located in the USA constitute business combinations pursuant to IFRS 3.

The transaction provides the platform for the SURTECO Group to expand its product portfolio. Furthermore, it is anticipated that the acquisition has given the SURTECO Group the opportunity to take advantage of substantial market shares in the business areas Laminates and Films (LF) and Coated Fabrics (CF) through access to the customer base of OMNOVA. This is particularly the case in the USA. The SURTECO Group also expects cost reductions due to economies of scale.

During the ten months up to 31 December 2023, OMNOVA Thailand contributed sales revenues amounting to € 000s 28,731 and earnings (before tax) of € 000s 1,717 while OMNOVA North America contributed sales revenues amounting to € 000s 113,043 and earnings (before tax) of € 000s -27,855 to consolidated earnings. If the acquisition had taken place on 1 January 2023, the Management Board estimates that consolidated sales revenues would have amounted to € 000s 867,105 and consolidated earnings (before tax) for the year would have amounted to € 000s -10,489. When calculating these amounts, the management assumed that the fair-value adjustments determined provisionally, which were carried out at the time of acquisition, would also have been valid in the case of an acquisition on 1 January 2023.

The fair value of the total consideration to be provided applicable on the date of acquisition is made up of the basic purchase price of € 240.1 million (closing purchase price in the amount of € 235.4 plus the deferred purchase price in the amount of € 4.7 million) and a purchase price adjustment in the sum of € 23.6 million.

The table below sets out details of the recorded amounts for the acquired assets and the debts assumed on the acquisition date:

€ million	
Property, plant and equipment	72.0
Intangible assets	76.7
Inventories	40.9
Trade accounts receivable	22.9
Other assets	1.3
Cash and cash equivalents	13.9
Financial liabilities	-4.4
Trade accounts payable and other liabilities	-22.3
Deferred Tax	-1.9
Total identifiable acquired net assets	**199.1**

The valuation methods used to determine the fair value of the material assets acquired were as follows:

Acquired assets	**Valuation method**
Inventories	When calculating the fair values, the market comparison method takes account of the future proceeds from the sale of inventories less the production and sales costs, as well as a reasonable margin on the efforts to complete and sell work in progress and finished products.
Intangible assets	Using the licence price analogy method, the financial contributions to success (cash flows) of an intangible asset are estimated using an analogy conclusion by means of licence fees which the owner of this asset does not have to pay compared with the alternative of licensing a comparable item with equivalent utilization. This calculation determines the licence payments that would be notionally paid if the intangible asset in question were owned by a third party. When this method is applied to technology and brands, the approach adopted is as follows: • Income forecast for the asset: On the basis of the forecast for the expected net revenues over the residual useful life of the brand or technology, these future cash flows are directly attributed to the utilization of the asset to generate income. • Determination of the licence rate: An appropriate licence rate typical for the market is then estimated. This rate corresponds to the amount that a licensee willing to enter into a contract would be prepared to pay to an equally willing licensor in a hypothetical scenario, whereby both parties are appropriately informed and no undue pressure is exerted on one or other party. In this context, the usual licence fees payable in the relevant sector for similar brands and technological assets are taken into account. The three most important methods for estimating the licence rate are the Method of Excess Operating Profit, the Return on Assets Method and the Preferred Market Comparable Royalty Method. • Application of licence rates: As soon as the licence rate has been defined, it is applied to the forecast net revenues in order to determine the licence payments “avoided”. This demonstrates the notional savings achieved by a company if it owns the brand and the technology itself instead of licensing it from a third party. •Deduction of future savings: Ultimately, these “avoided” licence fees with an appropriate discounting rate to reflect the associated risk are discounted on their actual value. This discounted value represents the financial advantage of the protected brand and technology. The Multi Period Excess Earnings Method (MEEM) is an approach to valuing intangible assets including customer relationships. This method shows the characteristic of the property of the assets and isolates the income attributable to it. • Projection of profit after tax: When the MEEM is applied to customer relationships, the starting point is projection of the cash flows or profits after tax attributable specifically to these relationships. This requires identification and separation of the benefit derived directly by means of an existing customer base. • Determination of the notional utilization charges on the “supporting” assets:

	The next stage in the Multi Period Excess Earnings Method is the determination of the notional utilization fees on the "supporting assets" (known as Contributory Asset Charges or "CAC"). The "supporting" assets, which may include property, plant and equipment, current assets, other intangible assets or workforce, are not the focus of the valuation (this would be customer relations), but they play a role in the generation of cash flows. The hypothetical licence agreements with third parties for these contributory assets are taken into account in order to calculate the costs for CACs. In order to derive these notional utilization fees, the depreciation on the supporting assets must be taken into account (return of asset) and an appropriate interest rate on the tied-up capital (return on asset) must be recognized. The CACs are therefore a reflection of the revenues which could be generated by these contributory assets if they were licensed to a third party. • Deduction of notional utilization fees: A further step involves deducting these CACs from the forecast income. The remaining income represents the income which is available to generate a risk-adjusted return requirement for the customer relationships. • Discounting future income: This remaining income is then discounted to its present value on the basis of an after-tax discount rate that reflects the risk of the customer relationships. This discounted present value represents the market value of the customer relationships.
Movable fixed assets	The indirect tangible value method (Depreciated Replacement Cost Method ("DRCM")) is a method suitable for valuing property, plant and equipment. The assessment includes the following essential steps: • Determination of the replacement cost new ("RCN"). This value represents the costs required for the new acquisition and commissioning of the tangible assets being valued as of the valuation date. • Consideration of the economic useful life ("EUL"). The normal operating lives extend from the time of commissioning to the decommissioning of the corresponding system and were determined on the basis of studies by the American Society of Appraisers ("ASA") and on the assessment of our empirical values. • Depreciation and impairment of the RCN via the EUL on the valuation date. • Determination of the retention value: If an asset exceeds its normal useful life but continues to be used, it still has a benefit for the business area and therefore also has a remaining fair value, the so-called retention value. • Deriving the fair value ("FV") from the maximum of the depreciated RCN and the holding value of the respective asset.

The trade accounts receivable on the balance sheet date comprise gross amounts due for contractual receivables amounting to approximately € 000s 80. This corresponds to their market value. There was no devaluation on the reporting date or at the time of acquisition, however , provisions have been made in the balance sheet for possible lack of recoverability.

The goodwill is determined as follows:

€ million	
Transferred consideration	263.7
Adjusted acquired net assets	199.1
Goodwill	**64.6**

The goodwill results primarily from the skills and professional qualifications of the workforce of OMNOVA and the anticipated synergies arising from integration of the OMNOVA units within the SURTECO Group. An amount of € 27.5 million from the goodwill recognized is expected to be deductible for tax purposes.

V. Use of § 264 (3) GERMAN COMMERCIAL CODE (HGB)

The exemption clauses pursuant to § 264 (3) German Commercial Code (HGB) were applied for the following subsidiary companies included in the consolidated financial statements in order to provide them exemption from the requirement to draw up their respective management report and notes, and to audit and to disclose their annual financial statements:

Name	Registered office
SURTECO GmbH	Buttenwiesen
SURTECO art GmbH	Willich
Dakor Melamin Imprägnierungen GmbH	Heroldstatt
Kröning GmbH	Hüllhorst
Döllken Profiles GmbH	Bönen
SURTECO Beteiligungen GmbH	Buttenwiesen

VI. Consolidation principles

The financial statements included in the consolidation process have been prepared on the basis of the **accounting and valuation principles**, uniformly applicable – which have remained fundamentally unchanged by comparison with the previous year – to the SURTECO Group.

The consolidated financial statements have been prepared on the basis of historic acquisition and production cost, with the exception of measuring derivative financial instruments and financial assets available for sale at their fair value or market value.

With the exception of the newly acquired company Omnova Thailand (30 November), the reporting date of all other companies included in the consolidated financial statements coincides with the reporting date of all the financial statements of the individual companies included in the consolidated financial statements (31 December 2023).

The accounting of **business combinations** is carried out by the acquisition method. The purchase costs of the acquisition correspond to the fair value of the assets provided, the equity instruments issued, and the liabilities incurred or taken over on the date of exchange. In the context of a business combination, assets, liabilities and contingent liabilities identified within the course of a first-time consolidation are measured at their acquisition-date fair values. For each business acquisition, the Group decides on an individual basis whether the non-controlling shares in the acquired company should be recognized at their respective fair value or on the basis of their proportion in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses at the time they occur.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is recognized as goodwill. Any remaining negative difference is recognized as profit or loss in the income statement.

Goodwill arising from the acquisition of a subsidiary company or business operation is recognized separately in the balance sheet.

In accordance with IFRS 3 and in conjunction with IAS 36, goodwill arising from company acquisitions is not subject to scheduled amortization, but is subject to an annual impairment test if there are any indications of declines in value.

Receivables, liabilities and **loans** between the Group companies are netted.

Sales, expenses and income within the Group and **intercompany profits** arising from sales of assets within the Group, which have not yet been disposed of to third parties, will be eliminated if they materially affect the presentation of the actual relationships of current net assets, financial position and results of operations.

Deferred income tax arising from consolidation measures recognized in the income statement has been accrued.

Intercompany trade accounts are accounted on the basis of market prices and transfer prices that are determined according to the principle of “dealing at arm’s length”.

Transactions with non-controlling interests without loss of control are accounted for as transactions with the owners of the Group who act in their capacity as owners. A difference between the fair value of the consideration paid and the acquired share in the carrying value of the net assets of the subsidiary company arising from the purchase of a non-controlling interest is recognized in equity. Gains and losses which arise on disposal in respect of non-controlling interests are also recorded in equity.

VII. Currency translation

Business transactions in foreign currency are reported at the exchange rate on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the reporting date are reported at the rate on the balance sheet date. Gains and losses arising from changes in rates are reported with effect on earnings in the financial result (from non-operating matters) or in other operating income or other operating expenses (from operating matters).

The earnings and the balance sheet items of the foreign subsidiary companies included in the consolidated financial statements which have a different functional currency to the euro are converted into euros as follows. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the reporting date, whereas equity capital is translated at historic rates. Expenses and income and hence also the profit/loss for the year recognized in the income statement are translated at the average rate for the year. Differences arising from currency translation for assets and debts compared with translation in the previous year and translation differences between the income statement and the balance sheet are reported with no effect on income under shareholders' equity in retained earnings (currency translation adjustments). Since all consolidated companies operate their financial, business and organizational transactions independently, the relevant national currency is the functional currency.

Translation was based on the following currency exchange rates:

Exchange rates in euros		**Rate on the reporting date**		**Average rate**	
		31/12/2022	**31/12/2023**	**31/12/2022**	**31/12/2023**
US dollar	USD	0.9376	0.9050	0.9507	0.9246
Canadian dollar	CAD	0.6925	0.6830	0.7304	0.6851
Australian dollar	AUD	0.6372	0.6149	0.6595	0.6144
Singapore dollar	SGD	0.6993	0.6854	0.6893	0.6886
Swedish krone	SEK	0.0899	0.0901	0.0941	0.0872
Sterling GBP	GBP	1.1275	1.1507	1.1732	1.1497
Turkish lira	TRY	0.0501	0.0306	0.0579	0.0401
Polish zloty	PLN	0.2136	0.2304	0.2135	0.2203
Russian rouble	RUB	0.0128	0.0101	0.0142	0.0110
Czech koruna	CZK	0.0415	0.0404	0.0407	0.0417
Mexican peso	MXN	0.0479	0.0534	0.0473	0.0521
Brazilian real	BRL	0.1773	0.1865	0.1854	0.1855
Chinese yuan	CNY	0.1359	0.1274	0.1411	0.1305

VIII. Accounting and valuation principles

UNIFORM ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements were drawn up in accordance with uniform accounting and valuation principles for similar business transactions and other events in similar circumstances.

CONSISTENCY OF ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles have been complied with, unless defined otherwise below, by comparison with the previous year.

STRUCTURE OF THE BALANCE SHEET

Assets and liabilities are recognized as non-current in the balance sheet if their residual term is more than one year or realization is expected within the normal business cycle. Liabilities are generally recognized as current if there is no unrestricted right to fulfil the obligation within the period of the next year. Shorter residual terms are recognized as current assets or liabilities. Pension provisions and other personnel-related obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities.

REVENUE AND EXPENSES REALIZATION

IFRS 15 establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer. The core principle is that a company shall recognize revenues to depict the transfer of promised goods and services in an amount that likely reflects the consideration.

All components of IFRS 15 relevant for SURTECO were reviewed and accounted for within the scope of revenue and expense realization relating to the business year 2023.

Revenues should be recorded when a performance obligation is satisfied by the transfer of a promised good or promised service to a customer. An asset is deemed to have been transferred if the customer is able to exert power of disposal over the asset.

Revenues should be recognized if it is likely that the economic benefit will accrue to the Group and the amount of the income can be reliably determined. Income is valued at the fair value of the reciprocal product or service.

Sales originating from the sale of goods have been recorded if the following conditions are fulfilled:

- The Group company has transferred the power of disposal over them arising from ownership of the goods to the purchaser.
- The level of the sales revenues can be reliably determined.
- It is probable that the economic benefit arising from the business will accrue to the Group.
- The costs incurred or still to be incurred due to the sale can be reliably determined.

SURTECO realizes sales revenues when the power of disposal over definable goods or services is transferred to the customer. In other words, as soon as the customer has the capability to determine the use of the transferred goods and services, and essentially derives the remaining benefit from them. The prerequisite is the existence of a contractual agreement which establishes legally enforceable rights and obligations. The level of the recorded sales revenues corresponds to the expected consideration to which SURTECO has a contractual claim.

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

Volume discounts partly acting retrospectively are agreed for the sale of products. These are based on the total sales of a 12-month period. The revenues from these sales are reported in the amount of the price defined in the contract, less the estimated volume discount. The estimate for the liability is based on experience values. Sales revenues are only reported in the scope in which it is highly probable that a significant cancellation of the sales is not necessary, insofar as the associated uncertainty no longer exists.

Sales revenues arising from the sale of goods are realized on the date when the power of disposal is transferred to the purchaser, generally when the goods are delivered. The transfer of the asset is deemed to have been completed when the customer obtains control (control); From this point on, the customer is the economic owner. The sales revenues derived from services are recorded over the period of service provision because the customer benefits from the use uniformly over the period when the service is provided and the customer consumes this use at the same time.

When goods are sold to the customer, the customer makes payment after invoicing takes place following delivery. As appropriate, advance payments are requested from customers. The payment conditions vary in accordance with the standard conditions applicable in the individual countries and sectors, and usually grant short-term payment conditions.

All revenues are realized on a specific date in the SURTECO Group. Revenues are recorded on transfer of risk depending in each case on the agreed delivery and shipping conditions, i.e. on a defined date.

A financial component remains for the level and the time of the sales realization when the period between the transfer of goods or services and the payment by the customer is a maximum of one year.

Additional costs for contract initiation whose amortization period would be no longer than one year are always recognized immediately as expense.

Sales are only defined as the product sales resulting from the ordinary activities of the company.

A receivable is only recognized when beneficial ownership is transferred to the customer because at this point the claim to a consideration is unconditional, i.e. the due date is defined automatically from this point in time.

Dividend income arising from financial assets available for sale is recognized if the legal right to payment of SURTECO as a shareholder has arisen.

Overall, expenses are recognized if it is probable that there will be an outflow of economic resources from the company.

Operating expenses are reported as expenses at the point in time at which they are incurred when the service is used, insofar as they fall within the reporting year.

Interest income and interest expenses are recorded pro rata. Income from financial assets is recorded when the legal right to payment has occurred.

EBITDA

EBITDA is earnings before financial result, income tax and depreciation and amortization.

EBIT

EBIT is earnings before financial result and income tax.

EBT

EBT is earnings before tax.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the proportion of the share in the consolidated net profit attributable to the shareholders of SURTECO GROUP SE by the weighted average of the issued shares. Shares which have been newly issued or bought back during a period are recognized pro rata for the period in which they are in free float. There were no dilution effects during the reporting periods referred to.

DETERMINATION OF THE FAIR VALUE

In accordance with IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at arm’s length between market participants at the measurement date. This applies independently of whether the price can be observed directly or has been estimated.

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

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

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

The scope of IFRS 13 is far-reaching and encompasses non-financial assets and liabilities and equity instruments. IFRS 13 is always used if another IFRS prescribes or permits a valuation at fair value or information on the calculation of the fair value is requested.

FINANCIAL INSTRUMENTS

In accordance with IAS 32, a financial instrument is a contract, which simultaneously leads to a financial asset for one entity and a financial liability or an equity capital instrument for another entity. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, factoring agreements, financial receivables, financial debts and other financial liabilities, as well as derivative financial instruments which are used to hedge risks arising from changes in currency exchange rates and interest rates.

First-time recognition and derecognition of financial instruments in the balance sheet are carried out on the date of fulfilment. When first-time recognition is carried out, the SURTECO Group measures a financial asset at the fair value plus the transaction costs incurred directly on the acquisition of this asset, insofar as the asset is subsequently not reported at fair value. In the case of such instruments, the transaction costs are recorded immediately in the income statement. The following exception applies to this regulation for trade accounts receivable that are first valued at their transaction price in accordance with IFRS 15.

Derecognition of the receivables and other financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets with more than 90 %, and essentially all opportunities and risks associated with the property have been transferred, or alternatively if the power of disposal over the asset has been transferred. If the requirements for derecognition of the receivables are not met and significant opportunities and risks are therefore retained, either only partial derecognition or no derecognition will take place.

Financial assets and liabilities are netted and shown as a net amount on the balance sheet based on netting agreements and only if there is an enforceable legal claim to them on the balance sheet date and the intention is to settle on a net basis or simultaneously with the realization of the asset in question to pay off the associated liability. The legal right to offsetting must not depend on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy. If a claim cannot be enforced in the ordinary course of business, the financial assets and liabilities are shown in the balance sheet at their gross amounts on the balance sheet date.

The liabilities from original financial instruments cover the following categories: Financial liabilities measured at amortized cost (FLAC): These financial liabilities are measured at amortized cost after their initial recognition. The amortized cost is determined using the effective interest method. The future payments are discounted using the effective interest rate on the carrying amount of the financial liability. Profits and losses are recorded directly in the consolidated result. At fair value through profit or loss in the income statement (FVTPL): Derivative financial instruments that are not part of hedge accounting and whose market value resulted in a negative fair value from subsequent measurement are to be reported in this category. The changes in market value are recognized in the consolidated result. The valuation is carried out at fair value. This category mainly shows currency and interest rate derivatives that are not part of hedge accounting. SURTECO fundamentally values all financial liabilities, with the exception of derivative financial instruments that are not part of hedge accounting, at amortized cost. The financial obligations with fixed or determinable payments are shown in the balance sheet under other liabilities according to their maturity. The option to measure certain financial instruments at fair value through profit or loss (FVTPL option) does not apply to financial liabilities in the SURTECO Group. A financial liability is derecognised when it has been repaid, i.e. the obligations stated in the contract have been fulfilled, cancelled or expire.

CLASSIFICATION AND VALUATION

In accordance with IFRS 9, principle-based regulations are applicable for the classification of financial assets. A distinction is drawn between the following valuation criteria set out below.

FINANCIAL ASSETS

The valuation of financial assets depends on the SURTECO Group's business model for managing the asset and the cash flow characteristics of the asset. The SURTECO Group reports the financial assets on the balance sheet as of the settlement date; the valuation is carried out at amortized cost. These are defined as assets that are held to collect the contractual cash flows and for which cash flows exclusively represent interest and principal payments, are valued at amortized cost. Interest income from these financial assets is reported in financial income using the effective interest rate method. Gains or losses from derecognition are recorded directly in other operating income or expenses. Impairment expenses are reported under impairment expenses or reversal income in accordance with IFRS 9.

These rules apply to a financial asset as a whole, even if it contains an embedded derivative. The option to measure certain financial instruments at fair value through profit or loss (FVTPL option) does not apply to financial assets in the SURTECO Group.

In the SURTECO Group, financial instruments are classified in the following categories:

- At amortized cost (AC): If the objective of a financial asset is to hold it in order to collect the contractual cash flows, which exclusively represent payments of principal and interest on the outstanding principal amount, at a specified time, this financial asset is measured at amortized cost. This category includes loans to affiliated companies, loans to investments and other loans. On the other hand, this category includes trade receivables, factoring agreements and receivables from affiliated or participating companies as well as other assets. They mostly have short remaining terms in the SURTECO Group.

- At fair value through other comprehensive income (FVTPL): The objective of a financial asset is to hold or sell it and at the same time receive the contractual cash flows, which exclusively represent payments of principal and interest on the outstanding principal amount, at a specified time to be collected, this is measured at fair value in other comprehensive income without affecting profit or loss. In addition, all equity instruments for which the fair value OCI option was exercised fall into this category. If the fair value OCI option is chosen for an equity instrument, the valuation changes recorded in the OCI can no longer be recognized in profit or loss (without so-called recycling). For debt instruments measured at fair value through other comprehensive income, the valuation changes contained in the OCI must be recognized in profit or loss in the event of disposal (with recycling).
- At fair value through profit or loss (FVPL): A financial asset that is not measured at amortized cost or at fair value through other comprehensive income is measured at fair value through profit or loss. This category primarily includes non-consolidated shares in affiliated companies, investments and securities. The basis for the valuation is the market or stock market value. Gains and losses from subsequent valuation must be recognized in the income statement. In addition, currency and interest rate derivatives that are not part of hedge accounting are reported in this category.

The SURTECO Group only reclassifies financial assets if the business model used to manage such assets changes.

EQUITY INSTRUMENTS

Equity instruments are generally measured at fair value through profit and loss. Adjustments to the fair value are reported in the income statement under the other financial expenses and income.

The SURTECO Group does not make use of the fair-value OCI option.

DERIVATIVE INSTRUMENTS

The Group uses derivative financial instruments, such as forward exchange contracts and interest/currency swaps, in order to hedge risks associated with foreign currency and changes in interest rate which can occur in the course of ordinary business activities and within the scope of investment and financial transactions. Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at their fair value on the date at which the contract is closed. They are subsequently revalued at market value on the reporting date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

At the beginning of the hedging transaction, the hedge between both the underlying transaction and the hedging transaction as well as the risk management targets and Group strategy are formally defined and documented in relation to hedging. The documentation includes the definition of the hedging instrument, the underlying transaction or the hedged transaction, as well as the type of hedged risk and a description of how the company calculates the effectiveness of the hedging instrument in the compensation of the risks arising from changes in the fair value or cash flow of the hedged underlying transaction.

For purposes of hedge accounting, hedging instruments are classified as follows:

- as hedging of the fair value, if the relationship relates to hedging the risk of a change in the fair value of a reported asset or a reported liability or a fixed obligation not reported (apart from currency risk),
- as hedging of cash flow, if the relationship relates to hedging the risk of fluctuations in the cash flow, which can be assigned to the risk associated with a reported asset, a reported liability or with a future transaction very likely to occur or to the currency risk of a fixed obligation not reported, or
- as hedging of a net investment in a foreign business operation.

The accumulated amounts reported in equity are reclassified to the periods through profit and loss in which the hedged underlying transaction exerts effects on the profit or loss, as follows:

- If the hedged underlying business leads to the recognition of a non-financial asset, the deferred hedging gains and losses are included in the original acquisition costs of the asset.
- The profit or loss from the effective part of the interest swap, which hedges the variable interest borrowings, is recognized under the item financial expenses as profit or loss for the period in which the interest expense is incurred for the hedged borrowings.

If a hedging instrument expires, is sold or terminated, or the hedging relationship no longer meets the criteria for the reporting of hedging relationships, any accumulated deferred hedging gains/losses at this point and the deferred hedging costs remain in equity until the expected transaction occurs and then leads to recording of a non-financial asset. If the transaction is no longer expected to occur, the accumulated hedging gains and losses and the deferred hedging costs are reallocated to profit or loss.

IMPAIRMENTS

IFRS 9 requires expected losses to be reported. The scope of application includes all financial instruments which are reported at amortized costs and at fair value through other comprehensive income, and contractual and leasing assets. Here, a distinction is drawn between the general and simplified model used to determine impairments.

General impairment model

The level of impairment depends on the allocation of the financial instrument to one of the following levels:

1. Level 1: All financial instruments are allocated to this level when they are first recognized. The expected loss corresponds to the amount which can arise from possible default events within the next 12 months after the reporting date. An expected loss is already recognized when the item is first reported. In the case of financial instruments whose credit risk has not increased significantly since first-time recognition, a company must record a risk provision in the amount of the credit defaults, whose occurrence is expected within the next twelve months, i.e. 12-month ECL. This should be understood as the present value of the payment defaults which arise from possible default events over the next twelve months after the reporting date.
2. Level 2: If, since the first-time recognition, a significant increase of the default risk has been recorded for the counterparty, the financial instrument should be transferred to Level 2. The impairment expense corresponds to the amount which can arise from possible default events during the residual term of the instrument.
3. Level 3: If there is an objective indication that an impairment has taken place, the financial asset should be transferred to this level. The risk provision to be recorded should be determined using the same approach as in Level 2. However, interest can only be recognized for these financial instruments using the effective interest method on the basis of the (impaired) net book value.

Expected losses are a probability-weighted estimate of losses. Default probabilities are determined for this which are multiplied by the nominal amount for the receivable.

Simplified impairment model

The simplified approach is distinguished by the fact that there are no differences in the credit risk and the expected credit losses are always recorded from the first-time recognition. Instead, a risk provision in the amount of the total term ECL must be recorded on first-time recognition and on every subsequent reporting date. The simplified approach must be applied mandatorily for trade accounts receivable without significant financial components and for contractual assets.

The SURTECO Group only has trade accounts receivable. The expected credit losses are calculated using a provision matrix depending on the overdues of individual receivables. The underlying default rates were established on the basis of historical experience data and current expectations, and are updated on each reporting date. In addition, future-oriented information (for example forecasts on economic performance indicators) are taken into account if these imply a connection with expected credit defaults on the basis of the historical data. Depending on the diversity of the customer base, appropriate groupings (for example on the basis of geographical area, product type, etc.) can be used if previous experience with credit losses demonstrates outcome patterns with significant deviation between different customer segments. The customers of the SURTECO Group are allocated within a homogenous portfolio because no special characteristics were identified here, for example in relation to the customer's country of origin.

Receivables with a clear indication of lack of recoverability continue to be checked individually for an impairment. If it is highly certain that no further incoming cash flow is to be expected, the instruments are written down.

The book value of the financial assets corresponds to the maximum amount at risk of default.

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. For the valuation category in accordance with IFRS 9, the cash and cash equivalents are classified as “debt instruments at amortized costs (AC)”.

Receivables and other financial assets, apart from derivative financial instruments and any receivable assigned under the factoring programme, are reported at amortized costs (AC). Allowances are carried out on a case-by-case basis in accordance with the expected default risks through an allowance account. Final derecognition is carried out if the receivable is not recoverable. Measurement of the requirement for individual allowance adjustments is based on the age structure of the receivable and the findings related to the customer-specific credit and default risk. Objective indications for an increased default risk are provided, for example, in the case of a pending insolvency, compulsory enforcement proceedings for the customer, one/several complaints and late payments by customers, an affidavit by the customer, composition proceedings or a lawsuit in connection with the customer. The payment targets for the customers are agreed individually with the customer. No predefined critical overdues are applicable in the SURTECO Group. Critical receivables are assessed on the basis of the objective evidence available. Trade accounts receivable with standard payment terms are recognized at amortized costs, reduced by bonuses, discounts and allowances. The Group sells trade accounts receivable under factoring agreements. These receivables are reported at fair value through profit and loss. The incoming payment from the sale of receivables is recognized under cash. Recognition of a short-term financial liability in the same amount is reported under current liabilities.

Inventories comprise raw materials, consumables and supplies, services in progress, purchased merchandise, and work in progress and finished goods. They are valued at acquisition or production cost or at the lower net sale value. The net sale value corresponds to the estimated recoverable proceeds from disposal in normal business operations less the necessary variable sales expenses.

Raw materials, consumables and supplies are valued at cost prices or at the lower net sale value of the goods to be manufactured. Carrying values have been calculated by the weighted-average method. Downward valuation adjustments have been undertaken to reflect impairments due to obsolescence and technically restricted application.

Finished products and work in progress have been recognized at production cost. These costs include costs directly attributable to the manufacturing process and a reasonable proportion of production-related overheads. These include production-related depreciation, proportionate administrative expenses, and proportionate social security costs. Inventory risks arising from the storage period or reduced usability have been taken into account by write-downs.

In the case of inventories, write-downs on the net sale proceeds are carried out, if the book values of the inventories are too high on the basis of the lower stock-market or market values.

Development costs for intangible assets produced within the company have been capitalized under income at directly attributable acquisition or production cost, if the following criteria are complied with:

- The technical feasibility of completing the intangible asset is such that it will be available for use.
- The management intends to complete the intangible asset and to use or sell it.

- There is an ability to use or to sell the intangible asset.
- The form and manner in which the intangible asset will generate probable future economic benefits are traceable.
- Adequate technical, financial and other resources are available in order to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs which do not meet with these criteria are recorded as expenses in the period when they were generated. Development costs already recognized as expenses are not subsequently capitalized as assets.

Property, plant and equipment have been recognized at acquisition or production cost, including incidental acquisition expenses, less accumulated scheduled depreciation and, if necessary, extraordinary depreciation.

Finance costs have not been capitalized under income as an element of acquisition or production costs because no manufacturing processes are involved over an extended period of time. Interest and other borrowing costs are recognized as expenses for the period.

The production costs of **self-constructed plant** include directly attributable costs and an appropriate proportion of the overheads and depreciation.

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

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

A fixed asset (property, plant and equipment) is either derecognized on disposal or if no economic benefit can be derived from further use or sale of the asset. The resulting gains or losses incurred from derecognition of the asset are calculated as the difference between the net sale proceeds and the book value of the asset and reported in the income statement for the period in which the asset is derecognized.

LEASING ACTIVITIES

Leases are reported as a right of use and corresponding leasing liability at the date on which the leased item is delivered to the SURTECO Group for use in accordance with IFRS 16 “Leases”. The right of use has to be recognized as part of the fixed assets and is depreciated straight line over the term of the lease/rental agreement. The liability is capitalized as a liability in the amount of the present value of the lease payments to be made in the future and depreciated using the effective interest method.

The SURTECO Group makes use of the following simplifications defined by the standard:

- Leases for low-value and short-term leased objects are not recognized

Initial and subsequent valuation

The starting point is the present value of the obligations for payment of future leasing rates. At the point of taking on a new lease/rental relationship, the amount of the right of use corresponds to the amount of the leasing liability.

The leasing liabilities include the present value of the following leasing payments:

- Fixed payments (incl. de facto fixed payments), less any leasing incentives receivable
- Variable lease payments which are linked to an index or (interest) rate, initially valued with the index or interest at the delivery date
- Expected payments from making use of residual value guarantees
- The exercise price of a call option, the exercise of which by the SURTECO Group is sufficiently certain
- Penalty payments in conjunction with the termination of a leasing relationship as long as the term provides for the SURTECO Group taking up the relevant termination option.

Furthermore, leasing payments arising from adequately certain utilization of extension options should be included in the valuation of the leasing liability.

The interest rates underlying the leasing payments are generally used. If these cannot be determined easily, the SURTECO Group sets term-specific interest rates and adjusts them annually. There was no country-specific distinction in the interest rate because the SURTECO Group's main financing is carried out via SURTECO GROUP SE.

Rights of use are valued at acquisition costs and they are comprised as follows:

- The amount of initial valuation of the leasing liability
- All leasing payments made at or before delivery less all/any leasing incentives received
- All direct costs initially incurred by the lessee and
- Any estimated costs which are likely to be incurred by the lessee on disassembly/disposal of the underlying asset, on reinstatement of the location at which the asset is set up, or for refurbishing the underlying asset and returning to the conditions required in the leasing agreement.

Rights of use are depreciated straight line over the shorter of the two periods relating to the useful life and term of the underlying lease agreement. If the exercise of a call option is regarded as sufficiently certain from the perspective of the SURTECO Group, depreciation is carried out over the useful life of the underlying asset. The SURTECO Group applies the acquisition cost method for reporting rights of use.

Owing to the different rules relating to (scheduled) subsequent valuation – the right of use primarily "at cost" (IFRS 16.29/30: after the start of the lease, the lessee values the right of use on the basis of a cost model, i.e. acquisition costs less accumulated depreciation and accumulated impairments, and the liability in accordance with the "effective interest method"), the recognized items no longer correspond over the term of the agreements.

The following rights of use are categorized in the SURTECO Group:
- Rights of use for land and buildings
- Rights of use for technical plant and machinery
- Rights of use for office equipment
- Rights of use for vehicles
- Rights of use for IT and communication

The SURTECO Group rents land and buildings, technical plant and machinery, office equipment, vehicles, and IT and communications equipment. Rental agreements are generally concluded over fixed periods from six months to eight years, but they may also have extension options. Rental conditions are negotiated individually and may include different conditions, such as variable lease payments, residual value guarantees and extension and termination options. Leasing agreements do not include any credit conditions and are not used as collateral for drawing on credit lines.

Expenses in connection with variable leasing payments, payments on account and other expenses which are not included in leasing liabilities, are recognized in the framework of other operating expenses.

Intangible assets are recognized at acquisition costs or production costs. Such assets with a limited useful life are depreciated over their economic useful life using the straight-line method. Intangible assets with unlimited duration for useful life are checked every year to ascertain if a possible impairment arises.

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

	Years
Concessions, patents, licenses and similar rights	3-15
Customer relations, trademarks, technology and similar values	10-15
Development expenses	3
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Other equipment, factory and office equipment	6-13

The **shares in unconsolidated participations** recorded under financial assets are recognized at acquisition costs.

Shares reported at equity

The joint venture company included in the consolidated financial statements is reported using the equity method with its proportionate equity plus any goodwill arising from the acquisition process.

On each reporting date, the Group checks the book values of intangible assets and property, plant and equipment to ascertain whether there might be grounds for carrying out an **impairment**. If such grounds exist, or if an annual impairment test is necessary for an asset, the Group carries out an estimate of the recoverable value for the relevant asset. The recoverable value of an asset is the higher of the two values comprising the fair value of an asset less the sale costs and the value in use. The recoverable value should be determined for each individual asset, unless an asset does not generate cash flows which are largely independent of the cash flows of other assets or other groups of assets. In this case, the recoverable amount is determined for the cash-generating unit to which the asset is allocated. If the book value of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In order to determine the value in use, the expected future cash flows are discounted to their present value based on a discount rate after taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. The fair value less the sales costs is calculated using a recognized valuation method. This method takes into account market data on current transactions available externally and valuations of third parties.

A test is carried out for assets, except for goodwill, on every reporting date, to ascertain whether there are grounds indicating that a previously recorded impairment expense no longer exists or has been reduced. If such grounds exist, the Group estimates the recoverable amount. A previous recorded impairment expense is only reversed if a change in the estimates, which were used to determine the recoverable amount, has occurred since the last impairment expense was recorded. If this is the case, the book value of the asset is increased to its recoverable amount. However, this amount must not exceed the book value which resulted after taking into account scheduled depreciation, if no impairment expense would have been recorded for the asset in previous years. An impairment reversal is recorded in the result for the period.

Goodwill resulting from company acquisitions is allocated to the identifiable cash-generating units which are supposed to derive benefit from the synergies arising from the acquisition. Such cash-generating units are the lowest reporting level in the Group at which the goodwill is monitored by the management for internal controlling purposes. The recoverable amount of a cash-generating unit (or group of cash-generating units), which is allocated goodwill, is regularly subjected to an annual impairment test. Reference is made to our comments under section (23) in the Notes to the Consolidated Financial Statements for further details.

The standard IFRS 3 (Business Combinations) and the standard IAS 36 (Impairment of Assets) no longer permit goodwill to be subject to scheduled depreciation and amortization, rather a review of the value of these assets is carried out at regular intervals in an impairment test and additionally if there is evidence of a potential reduction in value at other points in time.

If goodwill or intangible assets with unlimited useful life are to be allocated to a cash-generating unit, the impairment test of those assets should be carried out annually or also, if events or changed circumstances result which could indicate a possible impairment, more frequently. The asset values taking into account the net working capital of the individual cash-generating units are compared with their individual recoverable amount, i.e. the higher value from the net sale price and value in use. In the determination of the recoverable amount, the present value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit, are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.

Groups of cash-generating units are used for purposes of the impairment test for goodwill. The groups of cash-generating units of the Group are identified in consultation with the internal reporting of the management taking into account customer-centric allocations. The groups of cash-generating units are the reportable segments. These relate to the Business Units ‘Surfaces’, ‘Edgebands’, ‘Profiles’, ‘North America’ and ‘Asia/Pacific’.

In the cases in which the book value of the cash-generating unit is higher than its recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected group of cash-generating units is amortized in the amount of the allowance thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant group of cash-generating units proportionately to the book value. Any allowance carried out as necessary is recognized under other depreciation and amortization in the income statement. A subsequent write-up of the goodwill as a result of the reasons no longer being applicable is not permitted.

The **actual income taxes paid or owed** for the current and earlier periods are measured with the amount at the level at which a rebate from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the country-specific tax rates and tax regulations which are applicable on the reporting date.

The actual income tax liabilities relate to the relevant tax year and any obligations arising from the previous years. The valuations are subject to the applicable statutory regulations taking into account current legal precedents and the prevailing professional opinion.

The reporting of income tax uncertainties is generally based on individual income tax treatment. If it is unlikely that an income tax treatment will be accepted by the local tax authorities, the SURTECO Group uses the amount with the highest probability for determining the taxable profit or the tax base.

The Surteco Group included within the scope of the regulations for global minimum taxation ("Pillar 2"). The regulations on global minimum taxation came into force in Germany on 28 December 2023 in the form of the Minimum Tax Act ("MinStG"). First-time application of the Minimum Tax Act is for the business years starting after 30 December 2023. Pursuant to MinStG, a supplementary tax is to be paid for every jurisdiction that has an effective tax rate below 15 %. Since the Minimum Tax Act is not yet applicable for the business year 2023 in respect of Surteco Group SE, no tax burden is incurred from MinStG for the business year 2023.

As the Group carrier of the minimum tax group pursuant to § 3 Minimum Tax Act, Surteco Group SE will be responsible for any additional tax burden that may arise in future for all the Business Units located in Germany along with the tax burden resulting from minimum tax laws for jurisdictions abroad where no national supplementary tax is levied.

The Group is currently carrying out an assessment in order to establish the significant impacts of Pillar Two after the legislation comes into force. Owing to the complexity involved in the application of the legislation relating to Pillar Two and the calculation of the potential taxation impacts, the quantitative and qualitative effects for future business years cannot currently be reliably estimated.

Deferred income tax is determined in accordance with IAS 12 on the basis of the liability method. According to this method, deferred taxes result from temporary differences between the carrying amount (value) of an asset or a liability in the balance sheet and the tax value.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits to the extent it is probable that taxable earnings will be available against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used, with the exception of

- deductible temporary differences from first-time recognition of an asset or a liability arising from a transaction that is not a business combination and at the point in time of the transaction influences neither the result for the period in accordance with IFRS nor the taxable earnings.

Deferred tax liabilities are reported for all deductible temporary differences, with the exception of

- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, if the temporal reversal of the temporary differences can be controlled and it is likely that the temporary differences will not be reversed in the foreseeable future.

The book value of the deferred tax assets is audited on each reporting date and as necessary reduced by the amount by which it is no longer likely that an adequate taxable result will be available against which the deferred tax assets can be at least partly applied. Unrecognized deferred taxes are audited on each reporting date and recognized in the amount at which it has become likely that a future taxable result will be available to realize the deferred tax assets. Deferred tax assets and liabilities are measured on the basis of the tax rates that are likely to be valid during the period in which an asset is realized or a debt liability is fulfilled. The tax rates (and tax laws), which are applicable or adopted on the reporting date, are used as the basis for calculation. Future changes in tax rates should be considered at the reporting date, insofar as material requirements for effectiveness are fulfilled pursuant to a legislative procedure.

Income and expenses arising from actual and deferred income taxes that relate to the items that are reported directly under equity or in other comprehensive income for the year are not reported in the income statement but are also recorded directly under equity or in other comprehensive income for the year. Deferred tax assets and deferred tax liabilities are offset, if the Group has an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

In accordance with IAS 1.56, deferred taxes are recognized as long term.

Current non-financial liabilities have been recorded with their repayment or performance amount.

Contractual liabilities correspond to the obligation to transfer goods to a customer for which the SURTECO Group has already received a consideration.

Pension provisions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, partial retirement and long-service awards.

Obligations arising from regulations relating to company pension provision relate to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining and is generally based on the period of service and pay of the employee. The majority of pension obligations in Germany based on contractual conditions relate to life-time pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.

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

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

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

Pension provisions are valued using the projected unit credit method in accordance with IAS 19. This method not only recognizes the pensions and projected unit credits acquired on the reporting date, it takes account of the increases in pensions and salaries anticipated in the future. The obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pension accruals, including the interest portion contained therein, is recognized under personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on net income. The standardized income on the plan assets is generated in the amount of the interest rate of the pension obligations at the start of the reporting period. These returns are recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income based on the standard return on plan assets are to be recognized with no effect on net income in equity (other comprehensive income for the year). Furthermore, the past service costs still to be offset are recognized immediately at the point of arising with an effect on earnings.

Provisions for long-service bonuses are calculated by actuarial methods. The settlement backlogs and top-up amounts for partial retirement obligations were added pro rata for partial retirement obligations until the end of the active phase.

The obligations from defined-benefit plans principally exist in Germany and they are calculated by taking the following actuarial assumptions into account:

	2022	2023
Interest rate	3.69 %	3.16 %
Salary increases	3.5 %	3.5 %
Pension increases	2.0 %	2.0 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2018G	Heubeck 2018G

The interest rate for the pension obligation is currently a uniform 3.16 % (2022: 3.69 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms. The fluctuation rate was assumed to be unchanged from the previous year at 0.0 %, as all relevant pension regulations at SURTECO are closed to new employees.

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

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

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

Segment reporting

Presentation of the business segments is consistent with internal reporting to the main decision-maker. The main decision-maker is responsible for decisions on the allocation of resources to the operating segments and for reviewing their earnings power. The Management Board of SURTECO was defined as the main decision-maker.

Declarations of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires, up to a certain level, decisions of judgement, estimates and assumptions of the management which exert effects on the recognition, measurement and reporting of assets, liabilities, income and expenses, and contingent assets and liabilities. The significant facts which are affected by such decisions of judgement and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of purchase price allocations and impairment tests, accrual of cash-generating units, the formation of provisions for restructuring, for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

The costs for obtaining contracts include additional commissions that are paid in connection with the listing of our products and which would not have arisen without the conclusion of the contract. These costs are amortized on a straight-line basis over a period of four years because this represents the expected term of the contracts.

The assumptions and estimates are based on premises that rely on the knowledge available at the time. In particular, the expected future business development takes account of the circumstances prevailing at the time when the consolidated financial statements were prepared and realistic assumptions on the future development of the global and sector-specific environment. Any developments of these framework conditions deviating from these assumptions and outside the sphere of influence of the management may result in deviations of the actual amounts from the estimated values originally projected. If the actual development deviates from the projected development, the premises and, if necessary, the book values of the relevant assets and liabilities are adjusted appropriately. Further explanations are described under the appropriate items.

Reporting and valuation principles should be regarded as important if they significantly influence the presentation of the net assets, financial position, results of operations and cash flows of the SURTECO Group and require a difficult, subjective and complex assessment of facts and circumstances that are often uncertain in nature, may change in subsequent reporting periods, and whose consequences are therefore difficult to estimate. The published accounting principles, based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects.

State grants and subsidies

State grants and subsidies are reported in conformity with IAS 20.7, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded. The subsidies are recorded in profit or loss in accordance with IAS 20.12 during the periods when the company recognizes the expenses eligible for support.

If expenses or losses have already been incurred or if the grants and subsidies serve to provide immediate financial support independently of special expenses, the grants and subsidies will be recorded in accordance with IAS 20.20 in profit or loss during the period when the corresponding claim exists.

SURTECO has correspondingly recorded the state grants and subsidies for the business year 2023 in accordance with IAS 20, if there is reasonable certainty that the company will comply with the conditions associated with the grants and subsidies, and the grants and subsidies are awarded.

SURTECO has deducted from the personnel expenses government grants and subsidies relating to the social security contributions attributable to short-time work and other comparable grants and subsidies in conjunction with the foreign subsidiary companies.

The most important accounting and valuation principles are described in the Notes to the Consolidated Financial Statements.

IX. Notes to the income statement

(1) SALES REVENUES

The sales revenues are comprised as follows:

Business (product) € 000s	2022	2023
Edgebandings	282,002	262,352
Finish foils	136,657	133,649
Decorative printing	99,267	93,475
Impregnates / Release papers	55,384	45,224
Skirtings and related products	82,141	77,124
Technical extrusions	56,188	50,483
Laminates	0	69,516
Performance Films	0	31,122
Coated Fabrics	0	41,016
Other	36,059	31,128
	747,698	**835,089**

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

€ 000s	2023					
	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	Total
Edgebandings	40,811	150,274	0	39,187	32,081	262,353
Finish foils	101,084	0	0	30,836	1,729	133,649
Decorative printing	71,080	0	0	14,049	8,346	93,475
Impregnates / Release papers	45,048	0	0	0	175	45,223
Skirtings and related products	0	0	77,003	0	122	77,125
Technical extrusions	0	0	50,255	0	229	50,484
Laminates	0	0	0	69,516	0	69,516
Performance Films	0	0	0	31,122	0	31,122
Coated Fabrics	0	0	0	41,016	0	41,016
Other	7,587	798	10,097	3,381	9,263	31,126
	265,610	**151,072**	**137,355**	**229,107**	**51,945**	**835,089**

€ 000s	2022					
	Surfaces	Edgebands	Profiles	North America	Asia / Pacific	Total
Edgebandings	38,117	161,672	0	48,141	34,072	282,002
Finish foils	102,704	0	0	32,055	1,898	136,657
Decorative printing	73,490	0	0	16,886	8,891	99,267
Impregnates / Release papers	54,732	0	0	159	493	55,384
Skirtings and related products	0	0	82,141	0	0	82,141
Technical extrusions	0	10	55,957	0	221	56,188
Laminates	0	0	0	0	0	0
Performance Films	0	0	0	0	0	0
Coated Fabrics	0	0	0	0	0	0
Other	8,585	856	10,395	4,781	11,442	36,059
	277,628	**162,538**	**148,493**	**102,022**	**57,017**	**747,698**

(2) CHANGES IN INVENTORIES

The changes in inventories relate to work in progress amounting to € 000s 3,712 (2022: € 000s -3,222) and finished products amounting to € 000s -6,422 (2022: € 000s 2,140).

(3) OTHER OWN WORK CAPITALIZED

Other own work capitalized is essentially self-manufactured tools, printing cylinders and intangible assets.

(4) COST OF MATERIALS

Composition of the cost of materials in the Group:

€ 000s	2022	2023
Cost of raw materials, consumables and supplies, and purchased merchandise	389,904	431,150
Cost of purchased services	827	867
	390,731	**432,017**

(5) PERSONNEL EXPENSES

The following table shows personnel expenses:

€ 000s	2022	2023
Wages and salaries	143,546	179,744
Social security contributions	20,260	29,349
Pension costs	11,074	9,010
	174,880	**218,103**

Regarding the defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 747 (2022: € 000s 695) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 4,708 (2022: € 000s 7,985) to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

Personnel expenses include amounts resulting from the net interest expense/income and the current service cost for pension obligations.

State grants and subsidies for reimbursement of social security contributions due to COVID-19 amounting to € 000s 0 (2022: € 000s 34) were included in personnel expenses. Short-time work allowances amounting to € 000s 565 (2022: € 000s 1,509) were paid out to employees.

The average number of employees amounts to 3,685 (2022: 3,147).

The following table shows the employee structure:

	Industrial	Salaried	2022 Total	Industrial	Salaried	2023 Total
Production	1,646	222	1,868	2,026	243	2,269
Sales	21	357	378	25	342	367
Engineering	159	52	211	189	61	250
Research and development, quality assurance	58	83	141	48	84	132
Administration and materials management	188	361	549	213	454	667
	2,072	**1,075**	**3,147**	**2,501**	**1,184**	**3,685**

The number of employees by region is as follows:

	2022	2023
Germany	1,665	1,495
European Union	488	425
Rest of Europe	202	192
America	571	1,013
Asia/Australia	221	560
	3,147	**3,685**

(6) OTHER OPERATING EXPENSES

The other operating expenses are composed as follows:

€ 000s	2022	2023
Operating expenses	29,302	36,952
Sales expenses	54,820	58,850
Administrative expenses	28,531	36,296
	112,473	**132,098**

The operating expenses essentially include expenses for maintenance, servicing, repairs, waste removal and temporary workers.

The sales expenses essentially include expenses for transport, travel, trade fairs, promotion and commissions.

The administrative expenses essentially include expenses for deductions, contributions, insurance policies, IT and consulting. This includes commissions and fees for factoring in Italy amounting to € 000s 45 (2022: € 000s 46).

Uncapitalized research and development costs (personnel expenses and cost of materials) in the Group amount to € 000s 1,655 (2022: € 000s 3,460).

The effects of changes in exchange rate through profit and loss included in other operating expenses amount to € 000s 727 (2022: € 000s 430) in the business year 2023.

We refer to explanations in the sections (8) and (21) for rental and lease expenses.

(7) IMPAIRMENT EXPENSES / IMPAIRMENT REVERSAL INCOME IN ACCORDANCE WITH IFRS 9

In the business year 2023, income in the amount of € 000s 152 (2022: income in the amount of € 000s 285) was recorded for trade accounts receivable. This was determined by the simplified impairment model (provision matrix). Total expenses arising from impairment reversals on trade accounts receivable amount to € 000s -738 (2022: income in the amount of € 000s 124).

The following financial instruments are subject to general impairment recognition in accordance with IFRS 9:

	Credit risk	Impairment recognition
Bank balances	Slight	12-M Expected Credit Loss

On account of the slight default risk for bank balances, no allowance should be carried out for reasons of materiality.

(8) LEASES

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

€ 000s	2022	2023
Depreciation and amortization on rights of use		
Land and buildings	4,545	5,285
Technical plant and machinery	57	171
Office equipment	290	185
Vehicles	1,070	1,340
IT and communication	250	144
	6,212	**7,124**

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

€ 000s	2022	2023
IFRS 16: Expenses in other operating expenses:		
Expenses in conjunction with short-term leases	812	759
Expenses in conjunction with small-ticket assets	15	121
Expenses in conjunction with variable lease payments not included in leasing liabilities	0	77
Expenses in conjunction with other expenses not included in leasing liabilities	0	33
	827	**990**

In the business year 2023, payments for leasing liabilities amounted to € 000s 7,746 (2022: € 000s 6,615). An interest expense for leases/rents in the amount of € 000s 907 (2022: € 000s 574) was recognized in interest expense.

(9) OTHER OPERATING INCOME

The following table shows other operating income:

€ 000s	2022	2023
Rental income	653	1,106
Claims for compensation	336	644
Income from reductions of allowances	372	358
Income from asset disposals	5,326	5,792
Other operating income	4,189	6,345
	10,876	**14,245**

The rental income recorded in the company is to be classified as an operating lease. It essentially results from subletting of individual building floorspaces. Income from asset disposals essentially results from property sales.

(10) FINANCIAL RESULTS

€ 000s	2022	2023
Interest and similar income	984	2,410
Interest and similar expenses	-4,997	-17,483
Interest (net)	**-4,013**	**-15,073**
Currency gains/losses, net	655	-1,091
Profit from investment accounted at equity	0	378
Other financial expenses and income	**655**	**-712**
Financial result	**-3,358**	**-15,785**

In Interest and similar expenses include interest expenses in connection with the acquisition of the Omnova companies amounting to € 000s 10,019. € 000s -455 is attributable to factoring (2022: € 000s-29).

(11) INCOME TAX

Income tax expense is broken down as follows:

€ 000s	2022	2023
Current income taxes		
- Germany	-1,758	-365
- International	12,578	14,484
	10,820	14,119
Deferred income taxes		
- from time differences	1,175	-3,358
- on losses carried forward	-405	-5,999
	770	-9,357
	11,590	**4,762**

An average overall tax burden of 30.0 % (2022: 30.0 %) is expected for the German companies. The tax rate takes into account the trade tax (14.2 % unchanged by comparison with the previous year), the corporate income tax (15.0 % unchanged by comparison with the previous year) and the solidarity surcharge (5.5 % of corporate income tax, unchanged by comparison with the previous year). The applicable local income tax rates for the foreign companies vary between 17.0 % and 34.0 % (2022: 19 % - 34 %).

Deferred tax losses carried forward have been capitalized in the consolidated financial statements on the basis of a 5-year projection of earnings before income tax at the level of the individual companies. Uncertainties relating to different projected premises and framework conditions have been taken into account.

No deferred tax assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 31,765 (2022: € 000s 5,291) due to restricted utility. The main loss carry-forwards relating to Canada in the amount of € 000s 5,000 can be carried forward for between 15-20 years, the loss carry-forwards relating to the USA in the amount of € 000s 25,944 can be carried forward indefinitely. The loss carry-forwards for corporate income tax amounting to € 000s 25,775 (2022: € 000s 3,776) and domestic trade tax amounting to € 000s 27,176 (2022: € 000s 9,419) can be carried forward indefinitely.

On the balance sheet date, several Group companies that had generated a tax loss recognized a net surplus of deferred tax assets amounting to € 000s 11,363 (2022: one company € 436 million) which essentially results from SURTECO GROUP SE (2022: also SURTECO GROUP SE). The realization of the full amount of deferred tax assets from the foreign companies was no longer assessed to be probable.

Deferred tax liabilities were not recognized on temporary differences in connection with investments in subsidiaries amounting to € 000s 5,400 (2022: € 000s 7,753), as the Group is in a position to control the timing of the reversal and these temporary differences will not be reversed in the foreseeable future.

The deferred tax assets and liabilities reported in the financial statements listed below are attributable to differences in recognition and valuation of individual items on the balance sheet and to tax losses carried forward:

€ 000s	Deferred tax assets			Deferred tax liabilities		
	2022	**Change**	**2023**	**2022**	**Change**	**2023**
Inventories	1,566	81	1,647	922	-140	782
Receivables and other assets	1,922	-90	1,832	298	315	613
Tax losses carried forward	1,932	5,999	7,931	0	0	0
Goodwill	0	0	0	4,099	4,408	8,507
Property, plant and equipment	3,145	4,270	7,415	25,772	-1,238	24,534
Intangible assets	21	472	493	8,663	-869	7,794
Other current assets	59	-59	0	0	0	0
Other non-current assets	10	-10	0	377	-377	0
Financial liabilities	7,601	3,674	11,275	2,860	2,073	4,933
Pensions and other personnel-related obligations	1,020	67	1,087	0	0	0
Trade accounts payable	751	-489	262	171	-156	15
Other liabilities	1,394	-323	1,071	2,356	1,626	3,982
	19,421	**13,592**	**33,013**	**45,518**	**5,642**	**51,160**
Netting	-5,220	-10,992	-16,212	-5,220	-10,992	-16,212
	14,201	**2,600**	**16,801**	**40,298**	**-5,350**	**34,948**

Non-current deferred taxes are included in the deferred tax assets in the amount of € 000s 28,201 (2022: € 000s 13,730), in the deferred tax liabilities in the amount of € 000s 45,768 (2022: € 000s 41,771).

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

€ 000s	2022	2023
Earnings before Taxes (EBT)	**36,823**	**-7,661**
Expected income tax	11,047	-2,298
Reconciliation		
Changes in tax rates	531	-296
Difference in tax rates	-2,595	-812
Use of loss carry-forwards not including deferred tax assets	1,948	7,484
Expenses not deductible from taxes	2,619	2,357
Tax-free income	-32	-1,418
Valuation allowance on deferred tax assets	1,116	0
Tax expenses / income not related to the reporting period	-3,097	35
Permanent differences	17	-285
Other effects	36	-5
Income tax	**11,590**	**4,762**

The average expected tax rate amounts to 30.0 % (2022: 30.0 %).

Income taxes recorded directly in other comprehensive income

Income tax which directly exerts a negative impact on, or was credited to, other comprehensive income for the year is comprised as follows:

€ 000s	2022	2023
Actuarial gains/losses	-427	22
	-427	**22**

(12) EARNINGS PER SHARE

	2022	2023
Consolidated net profit in € 000s	25,233	-12,289
Weighted average of no-par-value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	1.63	-0.79

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO GROUP SE by the weighted average of the issued shares.

X. Notes to the balance sheet

(13) CASH AND CASH EQUIVALENTS

€ 000s	2022	2023
Cash in hand and bank balances	45,624	111,811
Fixed-term deposits	72,128	0
	117,752	**111,811**

(14) TRADE ACCOUNTS RECEIVABLE

€ 000s	2022	2023
Trade account receivables	62,473	85,612
Open receivables from factoring	0	-11,041
Continuing Involvement	0	183
Deducted by fx-effects	-1,082	-1,952
Book value	**61,391**	**72,802**

The allowances relate to the specific allowances and the allowances in accordance with the simplified impairment model.

The allowances developed as follows:

€ 000s	Specific allowance	2022 Allowance matrix	Specific allowance	2023 Allowance matrix
1/1	511	839	550	532
Recourse	-80	0	-91	0
Release of unused amounts	-182	-307	-139	0
Addition (effect on expenses)	322	0	979	65
Exchange rate differences	-21	0	57	0
31/12	**550**	**532**	**1,356**	**597**

There is no significant concentration of risk in the trade accounts receivable on account of the diversified customer structure of the SURTECO Group. The current values of the trade accounts receivable essentially correspond to the book values.

The following table shows the maturity structure of receivables and the allowances due in accordance with IFRS 9:

€ 000s	Total	Receivables not overdue	up to 3 months	3-6 months	6-12 months	over 12 months
				Overdue receivables		
31/12/2023		**0%**	**1%**	**3%**	**9%**	**21%**
Book value of trade accounts receivable (without factoring)	73,389	50,603	15,236	5,915	966	669
Allowance	597	79	123	170	82	143
31/12/2022		**0%**	**2%**	**14%**	**22%**	**55%**
Book value of trade accounts receivable (without factoring)	60,189	52,099	7,148	165	615	161
Allowance	532	131	156	23	133	89

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

(15) FACTORING AGREEMENTS

At year-end 2023, two Factoring Agreements were in place at the Surteco Group. SURTECO Italia S.r.l., Zero Branco, Italy, has made use of factoring since 2015. The current business year saw the addition of the companies in Germany SURTECO GmbH, Buttenwiesen, Döllken Profiles GmbH, Bönen, and DAKOR Melamin Imprägnierungen GmbH, Heroldstatt, on the basis of which existing and future trade accounts receivable are sold to banks. The maximum nominal sales volume amounts to € 10.0 million in Italy and € 20.0 million in Germany.

The character of the factoring in Germany is in-house factoring still – protected default / true sale. Regardless of the transfer of the claims to the factor, the factor commissions the customers to administer and collect the sold claims in trust as part of their ordinary business operations (accounts receivable and debt recovery in accordance with the principles of proper bookkeeping) until revocation, which is permissible at any time. The companies thereby act in their own name but on account of the factor. Hence, the companies act as vicarious agents of the factor and have the role of commission agents. Full factoring non-recourse open is used in Italy.

In Germany, the factor puts every debtor through a creditworthiness check which determines the debtor financing limit. If the creditworthiness check was positive and neither the maximum customer purchase amount, the debtor financing limit nor the overall financing limit were breached, the factor is obliged to accept the customer's purchase offer and to purchase the receivables offered to them. The contract in Italy does not provide a specific creditworthiness upper limit for each debtor.

The defect-free receivables that are covered by trade credit insurance policies provided by Euler/Hermes are assigned to the factor with all rights, obligations and securities so that the receivables can no longer be sold or pledged by SURTECO. When the contract is concluded in Germany, the factor is irrevocably entitled to transfer and/or to pledge receivables sold or assigned to them for the purpose of refinancing, equity relief, risk diversification or exploitation within the group and/or to third parties. The contract in Italy does not make provision for such an arrangement but neither does the contract prohibit it.

In Germany, the risk that determines the disposal of receivables is the default risk and the late payer risk. While the default risk is fully transferred to the factor, parts of the late payer risk remain with Surteco. Overall, neither all opportunities and risks are retained and only the ongoing commitment from the sold receivables is recognized as part of the partial disposal. The calculated ongoing commitment amounts to € 000s 183.2 and is recorded separately as an asset in trade receivables and as a liability as other financial liabilities (working capital). In addition, the verity risk remains with Surteco, and the associated verity guarantee is served by the agreed security retention. The factor did not make use of the guarantee for the 2023 financial year.

No chances and risks are retained in Italy. The contract provides for the assignment and purchase of the receivables without recourse ('pro soluto', or by way of performance). The assigned receivables are paid by the factor on the day of assignment without taking account of a blocked amount. The fees are deducted immediately from the day of assignment until the due date of the invoice and the debtor settles the bill directly with the factor.

In Germany, a de-facto proportional derecognition of the debtor's receivable is carried out with the inflow of the proportional purchase price. Initially, the 10% blocked amount associated with factoring forms a new separate financial asset (receivable for payment of remaining purchase price factor). In Italy, the primary debtor receivables are written off in full immediately when the receivable is purchased.

The key information about the existing factoring agreements is presented in the following table:

€ 000s	SURTECO Italia S.r.l.		SURTECO GmbH Döllken Profiles GmbH Dakor Melamin Imprägnierungen GmbH	
	2022	2023	2022	2023
Transfer of opportunities and risks				
Material risks and in % Late payer risk (-) or early payer advantage (+)	0	0	0	1.7
Validity risk	0	0	0	0
Responsibility for managing accounts receivables	**Factor**		**Companies**	
Recognition on the consolidated financial statements				
€ 000s				
Max. nominal volume according to factoring agreement as at 31/12	10,000	10,000	0	20,000
Limit utilized on 31/12	6,847	6,472	0	15,623
Derecognition of the sold receivables	yes	yes	-	partial derec-ognization
Book value of all offered and purchased receivables	27,957	26,635	0	67,149
Book value of the total receivables derecognized	27,957	26,635	0	56,108
Book value of the sold receivables that represent the continuing involvement on 31/21	0	0	0	11,041
Fair value of the sold receivables that represent the continuing involvement on 31/21	0	0	0	11,041
Asset for continuing involvement as of 31/12	0	0	0	183
Liability for continuing involvement as of 31/12	0	0	0	183
Interest and fees - recorded in the profit and loss statement	75	220	0	280

(16) INVENTORIES

The inventories of the Group are comprised as follows:

€ 000s	2022	2023
Raw materials, consumables and supplies	52,499	47,948
Work in progress	9,518	13,230
Finished products and goods	80,077	78,513
Payments on account for inventories	35	0
	142,129	**139,692**

Impairments of € 000s 2,807 (2022: € 000s 2,274) were reported on inventories.

Of the inventories, € 000s 20,136 (2022: € 000s 20,733) were recognized under assets at the net disposal value.

(17) CURRENT INCOME TAX RECEIVABLES

Claims arising from income tax are recognized under current tax assets insofar as their due date is not twelve months after the reporting date.

(18) OTHER FINANCIAL AND NON-FINANCIAL ASSETS

A: Current assets

€ 000s	2022	2023
Other current non-financial assets		
Income tax assets (value added tax, wage tax)	3,511	3,477
Prepaid expenses	4,028	3,952
Other	1,733	514
	9,272	7,943
Other current financial assets		
Bonuses receivables	426	694
Creditors with debit balances	725	162
Receivables from employment relationships	171	136
Assets from contracts with customers	364	364
Receivables from payments of residual purchase price factor	0	1,562
Other	3,685	2,850
	5,371	5,768
	14,643	**13,711**

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

B: Non-current assets

€ 000s	2022	2023
Other non-current non-financial assets		
Other non-current assets	855	443
Other non-current financial assets		
Assets from contracts with customers	532	168
Other non-current assets	822	41
	2,209	**652**

(19) FIXED ASSETS

The fixed assets are comprised as follows:

€ 000s	Property, plant and equipment	Intangible assets	Goodwill	Rights of use	Total
Acquisition costs					
1/1/2022	**719,755**	**130,051**	**182,529**	**41,389**	**1,074,175**
Currency adjustment	1,982	-1,409	-217	159	515
Additions	45,188	5,134	0	14,735	65,257
Disposals	-25,575	-1,563	0	-7,144	-34,482
Transfers	796	-28	0	-768	0
31/12/2022	**742,146**	**132,185**	**182,312**	**48,821**	**1,105,465**
1/1/2023	**742,146**	**132,185**	**182,313**	**48,821**	**1,105,465**
Currency adjustment	-9,050	-1,524	-3,298	-206	-14,078
Additions[1)]	103,108	79,613	64,607	9,344	256,672
Disposals	-6,727	-148	0	-5,126	-12,001
Transfers	-458	458	0	0	0
31/12/2023	**829,020**	**210,584**	**243,622**	**52,832**	**1,336,058**
Depreciation and amortization					
1/1/2022	**478,226**	**83,230**	**19,618**	**14,070**	**595,144**
Currency adjustment	1,299	-880	218	129	766
Additions	30,241	7,550	498	5,712	44,201
Disposals	-19,466	-1,547	0	-2,549	-23,765
Transfers	654	0	0	-654	0
31/12/2022	**490,953**	**88,353**	**20,334**	**16,708**	**616,349**
1/1/2023	**490,953**	**88,353**	**20,334**	**16,709**	**616,349**
Currency adjustment	-6,855	-145	-149	-114	-7,263
Additions	37,117	14,614	0	6,937	58,668
Disposals	-3,698	-125	0	-4,489	-8,312
Transfers	949	0	0	-951	-1
31/12/2023	**518,466**	**102,697**	**20,185**	**18,092**	**659,441**
Book values at 31/12/2022	**251,193**	**43,832**	**161,978**	**32,112**	**489,116**
Book values at 31/12/2023	**310,554**	**107,887**	**223,437**	**34,740**	**676,617**
1) Thereof acquisition OMNOVA	69,466	76,677	64,600	2,476	213,219

(20) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised as follows:

€ 000s	Land and buildings	Financial leasing for land and buildings	Technical equipment and machines	Other equipment, factory and office equipment,	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2022	**169,800**	**0**	**435,405**	**100,006**	**14,544**	**719,755**
Currency adjustment	666	0	2,016	-590	-110	1,982
Additions	1,765	0	13,608	5,676	24,139	45,188
Disposals	-11,842	0	-7,244	-6,285	-204	-25,575
Transfers	1,668	0	6,905	3,348	-11,125	796
31/12/2022	**162,057**	**0**	**450,690**	**102,155**	**27,244**	**742,146**
1/1/2023	**162,057**	**0**	**450,690**	**102,154**	**27,245**	**742,146**
Currency adjustment	-1,429	0	-7,350	-118	-153	-9,050
Additions[2)]	21,115	0	54,866	4,844	22,282	103,108
Disposals	-1,311	0	-2,455	-1,709	-1,252	-6,727
Transfers	4,803	0	10,834	1,164	-17,259	-458
31/12/2023	**185,236**	**0**	**506,585**	**106,336**	**30,863**	**829,020**
Depreciation and amortization						
1/1/2022	**73,544**	**-951**	**329,855**	**75,722**	**5**	**478,226**
Currency adjustment	76	0	1,499	-276	0	1,299
Additions	4,547	0	18,886	6,808	0	30,241
Disposals	-6,904	0	-6,615	-5,947	0	-19,466
Transfers	0	0	0	654	0	654
31/12/2022	**71,263**	**-951**	**343,625**	**77,011**	**5**	**490,953**
1/1/2023	**71,263**	**-951**	**343,623**	**77,012**	**5**	**9**
Currency adjustment	-823	0	-5,921	-125	13	-6,855
Additions	6,275	0	24,453	6,390	0	37,117
Disposals	-90	0	-2,357	-1,531	280	-3,698
Transfers	0	951	-1	-1	0	949
31/12/2023	**76,624**	**0**	**359,798**	**81,745**	**298**	**518,466**
Book values at 31/12/2022	**90,765**	**951**	**107,065**	**25,143**	**27,239**	**251,193**
Book values at 31/12/2023	**108,612**	**0**	**146,787**	**24,590**	**30,565**	**310,554**
2) Thereof acquisition OMNOVA	16,044	0	49,740	238	3,444	69,466

As at 31 December 2023, no property, plant and equipment was pledged as collateral for existing liabilities as in the previous year.

(21) INTANGIBLE ASSETS

Intangible assets are comprised as follows:

€ 000s	Concessions, patents, licences and similar rights	Customer relations, trademarks, technology and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2022	**36,846**	**78,942**	**11,813**	**2,450**	**130,051**
Currency adjustment	-34	-664	-711	0	-1,409
Additions	2,321	0	632	2,181	5,134
Disposals	-1,461	0	-90	-12	-1,563
Transfers	2,350	0	17	-2,395	-28
31/12/2022	**40,022**	**78,278**	**11,661**	**2,225**	**132,185**
1/1/2023	**40,023**	**78,277**	**11,661**	**2,224**	**132,185**
Currency adjustment	-30	-1,512	17	0	-1,524
Additions[3]	3,764	75,447	34	367	79,613
Disposals	-33	0	-100	-15	-148
Transfers	2,269	-6,027	6,286	-2,070	458
31/12/2023	**45,993**	**146,186**	**17,898**	**507**	**210,584**
Depreciation and amortization					
1/1/2022	**32,310**	**43,435**	**7,485**	**0**	**83,230**
Currency adjustment	-39	-381	-460	0	-880
Additions	2,234	4,451	865	0	7,750
Disposals	-1,457	0	-90	0	-1,747
Transfers	0	0	0	0	0
31/12/2022	**33,048**	**47,505**	**7,800**	**0**	**88,353**
1/1/2023	**33,048**	**47,505**	**7,800**	**0**	**88,353**
Currency adjustment	-29	-140	32	0	-137
Additions	3,180	10,490	944	0	14,614
Disposals	-81	0	-44	0	-125
Transfers	0	-6,027	6,027	0	0
31/12/2023	**36,118**	**51,828**	**14,759**	**0**	**102,705**
Book values at 31/12/2022	**6,974**	**30,773**	**3,861**	**2,224**	**43,832**
Book values at 31/12/2023	**9,883**	**94,358**	**3,139**	**507**	**107,887**
3) Thereof acquisition OMNOVA	35	76,643	0	0	76,677

Trademark rights in the amount of € 000s 4,635 (2022: € 000s 3,558) with an undetermined useful life is included in the category "Customer relations, trademarks, technology and similar values" which is assigned to the group of cash generating units Surfaces. The trademark rights generate inflows for an unlimited period of time.

(22) RIGHTS OF USE

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

€ 000s	31/12/2022	31/12/2023
Rights of use		
Land and buildings	25,895	31,456
Technical plant and machinery	251	273
Office equipment	93	344
Vehicles	1,126	2,464
IT and communication	404	202
	27,769	**34,740**

The allocations to rights of use during the business year 2023 amounted to € 000s 6,882 (2022: € 000s 14,735).

(23) GOODWILL

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

Goodwill developed as follows:

€ 000s	2022	2023
1/1/	162,911	161,978
Currency adjustment	-435	-3,148
Addition	0	64,607
Disposal	0	0
Valuation allowance	-498	0
31/12/	**161,978**	**223,437**

Goodwill is allocated to the groups of cash-generating units for purposes of carrying out annual or event-related (triggering events) impairment tests. These correspond to the Business Units Surfaces, Edgebands, Profiles, North America and APAC.

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

€ 000s	2022	RECON	Addition	fx-effects	2023
Decoratives	117,395	-117,395			-
Profiles	36,281	-36,281			-
Technical Foils	7,321	-7,321			-
DAKOR	0	0			-
Kröning	982	-982			-
Total	**161,979**	**-161,979**			
Surfaces	-	19,212		16	19,228
Edgebands	-	65,450			65,450
Profiles	-	36,281			36,281
North America	-	21,439	64,607	-3,009	83,037
APAC	-	19,597		-156	19,441
Total		**161,979**	**64,607**	**-3,149**	**223,437**

The value in use to be applied for carrying out the impairment test is calculated based on a company valuation model (discounted cash flow). The calculation is carried out using cash flow plans which are based on medium-term planning for a period of five years that has been approved by the Management Board and is valid at the time when the impairment test was carried out. These plans include experiences and expectations relating to the future market development. Growth rates are determined individually for each subsidiary company on the basis of the macroeconomic framework data for the regional market, the market opportunities and experiences in the past. The underlying growth rates applied for the impairment test are based on medium-term planning for a period of five years and amount to an average of 8.1 % for sales and 18.6 % for EBITDA. Compared with the previous year, different growth rates (terminal value) were used for the relevant groups of cash-generating units in order to take sufficient account of the inflation rates. In the business year, these are between 1.4 % and 2 %.

Significant influencing factors impacting an impairment are on the one hand sales and EBITDA, and on the other hand development of the interest rate and the terminal value.

In 2023, as part of the annual impairment test of the CGU Surface, a sensitivity analysis was carried out with regard to the determined headroom of the CGU. Headroom is the difference between a CGU's value in use and its net assets. Management has determined that a possible change in the assumptions in the table below could result in the net assets of the Surface CGU exceeding its value in use. The following presented the mathematical headroom for the CGU Surface as well as the possible effects of a reduction in the EBITDA margin in the terminal value or an increase in the WACC, which would completely use up the remaining headroom.

CGU	Headroom	Reduction EBITDA Margin in TV	Increase of WACC	Reduction growth rate in TV
	€ million	%	%	%
Surfaces	46.6	2.00	1.20	1.50
North America	266.2	6.40	3.60	6.50

In detail, the parameters of the groups of cash-generating units on which the valuation is based develop as follows for the planning period:

%	Surfaces	Edgebands	Profiles	North America	Asia/Pacific	SURTECO
Average revenue growth	6.40	3.20	10.10	11.20	9.00	**8.10**
Average EBITDA Margin	13.00	17.30	16.50	15.10	17.90	
Growth rate in Terminal Value	1.50	1.50	1.50	1.70	1.40	
Growth rate of EBITDA Margin	21.90	2.60	14.80	27.30	7.40	**18.60**
EBITDA Margin at end of planning period	16.10	17.10	18.00	17.50	17.40	
Average WACC in planning period	7.20	8.40	7.10	6.70	7.40	

The costs of capital are calculated as a weighted average of the costs of equity and debt. External information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors in shares. Market conditions for loans are taken into account for borrowing costs. In December 2022, compared with the previous year, there were different discounting rates in December 2023 for the individual groups of cash-generating units after taxes. The interest rates were between 6.7 % and 8.4 % (2022: 8 % for all groups of cash-generating units). The pre-tax interest rates in the period under review ranged from 6.9 % to 10.7 %.

Based on the impairment test carried out in the business year 2023, the recoverable amounts of the groups of cash-generating units are estimated higher than their net asset values.

(24) FINANCIAL ASSETS

A: Other participations

The other participations developed as follows:

€ 000s	2022	2023
1/1/	10	10
Changes	0	0
Reclassification to investments accounted for using the at-equity method	0	-9
31/12/	10	1

The valuation recognized in the amount of € 000s 1 on 31 December 2023 represents shares in associations.

B: Joint arrangements in accordance with IFRS 11 in conjunction with IAS 28 – shares reported at equity

The joint venture company Megufo AB, Gislaved, Sweden is being reported in the balance sheet by the equity method with effect from the business year 2023, in which Gislaved Folie AB, Gislaved, Sweden exercises joint control governed by a contractual agreement together with Gislaved Gummi AB, Gislaved, Sweden, a third party outside the Group. This joint venture company is listed in the Group shareholdings provided as an appendix to these Notes to the Consolidated Financial Statements. The shares in this company are valued at acquisition costs taking account of the proportionate net assets of the shareholding company that have changed since the shares were acquired. Recognition in the income statement is under the financial results (EBT) with the following note: earnings from shares reported at equity.

The shares in the joint venture were already acquired by Surteco Group SE as part of the company acquisition of Gislaved Folie AB, Gislaved, Sweden on 1 September 2007. Megufo AB has previously been valued as a miscellaneous investment at fair value through profit and loss. Owing to the change in materiality attributes, the company will be included in the group of consolidated companies valued by the equity method with effect from the current business year. The company makes intensive use of machinery and energy, and primarily produces steam and compressed air for the manufacturing processes in the factories operated by the two shareholders.

Megufo AB orders gas and electricity generated from renewable energy for the manufacturing process. A volume and price hedging agreement (fixed-price agreement) was concluded with the gas supplier in order to limit price risks relating to the purchase of both forms of energy and hence keep sales prices stable. For the same reason, the electricity supplier Karlstads Energi AB ensures that the portfolio is managed in accordance with the purchasing strategy defined in the energy supply contract with the price hedging being settled against the official monthly average spot price at the Nord Pool in the SE3 Stockholm electricity district.

A summary of financial information for the joint venture consolidated using the equity method is provided as follows:

€ 000s	2023
Megufo AB - Gislaved Sweden	
Participation - Quota in %	50
Voting rights - Quota in %	50
Dividend received from joint venture	0
Non-current assets	306
Current assets	882
Non-current liabilities	0
Current liabilities	1,085
Cash and cash equivalents	894
Long-term financial debts	0
Short-term financial debts	0
Sales revenues	3,694
Scheduled amortisation and depreciation	-55
EBIT	886
Interest result	0
Income tax expense	-130
Net income from continuing operations	757
Currency conversion	25
Comprehensive income	782
Unrecognized losses in the reporting period	0
Unrecognized losses cumulative	0
Reconciliation	
Net equity of the joint venture	997
Participation and voting - Quota (%)	50
Goodwill	0
Other adjustments	9
Book value - shares accounted for using the equity method	399

(25) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2023 or earlier business years and not yet paid, and the anticipated tax payments for previous years.

(26) SHORT-TERM PROVISIONS

€ 000s	1/1/2023	Currency adjustment	Expense	Release	Addition	31/12/2023
Warranty	1,180	-5	-544	-652	792	771
Legal disputes	2,338	0	0	0	0	2,338
Restructuring	155	0	-118	-13	0	24
Impending losses	297	0	-297	0	110	110
Other	2,051	2	-844	-185	244	1,269
1/1/2023	**6,021**	**-3**	**-1,803**	**-849**	**1,147**	**4,512**

The warranty provision was formed for warranty obligations arising from the sale of products. The valuation is made on the basis of experience values.

The legal disputes essentially relate to a protective rights agreement and warranty matters. Provisions were set aside in accordance with the best possible estimates at the current time. The maturity of the obligations is based on the current estimates and can be varied as necessary.

The restructuring provision includes expenses which are used for personnel measures in order to adjust to the changed market conditions.

The provision for impending losses was essentially formed for risks arising from pending sales transactions. It is likely that the sale of products will be below the costs of manufacture. The time of anticipated outflow is determined with fulfilment of pending sales transactions.

(27) OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

€ 000s	2022	2023
Other current non-financial liabilities		
Tax liabilities (value added tax)	2,389	1,402
Social insurance against occupational accidents	807	859
Supervisory Board remuneration	311	311
Deferred income	252	19
Other	180	1,185
	3,939	3,776
Other current financial liabilities		
Liabilities from employment relationships *	17,796	22,982
Debtors with credit balances	2,410	2,988
Bonuses and promotional costs	1,182	945
Payments on account received	523	425
Commissions	232	315
Liability to factor	0	4,582
Continuing involvement	0	183
Other	2,869	4,766
	25,012	37,188
	28,951	**40,963**
* of which social security.	904	966

The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the reporting date, obligations arising from bonuses, holiday and working time credits and payments arising from termination of employment relationships.

(28) FINANCIAL LIABILITIES

The financial liabilities are comprised as follows:

€ 000s	2022	2023
Long-term financial liabilities to banks	237,363	378,523
Long-term financial liabilities for leases	23,638	23,909
Long-term financial liabilities	**261,001**	**402,432**
Short-term financial liabilities to banks	3,599	62,233
Short-term financial liabilities for leases	5,911	6,445
Short-term financial liabilities	**9,510**	**68,678**
Financial liabilities	**270,511**	**471,109**

Financial liabilities are essentially made up of promissory note loans currently in the amount of € 000s 225,000 raised in the business years 2018 and 2022. These are divided into tranches with different terms of up to ten years. The interest rates of the promissory note loans are in a range between 1.48 % and 6.65 %.

Furthermore, a loan in the amount of € 200 million was raised in the business year 2023 for the financing of the transactions described under section 'IV. Company mergers'. Additional details are provided in the section 'Capital management'.

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

€ 000s	2022	2023
Leasing payments to be made in the future		
in less than one year	6,431	7,149
between one year and five years	21,193	19,983
after more than five years	3,618	5,725
Interest share		
in less than one year	-520	-705
between one year and five years	-1,059	-1,267
after more than five years	-114	-531
Present value		
in less than one year	5,911	6,444
between one year and five years	20,134	18,716
after more than five years	3,504	5,194
	29,549	**30,354**

(29) PENSIONS AND OTHER PERSONNEL-RELATED OBLIGATIONS

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

The financing of the projected unit credits arising from pension obligations results internally through the formation of a pension provision in the amount of € 000s 9,802 (2022: € 000s 7,901). This is made up of the present value of the obligation in the amount of € 000s 10,034 (2022: € 000s 8,142) and through pledged reinsurance amounting to € 000s -232 (2022: € 000s -241), which secures the obligations partly or fully congruently.

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

€ 000s	2022			2023		
	Present value of obligation	Fair value of plan assets	Provision	Present value of obligation	Fair value of plan assets	Provision
1/1/	**10,137**	**-220**	**9,917**	**8,142**	**-241**	**7,901**
Addition Consolidation Scope	0	0	0	1,843	0	1,843
Pension payments on account	-678	0	-678	-572	0	-572
Payments from plan settlements	0	14	14	0	14	14
Current service expense	82	0	82	296	0	296
Interest income	0	-35	-35	0	-6	-6
Interest expense	86	0	86	356	0	356
Remeasurements						
Actuarial gains / losses						
from changes in demographic parameters	0	0	0	0	0	0
from experience adjustments	971	0	971	307	0	0 307
from changes in financial parameters	-2,417	0	-2,417	-379	0	0 -379
	-1,446	0	-1,446	-72	0	-72
Other changes	0	0	0	0	0	0
Currency adjustments	-39	0	-39	42	0	42
31/12/	**8,142**	**-241**	**7,901**	**10,035**	**-233**	**9,802**

There is no active market price quotation for the plan assets.

The Group recognizes remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2023 before deferred taxes amounts to € 000s 72 (2022: € 000s 1,446). Up to now, a total of € 000s 1,713 (2022: € 000s 1,806) has been recognized in shareholders' equity.

The annual payments by the employer (expected pension payments) in the next business year are likely to be € 000s 545.

If the other assumptions remain constant, the changes which were possible, subject to an objective analysis on the reporting date, would have exerted an influence on the defined-benefit obligation in the event of one of the significant actuarial assumptions set out below (**sensitivity analysis**):

€ 000s	2022		2023	
	Increase	Decrease	Increase	Decrease
Decrease in the interest rate by 0.25 %	186		187	
Increase in the interest rate by 0.25 %		179		179
Decrease in future pension rises by 0.25 %		137		163
Increase in future pension rises by 0.25 %	169		140	

A similar approach was adopted in determining the sensitivities and the scope of obligation. The other valuation assumptions were applied unchanged. If several assumptions are changed at the same time, the overall effect does not necessarily have to correspond to the sum of the individual effects due to the changes in the assumptions. Furthermore, the effects are not linear.

The weighted average residual term of the benefit obligations is 9 years as at 31 December 2023.

The additional personnel-related obligations include long-service agreements. The long-service obligations amount to € 000s 1,649 (2022: € 000s 1,647) on the reporting date.

(30) SHAREHOLDERS' EQUITY

The subscribed capital (**capital stock**) of SURTECO GROUP SE is € 15,505,731 and is fully paid in. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case.

Capital reserve

The capital reserve of SURTECO GROUP SE includes the amounts by which the capital investment values of shareholdings in affiliated companies paid within the scope of capital increases against non-cash considerations exceed the amounts of capital stock allocated to the SURTECO shares released for this purpose.

The capital reserve is unchanged by comparison with the previous year and amounts to € 000s 122,755.

Retained earnings

Retained earnings include transfers from consolidated net profit and the accumulated comprehensive income resulting from the following items:

- Offsetting of actuarial gains and losses with no effect on net income
- Differences arising from currency translations of annual financial statements of foreign subsidiaries with no effect on net income

Reconciliation of the equity components affected by other comprehensive income:

€ 000s	31/12/2022			31/12/2023		
	Fair value measurement for pension provisions	Currency translation adjustments	Total other comprehen-sive income	Fair value measurement for pension provisions	Currency translation adjustments	Total other comprehen-sive income
Components of other comprehensive income not to be reclassified to the income statement						
Remeasurements of defined benefit obligations	1,019			94		
Components of other comprehensive income that may be reclassified to the income statement						
Exchange differences in translation of foreign companies		1,661			-10,373	
Exchange differences in translation of foreign participations valued at equity		0			0	
Other comprehensive income	**1,019**	**1,661**	**2,680**	**94**	**-10,373**	**-10,279**

(31) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Obligations arising from rental, hire and leasing contracts are explained in the disclosures relating to IFRS 16 (see section 28).

Commitments amounting to € 000s 677 (2022: € 000s 1,157) were recognized arising from orders for investment projects already in progress or planned in the area of the items property, plant and equipment and intangible assets (commitments from orders).

(32) CAPITAL MANAGEMENT

The goals of capital management are derived from the financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. The capital is defined as the shareholders' equity recognized in the balance sheet and the net debt.

Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts. The Group is not subject to the imposition of any statutory capital requirements.

A dividend in the amount of € 000s 10,854 (2022: € 000s 15,505) was paid out in the business year 2023.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 4.4 in 2023 (2022: 21.0). The debt-service coverage ratio was 12.9 % in 2023 (2022: 45.3 %). The net debt amounted to € 000s 359,299 on 31 December 2023 (2022: € 000s 152,759) and the equity ratio was 37.7 % in 2023 (2022: 50.0 %). The calculation of the indicators is presented in the management report.

The international business profile of the Group means that different legal and supervisory regulations have to be observed according to the region. The status and development of these regulations are tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(33) FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT

The significant financial risks of the Group are described below. More extensive descriptions of the risks are included in the risk and opportunities report provided in the management report.

1. Security guidelines and principles of financial risk management

Due to the international activities of the SURTECO Group, changes in interest rates and currency exchange rates impact on the net assets, financial position and results of operations of the SURTECO Group. The risks result from foreign currency transactions carried out in the course of operating business, from financing and from investment.

The Corporate Treasury Department of the holding company of SURTECO GROUP SE controls centrally the currency and interest-management of the Group and also the key business transactions with financial derivatives and other financial instruments. In individual cases, currency hedging transactions are concluded at the foreign subsidiaries in close consultation with Central Treasury. Financial instruments and derivatives are used exclusively to hedge interest and currency risks. Only commercial instruments with sufficient market liquidity are used for this purpose. Derivative financial positions for trading purposes are not held as at 31 December 2023. Risk assessments and checks are carried out continuously.

The subsidiaries report on their key currency and interest-rate risks within the scope of Group reporting. These risk positions are then analysed and evaluated on the basis of the gross financial burden anticipated on EBT and the likelihood of occurrence.

2. Financial risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO GROUP SE. Most of the Group's financial liabilities have residual terms of up to five years (see maturity structure section (32.3)). The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators (covenants) were agreed with some of the lenders at standard market conditions in loan agreements, such as the ratio of adjusted EBITDA of the last 12 months to net financial debt and the ratio of equity to the balance sheet total, and these have to be complied with by the SURTECO Group. These covenants are continuously monitored by the Management Board and the Supervisory Board. If there is an impending breach of any indicators, consultations on individual measures take place as necessary. If the covenants are breached, the lenders have the right to serve notice on the loan agreements. The covenants were complied with during the business year 2023. A bridging loan amounting to € 200 million with its own covenants was raised at the start of 2023 for financing the purchase price in relation to the acquisition of the divisions "Laminates and Performance Films and Coated Fabrics" from Omnova Solutions Inc, USA. These covenants were complied with in the business year 2023. Owing to the acquisition-related increase in financial debt, a waiver was agreed for the covenants of some old contracts with a volume of € 15.0 million. In December 2023, the company successfully organized refinancing for the bridging loan. The new financing comprises a syndicated loan with a volume of € 230 million, of which € 30 million is in the form of current-account lines that replace some of the existing lines. The covenants of the loan agreements were harmonized within the framework of this refinancing. The company is currently assuming that these covenants can be complied with over the next 12 months, even though the limits are very tightly defined. Consequently, there is the general risk that the covenants cannot be complied with, particularly if unforeseen events occur or an extended recession takes hold, and that notice may therefore be served on credit contracts.

No risk concentration was identified for financial risks.

3. Liquidity and credit risks

The Corporate Treasury Department of the holding company SURTECO GROUP SE monitors and controls the development of liquidity for the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The positive operating cash flow and the short payment targets mean that the SURTECO Group has adequate liquid funds continuously available. There is also the option of drawing on open credit lines and on a factoring agreement.

However, there is the risk that earnings and liquidity are compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing credit rating and carefully monitoring default with customers. The Group counters the risk arising from debit balances in accounts payable by a broad customer structure and by credit insurance policies.

The following table shows the undiscounted contractually agreed cash outflows and inflows from primary financial liabilities and derivative financial instruments with gross fulfilment. If the maturity date is not fixed, the liability relates to the earliest due date.

2023							
€ 000s	Book value	2024		2025 - 2028		2029 ff.	
	31/12/2023	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities to banks	440,756	18,396	62,663	35,564	301,642	3,281	76,450
Financial liabilities from leasing obligations	30,354	705	6,445	1,267	18,715	531	5,194
Financial liabilities	471,109	19,101	69,108	36,831	320,357	3,812	81,644
Trade accounts payable	83,322	-	83,322	-	-	-	-
Other financial liabilities	37,203	-	37,188	-	15	-	-

2022							
€ 000s	Book value	2023		2024 - 2027		2028 ff.	
	31/12/2022	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities to banks	240,962	4,528	3,599	15,354	159,363	4,727	78,000
Financial liabilities from leasing obligations	29,549	520	5,911	1,059	20,134	114	3,504
Financial liabilities	270,511	5,048	9,510	16,413	179,497	4,841	81,504
Trade accounts payable	60,946	-	60,946	-	-	-	-
Other financial liabilities	25,027	-	25,012	-	15	-	-

4. Interest and currency risks

Due to the global nature of the business activities of the SURTECO Group, delivery and payment flows result in different currencies. Conversion of business figures and balance sheets from foreign subsidiaries into euros can entail risks which can only be hedged to a certain extent.

The financial liabilities are structured with variable and with fixed-interest rates. The company counters the remaining interest and currency risks with regular and intensive observation of a range of early-warning indicators.

Hedging of individual risks is discussed and decided through the Central Treasury with the Management Board and the responsible Managing Directors.

The following table shows the **sensitivity** on the reporting date of the available derivatives and variable-interest primary financial instruments in the SURTECO Group to the rise or fall of interest rates by 100 basis points (bp):

€ 000s	Income statement	
	100 bp Rise	100 bp Fall
31/12/2023		
Variable interest assets	1,117	-1,117
Variable interest liabilities	-2,200	2,200
	-1,083	**1,083**
31/12/2022		
Variable interest assets	455	-455
Variable interest liabilities	0	0
	455	**-455**

The analysis assumes that all other variables, in particular exchange rates, remain unchanged.

The Group operates in several currency areas. In particular effects arise from the performance of the US dollar.

A rise in the key relevant foreign currencies in the Group against the euro would exert the following effects:

€000s	Income statement		Equity / Other comprehensive income	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2023				
Primary financial instruments				
in US dollars	3,573	-2,923	19,291	-15,784
in other currencies	-1,145	937	1,697	-1,388
	2,428	**-1,986**	**20,988**	**-17,172**
31/12/2022				
Primary financial instruments				
in US dollars	1,013	-829	0	0
in other currencies	-250	204	1,693	-1,385
	763	**-625**	**1,693**	**-1,385**

The analysis assumes that all other variables, in particular interest rates, remain unchanged.

No risk concentration was identified for risks relating to change in interest rates and currency.

5. Valuations of financial instruments

The calculation and recognition of the fair values of financial instruments is based on a **fair value hierarchy** which takes into account the significance of the input data used for the valuations and classifies it as follows:

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

The following table shows the **book values and fair values** of financial assets and financial liabilities including their levels in the fair value hierarchy.

No fair value reporting is carried out in accordance with IFRS 7.29 for short-term financial instruments or financial instruments reported at acquisition costs.

				Book value at 31/12/2023				
€ 000s	Category acc. IFRS 9	Book value at 31/12/2023	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IFRS 16	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	AC	111,811	111,811	-	-	-	-	-
Trade accounts receivable (not including factoring)	AC	62,719	62,719	-	-	-	-	-
Trade accounts receivable								
- Open receivables from factoring	AC	11,041	11,041	-	-	-	-	-
- Continuing Involvement	AC	183	183	-	-	-	-	-
Other current financial assets								
- Receivables from payment of residual purchase price factor	AC	1,562	1,562	-	-	-	-	-
- Other current financial assets								
of which in the scope of IFRS 7	AC	3,890	3,890	-	-	-	-	-
of which not in the scope of IFRS 7	n.a.	1,514	1,514	-	-	-	-	-
Financial assets								
- Participations	FVPL	1	-	-	1	-	-	-
Other non-current financial assets								
- Miscellaneous other non-current financial assets	AC	209	209	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities to banks	AC	62,233	62,233	-	-	-	75,163	2
- Liabilities acc. to IFRS 16	n.a.	6,445		-	-	6,445	-	-
Trade accounts payable	AC	83,322	0					
Other current financial liabilities								
- Liability to factor	AC	4,582	4,582	-	-	-	-	-
- Continuing Involvement	AC	183	183	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Other current financial liabilities								
of which not in the scope of IFRS 7	n.a.	27,726	27,726	-	-	-	-	-
of which in the scope of IFRS 7	AC	0	2,771	-	-	-	-	-
Long-term financial liabilities								
- Liabilities acc. to IFRS 16	n.a.	23,909		-	-	23,909	-	-
- Liabilities to banks	AC	378,523	378,523	-	-	-	360,497	2

		Book value at 31/12/2022						
€ 000s	Category acc. IFRS 9	Book value at 31/12/2022	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IFRS 16	Fair value (IFRS 13)	Level
Assets								
Cash and cash equivalents	AC	117,752	117,752	-	-	-	-	-
Trade accounts receivable (not including factoring)	AC	59,224	59,224	-	-	-	-	-
Trade accounts receivable								
- Open receivables from factoring	AC	2,167	2,167	-	-	-	-	-
- Continuing Involvement	AC	0	-	-	-	-	-	-
Other current financial assets								
- Receivables from payment of residual purchase price factor	AC	0	-	-	-	-	-	-
- Other current financial assets								
of which in the scope of IFRS 7	AC	3,142	3,142	-	-	-	-	-
of which not in the scope of IFRS 7	n.a.	1,865	1,865	-	-	-	-	-
Financial assets								
- Participations	FVPL	10	-	-	10	-	-	-
Other non-current financial assets								
- Miscellaneous other non-current financial assets	AC	1,354	1,354	-	-	-	-	-
Liabilities								
Short-term financial liabilities								
- Liabilities to banks	AC	3,599	3,599	-	-	-	3,544	2
- Liabilities acc. to IFRS 16	n.a.	5,911		-	-	5,911		
Trade accounts payable	AC	60,946	60,946	-	-	-	-	-
Other current financial liabilities								
- Liability to factor	AC	-	-	-	-	-	-	-
- Continuing Involvement	AC	0	-	-	-	-	-	-
- Contractual liabilities	n.a.	4	-	-	-	-	-	-
Other current financial liabilities								
of which not in the scope of IFRS 7	n.a.	22,237	22,237	-	-	-	-	-
of which in the scope of IFRS 7	AC	2,771	2,771	-	-	-	-	-
Long-term financial liabilities								
- Liabilities acc. to IFRS 16	n.a.	23,638		-	-	23,638	-	0
- Liabilities to banks	AC	237,363	237,363	-	-	-	207,830	2

Key to abbreviations	
AC	Amortised Cost
FVPL	At Fair Value through Profit & Loss

Cash and cash equivalents, trade accounts receivable, (not including those receivables which are assigned within the framework of a factoring programme), loans to associated companies and components of other current financial assets and current financial liabilities, trade accounts payable and other financial liabilities that primarily have short residual terms are recognized at "Amortized Costs" (AC). The values reported therefore correspond approximately to the fair values on the reporting date.

The trade accounts receivable that are assigned within the framework of the factoring programme are recognized at fair value through profit and loss.

The fair value of liabilities to banks is determined as a present value taking account of the payments associated with the liabilities based on the relevant interest structure curve in each case and the credit spread curve differentiated according to currencies.

During this business year and the previous business year, there were no reclassifications between the measurement categories or reclassifications within the fair value hierarchy. The SURTECO Group decides as necessary with the date of the event or the change in circumstances which have caused a regrouping whether a reclassification is necessary.

The **net gains and losses** in the income statement **arising from financial instruments** are presented in the following table:

€ 000s	2022	2023
Gains from assets recognized at amortized costs	2,132	3,960
Losses from assets recognized at amortized costs	-444	-1,817
Gains/losses from assets recognized at amortized costs	**1,688**	**2,144**
Gains from derivative instruments recognized at fair value	-	3,032
Gains from liabilities recognized at amortized costs	1,112	2,858
Losses from liabilities recognized at amortized costs	-4,850	-19,765
Gains/losses from liabilities recognized at amortized costs	**-3,738**	**-16,907**

The net gains and losses for assets recognized at amortized costs essentially relate to changes in allowances and currency translations, allowance reversals and interest income.

The net gains and losses for liabilities recognized at amortized costs result from currency translation and interest expenses.

No derivative financial instruments were held on the reporting date.

Interest income on financial instruments in the amount of € 000s 2,410 (2022: € 000s 984) and interest expenses in the amount of € 000s 16,005 (2022: € 000s 4,382) relate to the net gains and losses respectively.

XI. Supplementary information

(34) NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7. It is structured by cash flows arising from operating activities, from investment and financing activities. The effects of changes in the group of companies consolidated are eliminated in the relevant items. The cash flows arising from investment and financing activities are calculated on the basis of payments, cash flow arising from current business operations is derived indirectly.

The financial resources only include the cash and cash equivalents of the SURTECO Group reported in the balance sheet. By contrast, financial controlling in the SURTECO Group is based on the financial balance, which apart from cash and cash equivalents also includes debt.

The operating expenses and income with no effect on liquidity and results from disposal of assets are eliminated in cash flow from current business operations.

The cash flow from financing activities is comprised of dividend payments, borrowing and repayment of debts and leasing obligations, business transactions with non-controlling interests, as well as interest payments from loans and financial liabilities.

The change in net liabilities is made up as follows:

€ 000s	2022	2023
Cash and cash equivalents	117,752	111,811
Borrowings	-240,962	-440,756
Leasing liabilities	-29,549	-30,354
Net liabilities	**-152,759**	**-359,299**
Cash and liquid financial investments	117,752	111,811
Gross liabilities – fixed interest rates	-250,511	267,488
Gross liabilities – variable interest rates	-20,000	-20,000
Net liabilities	**-152,759**	**359,299**

€ 000s	Liabilities from financial activities			
	Cash/Bank current account	Borrowings	Leases	Total
Net liabilities at 1 January 2022	73,056	-204,511	-21,100	-152,555
Cash flows	43,128	-32,028	2,642	13,742
New leases	0	0	-10,517	-10,517
Adjustment resulting from currency translation	584	0	0	584
Other changes	984	-4,423	-574	-4,013
Net liabilities at 31 December 2022	**117,752**	**-240,962**	**-29,549**	**-152,759**
Net liabilities at 1 January 2023	117,752	-240,962	-29,549	-152,759
Cash flows	-8,398	-183,218	5,649	-185,967
New leases	0	0	-5,546	-5,546
Adjustment resulting from currency translation	47	0	0	47
Other changes	2,410	-16,576	-907	-15,073
Net liabilities at 31 December 2023	**111,811**	**-440,756**	**-30,354**	**-359,299**

As part of the OMNOVA acquisition, cash balances and leases were taken over. The former amounted to € 000s 13,925 as of the takeover date, the latter €000s 2,476.

(35) SEGMENT REPORTING

The activities of the SURTECO Group are segmented by operating segments according to IFRS 8 within the scope of reporting. The breakdown is based on internal controlling and reporting. Within the scope of the corporate strategy, the organizational structure was changed with effect from 1 January 2023 to adapt to the needs of the customers of the SURTECO Group. The following segments were established:

- "Surfaces" bundles all the surface activities – including melamine edgings in Europe and South America
- "Edgebands" bundles the activities with plastic edgebandings
- "Profiles" bundles activities with skirtings and technical extrusions (profiles)
- and the regional segments North America and Asia / Pacific were established as independent divisions which comprise all the activities in the relevant geographical markets, independently of products

These divisions bear responsibility across legal entities. They have all the functions required to achieve the strategic and operational goals.

Geared to customers and products, the new structure helps to increase the profitability of the SURTECO Group and drive growth in the long term. The segments are organized across the companies on the basis of the sales markets.

The segment information is based on the same recognition, accounting and valuation principles as those used in the consolidated financial statements. Assets and liabilities, provisions, income and expenses, as well as earnings between the segments are eliminated in the consolidations. Internal sales within the Group are transacted at commercial prices.

The segment working capital describes the difference between current assets and current liabilities. The current assets include current liabilities and inventories.

The SURTECO Group uses two controlling parameters in segment reporting and EBIT is applied as the primary controlling parameter.

The Management Board holds the power of decision-making with regard to the allocation of the resources and the measurement of the earnings power of the reportable segments. Uniform performance and asset values are used in the relevant business segments for this purpose.

The business relationships between the companies in the segments are organized on the basis of dealing at arm's length. Administrative services are calculated as cost allocations.

Segment information € 000s	BU Surfaces	BU Edgebands	BU Profiles	BU North America	BU Asia Pacific	Reconciliation	SURTECO Group
2023							0
External sales	265,612	151,072	137,355	229,107	51,945	0	835,091
Internal sales with the SURTECO Group	15,026	1,535	33	0	0	-16,594	0
Total sales	280,636	152,607	137,388	229,107	51,945	-16,594	835,089
Depreciation and amortization	-17,731	-10,408	-9,447	-19,462	-1,530	126	-58,452
Segment earnings (EBIT)	-2,591	13,992	9,465	-11,844	7,184	-8,082	8,124
Interest income	632	940	329	302	39	168	2,410
Interest expenses	-7,372	-1,211	-2,829	-12,090	-218	6,238	-17,482
Income/Expenses due to IFRS 9	0	0	0	0	0	-738	-738
EBT	-11,119	20,022	6,965	-24,061	7,105	-6,573	-7,661
Segment working capital	38,209	25,888	25,506	50,204	10,517	-3,882	146,442
Voluntary disclosures:							
Income tax	-1,020	-5,699	-2,116	14	-2,234	6,293	-4,762
Investments (property, plant and equipment, and intangible assets)	14,664	7,738	6,596	151,163	2,529	31	182,721
Employees	1,069	844	541	1,069	211	22	3,756
2022							
External sales	277,629	162,538	148,493	102,022	57,017	0	747,699
Internal sales with the SURTECO Group	15,160	3,573	120	0	0	-18,853	0
Total sales	292,789	166,111	148,613	102,022	57,017	-18,853	747,699
Depreciation and amortization	-17,498	-10,306	-9,350	-4,769	-1,391	-686	-44,000
Segment earnings (EBIT)	1,837	19,683	12,333	7,240	10,174	-11,087	40,180
Interest income	85	532	55	75	9	228	984
Interest expenses	-1,979	-555	-978	-187	-107	-1,190	-4,996
Income/Expenses due to IFRS 9	0	0	0	0	0	124	124
EBT	5,644	27,489	11,407	7,126	10,267	-25,109	36,824
Segment working capital	46,103	36,425	33,037	25,262	12,662	-4,069	149,420
Voluntary disclosures:							
Income tax	-1,915	-4,301	-2,361	-3,114	-3,139	3,240	-11,590
Investments (property, plant and equipment, and intangible assets)	26,123	6,726	7,195	7,016	3,232	30	50,322
Employees	1,126	909	581	294	221	17	3,148

Segment information by regional markets						
€ 000s		**2022**			**2023**	
	Sales revenues	**Non-current assets**	**Invest-ments**	**Sales revenues**	**Non-current assets**	**Invest-ments**
Germany	182,407	254,996	26,164	166,239	247,867	17,934
Rest of Europe	337,852	144,421	11,848	324,243	150,568	6,747
America	158,042	57,397	9,278	260,440	239,012	117,633
Asia/Australia	63,837	32,302	3,232	77,350	39,171	3,662
Other	5,560			6,819		
	747,698	**489,116**	**50,522**	**835,091**	**676,618**	**145,976**

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

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

Goodwill was allocated to the non-current assets by regions.

Reconciliation of balance sheet totals with net segment assets		
€ 000s	**2022**	**2023**
Balance sheet total	**851,859**	**1,041,788**
Less financial assets		
- Cash and cash equivalents	117,752	111,811
- Financial assets and investments accounted for using the equity method	10	1
- Tax assets / deferred tax assets	24,609	26,103
Segment assets	**709,488**	**903,873**
Current and non-current liabilities	**425,786**	**648,887**
Less financial liabilities		
- Short-term and long-term financial liabilities	270,512	471,109
- Tax liabilities / deferred tax liabilities	49,559	37,337
- Pensions and other personnel-related obligations	9,548	11,451
Segment liabilities	**96,167**	**128,990**
Net segment assets	**613,321**	**774,883**

(36) COMPENSATION FOR EXECUTIVE OFFICERS AND FORMER EXECUTIVE OFFICERS

Supervisory Board

The compensation system for the Supervisory Board is comprised of a fixed remuneration amounting to € 000s 275 (2022: € 000s 410) and the remuneration for serving on the Audit Committee of € 000s 36 (2022: € 000s 36).

Management Board

The compensation for the Management Board comprises a performance-independent component and a performance-based component. The performance-independent components comprise the basic remuneration, fringe benefits and a pension provision, which is paid to an external welfare fund and is reported in the balance sheet as a defined contribution commitment. 50 % of the performance-related variable compensation is paid out and 50 % is retained. The retained amount is paid out after three years, and furthermore reduced or increased as a percentage if the average bonus for the previous three business years falls below or exceeds the bonus for the third-to-last business year. The performance-based variable compensation is determined on the basis of the key performance indicators EBITDA, free cash flow, strategic targets and sustainability goals (e.g. CO_2 emissions). There is an obligation of € 000s 1,227 (2022: € 000s 1,429) for short-term variable compensation and an obligation of € 000s 2,288 (2022: 198) for the long-term variable compensation. A Member of the Management Board who stepped down received payments in the amount of € 000s 101 in respect of the termination of their involvement in the Management Board.

The following table shows the compensation of the board members:

Remuneration of the Executive Board (expenses in the financial year)

€ 000s	2022	2023
Short-term employee benefits	3,020	2,472
Post-employment benefits	300	300
Termination benefits	0	101
Other non current benefits	610	1,227
	3,930	**4,100**

The total remuneration payments for incumbent Members of the Management Board pursuant to the German Commercial Code (HGB) amount to € 000s 3,433 (2022: € 000s 3,241) during the course of the business year. The total remuneration payments for former Members of the Management Board pursuant to the German Commercial Code (HGB) amount to € 000s 388 (2022: € 000s 0).

(37) AUDITOR'S FEE

At the Annual General Meeting held on 7 June 2023, professional services firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor of the financial statements and auditor to carry out the audit inspection of the interim financial reports for the business year 2023.

The total fee for the business year amounted to € 000s 892 (2022: € 000s 661). Out of this, € 000s 892 (2022: € 000s 579) were attributed to services for auditing the financial statements, € 000s 0 (2022: € 000s 82) to tax consultancy services. The auditing services include auditing of the consolidated financial statements and auditing of the separate financial statements of SURTECO GROUP SE and the domestic subsidiary companies.

(38) EVENTS AFTER THE REPORTING DATE

Pursuant to the purchase contract dated 13 December 2022 (closing 28 February 2023) between Synthomer Inc. (formerly OMNOVA Solutions Inc., seller) and OMNOVA North America Inc. (formerly SURTECO North America Inc., buyer) the OMNOVA business in the USA and Thailand was acquired.

On 13 December 2022, OMNOVA North America Inc. also concluded with the insurer AIG Specialty Insurance Company (Illinois/USA) insurance cover for loss and damages resulting from the assurances and warranties for the acquisition referred to above. Furthermore, on 21 February 2024, OMNOVA North America Inc. registered a claim with the insurer relating to the economic loss sustained arising from this transaction in respect of the loss of a key customer. The insurer is currently assessing the claim made under the insurance policy.

Moreover, a deferred purchase price of USD 5.0 million plus interest was agreed between the contractual parties under the purchase agreement referred to above, which falls due for payment on 28 March 2024. OMNOVA North America Inc. informed Synthomer Inc. in a letter dated 20 March 2024 that the deferred purchase price plus interest occasioned by the loss of a key customer and the associated economic loss would not be paid for the time being. The contractual parties are making strenuous efforts to reach a bilateral agreement that is mutually acceptable.

With effect from 3 April 2024, SURTECO GROUP SE is purchasing, as part of a share deal through its subsidiary company Nenplas Ltd, Ashbourne, United Kingdom, in each case 100% of the company shares in Wand Plastic Profiles Limited, Stourbridge, CJM Development Ltd., Stourbridge and R&D Extrusions Ltd., Kettering, respectively, all with registered office in the United Kingdom.

The purchase price amounts to GBP 000s 968 of which GBP 000s 50 was retained as security. So far, additional acquisition costs amounting to GBP 000s 112 have been incurred. The first-time reporting of this business combination is expected for the second quarter of 2024. Owing to the short period of time until the balance sheet date, fair values cannot be determined and even provisional goodwill cannot be posted.

The acquired companies specialize in the production and sale of technical extrusions (profiles) of all kinds based on plastic and these companies recently generated substantial profits in the double-digit range. The companies have particular expertise in the British construction market as a result of which further growth potential in residential construction can be leveraged in addition to expanding the existing business.

The purchase of these companies opens up new market opportunities, broadens the production portfolio and empowers access to new customers. The synergies between the companies will be used to exploit the full potential and accelerate growth. These acquisitions are part of the BU Profiles strategy of diversifying and reducing our dependence on individual industries.

Up until 16 April 2024, there were no further events or developments that could lead to a significant change to the recognition or valuation of individual assets or liabilities as at 31 December 2023.

(39) RELATIONSHIPS WITH RELATED COMPANIES

The LUDA Foundation holds 26.2 % of the voting rights in SURTECO Group SE.

XII. Executive Officers of the Company

Management Board (in the business year 2023)		
Name, Place of residence	**Main activity**	**Supervisory Board memberships of other companies and other mandates**
Wolfgang Moyses Business Manager, Munich	Chairman of the Management Board	• Member of the Advisory Board of Brabender Inc., South Hackensack, USA (until 30 November 2023) • Customer Member of the Advisory Board of Landesbank Rheinland-Pfalz, Mainz
Manfred Bracher Engineer, Frankfurt am Main (until 31 January 2023)	Member of the Management Board COO	-
Andreas Pötz Business Administrator Weißensberg	Member of the Management Board CFO	• Member of the Exchange Council of Munich Stock Exchange

Members of the Supervisory Board (in the business year 2023)		
Name, Place of residence	**Regular occupation**	**Supervisory Board memberships of other companies and other mandates**
Christa Linnemann Gütersloh, Honorary Chairwoman	-	-
Andreas Engelhardt Hamburg (Chairman)	Personally liable shareholder of Schüco International KG, Bielefeld and OTTO FUCHS Beteiligungen KG, Meinzerhagen	• Member of the Supervisory Board of SAINT-GOBAIN ISOVER G+H AG, Ludwigshafen • Deputy Chairman of the Supervisory Board of BDO AG WPG, Hamburg
Tim Fiedler Düsseldorf (Vice Chairman)	Economist	• Member of the Advisory Board of nvisQ GbmH, Aachen • Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Advisory Board of Drewsen Spezialpapier GmbH & Co. KG, Lachendorf • Member of the Board of Trustees of Gustav & Catharina Schürfeld-Stiftung, Lachendorf • Member of the Supervisory Board of Geiger Notes AG, Mainz-Kastel • Member of the Supervisory Board of CMPC Europe GmbH & Co. KG, Hamburg • Member of the Advisory Board MCG Management GmbH, Hamburg
Tobias Pott Gütersloh (Deputy Chairman)	Business Administrator	• Deputy Chairman of the Management Board of Robert und Christa Linnemann-Stiftung, Gütersloh
Jens Krazeisen* Buttenwiesen	Chairman of the Works Council of SURTECO GmbH, Buttenwiesen	-
Jochen Müller Neunkirchen-Seelscheid	Engineer	• Deputy Chairman of the Supervisory Board of A.S. Création Tapeten AG, Gummersbach

* Employee representatives

Members of the Supervisory Board (in the business year 2023)		
Name, Place of residence	**Regular occupation**	**Supervisory Board memberships of other companies and other mandates**
Dirk Mühlenkamp* Gladbeck	Chairman of the Works Council of SURTECO GmbH, Gladbeck	-
Jan Oberbeck St. Augustin	Economist	• Member of the Supervisory Board of All4Lables GmbH, Hamburg • Member of the Advisory Board of Smart Coloring GmbH, Aachen • Member of the Supervisory Board of Geiger Notes AG, Mainz-Kastel • Member of the Advisory Board of MCG Management GmbH, Hamburg
Thomas Stockhausen* Sassenberg	Chairman of the Works Council of SURTECO GmbH, Sassenberg	-
Jörg Wissemann Schlossborn	Business Manager	• Member of the Advisory Board of Hochschule Worms

* Employee representatives

Committees of the Supervisory Board (as at 31 December 2023)			
Presiding Board			
Andreas Engelhardt (Chairman)	Tim Fiedler	Tobias Pott	
Personnel Committee			
Andreas Engelhardt (Chairman)	Tim Fiedler	Jan Oberbeck	Tobias Pott
Audit Committee			
Jochen Müller (Chairman)	Andreas Engelhardt	Tobias Pott	Jörg Wissemann

XIII. Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of SURTECO GROUP SE submitted the Declaration of Compliance in respect of the Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG) on 16 April 2024 and made this declaration available to shareholders on the website of the company at: www.surteco.com.

Shareholdings as at 31/12/2023

		Town/City	Country	Consoli-dated	Percentage of shares held	Partici-pation
PARENT COMPANY						
100	SURTECO GROUP SE	Buttenwiesen	Germany			
SUBSIDIARIES						
200	Surteco Beteiligungen GmbH	Buttenwiesen	Germany	F	100.00	100
321	SURTECO art GmbH	Willich	Germany	F	100.00	401
330	DAKOR Melamin Imprägnierungen GmbH	Heroldstatt	Germany	F	100.00	200
341	SÜDDEKOR LLC	Agawam	USA	F	100.00	401
401	SURTECO GmbH	Buttenwiesen	Germany	F	100.00	100
405	SURTECO UK Ltd.	Burnley	United Kingdom	F	100.00	401
410	Kröning GmbH	Hüllhorst	Germany	F	100.00	200
441	BauschLinnemann North America Inc.	Myrtle Beach	USA	F	100.00	401
443	OMNOVA Inc.	Myrtle Beach	USA	F	100.00	401
444	OMNOVA Thailand	Rayong	Thailand	F	100.00	443
470	SURTECO Italia s.r.l.	Zero Branco	Italy	F	100.00	401
501	Global Abbasi, S. L	Madrid	Spain	F	100.00	401
502	Proadec Portugal, S. A.	Mindelo	Portugal	F	100.00	501
503	Proadec Brasil Ltda.	Sao José dos Pinhais	Brazil	F	99.97 0.03	502 501
504	Chapacinta, S. A. de C. V.	Tultitlán	Mexico	F	99.99 0.01	502 501
512	SURTECO Australia Pty Limited	Sydney	Australia	F	100.00	401
513	SURTECO PTE Ltd.	Singapore	Singapore	F	100.00	401
514	PT Doellken Bintan Edgings & Profiles	Batam	Indonesia	F	99.99 0.01	401 513
516	SURTECO France S.A.S.	Beaucouzé	France	F	100.00	401

		Town/City	Country	Consolidated	Percentage of shares held	Participation
SUBSIDIARIES						
518	SURTECO OOO	Moskow	Russia	F	100.00	401
520	Döllken Profiles GmbH	Bönen	Germany	F	100.00	100
531	Döllken Sp.z o.o.	Kattowitze	Poland	F	100.00	520
532	Döllken CZ s.r.o.	Prague	Czech Republic	F	100.00	520
533	Döllken SusPro Sp. Z o.o.	Kattowitze	Poland	F	55.00	531
540	Nenplas Holdings Ltd.	Ashbourne	United Kingdom	F	100.00	520
541	Nenplas Ltd.	Ashbourne	United Kingdom	F	100.00	540
542	Polyplas Extrusions Ltd.	Stourport-on-Severn	United Kingdom	F	100.00	541
550	SURTECO USA Inc.	Greensboro	USA	F	100.00	401
560	SURTECO Canada Ltd.	Brampton	Canada	F	100.00	300
580	SURTECO Decorative Material Co. Ltd.	Foshan	China	F	100.00	513
610	SURTECO Svenska AB	Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB	Gislaved	Sweden	F	100.00	610
612	Megufo AB	Gislaved	Sweden	E	50.00	611

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

BUTTENWIESEN, 16 APRIL 2024
THE MANAGEMENT BOARD

WOLFGANG MOYSES

ANDREAS PÖTZ

"The following copy of the auditor´s report also includes a "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attaches. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette."

Independent Auditor´s Report

To SURTECO GROUP SE, Buttenwiesen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SURTECO GROUP SE, Buttenwiesen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of SURTECO GROUP SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the section "Overall Internal Controlling System" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the section of the group management report referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ **Accounting treatment of the Omnova acquisition**

❷ **Recoverability of goodwill**

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Accounting treatment of the Omnova acquisition**

① In the financial year 2023 the subsidiary OMNOVA North America, Inc. (formerly: SURTECO North America, Inc.), based in Myrtle Beach, USA, acquired the "Laminates & Performance Films" and "Coated Fabrics" divisions from Omnova Solutions Inc., a subsidiary of Synthomer PLC, based in London, UK, as part of an asset and share deal. The asset deal covered the respective divisions' sites in the USA. As part of the share deal, 100 % of the shares of OMNOVA Engineered Surfaces (Thailand) Co., Ltd., Rayong, Thailand, were acquired. The purchase price allocation for the consolidated financial statements as at 31 December 2023 was carried out in accordance with IFRS 3. The total purchase price amounted to EUR 263.7 million. The acquired assets and liabilities are generally recognized at fair value as at the date of the acquisition, taking into consideration various measurement assumptions made by the executive directors. The assets acquired comprised primarily property, plant and equipment of EUR 72.0 million, intangible assets of EUR 76.7 million, trade receivables of EUR 22.9 million and cash and cash equivalents of EUR 13.9 million. In addition, liabilities comprised primarily trade payables and other liabilities of EUR 22.3 million were assumed. The purchase price allocation resulted in total acquired goodwill of EUR 64.6 million for the consolidated financial statements as at 31 December 2023.

Due to the estimation uncertainties involved in measuring the assets and liabilities as part of the purchase price allocation and the material impact on the Group's assets, liabilities, financial position and its financial performance, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the accounting treatment of the business combination with the support of our internal valuation, accounting and tax specialists. For this purpose, we first inspected and examined the contractual agreements underlying the business combination. Among other things, we also reconciled the purchase price paid by SURTECO GROUP SE as consideration for the assets acquired and liabilities with the evidence for the payments made provided to us. In addition, we examined the final purchase price allocation. In doing so, we evaluated, among other things, the appropriateness of the models underlying the valuations as well as the valuation parameters and assumptions applied. We examined the determination of the fair values, for example of customer relationships or technology, carried out by a valuation specialist engaged by SURTECO GROUP SE, by comparing the numerical data with the financial accounts as well as the parameters used, in particular the churn rate and EBITDA margin. Furthermore, we used checklists to evaluate the completeness and accuracy of the disclosures in the notes to the financial statements required by.

Overall, we were able to satisfy ourselves that the accounting treatment was appropiate and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

③ The Company's disclosures relating to the business combination are contained in section IV "Business combinations" of the notes to the consolidated financial statements.

❷ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to EUR 223.4 million (21.44% of total assets or 56.87% of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted budget planning together with the medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted budget planning together with the medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill impairment testing are contained in sections VIII and IX (23) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the section “Overall Internal Controlling System” of the group management report as an unaudited part of the group management report.

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report to comply with §§ 315b to 315c HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the

assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file SURTECO_KA_LB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 7 June 2023. We were engaged by the supervisory board on 18 December 2023. We have been the group auditor of the SURTECO GROUP SE, Buttenwiesen, without interruption since the financial year 2011.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR’S REPORT

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, 16 April 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	Patrick Konhäuser
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the expected development of the group.

Buttenwiesen, 16 April 2024

The Management Board

Wolfgang Moyses Andreas Pötz

Balance Sheet (HGB) (SHORT VERSION)

€ 000s	31/12/2022	31/12/2023
ASSETS		
Intangible assets	20	8
Tangible assets	113	98
Investments		
- Interest in affiliated enterprises	297,767	297,767
- Notes receivable to affiliated enterprises	15,240	188,890
- Participations	1	1
Fixed assets	**313,141**	**486,764**
Receivables and other assets		
- Receivables from affiliated enterprises	200,125	248,865
- Other assets	5,597	4,389
Cash in hand, bank balances	92,009	77,961
Current assets	**297,731**	**331,215**
Prepaid expenses	**697**	**331**
	611,569	**818,310**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	15,506	15,506
Additional paid-in capital	170,178	170,178
Retained earnings	129,510	102,881
Net profit	11,375	0
Equity	**326,569**	**288,565**
Tax accruals	7,895	0
Other accruals	6,333	4,962
Accrued expenses	**14,228**	**4,962**
Liabilities to banks	242,577	440,286
Trade accounts payable	696	938
Liabilities to affiliated enterprises	27,384	83,415
Other liabilities	111	140
Liabilities	**270,768**	**524,779**
Deferred income	**4**	**4**
	611,569	**818,310**

Income Statement (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2022	1/1/-31/12/ 2023
Sales revenues	1,831	1,971
Income from profit and loss transfer agreements	26,422	5,015
Expenses from loss transfer	-4,003	-22,170
Other operating income	99	10,546
Personnel expenses	-5,532	-7,572
Amortization and depreciation on intangible assets and property, plant and equipment	-71	-59
Other operating expenses	-8,710	-20,361
Income from long-term securities and loans from financial assets	429	389
Interest income	-1,352	4,737
Income taxes	2,264	365
Earnings after tax	**11,377**	**-27,139**
Other taxes	-2	-11
Net income / Net loss	**11,375**	**-27,150**
Transfer from retained earnings	0	27,150
Net profit	**11,375**	**0**

The Annual Financial Statements of SURTECO GROUP SE have been published in the Federal Gazette (Unternehmensregister) and filed at the Company Register of the Local Court Augsburg (Amtsgericht Augsburg). The Balance Sheet and the Income Statement (short version) from these Annual Financial Statements are published here. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the Annual Financial Statements and provided them with an unqualified auditor's opinion.

The Annual Financial Statements can be requested from SURTECO GROUP SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen, Germany.

Glossary

Corporate Governance

Corporate Governance relates to the framework for managing a company based on legal and objective principles.

Dealing-at-arm's-length principle

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

Derivative financial instruments

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

German Corporate Governance Code

The German Corporate Governance Code includes principles, recommendations and ideas for the Management Board and Supervisory Board that are intended to contribute to the company being managed in the interests of the enterprise. The code elucidates the duties of the Management Board and Supervisory Board to act in harmony with the principles of the social market economy taking into account the concerns of the shareholders, the workforce and the other groups associated with the enterprise (stakeholders) in the interests of the enterprise and creating the enterprise's long-term value added (interest of the enterprise).

EBIT

Earnings before financial result and income tax

EBITDA

Earnings before financial result, income tax and depreciation and amortization

EBT

Earnings before income tax

Equity method

Method for presenting participations in companies whereby a controlling influence can be exerted over their business and financial policy. The participation is initially valued at acquisition cost and this value is then adjusted on a pro rata basis to reflect performance of the associated enterprise.

Extrusion

The process of extrusion involves plastics being squeezed through a nozzle in a continuous procedure. The plastic is initially melted as it passes through an extruder by the application of heat and internal friction, and homogenized. The necessary pressure for extruding the material through the nozzle is built up in the extruder.

After the plastic has been extruded from the nozzle, it generally sets in a water-cooled calibration. The merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

Impairment test

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

International Accounting Standards Board (IASB)

IASB is the abbreviation for the International Accounting Standards Board. The function of the IASB is to draw up and revise international accounting standards (IFRS - International Financial Reporting Standards).

International Financial Reporting Interpretations Committee (IFRIC)

The IFRIC is a committee in the International Accounting Standards Committee Foundation. The function of the IFRIC is to publish interpretations of accounting standards in cases where different or incorrect interpretations of the standard are possible, or new factual content was not adequately taken into account in the previous standards.

International Financial Reporting Standards (IFRS)

The International Financial Reporting Standards (IFRS) are international accounting standards. They comprise the standards of the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the International Accounting Standards Committee and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standards Interpretation Committee (SIC).

Impregnated products

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

SE

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

Release papers

These are an auxiliary material used in the compression of melamine impregnates with wood-fibre boards. The release papers form a separating layer between the hot pressed boards and the material. The release paper controls the texture and the degree of gloss finish to be provided on the surface being generated.

Ten year overview

	2014	2015	2016	2017	2018
Sales revenues in € 000s	618,469	638,394	639,815	689,651	698,977
Foreign sales in %	72	72	73	75	76
EBITDA in € 000s	62,842	64,957	74,338	83,093	72,779
Depreciation and amortization in € 000s	-35,235	-33,847	-33,461	-38,423	-40,577
EBIT in € 000s	27,607	31,110	40,877	44,670	32,202
Financial result in € 000s	-5,344	-4,293	-5,840	-11,155	-5,069
EBT in € 000s	22,263	26,843	35,037	33,515	27,133
Consolidated net profit in € 000s	18,464	17,721	23,867	26,192	18,630
Balance sheet total in € 000s	636,669	655,727	673,869	842,596	844,541
Equity in € 000s	321,101	334,381	346,552	349,236	353,205
Equity ratio in %	50	51	51	41	42
Average number of employees for the year	2,682	2,727	2,736	3,091	3,329
Number of employees at 31/12	2,705	2,695	2,833	3,295	3,304
Capital stock in €	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Number of shares at 31/12	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Earnings per share in € (by weighted average of shares issued)	1.19	1.14	1.54	1.69	1.20
Dividend per share in €	0.70	0.80	0.80	0.80	0.55
Dividend payout in € 000s	10,854	12,405	12,405	12,405	8,528
PROFITABILITY INDICATORS					
Return on sales in %	3.6	4.2	5.5	4.8	3.8
Return on equity in %	6.0	5.5	7.2	7.8	5.5
Total return on equity in %	5.1	5.5	6.5	5.0	4.1

	2019	2020	2021	2022	2023
Sales revenues in € 000s	675,272	626,989	757,060	747,698	835,089
Foreign sales in %	75	73	75	76	80
EBITDA in € 000s	66,294	88,322	114,764	84,181	66,574
Depreciation and amortization in € 000s	-45,175	-42,177	-42,240	-44,000	-58,450
EBIT in € 000s	21,119	46,145	72,524	40,181	8,124
Financial result in € 000s	-4,901	-2,847	-2,554	-3,358	-15,785
EBT in € 000s	16,218	43,298	69,970	36,823	-7,661
Consolidated net profit in € 000s	9,428	33,687	47,806	25,233	-12,289
Balance sheet total in € 000s	780,325	798,776	795,150	851,859	1,041,788
Equity in € 000s	354,633	373,329	413,682	426,074	392,900
Equity ratio in %	45	47	52	50	38
Average number of employees for the year	3,217	3,103	3,144	3,147	3,756
Number of employees at 31/12	3,172	3,052	3,165	3,052	3,685
Capital stock in €	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Number of shares at 31/12	15,505,731	15,505,731	15,505,731	15,505,731	15,505,731
Earnings per share in € (by weighted average of shares issued)	0.61	2.17	3.08	1.63	-0.79
Dividend per share in €	-	0.80	1.00	0.70	0.00
Dividend payout in € 000s	-	12,405	15,506	10,854	0
PROFITABILITY INDICATORS					
Return on sales in %	2.4	6.9	9.2	4.9	-0.9
Return on equity in %	2.7	9.3	12.0	6.1	-3.1
Total return on equity in %	3.0	6.0	9.4	4.9	-2.4

Financial calendar 2024

30 April 2024	Three-month report January – March 2024
7 June 2024	Annual General Meeting
31 July 2024	Six-month report January – June 2024
31 October 2024	Nine-month report January – September 2024

PUBLICATION DETAILS

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