ANNUAL REPORT 2011

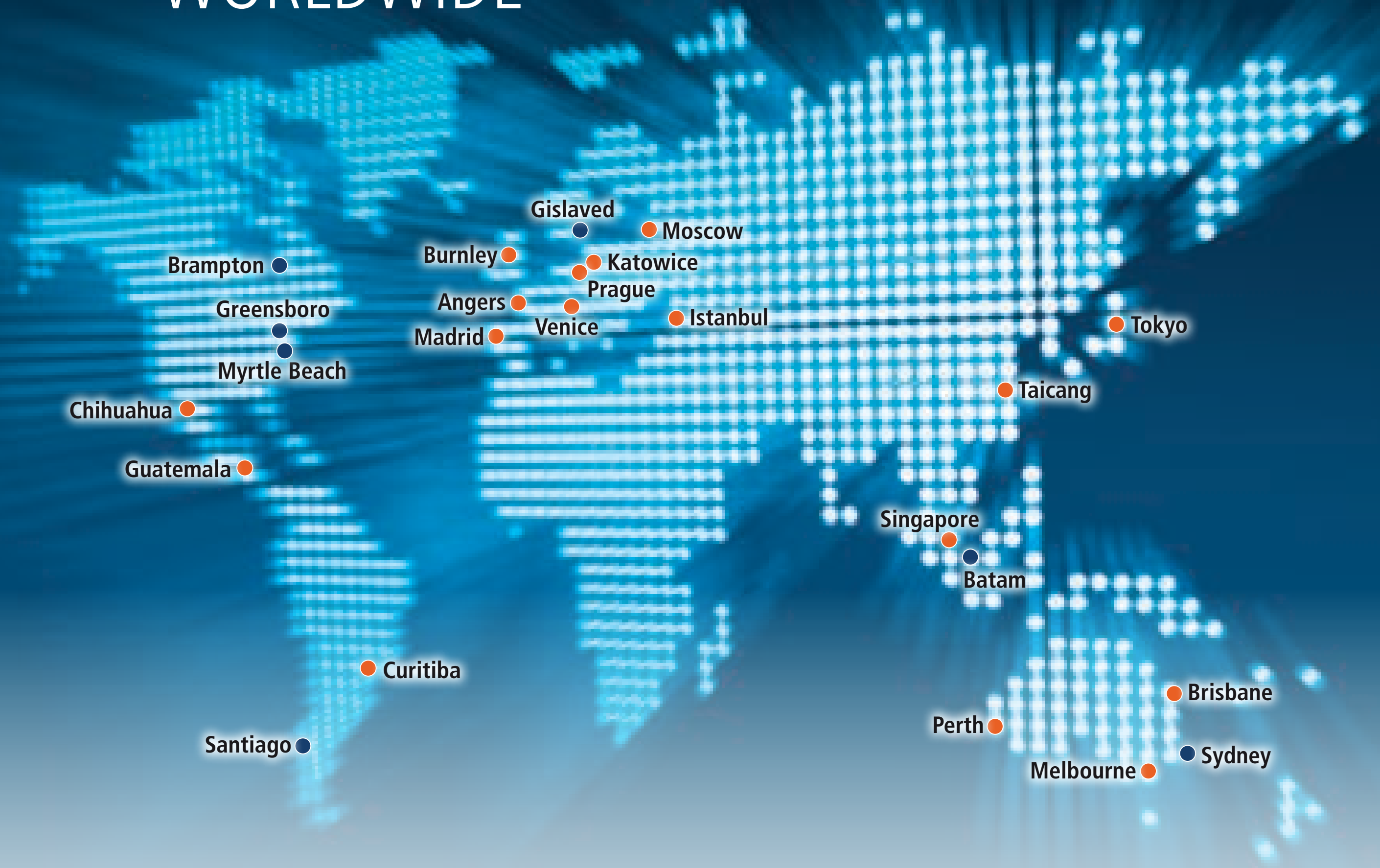
SPECIALISTS FOR SURFACE TECHNOLOGIES

SURTECO

SOCIETAS EUROPAEA

SURTECO SE

WORLDWIDE



- 15 production and sales locations
- 17 additional sales locations

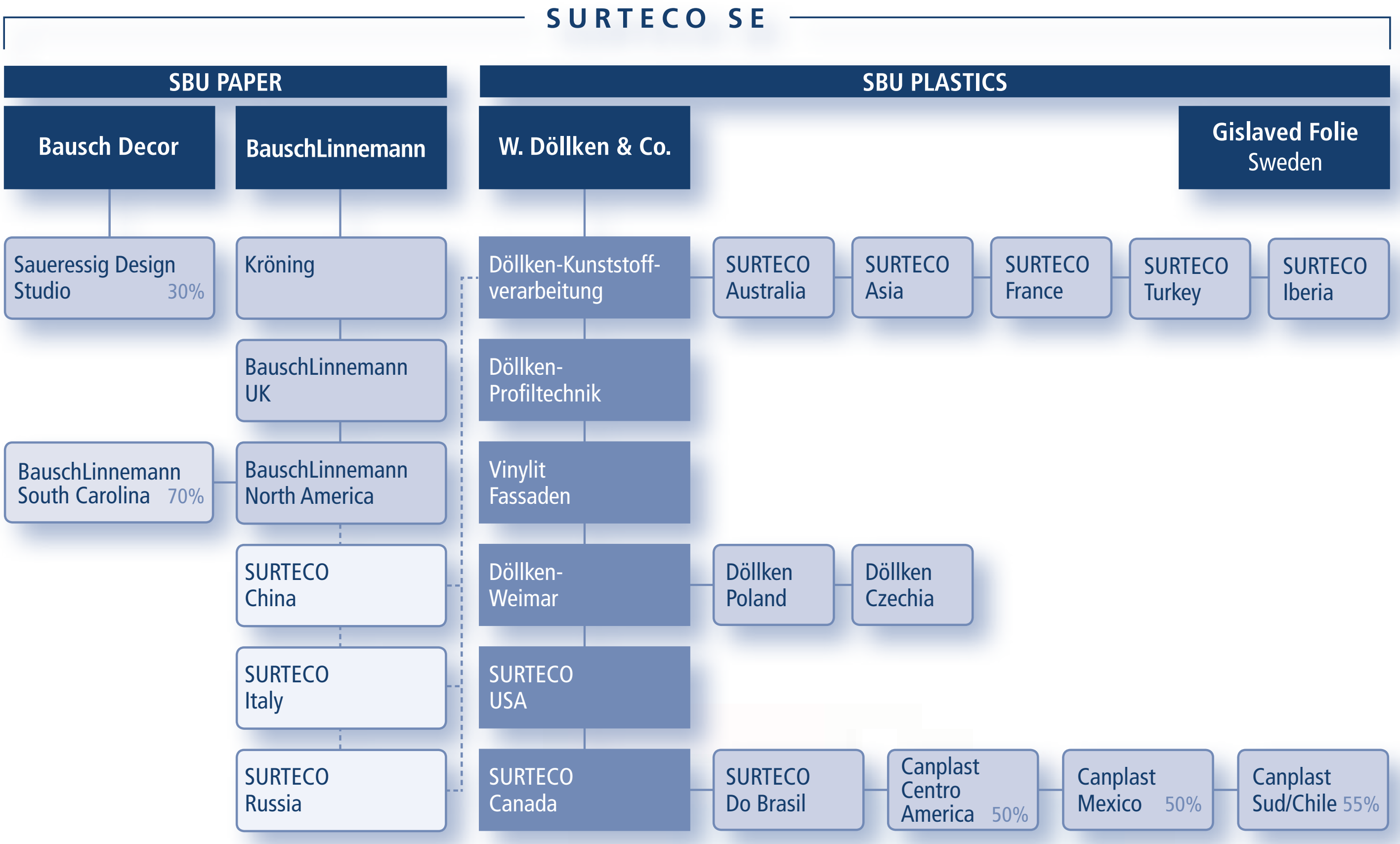
Germany

AT A GLANCE
SURTECO SE

[€ 000s]	2010*	2011	Variation in %
Sales revenues	388,793	**408,809**	+5
Foreign sales in %	67	**67**	
EBITDA	62,547	**56,116**	-10
EBITDA margin in %	16.1	**13.7**	
Depreciation and amortization	-20,934	**-21,099**	
EBIT	41,613	**35,017**	-16
EBIT margin in %	10.7	**8.6**	
Financial result	-9,520	**-12,089**	
EBT	32,093	**22,928**	-29
Consolidated net profit	21,754	**12,484**	-43
Earnings per share in €	1.96	**1.13**	-43
Additions to fixed assets	19,244	**16,495**	-14
Balance sheet total	480,996	**482,135**	-
Equity	212,969	**216,504**	+2
Equity ratio in %	44.3	**44.9**	+1
Net financial debt at 31 December	123,085	**125,786**	+2
Gearing (level of debt) at 31 December in %	58	**58**	-
Average number of employees for the year	1,990	**2,050**	+3
Number of employees at 31 December	2,003	**2,005**	-
PROFITABILITY INDICATORS IN %			
Return on sales	8.2	**5.6**	
Return on equity	10.8	**5.9**	
Total return on total equity	8.9	**6.8**	

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

GROUP STRUCTURE
SURTECO SE



SALES DISTRIBUTION in %

2011

SURTECO GROUP

Germany	33
Rest of Europe	44
America	12
Australia	6
Asia	5

Edgebandings	48
Foils	27
Skirtings	67
Decorative printing	5
Technical extrusions	4
DIY	2
Cladding systems	2
Other	5

Percentage of total sales: 57 %

STRATEGIC BUSINESS UNIT PLASTICS

Germany	31
Rest of Europe	38
America	15
Australia	10
Asia	6

Edgebandings	58
Skirtings	11
Decorative printing	11
Technical extrusions	7
DIY	3
Cladding systems	4
Other	6

Percentage of total sales: 43 %

STRATEGIC BUSINESS UNIT PAPER

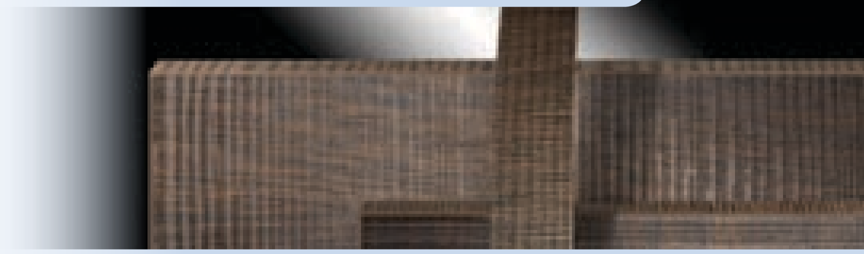
Germany	35
Rest of Europe	51
America	8
Australia	2
Asia	4

Foils	50
Edgebandings	36
Decorative printing	12
Laminates (CPL)	1
Other	1

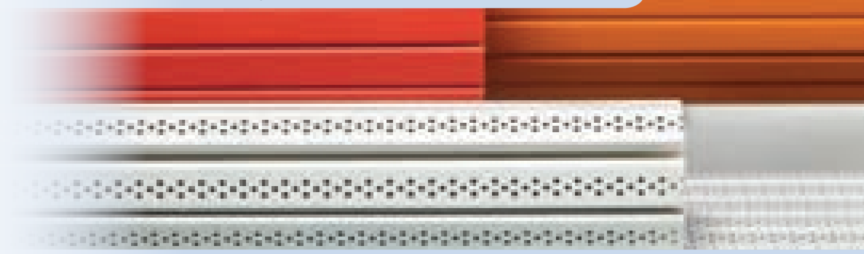
THE PRODUCT RANGE

OF SURTECO SE

Plastic edgebandings

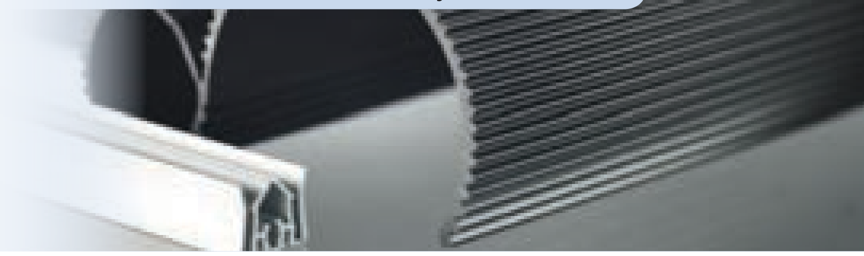


Roller shutter systems



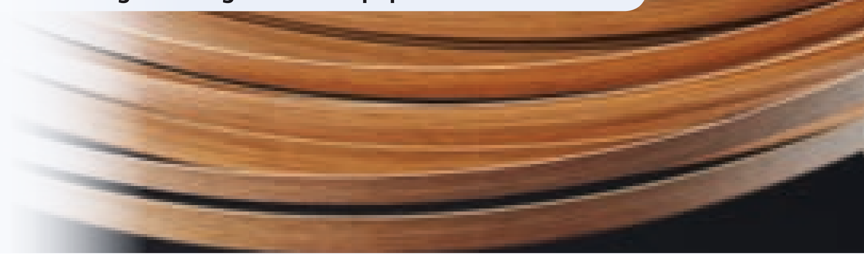
Edgings and extrusions for cabinet making

Technical extrusions for industry



Decorative printing

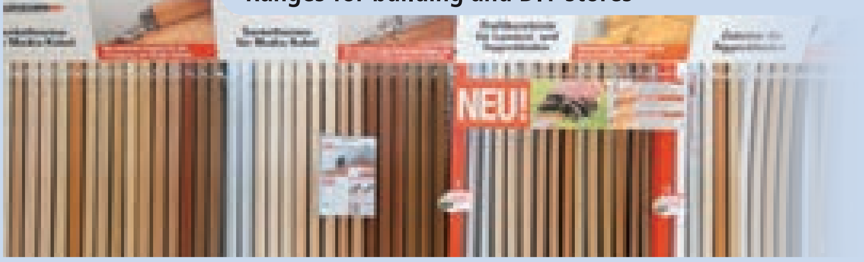
Edgebandings based on paper



STRATEGIC BUSINESS UNIT PLASTICS

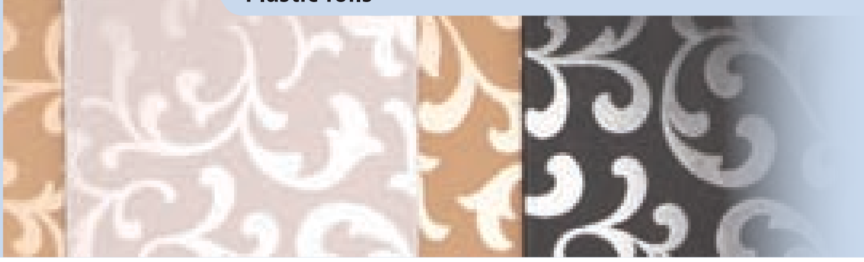
Skirtings and extrusions for professional floor layers

Ranges for building and DIY stores



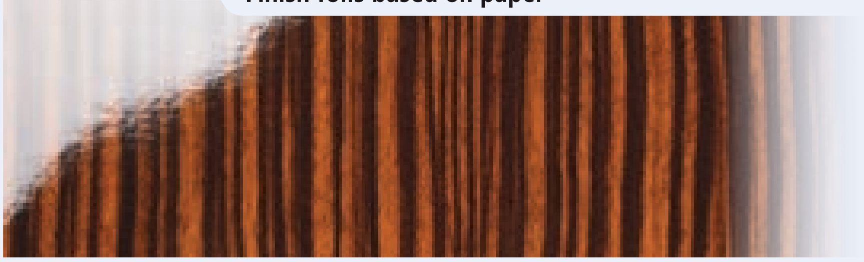
Cladding systems

Plastic foils

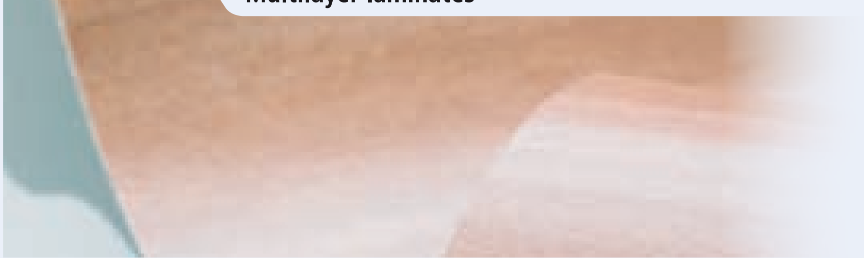


STRATEGIC BUSINESS UNIT PAPER

Finish foils based on paper



Multilayer laminates



SURTECO

DÖLLKEN

BauschLinnemann

BAUSCH DECOR

GISLAVED FOLIE AB

Kröning

CANPLAST

vinylit

Praktikus

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ANNUAL REPORT 2011

IMAGES IN THIS ANNUAL REPORT

Modern industrial manufacturing is based on a complex, precisely integrated process. A large number of important personnel and technical prerequisites must be in place so that high-quality products can be generated which subsequently stand the test of time in daily use. This Annual Report focuses on an aspect that exerts a major impact on the productivity and quality of the products – the portfolio of machines in the companies of SURTECO SE.

The images illustrate the diversity of the specialized manufacturing processes. However, they can provide no more than a superficial impression of the complex workflows involved in the production process. No photograph can capture the extensive preliminary research and development, the know-how and expertise of the personnel operating the machinery, or the quality of the components. We are however able to show the result. This is why we have included a photo of a typical finished product manufactured on the machine presented.

Alongside the qualitative aspects, the visual appearance of the products manufactured by the SURTECO Group play a key role. The printing facilities used to provide decorative refinements for papers and plastics make an important contribution to the appearance. The cover image shows a decorative rotogravure printing press of Bausch Decor GmbH at the headquarters of SURTECO SE in Buttenwiesen-Pfaffenhofen.

SURTECO SE
ISIN: DE0005176903
Ticker symbol: SUR

FOREWORD BY THE BOARD OF MANAGEMENT

Friedhelm Päfgen
Chairman of the Board of Management
Group strategy
Strategic Business Unit Paper

Dr.-Ing. Herbert Müller
Member of the Board of Management
Strategic Business Unit Plastics

Dear shareholders and friends of our company,

The business year 2011 again presented some big challenges for SURTECO SE. Conditions in the marketplace did not make life easy for us. Although we were able to benefit from the upswing at the beginning of the year, the consequences of uncertainties in the markets triggered by the European government debt crisis exerted a tangible impact. SURTECO responded by strategically pursuing the structural and optimization measures that were already being implemented in all sections of the Group. This made it possible to raise our sales to € 409 million, within realistic reach of our record figures achieved in 2007 (€ 415 million).

The development of earnings was less gratifying. They were negatively impacted by various factors during the course of 2011. The very high prices for raw materials continued to be a significant factor. Only a portion of these costs could be passed on to the customer, and with a time lag due to conditions in the market. The full impact has not yet been passed on. Costs were also incurred through the preparations made for an acquisition that was ultimately not carried out alongside expenses for the SHAPE restructuring project. All these downsides came together to reduce the operating result (EBITDA) by 10 % to € 56.1 million. The EBITDA margin was 13.7 % compared with 16.1 % in the previous year.

We have driven forward the strategic direction of the company in order to ensure that we continue to be well-positioned for a successful future. These measures involved concentration of production in Asia at the location in Batam/Indonesia. Improved framework conditions are available to the company here that enable production to be built up and efficiently structured. The steadily growing market in Asia is now supplied with products manufactured by the SURTECO Group from this central location. The Strategic Business Unit Plastics also took over the customer base of French competitor Sodimo in an asset deal with effect from 4 January 2012.

The price of the SURTECO share responded to the development of the market during the course of the year with extreme swings. While the share was still being quoted at the highest level for four years from the beginning of the year to the middle of the year (high 26 January 2011: € 32.00), it was unable to buck the downward slide in the capital markets that occurred particularly during the second half of the year and closed the business year at a price of € 17.10.

SURTECO SE has a long tradition of giving shareholders of the company their due share of reward in the success of the company. However, owing to the negative impacts we have experienced, it is not possible to maintain the level of the dividend paid out in the previous year. In agreement with the Supervisory Board, we would like to submit a proposal to the Annual General Meeting of shareholders to be held in Munich on 22 June 2012, that a resolution should be passed to pay out a dividend amounting to € 0.45 (2010: € 0.90) per share.

The current business year does not hold out any promises of being easier since the economic situation continues to remain tense, development of the global economy remains uncertain, and there is no soft landing in sight for the procurement market. We need to be vigilant and ready to respond strategically and promptly to any new developments if we are to be well placed in the future to exploit the strategic alignment of the company to generate further growth and expand market shares. SURTECO has defined this long-term roadmap as a target. We very much hope that you will continue to support us in the future.

We would like to take this opportunity to thank all our shareholders, customers, partners and suppliers for the trust they have placed in us and for their excellent cooperation. Our special thanks go to the members of our workforce for their remarkable achievements and their dedicated and steadfast commitment.

Friedhelm Päfgen
Chairman of the Board of Management

Dr.-Ing. Herbert Müller
Member of the Board of Management

COMPANY MANAGEMENT

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann — Chairman
Chairman of the Board of Management of RWE Aktiengesellschaft, Essen

Björn Ahrenkiel — Vice-Chairman
Lawyer, Hürtgenwald

Dr. Markus Miele — Deputy Chairman
Industrial engineer, Gütersloh

Josef Aumiller — Employee Representative
Chairman of the Works Council, Unterthürheim

Karl Becker
Engineer, Coesfeld — until 12 September 2011

Dr. Matthias Bruse
Lawyer, Munich

Markus Kloepfer
Managing Director of alpha logs GmbH, Essen — since 16 September 2011

Christa Linnemann — Honorary Chairwoman
Businesswoman, Gütersloh

Udo Sadlowski — Employee Representative
Chairman of the Works Council, Essen

Dr.-Ing. Walter Schlebusch
Managing Director of Banknotes Division Giesecke & Devrient GmbH, Munich

Thomas Stockhausen — Employee Representative
Chairman of the Works Council, Sassenberg

BOARD OF MANAGEMENT

Friedhelm Päfgen — Chairman, SBU Paper
Businessman, Buttenwiesen-Pfaffenhofen

Dr.-Ing. Herbert Müller — SBU Plastics
Engineer, Heiligenhaus

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

STRATEGIC BUSINESS UNIT PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Oliver Beer Joachim Dausch Frank-Jörg Schilaski Peter Schulte
SURTECO AUSTRALIA PTY. LTD. Sydney	Maximilian Betzler
SURTECO ASIA (SURTECO PTE. LTD. + PT DÖLLKEN BINTAN) Singapur + Batam, Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	Gilbert Littner
SURTECO DEKOR A.Ş Istanbul, Turkey	Emre Özbay
SURTECO IBERIA S.L. Madrid, Spain	Joachim Dausch
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Wolfgang Buchhart
VINYLIT FASSADEN GMBH Kassel	Stefan Schmatz
DÖLLKEN-WEIMAR GMBH Nohra	Hartwig Schwab Tibor Aranyossy Wolfgang Breuning
DÖLLKEN SP. Z O.O. Katowice, Poland	Rafael Pospiech
SURTECO USA INC. Greensboro	Tom Rieke Jürgen Krupp
SURTECO CANADA LTD. Brampton/Ontario	Tom Rieke Jürgen Krupp
CANPLAST SUD S.A. Santiago de Chile	Christopher Bollow
GISLAVED FOLIE AB Gislaved, Sweden	Roland Andersson
SURTECO OOO Moscow, Russia	Rashid Ibragimov

STRATEGIC BUSINESS UNIT PAPER

BAUSCH DECOR GMBH Buttenwiesen-Pfaffenhofen	Dr.-Ing. Gereon Schäfer Dieter Baumanns
BAUSCHLINNEMANN GMBH Sassenberg	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns
KRÖNING GMBH & CO. Hüllhorst	Wolfgang Gorißen
BAUSCHLINNEMANN UK LTD. Burnley	Tim Barber David Fleming
BAUSCHLINNEMANN NORTH AMERICA INC. Greensboro, USA	Mike Phillips
BAUSCHLINNEMANN SOUTH CAROLINA LLC Myrtle Beach, USA	Mike Phillips Bernhard Düpmeier
SURTECO DECORATIVE MATERIAL CO., LTD. Taicang, China	Franky Kam Yin Yip
SURTECO ITALIA S.R.L. Martellago	Marco Francescon

REPORT OF THE SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann
Chairman of the Supervisory Board of SURTECO SE

Dear shareholders,
partners and friends
of our Company

In the business year 2011, the Supervisory Board carried out all the functions allocated to it under statutory regulations and the Articles of Association. We regularly advised the Board of Management on the management of the company and monitored the measures it took. In this process, we were involved in all the fundamental decisions taken. The Board of Management regularly kept us informed in comprehensive written and verbal reports. We were informed 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 their management. The economic situation presented in the reports by the Board of Management and the development perspectives of the Group, the individual business areas and the important participations in Germany and abroad, as well as the general economic environment were the subject of careful and detailed discussion. 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 2011. No member of this governance body took part in fewer than half of the meetings. The Chairman of the Supervisory Board furthermore remained in regular contact with the Board of Management outside these meetings.

FOCUSES OF ADVICE

The key issues of our deliberations during the business year 2011 were the measures adopted to smooth out fluctuations in the economic cycle. In addition, the Supervisory Board – as in previous years – addressed the reporting of the Board of Management in detail and discussed the position of the company and the business strategy on the basis of the latest business figures available for the company. The latest relevant indicators of the Strategic Business Units in the SURTECO Group (SBU Paper and SBU Plastics) and the subsidiary companies and participations were presented by the Board of Management at the meetings of the Supervisory Board, where they were analyzed and compared with the projected figures.

The economic environment in which the company is operating was subject to particularly intensive discussion. These deliberations continued with the focus on the themes of energy costs, raw material prices and the availability of raw materials, and exchange rates. The situation with the most important customers, the divisions of the foreign companies, and the conduct of the key competitors in the market were also considered. Furthermore, measures were discussed relating to the reduction of costs and the optimization of production processes, with particular focus on the "SHAPE 2012" project for the SBU Plastics.

At its meeting on 21 April 2011, the Supervisory Board adopted the proposals for the agenda of the Annual General Meeting in 2011. The meeting of the Supervisory Board also adopted a resolution on bonuses for Members of the Board of Management for the business year 2010 at its meeting on 17 June 2011.

During the reporting year 2011, the Supervisory Board once again addressed the issues associated with the corporate loan that was floated by the company as a private placement ("USPP") in the USA with a volume of € 150 million in the business year 2007. The Board of Management reported on the previous use of funds and on compliance with the financial indicators in the business year 2011, whereby non-compliance could have resulted in the conditions of the USPP loan deteriorating. Such non-compliance could have led to the loan being called in by creditors.

An acquisition project by the Board of Management which could not be concluding during the year under review was presented at all the meetings and an in-depth debate was carried out into the prerequisites of the acquisition and the effects.

The plans submitted by the Board of Management for the business year 2012 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 21 December 2011. Discussions at the meeting focused especially on the effects of the "SHAPE 2012" project with its opportunities and risks, the development of the personnel, prices of raw materials, planned investments, the development of sales and earnings, and the utilization of capacity and productivity performance.

The strategic direction of the group of companies was the subject of ongoing discussion in the meetings of the Supervisory Board and during discussions with the Board of Management. Meanwhile, it was stated that the Supervisory Board backs the overall strategic direction of the company adopted by the Board of Management.

PERSONNEL DECISIONS OF THE SUPERVISORY BOARD

The following appointments were made by the Supervisory Board:

- At its meeting on 21 April 2011, Dr.-Ing. Herbert Müller was appointed for a further full period of office as Member of the Board of Management.
- At its meeting on 21 December 2011, Mr. Friedhelm Päfgen was appointed as a Member and Chairman of the Board of Management age-related for a further period of office to 30 June 2015.

At both meetings, the conclusion of an appropriate contract of service with the relevant Member of the Board of Management was agreed.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

Mr. Karl Becker stepped down from his office as Member of the Supervisory Board of the company with effect from the expiry of 12 September 2011. A short-term appointment was made to fill the ensuing vacancy on the Board. On the request of the Board of Management, the Augsburg Local Court (Amtsgericht Augsburg) appointed Mr. Markus Kloepfer, Essen, as a Member of the Supervisory Board on 16 September 2011. The intention is for the judicial appointment to be replaced at the next possible opportunity in an election by shareholders. Mr. Markus Kloepfer will therefore be proposed for election to the Supervisory Board at the ordinary Annual General Meeting to be held on 22 June 2012.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed on page 101 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 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 or transactions requiring approval. The Presiding Board did not need to be convened during the period under review and was not required to give its consent to any measures or transactions of the Board of Management as a matter of urgency.

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 appointment of the auditor to carry out the audit, and the agreement of the fee. The Chairman of the Audit Committee was in regular contact with the Board of Management and the auditors. The Audit Committee held one meeting during the course of the business year at which the auditors carrying out the audit on the consolidated financial statements were present and reported on the result of their audit.

The Personnel Committee held four meetings during the year under review. The committee addressed in particular the proposal to reappoint the two Members of the Board of Management and the conclusion of their contracts of service. The committee also dealt with the definition of the variable compensation elements and the payment of salaries to the Members of the Board of Management with the appropriate recommendations to the Plenary Supervisory Board for their decision.

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

CORPORATE GOVERNANCE

The Supervisory Board addressed the ongoing development of the corporate governance principles in the company in 2011 and also took account of the amendments to the German Corporate Governance Code made on 26 May 2010. Within the scope of the efficiency audit, the Supervisory Board carried out a self-evaluation of its members and discussed the results in the plenary session of the Supervisory Board. It was also discussed that the current structure of compensation for the Supervisory Board of SURTECO SE complied with the compensation structure of most SDAX companies. However, contrary to the position in most SDAX companies, the activity of a member of the Supervisory Board at SURTECO SE in a Supervisory Board Committee, particularly in the Audit Committee, is not remunerated separately, although this can be associated with significant additional expenditure of time. A proposal will therefore be recommended to the Annual General Meeting to be held on 22 June 2012 that a specific remuneration should be made in future for these activities.

On 21 December 2011, the Board of Management and the Supervisory Board submitted a new Declaration of Compliance, which was included in the Declaration on Company Management pursuant to Article § 289a German Commercial Code (HGB) and may be viewed on the Internet site of the company.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, AUDITING

The annual financial statements of the company were drawn up in accordance with German accounting principles. The consolidated financial statements for the fiscal year 2011 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Board of Management submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO 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 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 were carried out in the Audit Committee meeting and at the balance sheet meeting of the Supervisory Board held on 20 April 2012 in the presence of the auditor and on the basis of the auditor's report pursuant to Article § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents and 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 Board of Management. 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. We agree with the proposal by the Board of Management for the appropriation of net profit that recommends payment of a dividend of € 0.45 for each no-par-value share.

The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2012 and the Supervisory Board accepted this proposal.

The Supervisory Board would like to thank the Board of Management, 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 2011.

Buttenwiesen-Pfaffenhofen, April 2012

SURTECO SE
The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman

MANAGEMENT REPORT 2011

SURTECO GROUP AND SURTECO SE

GROUP STRUCTURE AND BUSINESS ACTIVITY

OVERVIEW

The SURTECO Group is a leading international manufacturer of decorative surface coatings with a workforce of some 2,000 employees and production locations on four continents. The products of SURTECO are primarily used in the furniture industry to refine wood-based materials such as chipboard and fibreboard. This gives elements made from these boards visual appeal and a hard-wearing surface that is pleasant to the touch.

Flat foils are used to coat large surface areas while edgebandings are used to cover the sides. Manufacturing processes at SURTECO make use of plastics and paper for these products. SURTECO is therefore a supplier of a wide spectrum of different surface versions optimized to specific individual applications. This broad range of options gives customers a great deal of scope because optimized internal coordination between the companies of the SURTECO Group guarantees complete colour harmonization independently of the quality and combinations of the finishes that are applied.

SURTECO is the global market leader in the product segment of edgebandings. This product range covers endless melamine coated edgings based on paper for straight and profiled edges and door rebates through to thermoplastic edgebandings which are manufactured from a range of different plastics to suit the desired area of application. This diversity gives customers a virtually unlimited number of variations in qualities, finishes, dimensions, decorative designs and colours.

The capability to cover large areas gives flat foils an even greater importance for the visual appraisal of an item of furniture and increasingly also for its haptic appeal. The SURTECO companies are able to supply finish foils which have excellent technical characteristics and feature trend-setting decorative designs and colours. SURTECO has plastic foils in its product range to cater for specialist applications such as interior design for ships, providing a finish for doors within the home, or for furniture surfaces requiring particularly hard-wearing properties.

Printed papers for specialist applications are produced at the Group's dedicated printing facility. These papers are then processed within the Group to create finish foils. They are also produced for external customers from the furniture and flooring industries and the world of interior design. The laminate flooring market provides a particularly striking example of refinement outside the company. This is because the use of decor paper lends flooring elements their

pleasing appearance. The very comprehensive collection of wood-based, stone and imaginative fantasy decors is continually being expanded by new, trendy decors in the in-house design department.
The companies in the plastics segment have a long track record of experience in manufacturing a wide range of extrusion products for interior design and the construction industry. High-quality manufactured products like skirtings, flooring extrusions, stair edges, cover extrusions and transition extrusions, angle rails, cladding systems and roller-shutter systems complete the range.
The Group also supplies a high-quality product range for home improvement and DIY stores, as well as the trade wholesale business. This range is put together from products manufactured in-house and purchased parts.

ORGANISATION AND BUSINESS UNITS

The holding company of SURTECO SE is based in Buttenwiesen-Pfaffenhofen and carries out the strategic planning and controlling functions, group-wide finance, investment and risk management, human resources strategy, accounting, investor relations activities and IT coordination of the Group. The individual subsidiary companies of the Group have responsibility for sales and earnings as legally independent companies.
The Group is divided into the Strategic Business Units (SBU) Plastics and Paper. The companies of the SBU Plastics manufacture the majority of their products by extruding and calendering plastics. The product range of this business unit includes plastic edgebandings, skirtings, technical extrusions (profiles), as well as roller-shutter systems, cladding systems, plastic foils and many other products made of plastic for use in interior design, and for craft and trade applications. The companies of the SBU Paper manufacture products based on specialist papers for technical applications for the furniture and flooring industries. These include finish foils, edgebandings, decorative papers and multilayer laminates.
SURTECO manufactures its products in all major markets at a current total of 15 production locations. This ensures secure, fast production tailored to the target market at all times. Customers source their products through direct sales, using 17 in-house sales locations and a dense network of dealers and sales agencies.

STRATEGIC BUSINESS UNIT PLASTICS*

The SBU Plastics includes W. Döllken & Co. GmbH with its subsidiaries and Gislaved Folie AB in Sweden. The companies of W. Döllken & Co. GmbH include Döllken-Kunststoffverarbeitung GmbH, Döllken-Profiltechnik GmbH, Vinylit Fassaden GmbH, Döllken-Weimar GmbH, as well as SURTECO USA Inc. and SURTECO Canada Ltd.

The companies of Döllken-Kunststoffverarbeitung GmbH have specialized in the production and sale of plastic edgebandings. Manufacture is carried out at the main production facility in Gladbeck and in the subsidiary companies in Australia (SURTECO Australia Pty. Ltd.) and Indonesia (PT Doellken Bintan Edgings & Profiles). Further sales companies in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S.), Spain (SURTECO Iberia S.L.), Turkey (SURTECO DEKOR A. Ş) and – in cooperation with the SBU Paper - in Italy (SURTECO Italia s.r.l.), China (SURTECO Decorative Material (Taicang) Co. Ltd.) and Russia (SURTECO OOO) ensures global supply lines.

* If not separately identified, the sites of the relevant subsidiary companies are located in Germany.

Döllken-Profiltechnik GmbH in Dunningen has specialized in the manufacture of technical extrusions (profiles) for industrial applications and roller-shutter systems for furniture.
Vinylit Fassaden GmbH based in Kassel manufactures cladding systems for covering house facades that is characterized by visual appeal and is easy to assemble. They also provide substantially improved energy savings alongside improved noise abatement.
Döllken-Weimar GmbH manufactures floor extrusions, skirtings and wall edging systems at locations in Bönen and Nohra near Weimar. Accessories required for laying the products are also held as product ranges for resale to professional floorlayers and specialist stores. The company has sales venues in Poland (Döllken Sp. z o.o.) and the Czech Republic (Döllken CZ s.r.o.).
Production facilities for plastic edgebandings in America are located in Greensboro, USA (SURTECO USA Inc.), Brampton, Canada (SURTECO Canada Ltd.), as well as in Santiago, Chile (Canplast SUD S.A.). Sales bases in Mexico (Canplast Mexico S.A. de C.V.) and Brazil (SURTECO Do Brasil S/A) provide comprehensive support for markets on this continent.

STRATEGIC BUSINESS UNIT PAPER*

The SBU Paper comprises Bausch Decor GmbH and BauschLinnemann GmbH including their subsidiaries. Decorative printer Bausch Decor GmbH based in Buttenwiesen-Pfaffenhofen is a specialist dedicated to the manufacture of decorative papers that are either further refined to provide finish foils within the Group or marketed directly to the flooring and furniture industry. The in-house design department works closely together with Saueressig Design Studio GmbH on developing and creating new decorative designs. Bausch Decor holds a 30 % stake in Saueressig Design Studio GmbH.
BauschLinnemann GmbH is based in Sassenberg and manufactures edgebandings and finish foils. The production location in Buttenwiesen has specialized in the manufacture and refining of finish foils. The subsidiary company Kröning GmbH located in Hüllhorst supplies particularly complex surface coatings. On the North American continent, BauschLinnemann South Carolina LLC, Myrtle Beach, specializes in finish foils specifically tailored to the American market. Semi-finished products are supplied to the sales companies located in the United Kingdom (BauschLinnemann UK Ltd.) and in cooperation with the SBU Plastics to Italy (SURTECO Italia s.r.l.) and Russia (SURTECO OOO). They are finished to customers' specific orders and supplied there.

MANAGEMENT AND CONTROLLING

As laid down in the rules and regulations applicable to a Societas Europaea (SE), the Ordinary General Meeting of the company is held during the first six months after the end of a business year. Any amendments to the Articles of Association can only be made with legal effect following consent by the shareholders at the Annual General Meeting and subsequent entry in the Company Register.
The Supervisory Board monitors and advises the Board of Management 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 appointed by the Works Councils of the three domestic companies with the largest number of employees as representatives of the workforce.
The management of the SURTECO Group operates on the basis of the dual management and controlling system in which the Members of the Board of Management, which has two members, 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 actions of the Board of Management and the Supervisory Board. The Board of Management and the Supervisory Board base their actions and their decisions on the interests of the company. They are committed to the objective of increasing the value of the company in accordance with the interests of the shareholders, our business partners, the employees and other stakeholders.

COMPENSATION REPORT

This report describes the compensation system for the Board of Management and the Supervisory Board as well as explaining the structure and the level of compensation for individual executive officers. It takes into account the recommendations of the German Corporate Governance Code and observes the requirements of the German Commercial Code (HGB), the legislation about the disclosure of executive compensation (Act on the Disclosure of Management Board Compensation, VorstOG) that came into force on 11 August 2005, and the legislation on the reasonableness of executive pay (Act on the Appropriateness of Executive Compensation Act, VorstAG) that came into force on 5 August 2009.

* If not separately identified, the sites of the relevant subsidiary companies are located in Germany.

COMPENSATION OF THE BOARD OF MANAGEMENT

Definition and review of the compensation structure

The compensation structure and the level of compensation of the Members of the Board of Management are defined on the basis of the proposal of the Supervisory Board's Personnel Committee and are regularly reviewed. The existing compensation system establishes a level of remuneration appropriate to the activity and responsibility of the Members of the Board of Management. Alongside the functions of the individual Members of the Board of Management and their personal performance, further factors taken into account include the economic situation, the success and future prospects of the company, and the commensurability of the compensation in view of the comparative environment and the compensation structure otherwise applicable within the SURTECO Group.

The Supervisory Board reviewed the compensation system against the background of the Act on the Appropriateness of Executive Compensation Act (VorstAG) that came into force on 5 August 2009 with the assistance of external expert advisers and came to the conclusion the system is compliant with the applicable statutory regulations and the recommendations of the German Corporate Governance Code.

The compensation system is described below for the reporting year.

Compensation elements

The total cash compensation is comprised of a fixed compensation (basic salary) that is independent of any performance element and a performance-based variable component (bonus). The compensation for Members of the Board of Management also includes non-cash benefits and other payments.

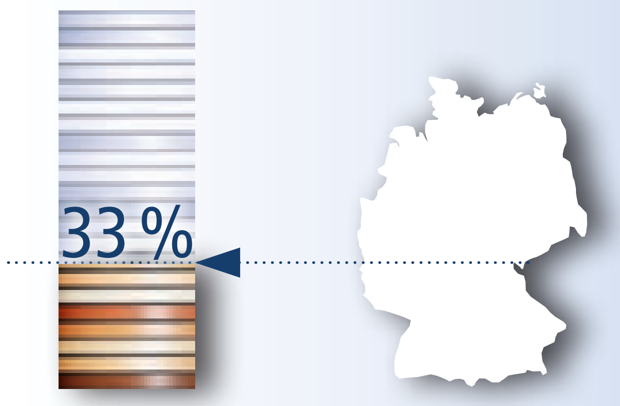
Basic salary

The relevant basic salary of the Members of the Board of Management is paid in equal monthly instalments. The salary for the Chairman of the Board of Management, Mr. Friedhelm Päfgen, and for Board Member Dr.-Ing. Herbert Müller in each case amounted to € 252,000.00 p.a. during the reporting period. Neither of the Members of the Board of Management had undertaken separately remunerated functions as executive officers at the consolidated subsidiary companies.

Bonuses

The remuneration system applicable for the reporting period on the basis of current contracts of service defines a variable bonus which the Supervisory Board

GERMANY
of sales of the SURTECO Group



defines using equitable discretion and on the basis of the consolidated earnings before taxes (EBT) – adjusted by any additions/curtailments – in accordance with IFRS, taking account of the return on sales. The variable bonus is directed towards the long term and sustainability. This is achieved by deducting any loss from ordinary activities incurred in any one business year from the applicable basis of assessment for the variable bonus in the subsequent business years until the shortfall has been settled. The bonus assessment is therefore based on a reference period of several years. In each case, the bonus for the business year under review falls due at the end of the subsequent ordinary Annual General Meeting of SURTECO SE.

Non-cash benefits and other payments

The Members of the Board of Management receive fringe benefits in the form of non-cash benefits that fundamentally entail values to be recognized from the tax guidelines for use of a company car and various insurance premiums, as well as payments for provision of surviving dependents. The Board Member Dr.-Ing. Herbert Müller receives an allowance amounting to € 50,000 (since 1 September 2011 € 100,00 p.a.) for private retirement provision. To the extent that the company does not have to pay employer contributions for the members of the Board of Management, each Member of the Board of Management receives an additional remuneration amounting to the relevant employer contributions that have been saved.

D&O insurance

A Directors' and Officers' Liability Insurance ("D&O") is provided for the Members of the Board of Management. Pursuant to the requirements of § 93 Section 2 Sentence 3 of the Stock Corporation Act (AktG), the excess (deductible) amounts to 10 % of the loss or damage up to an amount of one and a half times the fixed annual compensation of the Board Member.

Provision for surviving dependents

The contract of service for the Chairman of the Board of Management Mr. Friedhelm Päfgen includes a provision for surviving dependents for his widow in the form of a widow's pension currently amounting to € 68,400 p.a. for life from the seventh month after the month of decease to be paid in equal monthly amounts.

Payments by third parties

During the business year under review, no Member of the Board of Management received payments or equivalent plan benefits from third parties (including companies with which the SURTECO Group maintains business relations) in relation to their activity as a Member of the Board of Management.

The compensation elements for the Board of Management were as follows for the business year 2011:

Compensation of the Board of Management for 2011:

€ 000s	Basic salary		Performance-based compensation		Non-cash benefits and other payments		Total compensation	
	2010	2011	2010	2011	2010	2011	2010	2011
Friedhelm Päfgen	252	252	779	615	20	22	1.051	889
Dr.-Ing. Herbert Müller	252	252	652	485	80	99	984	836
Total	**504**	**504**	**1,431**	**1,100**	**100**	**121**	**2,035**	**1,725**

Loans to Members of the Board of Management

During the period under review, no advances or loans were granted to Members of the Board of Management of SURTECO SE.

Benefits for preliminary termination of employment

The contracts of service currently valid for the Members of the Board of Management automatically come to an end when the period of appointment for the relevant Member of the Board of Management is concluded. If the appointment of a Member of the Board of Management is revoked during the term of their contract of service, the Board Member affected can be placed on administrative leave for the remaining term of the contract and the compensation will continue to be paid. In each case, notice of termination can be served on the contracts of service by both sides for good cause. If a Member of the Board of Management is temporarily incapacitated and unable to work, the basic salary will be paid for a period of up to 12 months. If death occurs during the period of the employment relationship, the heirs of the relevant Board Member have the right to continued payment of the basic salary for the month in which death occurred and ongoing for a period up to an additional six months.

If there is a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the month specified following the month of their submitting the notice of termination. They are entitled to payment of the outstanding fixed annual remuneration for the remaining term of the contract as a lump sum and an amount in the sum of € 500,000 for each year of the contract term commenced for which a bonus has not yet been paid. In accordance with subsection 4.2.3 of the German Corporate Governance Code, the obligation to make payments arising from the premature termination of the position as Member of the Board of Management shall not exceed 150 % of the cap for severance pay.

Compensation for the Supervisory Board 2011:

€	fixed	variable	Total	
			2011	2010
Dr.-Ing. Jürgen Großmann, Chairman	6,000	34,400	40,400	76,400
Björn Ahrenkiel, Vice-Chairman	4,500	25,800	30,300	57,300
Dr. Markus Miele, Deputy Chairman	4,500	25,800	30,300	29,800
Josef Aumiller	3,000	17,200	20,200	19,900
Karl Becker, until 12 September 2011	2,100	12,000	14,100	19,900
Dr. Matthias Bruse	3,000	17,200	20,200	38,200
Markus Kloepfer, since 16 September 2011	900	5,000	5,900	-
Udo Sadlowski	3,000	17,200	20,200	38,200
Dr.-Ing. Walter Schlebusch	3,000	17,200	20,200	38,200
Thomas Stockhausen	3,000	17,200	20,200	38,200
				64,100*
Total	**33,000**	**189,000**	**222,000**	**420,200**

* This amount includes the compensation of the Members of the Supervisory Board Bernd Dehmel, Jakob-Hinrich Leverkus und Martin Miller, who stepped down from their posts after the Annual General Meeting held on 24 June 2010.

COMPENSATION FOR THE SUPERVISORY BOARD

Compensation elements

The compensation for the Members of the Supervisory Board is regulated in § 12 of the Articles of Association. According to these statutes, the Members of the Supervisory Board receive a fixed annual remuneration for their activity amounting to € 3,000 at the end of a business year. The members of the Supervisory Board also receive an additional remuneration of € 400 for each dividend percent of € 1.00 exceeding the rate of 2 percent pursuant to the resolution on appropriation of profit adopted by the Annual General Meeting. The compensation increases by a factor of two times for the Chairman of the Board of Management and by one and a half times for a deputy chairman.

D&O insurance

A Directors' & Officers' insurance ("D&O" liability insurance for purely financial losses) is provided for Members of the Supervisory Board. The excess (deductible) amounts to € 50,000 for each insurance claim and year.

Other benefits

Members of the Supervisory Board receive no other amounts in remuneration above the compensation presented above or any other benefits for personally provided services, in particular for consultancy or mediation services.

Loans to Members of the Supervisory Board

During the reporting period, no advances or loans were granted to Members of the Supervisory Board of SURTECO SE.

DECLARATION ON CORPORATE MANAGEMENT

The Declaration on Corporate Management pursuant to § 289a German Commercial Code (HGB) in the form of the Corporate Governance Report, the Declaration of Compliance with justification and archive, relevant information on company management practices, the composition and working methods of the Board of Management and the Supervisory Board including its committees, the Articles of Association (statutes), the information on Directors' Dealings, risk management, and the auditor for 2011, can be accessed on the home page of the company by going to www.surteco.com and clicking on the menu item "Explanation of Corporate Management".

ECONOMIC FRAMEWORK CONDITIONS

GROWTH OF THE GLOBAL ECONOMY EASED IN 2011

The high level of dynamic growth in the global economy experienced during 2010 only continued at the beginning of 2011. According to statistics produced by the International Monetary Fund (IMF), the global economy grew by 3.8 % in 2011. This contrasted with growth of 5.2 % achieved in 2010. The slowdown of the economic engine in the industrialized countries and the European government debt crisis led to a weakening of global growth in the second half of 2011, so the year-end forecasts had to be revised downwards. Europe in particular lost significant economic traction as the financial and structural crisis deteriorated. The IMF calculated growth of just 1.6 % for the euro-zone in 2011 although there were large differences within the EU. While Germany's national output increased by 3.0 % on the back of strong export development, some countries in Southern Europe were already sliding into recession at the close of the year. Even the US economy only showed marginal growth with an increase of 1.8 % during the year under review.

Similar to the situation in previous years, development of the global economy in 2011 was primarily driven by the emerging economies. According to statistics produced by the IMF, their economic growth amounted to 6.2 %, while the industrialized world overall posted an increase of 1.6 %. The emerging economies continued to post impressive growth, although growth rates eased slightly. According to the IMF, China grew by 9.2 % in 2011, growth in India went up by 7.4 % and Russia's national output rose by 4.1 %. The ultimate result of the overall slowdown in the global economy noticeably reduced the upward pressure on prices in the emerging economies and reduced the pressure to take countervailing measures in fiscal policy. Nevertheless, price increases in the emerging economies averaging 7.5 % were significantly above the level for the industrialized countries (2.6 %).
Differing trends emerged in the development of prices for raw materials. While quotations for commodities like industrial metals or agricultural raw materials fell back significantly, prices for oil and derived products bucked the downward trend and underwent significant rises. In 2011, the price of oil rose by more than 16 % against expectations of robust demand over the long term from China and other emerging economies.

FURNITURE INDUSTRY GROWS WITH ROBUST DOMESTIC AND INTERNATIONAL DEMAND

Customers from the furniture industry and wood-based sector constitute the most important customer base for manufactured products from SURTECO. The German furniture and wood-based sector grew by around 6 % in 2011 and has therefore exceeded the projections by the associations of the German wood and furniture industries (HDH and VDM). Important stimuli for demand were the high level of employment for Germany in particular and the corresponding increase in the readiness to embark on consumption,

ECONOMIC GROWTH FOR 2011 IN %

World	+3.8
Industrial states overall	+1.6
of which:	
USA	+1.8
Euro-zone	+1.6
Germany	+3.0
Japan	-0.9
Emerging economies overall	+6.2
of which:	
Central and Eastern Europe	+5.1
Russia	+4.1
China	+9.2
India	+7.4
Brazil	+2.9

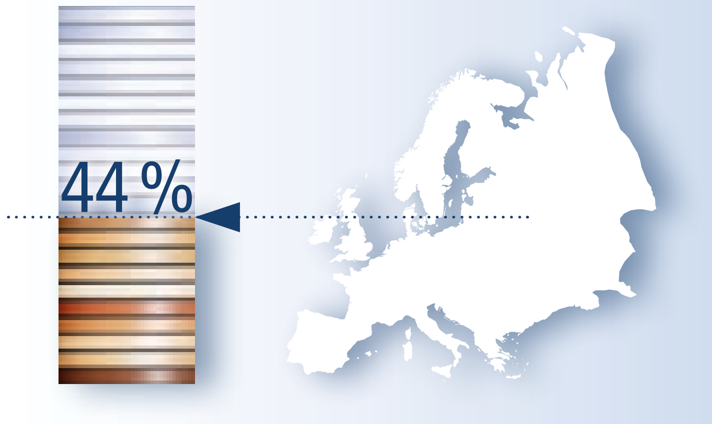
Source: International Monetary Fund (IMF), World Economic Outlook 24 January 2012

alongside the low-interest environment. Moreover, exports continued to improve. German furniture manufacturers achieved total sales of around € 16.7 billion in the year under review. The first half-year of 2011 had a significantly more dynamic trajectory than the second half. Traditionally, the autumn months have posted the strongest sales figures, but in 2011 these months were characterized by an increasing reluctance to embark on purchases in the furniture business. The European debt crisis was clearly having the effect of unsettling consumers at the end of the year. By contrast with the positions on sales, income generated by the furniture industry continued to experience considerable pressure as a result of drastic increases in the price of wood, as well as a rise in wages and high costs of materials.
Export business continued to generate important stimuli in 2011 (+11.1 %). The biggest share remained with the EU countries, which accounted for 70 % of international sales. When we analyse the segments, office furniture posted the biggest growth of 18 % due to a high level of investment in the companies. Furniture for living areas and kitchens increased by 6.2 and 6.0 % respectively, while upholstered furniture finished the year in negative territory (-3.1 %).

DEMAND EASES IN THE SECOND HALF OF THE YEAR

The business year 2011 was divided into two parts for SURTECO, in line with the development in the global economy and the furniture industry. The beginning of the year was powered by the high level of dynamic performance from the previous year. SURTECO achieved above-average growth rates in the first months of 2011 assisted by the strategic measures taken in 2010. However, sales markets demonstrated a tangible sentiment of uncertainty as a consequence of the government debt crisis in Europe and the USA. This exerted downward pressure on growth especially in industrial countries. The momentum exhibited by this trend strengthened over the course of the year. Although SURTECO was unable to buck this trend, the company benefitted from the expansion of sales activities, which were again pursued with the utmost rigour during the year under review in the context of the long-term corporate strategy. SURTECO succeeded in significantly increasing sales in an increasingly fraught market environment and almost succeeded in achieving the level of the record year in 2007.
One-off effects for structural measures and preparations for an acquisition that was not carried out, combined with further impairments on the package of shares held in Pfleiderer AG, Neumarkt, meant that these sales increases cannot be transferred to progress on earnings. Exceptionally high costs of materials which could not be passed on to customers at this level impacted negatively on the result.

REST OF EUROPE
of sales of the SURTECO Group



SALES AND BUSINESS PERFORMANCE

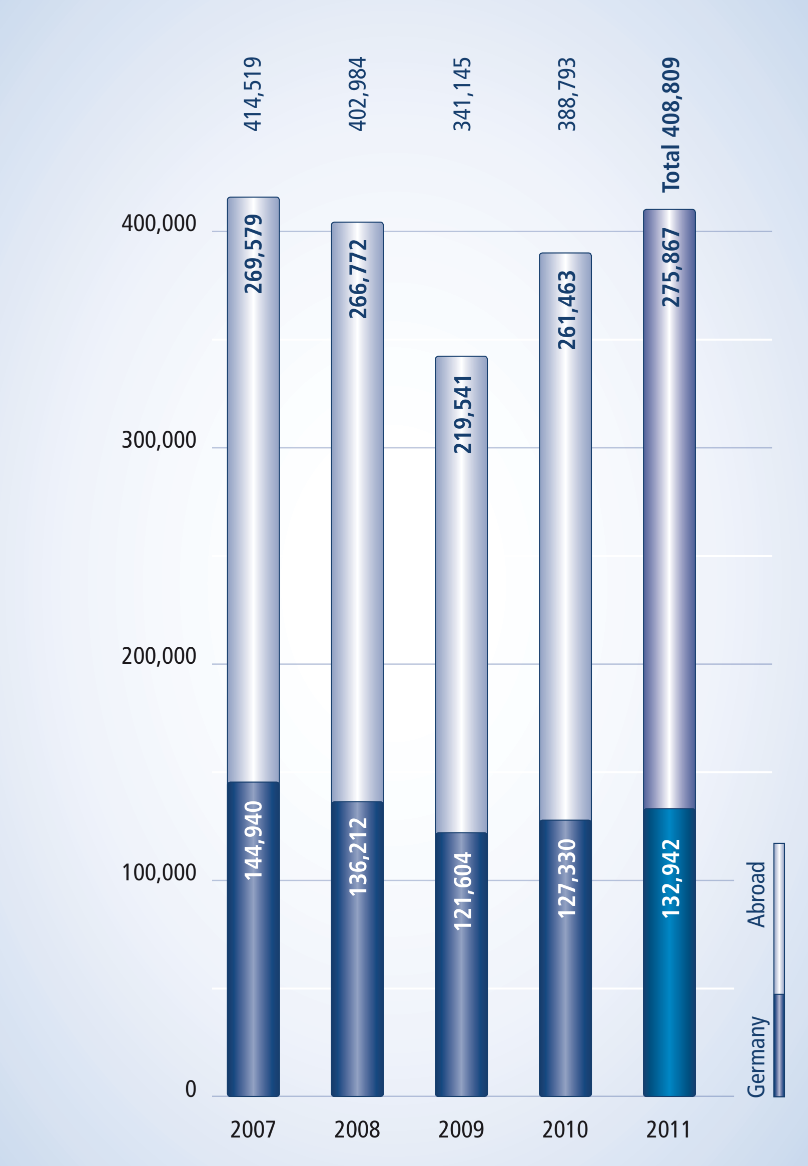
SUSTAINABLE SALES GROWTH

By the end of the first quarter of the business year 2011, customers of the SURTECO Group had already covered their requirement to catch up in the wake of the economic crisis. Over the course of the rest of the year, the initial very gratifying increases in growth rate merged into stable and sustainable growth. Group sales significantly exceeded the bar of 400 million euros during the period under review. By comparison with the previous year, they went up by € 20.0 million to € 408.8 million (+5 %). This growth was generated in all the key sales regions, although Asia was once again revealed as the growth powerhouse with an increase of 15 % compared with the previous year. The domestic market rose by 4 % to € 132.9 million while international business climbed by 6 % to € 275.9 million. The share of foreign sales in total sales remained unchanged at 67 %.

STRATEGIC BUSINESS UNIT PLASTICS: EXPANSION OF GROWTH MARKETS IN EASTERN EUROPE

Further expansion of services enabled the Strategic Business Unit Plastics to improve its sales during the business year 2011 by € 8.6 million to € 234.5 million (+4 %).
Acquisitions of new customers and expansion of business in the growth markets of Turkey and Russia provided robust growth in these areas and more than compensated for the weak demand posted by some of the countries in Southern Europe. Sales growth in

SALES REVENUES in € 000s SURTECO GROUP



positive territory was achieved in all sales regions apart from the market of North America, which continued to stagnate. Sales in Asia underwent exceptionally gratifying development during the business year under review with an increase of 9 % and in Europe (without Germany) with a rise of 7 %.
Total foreign sales went up by 5 % to € 161.9 million, while the share of foreign sales in total sales remained at the level of the previous year with 69 %. The German market rose to a sales volume of € 72.6 million (+2 %).
As far as the product groups are concerned, business with roller-shutter systems (20 %), and with skirting and technical extrusions (profiles) each posting an increase of 11 % was particularly pleasing. Over the course of the business year 2011, the business with DIY stores associated with weak margins was again reduced according to plan to a 3 % share of sales in the plastics segment.

STRATEGIC BUSINESS UNIT PAPER: FLAT FOILS CONTINUE ON GROWTH TRAJECTORY

The enduring preference of consumers for single-colour surfaces created difficulties in the market for printed decor papers during the year under review. Intensified sales activities and the placement of new decors in emerging growth markets counteracted this development and increased market penetration for the Strategic Business Unit Paper.
The stronger market for finish foils was also supported by an increasing trend to replace varnished surfaces with alternative materials. The keenly priced preimpregnates were particularly fortunate in experiencing a high level of demand. The business with paper-based flat foils rose as a result during the business year 2011 by 11 % and made up 50 % of the sales in the Strategic Business Unit Paper. Edgebandings accounted for 36 % and decorative printing for 12 % of sales.
Total sales of the Strategic Business Unit Paper went up by 7 % compared with the previous year to € 174.3 million. Once again, Asia was the biggest growth market demonstrating growth of 30 %, although the American Continent also succeeded in gaining new market shares with the support of the company BauschLinnemann South Carolina established in 2010, and it increased sales by 12 %. In Australia, sales grew by 13 % and in Europe (excluding Germany) sales went up by 5 %. Foreign sales increased by € 7.4 million to € 114.0 million in 2011. The share of foreign sales in total sales remained constant at 65 %. Domestic sales rose by 7 % to € 60.3 million.

FINANCIAL POSITION, NET ASSETS AND RESULTS OF OPERATIONS

VALUE ADDED

During the year under review, corporate performance increased by 5.3 % to a total of € 415.6 million. Net value added came down mainly as a result of the higher costs of materials to 32.6 % (2010: 36.2 %). In spite of this setback, value added of € 135.6 million was posted. While there was an increase in the distribution of value added to shareholders (+125.0 %), employees (+2.7 %) and government (+2.7 %), there was a reduction in interest payments to lenders (-8.3 %). The value added remaining within the company amounted to € 2.4 million.

VALUE ADDED CALCULATION

	2010* € 000s	in %	2011 € 000s	in %
Sales revenues	388,793		408,809	
Other income	5,975		6,819	
Corporate performance	**394,768**	**100.0**	**415,628**	**100.0**
Cost of materials	-175,324	-44.4	-192,400	-46.3
Depreciation and amortization	-20,934	-5.3	-21,099	-5.1
Other expenses	-55,555	-14.1	-66,532	-16.0
Creation of value added (net)	**142,955**	**36.2**	**135,597**	**32.6**
Shareholders (dividends)	4,430	3.1	9,968	7.3
Employees (personnel expenses)	100,068	70.0	102,771	75.8
Government (taxes)	10,265	7.2	10,542	7.8
Lenders (interest)	10,794	7.5	9,898	7.3
Allocation of value added	**125,557**	**87.8**	**133,179**	**98.2**
Remaining in the company (value added)	**17,398**	**12.2**	**2,418**	**1.8**

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

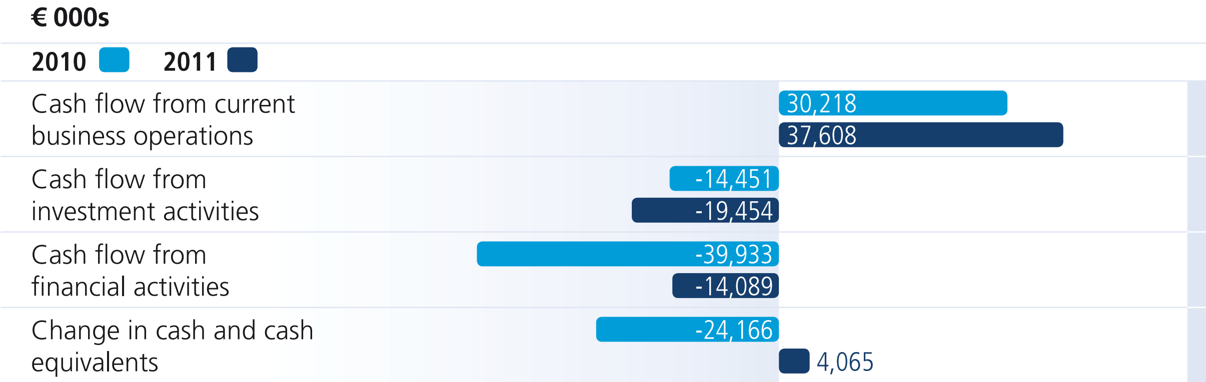
CASH FLOW STATEMENT

An increase in cash flow from current business operations by € 7.4 million to € 37.6 million was posted over the year under review. This increase in cash inflow by 24 % was mainly due to lower payments for working capital (2011: € 6.5 million; 2010: € 23.4 million).
Cash outflow for investments amounted to € 19.5 million (2010: € 14.5 million) in the business year 2011. Investments in property, plant and equipment rose by € 4.7 million to € 14.7 million with the focus under this item being on machines. A total of € 5.5 million was spent on intangible assets. In particular, payments still had to be made relating to a customer base purchased in 2010.
Cash outflow from financial activity amounted to € 14.1 million. This is mainly due to interest payments of € 8.9 million (net) and the dividend pay to shareholders of € 10.0 million. The balance from the repayment or assumption of short-term and long-term debts resulted in a cash inflow of € 4.8 million.
Overall, financial resources in the Group increased by € 4.3 million to € 66.7 million on 31 December 2011.

SOUND BALANCE SHEET FOR 2011

As in the previous year, the SURTECO Group presented a sound balance sheet which only evinced some insignificant changes compared with 2010. The balance sheet total rose by € 1.1 million to € 482.1 million. By comparison with 2010, a fall in non-current assets (€ 9.7 million) and a rise in current assets (€ 10.9 million) were posted.
This mainly impacted on cash and cash equivalents (€ +4.3 million) and inventories (€ +2.3 million) within current assets. Scheduled depreciation on property, plant and equipment (€ 3.9 million) and intangible assets (€ 2.1 million) were mainly responsible for the fall in non-current assets. The impairment on the package of shares in Pfleiderer AG, Neumarkt, also played a role in the financial assets (€ 3.5 million).
The increase of € 7.6 million in short-term debts compared with a decline in long-term debts (€ 10.0 million). Repayments of non-current financial liabilities and settlement of liabilities were the key factors here.
Shareholders' equity continued to develop positively and amounted to 44.9 % of the balance sheet total on 31 December 2011.

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/12/2010	1/1/-31/12/2011
Cash flow from current business operations	**30,218**	**37,608**
Acquisition of property, plant and equipment	-10,069	-14,723
Acquisition of intangible assets	-3,423	-5,474
Acquisition of companies	-959	0
Proceeds from disposal of property, plant and equipment	0	653
Dividends received	0	90
Cash flow from investment activities	**-14,451**	**-19,454**
Free cash flow	**15,767**	**18,154**

EXPENSES

Once again, expenses for the most important raw materials used by the companies of SURTECO SE increased during the course of the year under review. Titanium dioxide is a particularly important intermediate product for paper manufacture and problems with availability meant that the price of the material continued to increase dramatically throughout the entire business year. Adequate volumes of the technical raw papers for the paper-based products could therefore only be procured with corresponding price mark-ups. The costs of plastics such as PVC, PP and ABS are dependent on the intermediate product crude oil and this also underwent significant price increases during the year under review. Various chemical raw materials and consumables were also impacted by the rising price of crude oil. Although the global economy began to cool down during the second half of the year, costs of the most important raw materials remained at a high level in the SURTECO Group. As a result of these developments, the cost of materials as a proportion of total output (cost of materials ratio) rose by 2.5 percentage points to 46.6 % (2010: 44.1 %) in the business year 2011.

Personnel costs went up by 3 % to € 102.8 million (2010: € 100.1 million) during the year under review. The proportion of personnel expenses to total output (personnel expense ratio) remained at the level of the previous year with 24.9 %.

Other operating expenses rose by 4 % to € 65.9 million (2010: € 63.5 million) mainly due to one-off effects incurred.

GROUP RESULTS

The operating result (EBITDA) of the Group came down by 10 % to € 56.1 million (2010: € 62.5 million) during the business year 2011 mainly as a result of the disproportionate increase in the cost of materials, the costs incurred in preparation for an acquisition that was not followed through amounting to € 2 million, and the expenses for the SHAPE restructuring programme of the SBU Plastics amounting to € 1.1 million. This result is also reflected in the ratio of EBITDA to sales (EBITDA margin) which fell back from 16.1 % in the previous year to 13.7 %.

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

	31/12/2010* € 000s	Percentage in the balance sheet total in %	31/12/2011 € 000s	Percentage in the balance sheet total in %
ASSETS				
Current assets	176,279	36.6	187,136	38.8
Non-current assets	304,717	63.4	294,999	61.2
Balance sheet total	**480,996**	**100.0**	**482,135**	**100.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	63,521	13.2	71,132	14.8
Non-current liabilities	204,506	42.5	194,499	40.3
Equity	212,969	44.3	216,504	44.9
Balance sheet total	**480,996**	**100.0**	**482,135**	**100.0**

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2010*	2011
Capital ratio in %	44.3	44.9
Gearing in %	58	58
Working capital in € 000s	77,304	81,970
Interest cover factor	6.6	6.3
Debt-service coverage ratio in %	34.7	26.7

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

Depreciation and amortization amounting to € 21.1 million remained at the level of the previous year (2010: € 20.9 million). Earnings before interest and tax (EBIT) at € 35.0 million fell short of the value achieved in the previous year by 16 %. The corresponding margin of 8.6 % lagged behind the value for 2010 by 2.1 percentage points.
The financial result of € -12.1 million (2010: € -9.5 million) was impacted negatively in 2011 by impairments on the package of shares held by SURTECO in Pfleiderer AG, Neumarkt, by the amount of € 3.5 million. The book value therefore declined to € 0.4 million. Earnings before tax (EBIT) fell by 29 % to € 22.9 million (2010: € 32.1million).
Despite the lower EBT by comparison with the previous year, the tax burden increased from € 10.3 million in the previous year to € 10.5 million. This is due in particular to non-cash impairments of loss carryforwards in the USA and Canada and the impairments on the package of shares in Pfleiderer AG that are not tax deductible.
Consolidated net profit was 43 % below the value for the previous year and achieved € 12.5 million (2010: € 21.8 million). The earnings per share amounted to € 1.13 (2010: € 1.96) based on an unchanged number of shares at 11,075,522.

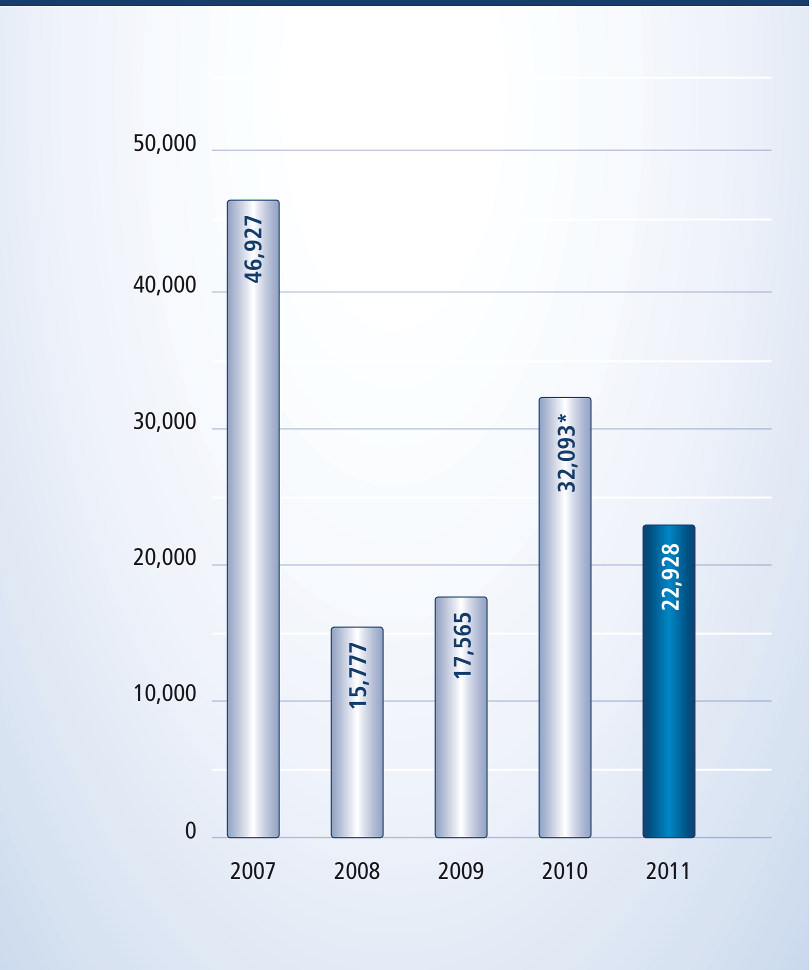
HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO SE

The balance sheet total of SURTECO SE rose by € 13.1 million to € 441.5 million compared with the previous year. Fixed assets fell on account of write-downs on the package of shares in Pfleiderer AG, Neumarkt amounting to € 3.5 million to € 301.7 million. By contrast, current assets increased by € 16.5 million to € 139.6 million. Key factors here were receivables from affiliated enterprises from cash pooling (€ 11.6 million) and higher cash and cash equivalents (€ 53.6 million; 2010: € 50.8 million).
The increase in liabilities (€ 12.1 million) compared with a reduction in accrued expenses (€ 1.4 million). The equity ratio fell slightly to 48.7 % (2011: 49.6 %).

In the business year 2011, earnings from ordinary activities of SURTECO SE amounted to € 15.8 million (2010: € 21.4 million). This is essentially due to reduced earnings from profittransfer agreements and

EBITDA in € 000s SURTECO GROUP

EBT in € 000s SURTECO GROUP



*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

investments (€ 5.6 million). The tax burden fell back on account of lower income for the single entity from € 6.5 million to € 3.4 million.
Net income amounted to € 12.4 million after € 14.7 in the previous year.

DIVIDEND PROPOSAL

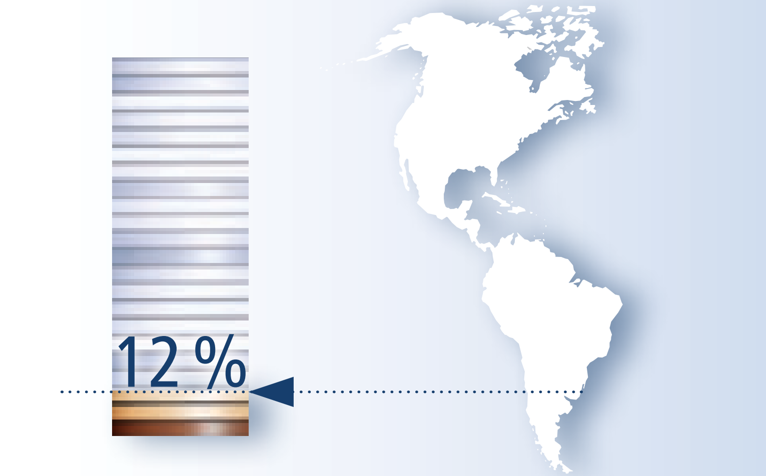
The Board of Management and Supervisory Board of SURTECO SE will recommend that the Annual General Meeting of the company to be held in Munich on 22 June 2012 adopt a resolution that the net profit of SURTECO SE amounting to € 6,282,319.81 should be distributed as follows: payment of a dividend per share amounting to € 0.45 (2010: € 0.90). This corresponds to a total amount distributed as dividend of € 4,983,984.90 for 11,075,522 shares. € 1,200,000.00 will be transferred to reserves. € 98,334.91 will be carried forward to the new account.

RESEARCH AND DEVELOPMENT

Innovations are a key element for advancement and development of the product portfolio and hence increasing corporate value. Research and development are therefore a top priority at SURTECO. Around 100 highly qualified employees are continually working on optimizing the production process and the development of new creative products.
One example of such development are haptic surfaces which not only serve to further enhance harmonization of an item of furniture with the natural template but create a sense of warmth, quality and style owing to their tactile surface. The development departments carried out intensive research in this area over the course of the business year and succeeded in creating new and innovative surface versions.
The Strategic Business Unit Plastics developed an edgebanding design finish which perfectly matched and continued the visual appearance and haptic touch of the board along the edge – irrespective of whether the haptic texture runs longitudinally or transversely to the decorative design. The degrees of gloss for the board with the popular rough-sawn decor are also taken over in the edging surface. The edging therefore perfectly matches the overall visual appearance of the workpiece and lends the finished piece of furniture a sense of high quality and eloquent appeal. The SBU Paper continued the development and consistently advanced the tactile surface. The unit is now able to offer customers their complete product range in this innovative surface version.

The combination of print and haptic texture can be supplied with fully impregnated and preimpregnated finish foils as well as melamine resin edgings. Customers are therefore able to rely on a perfect design match for flat and edging applications.
Once again, Kröning has lived up to its reputation as a provider of special-purpose applications with the development of a trend-setting and expressive metallic wrapping foil. An aluminium foil is printed, varnished and then laminated onto an impregnated special paper. This procedure yields an array of advantages. Firstly, printed simulation of a metal surface is not required. This would be extremely difficult and potentially impossible because the desired, visible metallic elements are easily omitted in the printing process. Secondly, the customer can easily process the final product from the roll due to the paper-based reverse side in the same way as any other product from Kröning and this makes application particularly efficient. The innovative, intensively textured varnished surface "Relief Varnish" is supplied with all wood-based decors and can be supplied in any single colour. This finish allows Krönung to complete its range of haptic surfaces.
The SBU Paper has succeeded in creating a melamine edging with a function layer for processing using laser technology. Customers who convert their systems to the latest laser technology are able to adjust their production processes to plastic and melamine edgings with ease. This edge offers customers various advantages including savings on adhesives and reduction of tooling and maintenance operations.
Alongside the trend towards tangible surfaces, the preference of consumers for single-colour surfaces and highly polished and super-matt materials has been confirmed over the past year. The SBU Plastics has developed a large number of products which take account of this trend. The development of a super-matt edging based on polypropylene (PP) has been a particular focus of attention. This edging features an exceptionally resistant surface. Lustrous edgings, similar to those created by mechanical action, are consequently almost impossible to form. A newly developed surface technology was used for this purpose which guarantees customers and refiners these advantages of specific surface resistance. New products based on PP and ABS (acrylonitrile butadiene styrol) were developed for high-gloss applications and their surface is virtually akin to a mirror. The product range is complemented by the 3D Duo-Gloss edgebanding, which was matured to series production during the period under review. It provides an appealing finish with a dual level of gloss on one edgebanding. This edgebanding can be applied particularly effectively with single colours to create very modern and expressive effects.
The conservation of resources and energy is becoming increasingly important. Vinylit Fassaden GmbH is cooperating with world-class partners like BASF and the Fraunhofer Institute, Freiburg, on a cladding system of the future with this precise aim in mind. The objective is to create a cladding system that stores heat energy from solar radiation and releases this heat into the building during the night.
Gislaved Folie AB in Sweden has developed an exterior foil based on plastic that can be used for roofs, garage doors and cladding. Initial trials have already seen this product successfully tested and it has the potential for use as a cost-effective and environmentally benign replacement for varnish.
The use of alternative raw materials and suppliers was able to safeguard certainty of supply and delivery capability for the companies of the Group at all times during the year under review. Research into alternative raw materials is being progressed in all development departments with the objective of ensuring supply and most importantly optimizing the product range even further.

AMERICA
of sales of the SURTECO Group



ENVIRONMENTAL PROTECTION

The performance of a company is not simply measured against economic data but also assessed in terms of a responsible approach to resources and the environment. SURTECO is well aware of this responsibility and has defined an environmentally sensitive approach to the natural foundations of life and efficient deployment of energy as a key corporate target. For example, the companies of SBU Paper have been playing a pioneering role in the market by offering the range with papers certified by the FSC (Forestry Stewardship Council). A sustainable approach to wood as a raw material based on environmental and social compatibility is being driven forward proactively. Certification

of the locations of BauschLinnemann GmbH in Sassenberg and Buttenwiesen, Kröning GmbH & Co. in Hüllhorst and BauschLinnemann UK Ltd. in Burnley/United Kingdom were completed or renewed during the year under review.
The management of the SBU Paper has decided to introduce an environmental management system based on the international DIN EN ISO 14001 standard in order to pursue a policy of continuous improvement of environmental aspects in operational workflows. This is to be capable of certification by mid-2012 and will serve to ensure sustainable environmental compatibility of the operational products and processes. A start has been made on setting up an internal energy management system conforming to the new international DIN EN ISO 50001 standard in parallel with environmental management. Systematic energy management will contribute to improving energy-related performance and to reducing emissions impacting on the climate. Concurrently, it will also lead to a reduction of energy costs.
The SBU Plastics has already received the "Greenguard Children and Schools" global label from the prestigious Greenguard Institute in Atlanta/USA. This certificate is only awarded to companies which comply with strict upper limits on chemical emissions. The research into this area was driven forward over the course of the past business year. This has enabled further additives to be replaced by more environmentally friendly systems which reduce emissions and ultimately lead to an improvement in the indoor environment.

PEOPLE AND TRAINING

At the end of the reporting year, the number of people employed in the workforce amounted to 2,005 and this corresponded to the level of the previous year (2010: 2,003 employees). The average number of people employed in 2011 was 2,050 employees, which exceeded the status at the year-end by 45 persons. The number of people employed at the end of the quarter on 30 June 2011 (2,076 employees) and on 30 September (2,075 employees) recorded employment highs; the final quarter then saw a significant decline in the number of employees to the initial level of 2011. Aside from taking fluctuating economic conditions into account and the continual process of restructuring and optimization measures implemented, the structure of the workforce and the reduction were mainly based on the rationalization of production and organization carried out at the Asian manufacturing facilities.
The average number of employees working in the Strategic Business Unit Plastics over the year amounted to 1,354 (2010: 1,317), while the figure for the Strategic Business Unit Paper was 678 (2010: 657) and the figure for SURTECO Holding was 18 (2010: 16). The average age at 42.7 years (2010: 42.0) and the average length of service in the company at 13.3 years (2010: 13.5) only varied slightly during the year under review. The sickness ratio at 3.3 % was only 0.1 percentage points above the level for the previous year. Fluctuation fell from 4.6 % in the previous year to 4.3 % in 2011. 32 employees celebrated their

EMPLOYEES BY REGIONS

Location	Employees 31/12/2010	Employees 31/12/2011	Change
Germany	1,306	1,304	-2
Sweden	125	125	-
Canada	128	124	-4
USA	78	93	+15
South and Central America	69	85	+16
Australia	81	83	+2
Asia	107	64	-43
United Kingdom	32	30	-2
Italy	26	26	-
Poland	23	23	-
France	14	19	+5
Turkey	14	17	+3
Russia	-	12	+12
	2,003	**2,005**	**+2**

10th anniversary with the company in 2011, 53 employees celebrated 25 years with the company, and four employees were saluted for 40 years of loyalty to the company.
Skilled personnel were trained at SURTECO in a range of technical and commercial vocations to ensure a steady stream of new employees in the workforce. On average over the year, the German companies employed 66 apprentices. The training ratio was therefore 5.1 %.
The health and safety management system at the companies BauschLinnemann and Bausch Decor was certified in 2011 (in conformity with OHSAS 18001). This tool focuses on the systematic interaction of key elements like integration of safety and healthcare within the company processes and their continuous improvement. This enables the company to contribute to a further improvement in healthcare and occupational safety that significantly exceeds statutory requirements.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT SYSTEM

SURTECO SE with its Strategic Business Units Plastics and Paper is exposed to a large number of risks on account of global activities and intensification of competition. A risk is deemed to be any circumstance that can prevent the SURTECO Group from attaining 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 and deploying derivative financial instruments, 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 Board of Management of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Board of Management works together with the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Board of Management and is responsible within this framework for risks that it enters into in the course of its business activities. The management includes the employees in the course of exercising their management functions. The Risk Management Manual applicable throughout the Group defines binding rules and conditions for the risk management process.
The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization of SURTECO and its subsidiary companies. There is no independent structural organization. In order to measure, monitor and control risks, SURTECO SE uses a detailed controlling system. The controlling system encompasses the key controlling parameters specific to the industry and sector. Apart from regular reporting to the Board of Management and 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 internally at regular intervals by the Board of Management and the managers of the subsidiary companies, and externally by the auditor. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.

ACCOUNTING-BASED INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM (ICS) – REPORT IN ACCORDANCE WITH § 289 (5) AND § 315 (2) NO. 5 GERMAN COMMERCIAL CODE (HGB)

The ICS comprises the accounting-based processes and controls which are significant for consolidated financial statements. The SURTECO Group bases the structure of its internal controlling system on the relevant publications of the Institute of Auditors (Institute der Wirtschaftsprüfer, IDW). There were no significant amendments to the account-based ICS between the balance sheet date and the preparation of the management report.
The preparation of the accounts and the financial statements is primarily carried out locally and in accordance with local standards. The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). A uniform chart of accounts and the use of an accounting manual form the basis for these documents. The Group holding company supports the companies as a central service provider on issues relating to accounting and manages the consolidated accounting process.
The subsidiary companies are included in the consolidated financial statements using an 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, four-eyes 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.

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

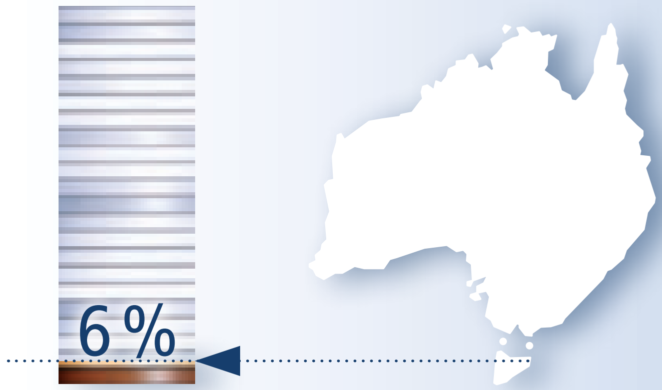
MACRO-ECONOMIC RISKS, MARKET RISKS AND MARKET OPPORTUNITIES

The development of the business of SURTECO depends significantly on macro-economic conditions on account of the group's global activities and the high proportion of foreign sales. The development of the furniture and construction industry in the relevant individual countries and markets correlates with the overall development of the Group. The economy of the individual countries and their furniture and construction industries developed in 2011 very differently, as was already the case in previous years. On the basis of the international profile of the Group, fluctuations could be balanced within individual markets.
A local profile and cost leadership are key factors for market position and economic success in the market for coating products for furniture and interior design. This entails a product portfolio tailored to the market and control of operating processes and costs. SURTECO has 15 production locations and 17 additional sales locations on four continents and this places the Group in the position of being able to supply its customers worldwide quickly as well as being able to identify trends in regional markets at an early stage.
The quantitative and qualitative findings are evaluated in a differentiated process of internal reporting. Any deviations from budgets, the fulfilment of plans and the occurrence of new monetary and non-monetary risks is highlighted and examined. Business management is then carried out on the basis of the findings obtained.
The growth in the global economy has eased significantly over the course of 2011. A downward slide into a moderate recession currently appears probable for some markets in Europe. The emerging economies will undoubtedly continue to grow – albeit at a significantly reduced pace. Meanwhile, the industrial nations look set to achieve low but stable growth.

COMPETITIVE RISKS AND OPPORTUNITIES

The entry of new local competitors and the long-standing increase in production depth with decorative printers have led to overcapacities which could exert a negative impact on revenues. The rising cost of raw materials will lead to an intensification of competitive pressure. SURTECO is countering the high pressure on prices by expansion and intensification of the existing business, innovative products, and not least a further increase in efficiency and productivity. Regional opportunities arise to a certain extent if local competitors become insolvent or leave the market.

AUSTRALIA
of sales of the SURTECO Group



OPERATING RISKS

PROCUREMENT RISKS

SURTECO is dependent on outsourcing from other providers for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks such as unexpected supply difficulties or unforeseeable price increases resulting from market bottlenecks or currency effects 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 analyzing the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications, arranging supply contracts, and detailed research into alternative raw materials. The continual increase in raw materials and energy costs presents a spiralling risk. Although growth in the global economy slowed down at the end of 2011, the costs for the relevant raw materials, technical papers and chemical intermediate products remained at a high level without the prospect of any easing of the situation in the short-term or medium-term. This is inevitably leading to additional costs in the manufacturing sector so that additional financial impacts can only be compensated by price increases.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and adaptation 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 are a top priority. Risks relating to the availability, dependability and efficiency of the IT systems are limited by the ongoing measures SURTECO adopts to harmonize our systems with prevailing conditions and requirements. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These measures also include implementation of uniform software systems within which all production-related and commercial aspects are integrated and processed efficiently.

PERSONNEL RISKS

The success of the company is closely associated with provision of qualified staff at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the capabilities of specialist and management staff. In order to safeguard the necessary qualifications in the relevant functions and countries, members of staff at SURTECO receive regular career training both inside the company and with external providers.

PRODUCTION RISKS

The continuous improvement process ensures that potential for efficiency increases can be identified and implemented continuously. Furthermore, production procedures, manufacturing technologies, machinery assets and workflows are continually being developed and optimized. Systems and equipment are maintained and serviced to a high standard and employees receive intensive training. If customers make complaints, the causes of complaint are carefully researched. The environmental safety of products and production is ensured by environmental officers.

FINANCIAL RISKS

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 risks which can only be hedged to a certain extent. Opportunities may result from correspondingly positive developments in the currencies.
Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. SURTECO meets the remaining interest and currency risks by hedging positions with derivative financial instruments, and regular and intensive analysis of a range of early-warning indicators.
Hedging of individual risks is discussed by the cen-

tral Treasury with the Board of Management and the responsible Managing Directors, and decisions are arrived at jointly.

LIQUIDITY RISKS

Corporate Treasury 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 high levels of free cash flow and the short payment targets mean that SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.
Nevertheless, there is a risk that earnings and liquidity can be compromised by default on accounts receivable and non-compliance with payment targets. The company counters this risk by regularly reviewing the credit rating of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and cover provided by appropriate trade credit insurance policies.

FINANCING RISKS

The refinancing of the Group and the subsidiary companies is generally carried out by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years (see also maturity structure in the Notes to the Consolidated Financial Statements item 23) and is structured with fixed interest rates. Repayment of significant long-term loans is not necessary in the business year 2012. The Group operates with a wide range of lenders comprising insurance companies and banks. Financial indicators, e.g. Interest Coverage Ratio and Net Leverage Ratio, were agreed with the lenders in the loan agreements and these have to be complied with by SURTECO SE. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with in the business year 2011.

FLUCTUATIONS IN VALUE FOR DERIVATIVES AND PARTICIPATIONS

The SURTECO Group recognizes goodwill in the balance sheet. The values in use of the cash generating units were assessed as being higher than the book values within the scope of the impairment test for the business year 2011. As a consequence, no impairments were carried out. However, the possibility that planned targets may not be reached in the future cannot be excluded; there may also be a requirement to carry out an impairment.
The derivative financial instruments concluded by the Group for hedging purposes and in order to reduce risks are valued on a monthly basis. If there are significant fluctuations in underlying values such as interest base rates and currency parities, this may exert a negative impact or improve the earnings of the Group. Item 28 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.

RISKS FROM CORPORATE GOVERNANCE/COMPLIANCE

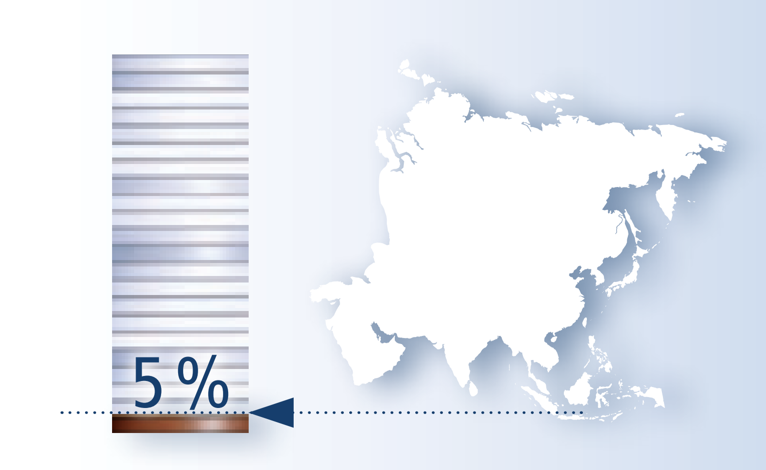
Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on sales and profitability.
The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty 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 products manufactured by the SURTECO Group acts to reduce risk. SURTECO is not currently involved in any court or arbitration proceedings that could exert a significant influence on the commercial situation of the Group.

OVERALL RISK ASSESSMENT

SURTECO regularly monitors the attainment of business targets and the risks and risk-limiting measures. The Board of Management and the Supervisory Board are informed of risks at an early stage. The risk early warning system was reviewed in the course of the audit of the annual financial statements by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. It meets all the statutory requirements for this kind of system.
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. Future risks posing a threat to the continued existence of the company as a going concern cannot currently be identified.
An overall analysis of all risks and opportunities demonstrates that the material influencing factors

for SURTECO come from the markets. These risks include developments in price and quantity caused by the economic cycle impacting on customer industries and sectors, and developments in the procurement markets.
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 and that are believed to be very low at the current point in time could also impact negatively on business activities.

ASIA
of sales of the SURTECO Group



INFORMATION PURSUANT TO § 289 AND § 315 GERMAN COMMERCIAL CODE (HGB)

CAPITAL STOCK

The unchanged capital stock of SURTECO SE amounts to € 11,075,522.00 and is divided into 11,075,522 no-par-value bearer shares (ordinary shares). Each share grants one vote at the Annual General Meeting of the company. Apart from statutory restrictions in specific cases, there are no restrictions on the voting right. There are no varying voting rights.

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

The Board of Management is authorized to increase the capital stock of the company once or in several stages by overall up to € 1,100,000.00 with the consent of the Supervisory Board by the issue of no-par-value bearer shares for a cash consideration (Authorized capital I) and once or in several stages by overall € 4,400,000.00 by the issue of no-par-value bearer shares for a cash or non-cash consideration (Authorized capital II). Reference is made to the notes to the consolidated financial statements (item 25) or the notes of SURTECO SE (item 5) for further information on the capital stock.

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Board of Management is aware that shareholders of SURTECO SE have joined together to form an association under civil law entitled "Share pool SURTECO". The objective of this pool is to jointly exercise the voting rights of 6,131,475 no-par-value shares in SURTECO SE (status 1 January 2012). Dispositions over shares in SURTECO SE are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

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

The following shareholders have notified us of a direct or indirect participation in our company that is greater than 10 % of the voting rights:

Name, Place	Voting rights in %
1. Mr. Claus Linnemann, Gütersloh	11.7990
2. Mr. Jens Schürfeld, Hamburg	11.9306
3. Klöpfer & Königer Management GmbH*, Garching	22.5965
4. Klöpfer & Königer GmbH & Co. KG*, Garching	22.5965

* The shares of the subsidiary company Klöpfer & Königer Management GmbH are attributable in the amount of 100 % to the parent company Klöpfer & Königer GmbH & Co. KG. The publication of the participation is obligatory for both companies, although the same shares are involved.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT

The appointment and dismissal of Members of the Board of Management 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).

"CHANGE OF CONTROL" CLAUSE

If there is a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the month specified following the month of their submitting the notice of termination. They are entitled to payment of the outstanding fixed annual remuneration for the remaining term of the contract as a lump sum and an amount in the sum of € 500,000 for each year of the contract term commenced for which a bonus has not yet been paid.

FOLLOW-UP REPORT

SURTECO took over the customer base of its French competitor Sodimo in Bohal in an asset deal with effect from 4 January 2012. This transaction was carried out through SURTECO France S.A.S and involved SURTECO intensifying its activities in the French market. We refer to the Notes to the Consolidated Financial Statements for further information on this matter (item 33).

On 28 March 2012, the Board of Management of Pfleiderer AG, Neumarkt, filed an application for the opening of insolvency proceedings. Since according to the assessment of the management of SURTECO SE, a loss of the entire value of the shares held in this company is to be assumed, a decision was taken to write off the remaining book value amounting to € 0.4 million on 31 March 2012.

Up to 10 April 2012, there were no other events of special significance that will exert an effect on the net assets, financial position and results of operations of SURTECO SE.

OUTLOOK REPORT

GLOBAL GROWTH IN 2012 BESET BY INCREASING RISKS

Economic experts have been assessing the prospects for the global economy in the year 2012 with increasing scepticism since the middle of 2011. The International Monetary Fund (IMF) regards the global economy as being subject to significant downturn risks on account of the unquantifiable effects of the financial crisis on the real economy, particularly in Europe. There are also risks of a massive loss in confidence if individual countries in the euro-zone are unable to meet their payments. However, if this scenario is kept at bay or develops in a positive direction, the IMF anticipates a gradual return of confidence to the markets accompanied by a gradual acceleration of economic growth in the second half of the year. Overall, the organization is forecasting global growth of 3.3 % for 2012.

The engine of the global economy will again be the developing countries and the emerging economies over the course of 2012 (+5.4 %). The experts are anticipating growth of 8.2 % for China. Conversely, the industrial countries will continue to be impacted negatively by the financial crisis. The IMF sees the economy of the euro-zone sliding into recession with 0.5 %, although positive growth of 0.3 % is still attributed to Germany for the year as a whole. A significant shrinkage in national output is being predicted

IMF GROWTH FORECASTS FOR 2012 IN %

World	3.3
Total for industrial countries	1.2
of which:	
USA	1.8
Euro-zone	-0.5
Germany	0.3
Japan	1.7
Total for emerging economies	5.4
of which:	
Central and Eastern Europe	1.1
Russia	3.3
China	8.2
India	7.0
Brazil	3.0

Source: International Monetary Fund (IMF), World Economic Outlook 24 January 2012

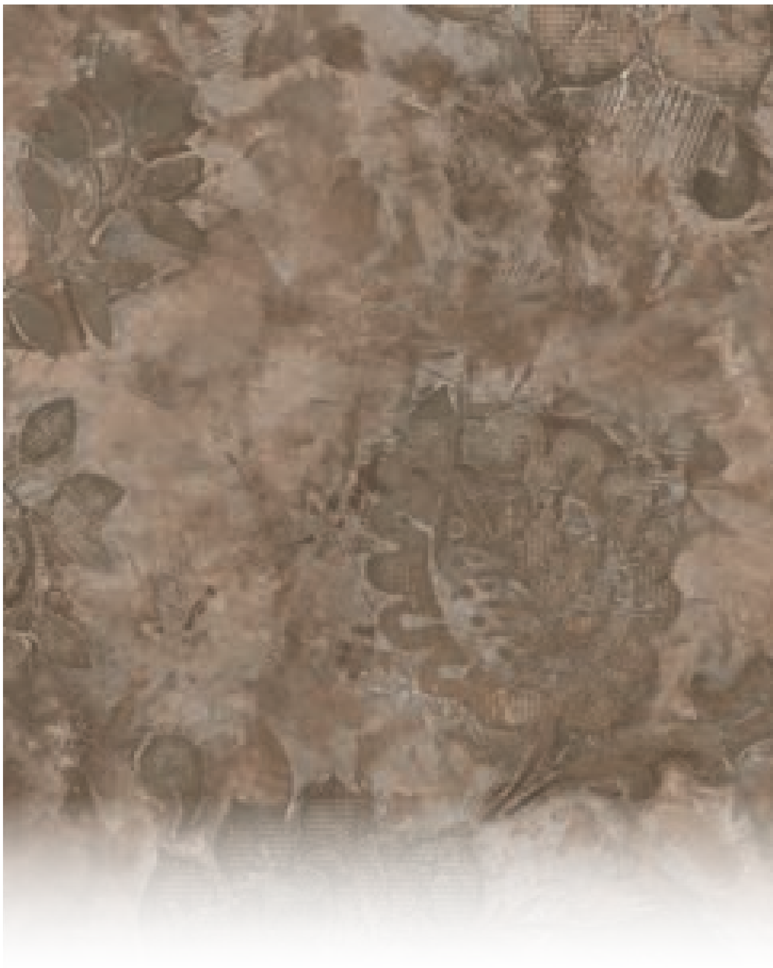
for some EU member states. The USA has reason to hope for growth of 1.8 % thanks to policies delivering financial support in the run-up to the presidential election. Japan's economy can expect an increase in economic output of 1.7 % in 2012 after the collapse following the catastrophe in 2011.
According to the IMF, the forecasts are however crucially dependent on the scope, pace and success of the necessary reforms in the heavily indebted industrial nations, particularly in the EU. Accordingly a global recession cannot be excluded if the framework conditions deteriorate.

FURNITURE AND WOOD-BASED INDUSTRY EXPECTS LOWER INCREASE IN SALES IN 2012

Although a low level of unemployment and stable consumption can be assumed in domestic households, the German furniture and wood-based industry is regarding the year 2012 with no more than cautious optimism. The associations of the German wood and furniture industries (VDM and HDH) are anticipating slight growth in sales in excess of two percent. An economic dip is expected during the first months of the year. The uncertainty pervading the markets in respect of the ongoing development of the debt crisis is clearly impacting more negatively on consumer behaviour than was originally assumed. However, risks of a recession in Germany have not been identified by the sector experts. The associations are projecting sound domestic sales for the year overall. The continued high level of investment in residential construction is likely to continue to play a supporting role. The low mortgage rates are a key growth driver here. Foreign business is expected to remain on an upward trajectory, even though growth rates in 2011 will probably not be achieved on account of slackening of demand in Europe. The Association of the German Furniture Industry (VDM) is anticipating that the German furniture industry will once again achieve sales at the pre-crisis level of 2008 with the growth forecast for 2012.

OUTLOOK FOR SURTECO

The company will continue to pursue the business strategy that has been adopted and will attempt to achieve long-term growth in sales. The business development in 2011 demonstrates that the strategic positioning continues to be successful.
However, signs are emerging that the furniture and construction industries will be subject to strong fluctuations over the short and medium term. The easing in growth that occurred in the sector during the second half of 2011 highlighted this. At the beginning of 2012, this development continued and we believe this situation is likely to continue well into the current business year.



Although sales revenues of the Group at the beginning of 2012 were at the level of the previous year, macroeconomic uncertainties and unpredictable markets mean that achieving sales in line with the previous year will be a major challenge.
The cost of materials continues to be under pressure. The trend of increasing prices for raw materials is likely to continue and these increases can only be passed onto the market with a time lag. The development of margins will therefore continue to be impacted into next year. After one-off effects in connection with an acquisition that ultimately failed to materialize and the expenses required for the SHAPE project, expenses from the current perspective are not expected at a level comparable to 2012. This also affects the financial result since the share package in Pfleiderer AG, Neumarkt, has been written off in the amount of € 0.4 million.
On the basis of the available facts and their cogent analysis, an improved development of earnings on the basis of EBIT appears possible for 2012 compared with the year under review.

CALCULATION OF INDICATORS

Cost of materials ratio in %	Cost of materials / Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation) / Net debt
Dividend yield at year end in %	Dividend per share / Year-end share price
Earnings per share in €	Consolidated net profit / Number of shares
EBIT margin in %	EBIT / Sales revenues
EBITDA margin in %	EBITDA / Sales revenues
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)
Gearing in %	Net debt / Equity
Interest cover factor	EBITDA / (Interest income - Interest expenses)
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities + long-term financial liabilities - Cash and cash equivalents
Personnel expense ratio in %	Personnel costs / Total output
Return on equity in %	Consolidated net profit / (Equity - Non-controlling interests - appropriation of profit)
Return on sales in %	(Consolidated net profit + Income tax) / Sales revenues
Total return on total equity in %	(Consolidated net profit + income tax + interest expense) / Total equity (= balance sheet total)
Value added in €	(Sales revenues + Other income) - (Cost of materials + Depreciation and amortization + Other expenses)
Value added ratio (net) in %	Value added (net) / Corporate performance
Working capital in €	(Trade accounts receivables + Inventories) - Trade accounts payable

THE SURTECO SHARE

TURBULENT YEAR ON THE STOCK MARKET WITH MAJOR FALLS IN SHARE PRICE

The performance of most stock exchanges during the year 2011 was dominated by the economic uncertainties and in particular by the debt crisis in key industrial countries. During the first half of 2011, overwhelmingly positive economic and business data initially generated a stable sideways movement in the markets. In March, the earthquake and tsunami catastrophe in Japan temporarily led to some stronger share price fluctuations. Around the middle of the year, the markets calmed down again and the key German stock index, the DAX, posted a half-year plus of around 7 %. From mid-July 2011, the financial crisis in Europe became the focus of investors. Speculation ranging from the potential inability of individual countries to meet their payment obligations to the collapse of the European Union was responsible for causing extreme uncertainty in the financial markets. Major collapses in share price were the result, which in turn led to European stock market indexes finishing the year 2011 overall in substantially negative territory. Although market sentiment at the year-end had stabilized once more to a certain extent, the performance of the EURO STOXX 50 on the last trading day of the year was at minus 17.5 %. In 2011, the German DAX benchmark index also brought severe price reversals and closed at 5,898 points; this corresponds to a fall of 14.7 %. The SDAX ended the trading year with similar losses (-14.5 %).

Share price performance 2011 in €

SURTECO SHARES LOSE ALL THE GAINS OF THE PREVIOUS YEAR IN 2011

After the SURTECO share price posted a robust increase in price of more than 32 % in 2010, the share was impacted in the business year 2011 by negative factors acting on the market and the ensuing negative development on the stock exchange. In 2011, SURTECO shares lost more than one third of their value and witnessed the loss of the gains that had been made in the previous year. During the first quarter of 2011, all the indicators had initially pointed to a further positive trajectory. Strengthened consumer confidence and positive stimuli from the furniture industry ensured that the share price surged forward to € 32.00 (26 January 2011). Following a solid sideways movement during the second quarter, the SURTECO share was unable to buck the general negative trend in the financial markets that set in after the middle of the year. Smaller shares on stock exchanges came under heavy pressure in the face of investors clamouring to sell shares. Depressed sales expectations in the furniture industry at the end of the year enhanced this effect. The SURTECO share therefore ended the year 2011 at a price of € 17.10.

MARKET CAPITALIZATION FOLLOWS NEGATIVE STOCK-EXCHANGE TREND

The slide in share price during the reporting period led to the market capitalization of the company coming down from € 292.6 million to € 189.4 million for an unchanged number of no-par-value shares of around 11.1 million. Nevertheless, SURTECO continues unwaveringly to maintain its objective of obtaining a listing in the SDAX over the medium term. In the ranking of Deutsche Börse AG, which relates to Prime Standard companies that are not included in the DAX30 or TecDAX, SURTECO was ranked in position 118 by market capitalization (based on free float) and in position 144 by trading volume at the end of 2011. SURTECO would have to be ranked in the top 110 in order to meet the two criteria for inclusion in the SDAX. The shareholder structure of the company continues to be stable. At the close of 2011, 77.4 percent of the shares were in the hands of the founding shareholders. The remaining 22.6 % were in free float.

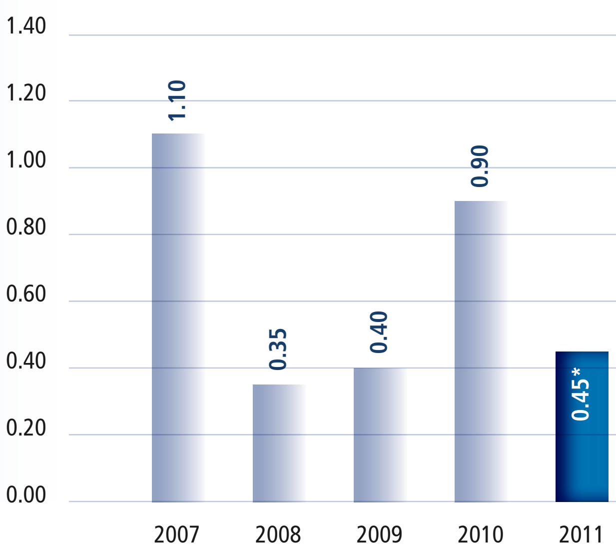
DIVIDEND OF € 0.45 PER SHARE

The Board of Management and the Supervisory Board will propose to the Annual General Meeting that a resolution should be passed for a dividend amounting to € 0.45 (2010: € 0.90) per share for the business year 2011. Based on the closing price for the year 2011, this produces a dividend yield of 2.6 %.

TRANSPARENCY IS THE FOCUS OF INVESTOR RELATIONS WORK

Open and transparent communication with all the players in the capital market is a top priority for the Board of Management of SURTECO SE. Personal interviews with investors and analysts, and presentations at capital market conferences in Germany and in the international arena are a regular feature on the agenda of the Investor Relations team. All information on the company can be accessed on the Internet pages of SURTECO SE (www.surteco.com). The Investor Relations Department can also be contacted directly at any time using the contact details printed on the back cover of the Annual Report.

Development of the dividend 2007-2011 in €



*Proposal by the Board of Management and Supervisory Board

SURTECO SHARES

€	2010	2011
Number of shares	11,075,522	11,075,522
Price at start of year	19.99	26.75
Year-end price	26.42	17.10
Price per share (high)	26.42	32.00
Price per share (low)	15.65	16.80
Stock-market turnover in shares per month	34,733	24,359
Market capitalization at year-end in € 000s	292,615	189,391
Free float in %	22.6	22.6

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

€ 000s	2010*	2011
Sales	388,793	408,809
EBITDA	62,547	56,116
EBIT	41,613	35,017
EBT	32,093	22,928
Consolidated net profit	21,754	12,484

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustments to the consolidated financial statements).

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2010	2011
Earnings	1.96	1.13
Dividend	0.90	(Proposal by the Board of Management and Supervisory Board) 0.45
Dividend yield at year-end in %	3.4	2.6

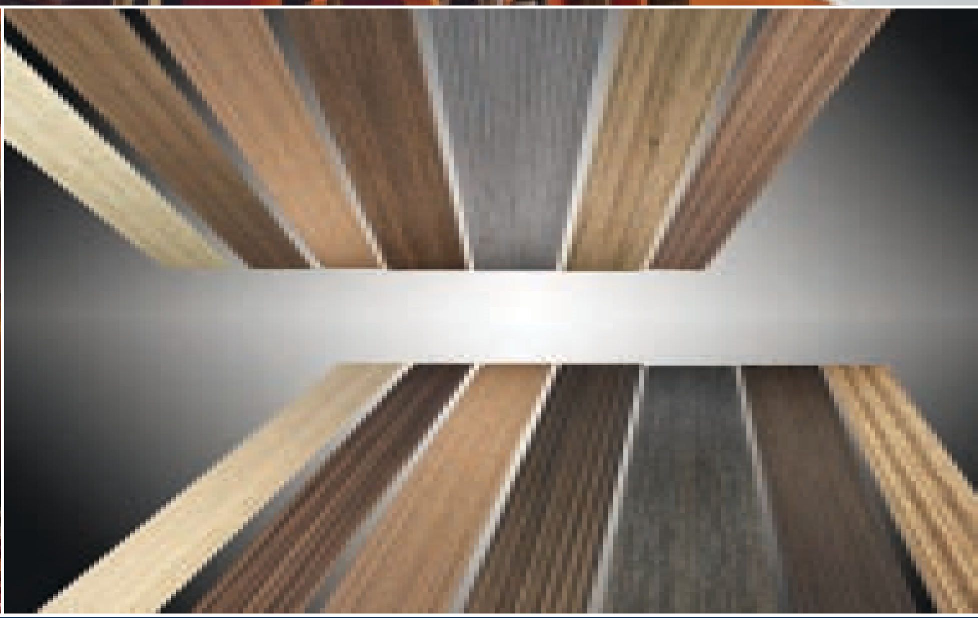
INDICATORS OF THE SHARE

Type of security	No-par-value share
Market segment	Official market, Prime Standard
WKN	517690
ISIN	DE0005176903
Ticker symbol	SUR
Reuter's ticker symbol	SURG.D
Bloomberg's ticker symbol	SUR
Date of first listing	2/11/1999

BauschLinnemann

EBH system at BauschLinnemann

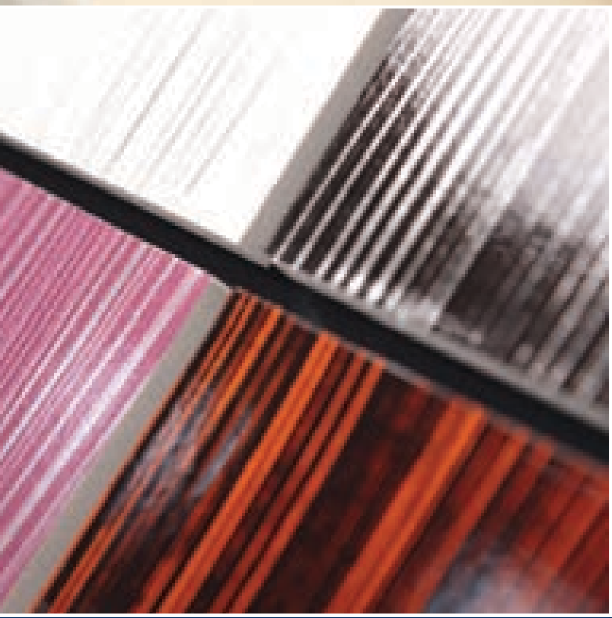
Buttenwiesen – Paper-based finished foils to the highest quality are manufactured at BauschLinnemann conventionally or with advanced Electron-Beam Hardening systems (EBH). Apart from the use of more environmentally friendly paint, the special feature of EBH technology is the hardening process that occurs when the accelerated electrons impact, which permits much higher production rates with significantly improved surface resistance of the foil. The system shown is located in Buttenwiesen-Pfaffenhofen and produces at a feed rate of 300 m/min and a paper width of 2.23 m.



Extrusion line at Döllken-Kunststoffverarbeitung

Gladbeck – The Döllken-Group produces high-quality plastic extrusions on 160 extruders located throughout the world. The top photo shows the extrusion of a edgebandings jumbo roll in a background colour. This roll is then printed with the desired decorative design. The diversity of colours, decorative designs and surface textures is virtually unlimited and is continually being extended.

Kröning



Printing system at Kröning

Hüllhorst – The printing systems at Kröning are tailored to the production of exceptional decorative surfaces. 13 processing stages offer the option of virtually unlimited design versions for decor and surface textures. The visual appeal and toughness of the products, and flexibility in delivering service are the hallmarks of Kröning.

DÖLLKEN
PROFILTECHNIK

Extrusion line at Döllken-Profiltechnik

Dunningen – Döllken-Profiltechnik has more than 50 years of experience with the manufacture of shutters for use in furniture and technical extrusions (profiles) of all types. If required, finish foils manufactured by peer company Kröning are applied to the roller-shutter systems that are ready to be installed. The same foil can also be applied to the furniture surface. This permits a perfect design match – as is evident in the photo at the right-hand side on the bottom.

Printing system at Bausch Decor

Buttenwiesen – Decor papers are produced on advanced rotogravure printing systems with a print width of up to 2.23 m. These papers are used for further processing within the Group as well as being supplied to external customers in the flooring and wood-based materials industry. The design portfolio of wood-based, stone and imaginative fantasy decorative designs as well as contemporary metallic colours is continually being expanded by new trendsetting designs created at the in-house creative design department.

DÖLLKEN
WEIMAR

Extrusion line at Döllken-Weimar

Nohra/Bönen – Döllken-Weimar GmbH, specialist for co-extrusion, is the leading producer of skirtings and flooring extrusions. Many decades of experience have been invested in the manufacture of the core skirting shown where a high-quality wooden core is wrapped in a robust plastic. This creates a perfect connection from floor to wall.

BauschLinnemann

Printing system at BauschLinnemann

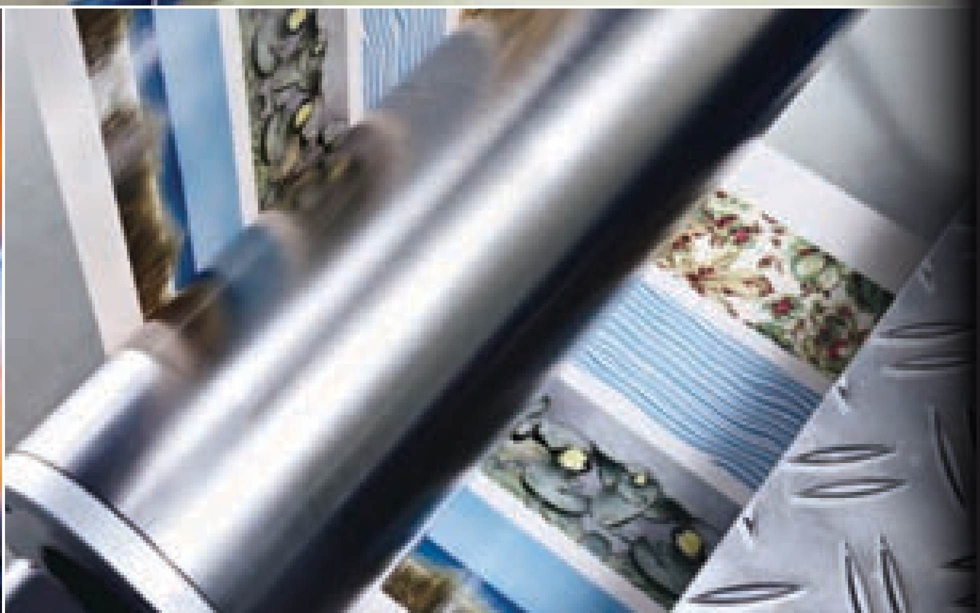
Sassenberg – The manufacture of melamine edgings is a multistage process. Lightfast specialist papers are impregnated with duroplast resins and printed with single colours, wood-based or imaginative fantasy decorative designs before being coated with an environmentally friendly layer of varnish. The visual appeal of the edgebanding can be perfectly matched to any flat surface decor. BauschLinnemann is the leading manufacturer of melamine edgebandings as a result of its experience and expertise in this area.

GISLAVED FOLIE AB

Foil calender Gislaved

Gislaved – Flat foils based on plastic round off the product range of the SURTECO Group. The polymer being processed is fed through rollers rotating in opposing directions in so-called calenders until the desired thickness of foil is achieved. After the calendering process has been completed, the foil can be printed with the desired design and embossed. The hardwearing resistance of the foils makes them ideal for use in particularly demanding areas such as panelling for ships' cabins.

BauschLinnemann



Digital printing at BauschLinnemann

Sassenberg – BauschLinnemann moved over to digital printing as a new form of production at an early stage. The company has gained a valuable knowledge base as a result of this experience. Modern digital printing allows customers' requirements for individual designs to be easily implemented in small batches. BauschLinnemann has played a pioneering role in the market with this emerging future-proof production technology.

Extrusion line at Vinylit

Kassel – Vinylit uses refined technology to produce cladding systems in a wide variety of product variants. The individual elements are extruded from plastic and then coated with natural stones or a wood-based look. Property developers have the option of saving energy in combination with insulation materials from Vinylit. They also have scope for applying designs to define their company's unique profile.

CONSOLIDATED FINANCIAL STATEMENTS 2011

CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2010*	1/1/-31/12/ 2011
Sales revenues	(1)	**388,793**	**408,809**
Changes in inventories	(12)	8,035	2,472
Own work capitalized	(2)	887	1,441
Total		**397,715**	**412,722**
Cost of materials	(3)	-175,324	-192,400
Personnel expenses	(4)	-100,068	-102,771
Other operating expenses	(5)	-63,524	-65,857
Other operating income	(6)	3,748	4,422
EBITDA		**62,547**	**56,116**
Amortization and depreciation	(15)	-20,934	-21,099
EBIT		**41,613**	**35,017**
Interest income		1,340	956
Interest expenses		-10,794	-9,898
Other financial expenses and income		-66	-3,147
Financial result	(7)	-9,520	-12,089
EBT		**32,093**	**22,928**
Income tax	(8)	-10,265	-10,542
Net income		**21,828**	**12,386**
Group share (consolidated net profit)		21,754	12,484
Non-controlling interests		74	-98
Basic and diluted earnings per share (€)	(9)	1.96	1.13

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

STATEMENT OF COMPREHENSIVE INCOME

€ 000s	1/1/-31/12/2010*				1/1/-31/12/2011			
Net income				**21,828**				**12,386**
Difference from currency translation								
Currency differences from hedges of a net investment	3,221				-642			
Tax effect	-955				189			
		2,266				-453		
Currency translation of foreign operations		6,869				1,313		
Change in the amount recorded in equity			**9,135**				**860**	
Actuarial gains/losses								
Change in actuarial gains/losses		-133				371		
Tax effect		39				-110		
Change in the amount recorded in equity			**-94**				**261**	
Financial instruments available for sale								
Market value of financial instruments available for sale		-5,602				0		
Change in market value of cash flow hedges	1,052				181			
Tax effect from change in market value of cash flow hedges	-310				-53			
Reclassification amounts in the income statement	-203				-213			
Tax effect on reclassification amounts	63				63			
		602				-22		
Change in the amount recorded in equity			**-5,000**				**-22**	
Other Comprehensive Income for the year				**4,041**				**1,099**
Comprehensive Income				**25,869**				**13,485**
Group share				25,795				13,583
Non-controlling interests				74				-98

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2010*	31/12/2011
ASSETS			
Cash and cash equivalents	(10)	62,395	66,739
Trade accounts receivable	(11)	41,293	40,837
Inventories	(12)	58,929	61,250
Current income tax assets	(13)	4,452	5,641
Other current assets	(14)	9,210	12,669
Current assets		**176,279**	**187,136**
Property, plant and equipment	(16)	164,055	160,200
Intangible assets	(17)	14,185	12,065
Goodwill	(18)	112,039	112,428
Investments in associated enterprises	(19)	1,773	1,804
Financial assets	(19)	4,125	638
Non-current tax assets	(13)	657	537
Other non-current assets		576	469
Other non-current financial assets	(23)	1,933	3,929
Deferred taxes	(8)	5,374	2,929
Non-current assets		**304,717**	**294,999**
		480,996	**482,135**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(23)	12,666	29,634
Trade accounts payable		22,918	20,117
Income tax liabilities	(20)	4,040	2,903
Short-term provisions	(21)	1,695	2,175
Other current liabilities	(22)	22,202	16,303
Current liabilities		**63,521**	**71,132**
Long-term financial liabilities	(23)	172,814	162,891
Pensions and other personnel-related obligations	(24)	10,400	9,876
Deferred taxes	(8)	21,292	21,732
Non-current liabilities		**204,506**	**194,499**
Capital stock		11,076	11,076
Capital reserve		50,416	50,416
Retained earnings		129,035	141,920
Consolidated net profit		21,754	12,484
Capital attributable to shareholders		**212,281**	**215,896**
Non-controlling interests		688	608
Equity	(25)	**212,969**	**216,504**
		480,996	**482,135**

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1/-31/12/ 2010*	1/1/-31/12/ 2011
Earnings before income tax and non-controlling interests		**32,093**	**22,928**
Payments for income tax		-9,503	-7,759
Reconciliation to cash flow from current business operations:			
- Depreciation on property, plant and equipment	(15)	20,934	21,099
- Impairment on investments	(7)	370	3,462
- Interest income and result from investments	(7)	9,464	8,942
- Income/losses from disposals of fixed assets		678	-821
- Change in long-term provisions		-224	-535
- Other expenses/income with no effect on liquidity		-197	-3,249
Internal financing		**53,615**	**44,067**
Increase/decrease in			
- Trade accounts receivable	(11)	-4,108	546
- Other assets		-1,150	-404
- Inventories	(12)	-13,551	-2,055
- Accrued expenses		-1,795	468
- Trade accounts payable		-5,830	-3,243
- Other liabilities		3,037	-1,771
Change in assets and liabilities (net)		**-23,397**	**-6,459**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(29)	**30,218**	**37,608**
Acquisition of consolidated companies		-939	0
Acquisition of non-consolidated companies	(19)	-20	0
Acquisition of property, plant and equipment	(16)	-10,069	-14,723
Acquisition of intangible assets	(17)	-3,423	-5,474
Proceeds from the disposal of property, plant and equipment		0	653
Dividends received		0	90
CASH FLOW FROM INVESTMENT ACTIVITIES	(29)	**-14,451**	**-19,454**
Dividend paid to shareholders	(25)	-4,430	-9,968
Repayment of long-term liabilities	(23)	-13,617	-12,724
Change in short-term financial liabilities	(23)	-12,546	17,545
Interest received	(7)	1,340	956
Interest paid	(7)	-10,680	-9,898
CASH FLOW FROM FINANCIAL ACTIVITIES	(29)	**-39,933**	**-14,089**
Change in cash and cash equivalents		**-24,166**	**4,065**
Cash and cash equivalents			
1 January		84,846	62,395
Effect of changes in exchange rate on cash and cash equivalents		1,715	279
31 December	(10)	**62,395**	**66,739**

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Capital reserve	Retained earnings				Consolidated net profit	Non-controlling interests	Total
			Fair value measurement for financial instruments	Other comprehensive income	Currency translation adjustments	Other retained earnings			
31 December 2009	**11,076**	**50,416**	**6,975**	**201**	**-12,644**	**126,172**	**9,239**	**380**	**191,815**
Adjusted on the basis of IAS 8*	**0**	**0**	**0**	**0**	**0**	**-519**	**0**	**0**	**-519**
1 January 2010	**11,076**	**50,416**	**6,975**	**201**	**-12,644**	**125,653**	**9,239**	**380**	**191,296**
Dividend payout	0	0	0	0	0	0	-4,430	0	-4,430
Net income	0	0	0	0	0	0	21,705	74	21,779
Acquisition of subsidiary companies	0	0	0	0	0	0	0	234	234
Actuarial gains/losses (net)	0	0	0	-94	0	0	0	0	-94
Market value of financial instruments	0	0	-5,000	0	0	0	0	0	-5,000
Currency differences from net investment in a foreign business operation	0	0	0	0	2,266	0	0	0	2,266
Currency translation	0	0	0	0	6,869	0	0	0	6,869
Reclassification to retained earnings	0	0	0	0	0	4,809	-4,809	0	0
31 December 2010	**11,076**	**50,416**	**1,975**	**107**	**-3,509**	**130,462**	**21,705**	**688**	**212,920**
Adjusted on the basis of IAS 8*	**0**	**0**	**0**	**0**	**0**	**0**	**49**	**0**	**49**
1 January 2011	**11,076**	**50,416**	**1,975**	**107**	**-3,509**	**130,462**	**21,754**	**688**	**212,969**
Dividend payout	0	0	0	0	0	0	-9,968	0	-9,968
Net income	0	0	0	0	0	0	12,484	-98	12,386
Actuarial gains/losses (net)	0	0	0	261	0	0	0	0	261
Market value of financial instruments	0	0	-22	0	0	0	0	0	-22
Currency differences from net investment in a foreign business operation	0	0	0	0	-453	0	0	0	-453
Currency translation	0	0	0	0	1,313	0	0	18	1,331
Reclassification to retained earnings	0	0	0	0	0	11,786	-11,786	0	0
31 December 2011	**11,076**	**50,416**	**1,953**	**368**	**-2,649**	**142,248**	**12,484**	**608**	**216,504**

*Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2011

I. ACCOUNTING PRINCIPLES

SURTECO SE is a company listed on the stock exchange under European law. The company is based in Buttenwiesen-Pfaffenhofen, Germany and is registered in the Company Register of the Local Court Augsburg (Amtsgericht Augsburg) under HRB 23000. The purpose of the group of companies consolidated in SURTECO SE and its subsidiaries is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2011 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 § 315a (1) 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 methods will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

Pursuant to § 315a 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 (IFRS) promulgated by the International Accounting Standards Board (IASB) and were supplemented by specific information and the consolidated management report was adjusted in conjunction with § 315a 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 (€ 000s).

The balance sheet date of SURTECO SE and the consolidated subsidiaries is 31 December 2011.

The consolidated financial statements and the consolidated management report for 2011 will be published in the Federal Gazette (Bundesanzeiger).

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

The auditors PricewaterhouseCoopers AG and other appointed auditing companies have audited the financial statements or the sub-groups that form part of the consolidated financial statements.

On 5 April 2011, the Board of Management of SURTECO SE approved the consolidated financial statements for forwarding to the Supervisory Board of the company. The Supervisory Board has the function of auditing the consolidated financial statements and declaring whether it approves the consolidated financial statements.

II. ACCOUNTING PRINCIPLES IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CHANCE IN ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods essentially correspond to the methods applied in the previous year.

During the business year, the following new and revised standards and interpretations listed below were applied for the first time and they lead to the following effects on the net assets, financial position and results of operations of the Group. Individual standards have also changed in the course of the Annual Improvement Project 2009-2010. The application of these amendments did not give rise to significant effects in the SURTECO Group.

Standard/Interpretation		Application, obligation for business years beginning on or from	Adoption by the EU Commission	Effects on SURTECO
IAS 24 (r)	Related persons and companies: Changes to disclosure requirements for companies which are controlled, jointly managed or significantly influenced by a government. Clarification of the definition of a related person	1/1/2011	yes	none
IAS 32	Reporting of specific subscription rights if the instruments issued are not denominated in the functional currency of the issuer	1/2/2010	yes	none
IFRS 1	Limited exemption for first-time users of comparative information in accordance with IFRS 7	1/7/2010	yes	none
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1/1/2011	yes	none
IFRIC 19	Extinguishing financial liabilities by issuing equity instruments	1/7/2010	yes	none
Changes due to the Improvement Project				
IAS 1	Presentation of financial statements: Clarification that the statements of changes in equity do not require separate disclosures for each individual item of other comprehensive income	1/1/2011	yes	none
IAS 27	Effect of amendments to IAS 27 on other IAS standards	1/7/2010	yes	none
IAS 34	Disclosures on material events and business transactions in interim financial statements	1/1/2011	yes	none
IFRS 3	Business combinations - Transition regulations for contingent purchase price payments - Valuation of non-controlling interests - Reporting profit-sharing bonus payments that are not replaced or are voluntarily replaced	1/7/2010	yes	none
IFRS 7	Clarification on disclosures relating to the risks arising from financial instruments	1/1/2011	yes	none
IFRIC 13	Customer loyalty programmes: Calculation of fair value	1/1/2011	yes	none

The following new and revised standards and interpretations, which were not yet mandatorily applicable in the reporting period or were not yet adopted by the European Union, were not applied in advance. SURTECO SE is investigating the resulting effects from these revisions on the consolidated financial statements.

Standard/Interpretation		Application, obligation for business years beginning on or from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 1	Presentation of individual items of other comprehensive income	1/7/2012	no	possible
IAS 12	Deferred taxes: Recovery of underlying assets of the deferred taxes	1/1/2012	no	none
IAS 19	Employee benefits: Abolition of the corridor method	1/1/2013	no	none
IAS 27	Revisions of the standards for separate financial statements	1/1/2013	no	none
IAS 28	Revised regulations for joint-ventures companies and associated enterprises	1/1/2013	no	possible
IAS 32	Offsetting of financial assets and liabilities – amendment of IAS 32	1/1/2014	no	none
IFRS 1	Presentation of financial statements for serious hyperinflation	1/7/2011	no	none
IFRS 7	Disclosure for transfer of financial assets	1/7/2011	no	none
	Disclosure to offsetting financial assets and financial liabilities	1/1/2013	no	none
IFRS 9	Financial instruments: classification and valuation	1/1/2015	no	yes
IFRS 10	Consolidated financial statements: Introduction of a uniform consolidation model for all companies which is based on control of the subsidiary company by the parent company	1/1/2013	no	none
IFRS 11	Modified definition for joint arrangements between companies	1/1/2013	no	possible
IFRS 12	Disclosures on interests in companies based on based on amendments to the regulations on consolidated accounting	1/1/2013	no	none
IFRS 13	Definition and determination of the fair value and explanations on which disclosures have to be made	1/1/2013	no	none
IFRIC 20	Stripping costs in the production phase of a surface mine	1/1/2013	no	none

III. CONSOLIDATED COMPANIES

SURTECO SE and all significant companies (including special-purpose entities), in which SURTECO SE has a controlling influence, are included in the consolidated financial statements on 31 December 2011. A controlling influence is exerted if SURTECO SE directly or indirectly holds more than one half of the voting rights in the company or has the possibility in some other way of exercising a dominant influence over the finance and business policy of a company in such a manner as to derive a benefit from the activity of these companies. Potential voting rights that can be currently exercised or converted are also taken into account when assessing a controlling influence. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which the control exists until it is no longer possible to exercise such control.

Joint-venture companies were included proportionately in the consolidated financial statements. Associated enterprises are included in accordance with the equity method.

Two companies are not included in the consolidated financial statements for 2011 (2010: three companies) on the grounds that they either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

The companies included in the consolidated financial statements at 31 December 2011 and the information on subsidiaries and participations held directly and indirectly by SURTECO SE are included in the list under "SURTECO Holdings". The annual financial statements and the management report of SURTECO SE for the business year 2011 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

Apart from SURTECO SE, the following companies are included in the Group:

	31/12/10	Additions/ Disposals	Reorganization within the Group	31/12/2011
Consolidated subsidiaries				
- of which in Germany *	13	0	0	13
- of which abroad **	23	0	1	24
Subsidiaries reported at acquisition costs				
- of which abroad	3	0	-1	2
Companies accounted for using the equity method				
- of which in Germany	1	0	0	1
	40	**0**	**0**	**40**

* of which 2 special-purpose entities

** of which 2 proportionately consolidated companies

IV. USE OF § 264 (3) GERMAN COMMERCIAL CODE (HGB) OR § 264B HGB

The exemption regulations pursuant to § 264 (3) German Commercial Code (HGB) or § 264b German Commercial Code (HGB) were applied for the following subsidiary companies included in the consolidated financial statements, releasing them from the requirement to draw up their management report and to disclose their annual financial statements:

Name	Registered office
Bausch Decor GmbH	Buttenwiesen-Pfaffenhofen
BauschLinnemann GmbH	Sassenberg
Kröning GmbH & Co.	Hüllhorst
W. Döllken & Co. GmbH	Gladbeck
Döllken-Kunststoffverarbeitung GmbH	Gladbeck
Vinylit Fassaden GmbH	Kassel
Döllken-Profiltechnik GmbH	Dunningen
Döllken-Weimar GmbH Profile für den Fachmann	Nohra

V. CONSOLIDATION PRINCIPLES

The financial statements of the domestic and foreign subsidiaries included in the consolidation have been prepared on the basis of the accounting and valuation methods uniformly applicable – which have remained fundamentally unchanged compared to the previous year – to the SURTECO Group in accordance with IAS 27.

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

The balance sheet date of the consolidated financial statements coincides with the balance sheet date of the financial statements for all individual companies included in the consolidated financial statements (31/12/2011).

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. Assets, liabilities and contingent liabilities identified in the course of a business combination were valued for first-time consolidation at their fair values at the time of acquisition. For each business acquisition, the Group decides on an individual basis whether the non-controlling interests in the acquired company should be recognized at the fair value or on the basis of the proportionate share in the net assets of the acquired company. Costs relating to the acquisition are charged to expenses if they are incurred.

Any remaining positive netting difference between the purchase price and the identified assets and liabilities is reported as goodwill.

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

The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity capital as "non-controlling interests". Non-controlling interests are calculated on the basis of their share in the identifiable net assets of the assets and liabilities attributable to them.

In accordance with IFRS 3 and in conjunction with IAS 36 and IAS 38, goodwill arising from company acquisitions is not subject to scheduled amortization, but is subject to an annual impairment test if there is any evidence of a reduction in value.

Investments in associated enterprises are valued at the equity method. An associated enterprise is a company over which the Group can exert a significant influence by influencing the finance and business policy but where the Group does not exercise control. A significant influence is assumed if the Group has a share of the voting rights amounting to 20 % or more. Reporting in the balance sheet is at acquisition costs plus any changes in the share of the Group in the net assets of the associated enterprise which have occurred after the acquisition. The goodwill of the associated enterprise is included in the book value of the share and is neither subject to scheduled amortization nor to a separate impairment test. The total book value of the share is audited for impairment as a single asset in accordance with IAS 36, by always comparing its recoverable amount with the book value, if there are indications in the application of IAS 39 that the participation could be impaired. The income statement includes the share of the Group in the success of the associated enterprise.

If a Group company carries out significant transactions with an associated company, any resulting unrealized gains or losses are eliminated in accordance with the share of the Group in the associated company.

The business year of an associated enterprise ends at a differing closing date (30 September). Interim financial statements are therefore available at 31 December 2011. Adjustments to uniform consolidated accounting and valuation methods are carried out as necessary. Proportionate gains and losses are reported in the consolidated balance sheet as a change in book value and in the income statement for the group under the item "Results from associated enterprises". Any dividends reduce the book value.

The Group is involved in joint ventures in the form of jointly managed commercial activity carried out by the relevant company. There are contractual agreements between the partner companies for jointly managing the commercial activity of the relevant company. The Group reports its shareholdings in joint ventures using proportionate consolidation. The Group records its shares in the assets, liabilities, income and expenses of the joint venture under the appropriate items in the consolidated financial statements.

Receivables, liabilities and loans between the Group companies are netted. Differences arising from debt consolidation are included in the income statement.

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

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

In addition, sureties and guaranties, which SURTECO SE or one of its subsidiaries assumes in favour of other consolidated companies, are eliminated.

Intercompany trade accounts are accounted for on the basis of market prices and on the basis of accounting prices that are determined according to the principle of "dealing at arm's length".

VI. CURRENCY TRANSLATION

In the financial statements of the companies, business transactions in foreign currency are reported at the price on the date of first-time reporting. Exchange gains and losses arising from the valuation of receivables or liabilities up to the balance sheet date are reported at the price on the balance sheet date. Gains and losses arising from changes in price 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).

Foreign subsidiaries included in the consolidated financial statements draw up their individual financial statements in the relevant local currency. These financial statements are translated into euros in accordance with IAS 21, based on the concept of the functional currency. Because all consolidated companies transact their business autonomously from a financial, commercial and organizational perspective, the relevant national currency is the functional currency. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the balance sheet 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 the income statement under shareholders' equity in retained earnings (currency differences).

Loans in foreign currencies to subsidiary companies of the Group, which meet the requirements for a net investment in a foreign business operation, are reported as such in the SURTECO Group for the first time during the year under review. These are directed towards presenting the unrealized gains and losses arising from the currency translation of loans within the Group in equity with no effect on income until the disposal of the net investment.

Translation was based on the following currency exchange rates:

Exchange rates in euros		Rate on the balance sheet date		Average rate	
		31/12/2010	31/12/2011	31/12/2010	31/12/2011
US dollar	USD	0.7470	0.7730	0.7548	0.7190
Canadian dollar	CAD	0.7485	0.7577	0.7330	0.7271
Australian dollar	AUD	0.7595	0.7865	0.6938	0.7419
Singapore dollar	SGD	0.5826	0.5947	0.5541	0.5717
Swedish krona	SEK	0.1114	0.1121	0.1048	0.1108
Sterling	GBP	1.1604	1.1949	1.1660	1.1527
Turkish lira	TRY	0.4831	0.4127	0.5004	0.4293
Polish zloty	PLN	0.2521	0.2241	0.2500	0.2430
Russian ruble	RUB	0.0244	0.0240	0.0248	0.0245
Chinese renminbi	CNY	0.1140	0.1227	0.1121	0.1110

VII. ACCOUNTING AND VALUATION PRINCIPLES

UNIFORM ACCOUNTING AND VALUATION METHODS

The annual financial statements of all the companies included in the consolidated financial statements were prepared in accordance with IAS 27 on the basis of the classification, accounting and valuation policies applied uniformly in the SURTECO Group.

CONSISTENCY OF ACCOUNTING AND VALUATION METHODS

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. Insofar as assets and liabilities have a current and a non-current share, this is divided into its term components and recognized in accordance with the classification scheme for the balance sheet as current or non-current assets and liabilities.

INCOME AND EXPENSE REALIZATION

Income is 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 received.

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

- The Group has transferred the material risks and opportunities arising from ownership of the goods to the purchaser.
- The Group retains neither a right of disposal, of the kind that is normally associated with ownership, nor an effective power of disposal over the sold goods and manufactured products.
- 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 in connection with the sale can be reliably determined.

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

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

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.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the proportion of the share in the net income attributable to the shareholders of SURTECO 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.

FINANCIAL INSTRUMENTS

In accordance with IAS 39, a financial instrument is a contractually agreed claim or a contractually agreed obligation from which an inflow or outflow of financial assets or financial liabilities or the issue of equity capital rights results. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, financial receivables, 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.
Financial instruments are reported on the settlement date.

a) Determination of the fair value

The fair value of financial instruments is equivalent to the amount which the Group would receive or pay, if it wanted to exchange or settle the financial instruments on the balance sheet date. If market prices are quoted on the markets for financial instruments, these values are used. This relates in particular to financial instruments which are classified as available for sale. Otherwise, the fair values are calculated using valuation methods including the Discounted Cash Flow Method. The input parameters entered in the model are based as far as possible on the analysable market data. If this is not possible, the determination of the fair value is to a certain extent a decision of judgment. Decisions of judgment relate to input parameters such as liquidity risk, risk of default and volatility. Changes in assumptions relating to these factors could exert an effect on the fair value of financial instruments recognized. The fair value of derivatives is based on external valuations by our financial partners.

b) Primary financial instruments

Primary financial instruments are reported on first-time recognition at the fair value taking into account transaction costs. Transaction costs which are incurred during the acquisition of financial assets valued at cash-effective fair value are recorded directly to expense.

For purposes of subsequent valuation in accordance with IAS 39, financial assets are allocated to one of four categories in accordance with their relevant purpose. The allocation is reviewed on each balance sheet date and influences recognition as current or non-current assets as well as defining the valuation as being at amortized acquisition costs or fair values:

1. Changes in fair value of financial assets "valued at fair value through profit and loss" (held for trading) – which accordingly are classified "as held for trading" at first-time recognition – are immediately reported in the income statement. They are also reported as current assets if they are likely to be realized within twelve months of the balance sheet date.
2. "Financial assets held to maturity" – which include fixed or determinable payments at the date of first-time recognition and have a fixed maturity and are to be held until that point – are reported at amortized acquisition costs and recognized in accordance with their remaining term as non-current or current assets. Impairments are recorded in the income statement with an effect on earnings.
3. "Loans and receivables" – which have fixed or determinable payments and are not listed in an active market are valued at amortized acquisition costs taking into account necessary impairments. Insofar as they did not arise as a result of supplies and services, they are recognized in the balance sheet under other financial assets in accordance with their maturity as non-current or current assets.
4. "Financial assets available for sale" – which are designated at the date of first-time recognition as available for sale – are insofar recognized at current value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized under equity capital (market valuation of the financial instruments). A calculation is carried out on every balance sheet date to determine whether there is objective evidence to suggest that an impairment of an asset or a group of assets has been incurred. In the case of equity instruments listed on a stock exchange, a permanent decline in the current

value by more than 20 % in the six months prior to the balance sheet date or on a daily average by more than 10 % in the previous twelve months before the balance sheet date below the purchase costs would amount to objective evidence. If a sale or impairment is carried out on the balance sheet date, the fluctuations in value recognized up to that point under equity capital are recognized in the income statement. Impairments for equity instruments are not reversed with effect on income; an increase in the fair value after a reduction in value is recorded directly under equity. If no fair values are available, for example for financial assets of non-consolidated companies and participations, the assets are recognized at acquisition costs as appropriate less impairments. Financial assets available for sale in the SURTECO Group include solely equity instruments and securities.

The liabilities arising from primary financial instruments can either be recognized at their amortized acquisition costs or as "liabilities valued at fair value through profit and loss". SURTECO values all financial assets at amortized acquisition costs. Liabilities arising from finance leasing are recognized at the present value of leasing rates on the basis of the interest rate applied when the leasing contract was concluded. The financial obligations with fixed or determinable payments, which are neither listed on a market arising from financial liabilities nor derivative financial obligations, are recognized in the balance sheet under other liabilities in accordance with their remaining term.

c) Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as forward exchange contracts and interest 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 at the fair value on the date at which the contract is closed and subsequently valued at the fair value on each statement date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

The fair value of forward exchange contracts is calculated on the basis of the current forward exchange rates for contracts with similar maturity structures. The fair value of interest swap contracts is calculated on the basis of market values for similar instruments.

For purposes of reporting hedging relationships, 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.

At the beginning of the hedging transaction, the hedging relationship between the underlying transaction and the hedging transaction and the risk management targets and Group strategy are formally defined and documented as risk management objectives and strategies 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. Hedging relationships of this nature are assessed as being highly effective in relation to achieving compensation for the risks arising from changes in the fair value or cash flow. They are continuously assessed on the basis of these terms of reference to ascertain whether they were highly effective during the entire reporting period for which the hedging relationship was defined.

Hedging transactions which meet the criteria for the reporting of hedging relationships are designated by the SURTECO Group during the business year 2011 as being exclusively cash flow hedges.

The effective proportion of profit or loss arising from a hedging instrument is recorded directly in equity. The amounts reported in equity are transferred during the period to the income statement in which the hedged transaction affects the result for the period, e.g. if hedged financial income or expenses are reported or if an anticipated sale is carried out. If planned transactions are hedged and if these transactions lead to the recognition of a financial asset or financial liability during subsequent periods, the amounts recorded up to this date in equity should be released and included in income during the period in which the asset or the liability influences the result for the period. If a hedging transaction results in recognition of a non-financial asset or a non-financial liability, the amounts recorded in equity become part of the acquisition costs at the date of addition of the non-financial asset or non-financial liability.

If the occurrence of the planned transaction or fixed obligation is no longer anticipated, the amounts recorded in equity capital are recorded immediately in the income statement. If the hedging instrument matures, comes to an end or is exercised without a replacement or roll-over of the hedging instrument into another hedging instrument, the amounts recorded so far in equity capital remain as separate items under equity until the anticipated transaction has also been included in the income statement.

Derivative financial instruments where the requirements for a hedging relationship are not met are designated as being part of the trading portfolio. Any changes in fair value for these instruments are recorded immediately with an effect on earnings.

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. They are valued at fair value.

Receivables and other financial assets are reported at face value with the exception of derivative financial instruments. Impairments are carried out in accordance with the default risks anticipated in individual cases. The determination of the requirement for specific allowances is carried out on the basis of the age structure of the receivable and the knowledge of the credit risk and risk of default associated with specific customers. A flat-rate individual value adjustment on receivables takes adequate account of the general credit risk. Trade accounts receivable with standard commercial payment terms are recorded at face value, less bonuses, discounts and impairments. The Group sells trade accounts receivable in the context of factoring. The receivables are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred.

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 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 conditions of IAS 38.57 for capitalizing as assets are complied with.

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. A fixed value is calculated to cover spare parts for machinery.

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 direct 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 (**repair and maintenance costs**) are included in the book value of the 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 recognized. All other maintenance and repair costs are immediately recognized under income.
A fixed asset (property, plant and equipment) is either derecognized as a disposal 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 transactions are either classified as finance leasing or as operate leasing. Commercial ownership in lease items should be assigned to the lessee in accordance with IAS 17, if the lessee carries all major rewards and risks associated with the item (finance leasing). If commercial ownership should be assigned to the enterprises of the SURTECO Group, the lease item is capitalized as an asset in the amount of the fair value or the lower cash value of the future leasing rate at the point in time at which the contract was concluded and the reporting of the corresponding liabilities to the lessee as a debt. Depreciation and repayment of the liability is effected according to schedule over the useful life or over the term of the lease, if this is shorter – corresponding to comparable items of property, plant and equipment acquired. The difference between the entire leasing obligation and the market value of the leased item corresponds to the finance costs that are distributed over the term and included in income, so that a uniform interest rate is applied to the remaining debt over the period. All other lease agreements, where SURTECO is the Lessee, are treated as operate leasing, with the consequence that the leasing rates are reported to expenditure when they are paid. When amendments are made to finance leasing contracts, an adjustment of the present value and book value of the leasing liability is made with respect to the book value of the leasing object with no effect on the income statement.

Intangible assets acquired free of charge for a consideration have been capitalized as assets at acquisition cost and amortized over their limited useful life using the straight-line method.

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

	Years
Intangible assets	3-10
Buildings	40-50
Improvements and fittings	10-15
Technical plant and machinery	3-30
Factory and office equipment	6-13

The shares in unconsolidated companies recorded under financial assets are recognized at acquisition costs because fair values are not available and other valuation methods do not yield reliable results. Associated enterprises are recorded with their proportionate equity capital using the equity method. If there are indications that associated companies will be subject to impairments, an impairment test will be carried out on the book value of the affected participation.

On each balance sheet date, the Group checks the book values of intangible assets and property, plant and equipment in order 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 discounting rate before 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, with the exception of goodwill, on every balance sheet date, in order 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, which is allocated goodwill, is subjected to an annual impairment test. Reference is made to our comments under item 18 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 if there is evidence of a potential reduction in value at other points in time.
If goodwill or intangible assets, for which no future own cash flows can be identified on an individual basis, are to be allocated to the 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 net asset values 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 value in use, the present value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit and their disposal at the end of the useful life, are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.
The cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account regional allocations on the basis of strategic business units. The cash generating units of the SBU Plastics are the operating divisions under the reportable segment or in the case of the SBU Paper the reportable segment.

In the cases in which the net asset value of the cash generating unit is higher than their recoverable amount, the difference amounts to an impairment loss. The goodwill of the affected Strategic Business Unit is amortized in the amount of the impairment thus determined as affecting expenses in the first stage. Any remaining residual amount is distributed to the other assets of the relevant Strategic Business Unit proportionately to the book value. Any impairment 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 tax refund claims and tax liabilities for the current and earlier periods are measured at the amount of the expected refund by the tax authority or the payment to the tax authority. They also include tax relief claims arising from the anticipated utilization of existing losses carried forward in subsequent years and where there is sufficient likelihood that they will be realized. The calculation of the amount is based on the tax rates and tax regulations that are applicable on the balance sheet date.

Deferred tax are determined 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 liabilities are reported for all taxable temporary differences, with the exception of:

- deferred tax liabilities 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
- deferred tax liabilities arising from the taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, associated enterprises and shares in joint ventures, if the temporal reversal of the temporary differences can be controlled and it is unlikely that the temporary differences will not be reversed in the foreseeable future.

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 income 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

- deferred tax assets comprising 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 neither influences the result for the period nor the taxable earnings, and
- deferred tax assets arising from temporary differences which occur in conjunction with shareholdings in subsidiary companies, associated enterprises and shares in joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future and no appropriate taxable earnings will be available against which the temporary differences can be used.

The book value of the deferred tax assets is audited on each balance sheet date and 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 balance sheet 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 balance sheet date, are used as the basis for calculation. Future changes in tax rates should be taken into account on the balance sheet date, insofar as material requirements for effectiveness are fulfilled pursuant to a legislative procedure.

Deferred taxes that relate to the items that are reported directly under equity are not reported in the income statement but are also recorded under equity. Deferred tax assets and deferred tax liabilities are offset, if the Group has a 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 1.70, deferred taxes are recognized as long term.

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

Pensions and other personnel-related obligations include obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards. The pension institutions were closed in the past. New employees will be offered a company pension plan through an external support scheme and pension scheme; they will not receive any pension commitments from the company.

Pension accruals are valued using the projected unit credit method in accordance with IAS 19. This method recognizes the pensions and projected unit credits acquired on the balance sheet date. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The calculation has been carried out using actuarial methods taking into account biometric accounting principles. The expense of allocating pension accruals, including the interest portion contained therein, is reported under "Personnel expenses". Actuarial gains or losses from defined benefit plans are reported under equity capital with no effect on income (Other comprehensive income).

Provisions for long-service bonuses are calculated on the basis of actuarial methods. In the case of phased retirement contracts that have been concluded, the full amount of the promised increases is set aside and the wage and salary payments to be paid during the passive phase of phased retirement are collected in instalments.

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

	2010	**2011**
Interest rate	4.72 %	4.93 %
Salary increases	2.00 %	2.00 %
Pension increases	2.00 %	2.00 %
Fluctuation rate	0.00 %	0.00 %
Expected yield from plan assets	4.75 %	4.75 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a uniform 5.00 % (2010: 4.75 %). Different interest rates were applied as necessary for similar other personnel-related obligations with shorter terms.

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 a large number of 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. Reserves for warranty claims are formed on the basis of previous or estimated future claims. Other reserves 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 recognized with rights of recourse. Provisions for restructuring measures are formed, to the extent that a detailed, formal restructuring plan has been drawn up and this has been communicated to the relevant parties.

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 other personnel-related obligations, 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

Reporting on the business segments is of a type and scope that 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 Board of Management of SURTECO was defined as the main decision-maker.

Decisions of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires up to a certain level decisions of judgment, 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 judgment and estimates relate to the definition of the period of use of fixed assets, the determination of discounted cash flows within the scope of impairment tests and purchase price allocations, accrual of cash generating units, the formation of provisions for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

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, which have to be based on estimates, do not necessarily exert significant effects on reporting. There is only the possibility of significant effects. The most important accounting and valuation principles are described in the notes to the consolidated financial statements.

VIII. ADJUSTMENT TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8

A non-standard accounting treatment of special-purpose leasing companies made in the course of drawing up the consolidated financial statements as at 31 December 2011 was adjusted retroactively to 31 December 2009. Receivables arising from lessee loans with respect to special-purpose leasing companies were recognized which have to be eliminated when the companies are consolidated. In this connection, the financial liabilities were recognized at a too high level. The leasing liabilities are to be recognized as financial liabilities in the Notes to the Consolidated Financial Statements. The special-purpose entities are to be recorded in the "SURTECO Holdings" list. All disclosures were adjusted in the financial statements. The adjustment was carried out in accordance with IAS 8.41 ff. on the basis of a restatement within the equity capital of the SURTECO Group with no effect on the income statement as at 2010. The presentations of the figures provided for purposes of comparison in the income statement were also adjusted for the corresponding business years.

All effects on the opening balance sheet as at 1 January 2010, the closing balance sheet as at 31 December 2010 and on the statement of comprehensive income for the business year from 1 January to 31 December 2010 are enclosed in this section. A third adjusted balance sheet was not produced on reason of materiality.

Effects of the adjustment on the consolidated balance sheet as at 1 January 2010:

[€ 000s]	Status before adjustment 31/12/2009	Adjustment in accordance with IAS 8	Status after adjustment 1/1/2010
ASSETS			
Current assets	**177,917**	**0**	**177,917**
Property, plant and equipment	167,223	0	167,223
Intangible assets	8,636	0	8,636
Goodwill	109,721	0	109,721
Investments in associated enterprises	1,614	0	1,614
Financial assets	10,074	0	10,074
Non-current tax assets	801	0	801
Other non-current assets	1,157	-749	408
Other non-current financial assets	0	0	0
Deferred taxes	4,533	222	4,755
Non-current assets	**303,759**	**-527**	**303,232**
	481,676	**-527**	**481,149**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	**74,098**	**0**	**74,098**
Long-term financial liabilities	181,444	-8	181,436
Pensions and other personnel-related obligations	10,443	0	10,443
Other non-current financial liabilities	2,802	0	2,802
Deferred taxes	21,074	0	21,074
Non-current liabilities	**215,763**	**-8**	**215,755**
Capital stock	11,076	0	11,076
Capital reserve	50,416	0	50,416
Retained earnings	120,704	-519	120,185
Consolidated net profit	9,239	0	9,239
Capital attributable to shareholders	**191,435**	**-519**	**190,916**
Non-controlling interests	380	0	380
Equity	**191,815**	**-519**	**191,296**
	481,676	**-527**	**481,149**

Effects of the adjustment on the consolidated balance sheet as at 31 December 2010:

[€ 000s]	Status before adjustment 31/12/2010 inc. adjustment on 1/1/2010	Adjustment in accordance with IAS 8	Status after adjustment 31/12/2010
ASSETS			
Current assets	**176,279**	**0**	**176,279**
Property, plant and equipment	164,055	0	164,055
Intangible assets	14,185	0	14,185
Goodwill	112,039	0	112,039
Investments in associated enterprises	1,773	0	1,773
Financial assets	4,125	0	4,125
Non-current tax assets	657	0	657
Other non-current assets	576	0	576
Other non-current financial assets	1,933	0	1,933
Deferred taxes	5,395	-21	5,374
Non-current assets	**304,738**	**-21**	**304,717**
	481,017	**-21**	**480,996**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	**63,521**	**0**	**63,521**
Long-term financial liabilities	172,884	-70	172,814
Pensions and other personnel-related obligations	10,400	0	10,400
Other non-current financial liabilities	0	0	0
Deferred taxes	21,292	0	21,292
Non-current liabilities	**204,576**	**-70**	**204,506**
Capital stock	11,076	0	11,076
Capital reserve	50,416	0	50,416
Retained earnings	129,035	0	129,035
Consolidated net profit	21,705	49	21,754
Capital attributable to shareholders	**212,232**	**49**	**212,281**
Non-controlling interests	688	0	688
Equity	**212,920**	**49**	**212,969**
	481,017	**-21**	**480,996**

Effects of the adjustment on the income statement from 1 January to 31 December 2010:

[€ 000s]	Status before adjustment 1/1-31/12/2010	Adjustment in accordance with IAS 8	Status after adjustment 1/1-31/12/2010
Income statement			
EBIT	**41,613**	**0**	**41,613**
Interest income	1,340	0	1,340
Interest expenses	-10,864	70	-10,794
Other financial expenses and income	-66	0	-66
Financial result	-9,590	70	-9,520
EBT	**32,023**	**70**	**32,093**
Income tax	-10,244	-21	-10,265
Net income	**21,779**	**49**	**21,828**
Group share (consolidated net profit)	21,705	49	21,754
Non-controlling interests	74	0	74

Effects on the statement of changes in equity as at 1 January 2010:

[€ 000s]	
Retained earnings on 31/12/2009 before adjustment	120,704
Adjustment in accordance with IAS 8	-519
Retained earnings on 1/1/2010 after adjustment	120,185

Effects on the statement of changes in equity as at 31 December 2010:

[€ 000s]	
Consolidated net profit on 31/12/2010 before adjustment	21,705
Adjustment in accordance with IAS 8	49
Net profit on 31/12/2010 after adjustment	21,754

Effects on the cash flow statement from 1 January to 31 December 2010:

[€ 000s]	
Earnings before income tax and non-controlling interests before adjustment	32,023
Adjustment in accordance with IAS 8	70
Earnings before income tax and non-controlling interests after adjustment	32,093
Other expenses/income with no effect on liquidity before adjustment	-127
Adjustment in accordance with IAS 8	-70
Other expenses/income with no effect on liquidity after adjustment	-197

IX. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUES

Sales revenues are comprised as follows:

Business (product) [€ 000s]	2010	**2011**
Edgebandings	190,860	197,768
Foils	101,089	111,803
Skirtings	23,903	26,538
Decorative printing	20,782	20,843
Technical extrusions	14,835	16,796
Cladding systems	9,660	9,716
Do-It-Yourself sector	11,849	7,920
Other	15,815	17,425
	388,793	**408,809**

(2) OWN WORK CAPITALIZED

Other own work capitalized principally relates to tools manufactured in the company at the SBU Plastics and the costs of software implementation at the SBU Paper.

(3) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2010	**2011**
Cost of raw materials, consumables and supplies, and purchased merchandise	172,044	189,571
Cost of purchased services	3,280	2,829
	175,324	**192,400**

(4) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2010	**2011**
Wages and salaries	83,746	85,865
Social security deductions	9,203	9,907
Pension costs	7,119	6,999
	100,068	**102,771**

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. These payments entail no further obligations for the company to make payments.

Contributions are included under personnel expenses that result from the addition of accrued interest / discounting of pension accruals and other personnel-related obligations.

The following table shows the personnel structure with the average number of employees over the year:

			2010			**2011**
	Industrial	Salaried	Total	**Industrial**	**Salaried**	**Total**
Production	1,040	108	1,148	1,059	113	1,172
Sales	11	257	268	13	279	292
Engineering	89	30	119	88	30	118
Research and development, quality assurance	38	53	91	43	56	99
Administration, materials management	98	266	364	97	272	369
	1,276	**714**	**1,990**	**1,300**	**750**	**2,050**

The number of employees by regions is as follows:

	2010	**2011**
Germany	1,300	1,320
European Union	218	223
Rest of Europe	14	28
Asia/Australia	184	178
America	274	301
	1,990	**2,050**

(5) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2010	**2011**
Operating expenses	15,736	15,737
Sales expenses	32,919	33,018
Administrative expenses	14,110	16,103
Impairment losses	759	999
	63,524	**65,857**

Research and development expenses (personnel and material expenses) in the Group amounted to € 000s 3,410 (2010: € 000s 4,911).

Other operating expenses include the following fee charged by the Group auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) for the business year amounting to € 000s 373. Of which € 000s 316 was attributable to auditing services, € 000s 50 for tax consultancy services and € 000s 7 for other services.

(6) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2010	**2011**
Income from fixed asset disposals	241	1.089
Release of unused amounts of provisions and obligations	592	754
Claims for compensation	291	533
Other operating income	2,624	2,046
	3,748	**4,422**

(7) FINANCIAL RESULT

[€ 000s]	2010	**2011**
Interest and similar income	1,340	956
Interest and similar expenses	-10,794	-9,898
Interest (net)	**-9,454**	**-8,942**
Income from market valuation for financial derivatives	91	0
Expenses from market valuation for financial derivatives	-38	-151
Currency gains/losses, net	131	345
Earnings from associated enterprises	120	121
Impairment on shares in Pfleiderer AG	-370	-3,462
Other financial expenses and income	**-66**	**-3,147**
Financial result	**-9,520**	**-12,089**

In accordance with IAS 17 (Leases), the proportion of interest included in financial leasing instalments is recording in interest expenses in the amount of € 000s 7 (2010: € 000s 5).

(8) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2010		2011
Current income taxes				
- Germany	7,234		4,027	
- International	4,217		4,645	
		11,451		8,672
Deferred income taxes				
- from time differences	-1,673		4,504	
- on losses carried forward	487		-2,634	
		-1,186		1,870
		10,265		**10,542**

An average overall tax burden of 29.5 % therefore results for the German companies. The tax rate takes account of trade tax (13.7 %), corporate income tax (15.0 %) and the solidarity surcharge (5.5 % of corporate income tax). The applicable local income tax rates for the foreign companies vary between 17 % and 38 %.
Tax rate changes abroad resulted in no significant effects on total tax expense in the business year 2011 (as in the previous year).

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 taxes under assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 10,413 (€ 000s 4,577) due to restricted utility.

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		
	2010	Change	**2011**	2010	Change	**2011**
Inventories	755	-137	618	0	81	81
Receivables and other assets	224	-71	153	701	525	1,226
Tax losses carried forward	2,634	-2,634	0	0	0	0
Goodwill	0	0	0	2,109	559	2,668
Property, plant and equipment	364	160	524	17,823	-1,182	16,641
Intangible assets	3	-1	2	1,316	-55	1,261
Other non-current assets	0	0	0	227	127	354
Financial liabilities	2,236	14	2,250	1,140	-148	992
Pensions and other personnel-related obligations	906	-168	738	0	42	42
Other liabilities	278	49	327	2	148	150
	7,400	**-2,788**	**4,612**	**23,318**	**97**	**23,415**
Netting	-2,026	343	-1,683	-2,026	343	-1,683
	5,374	**-2,445**	**2,929**	**21,292**	**440**	**21,732**

Reconciliation between expected and actual tax expenditure is as follows:

[€ 000s]	2010	2011
Earnings before Taxes (EBT)	**32,093**	**22,928**
Expected income tax (29.5 %)	9,468	6,764
Reconciliation:		
Differences from foreign tax rates	243	214
Result of associated enterprises	-35	-36
Losses for which no deferred taxes were recorded	125	181
Utilization of losses on which no deferred taxes were previously recorded	-109	0
Expenses not deductible from taxes	779	1,766
Impairment of deferred tax assets	-196	1,792
Tax expenses/income not related to the reporting period	-189	162
Tax-free income	10	0
Other effects	169	-301
Income tax	**10,265**	**10,542**

Taxes recorded directly in equity

[€ 000s]	2010	2011
Actuarial gains/losses	-39	110
Fair value measurement of financial instruments	310	53
Actual taxes	892	-252
	1,163	**-89**

(9) EARNINGS PER SHARE

	2010	2011
Consolidated net profit in € 000s	21,754	12,484
Number of no-par-value shares issues	11,075,522	11,075,522
Basic and diluted earnings per share in €	1.96	1.13

The earnings per share are calculated by dividing the proportionate earnings of the shareholders of SURTECO SE by the weighted average of the issued shares. There were no measures which led to dilution effects.

X. NOTES TO THE BALANCE SHEET

(10) CASH AND CASH EQUIVALENTS

[€ 000s]	2010	2011
Cash in hand and bank balances	27,395	29,739
Fixed-term deposits	35,000	37,000
	62,395	**66,739**

(11) TRADE ACCOUNTS RECEIVABLE

[€ 000s]		2010		2011
Trade accounts receivable	41,338		41,888	
Less allowances	-1,296		-1,407	
Trade accounts receivable, net		40,042		40,481
Accounts receivable from affiliated enterprises		1,251		356
Book value		**41,293**		**40,837**

The trade accounts receivable from affiliated enterprises are not from consolidated subsidiary companies.

The allowances relate to specific and lump-sum value adjustments caused by general interest, processing and credit risks. The calculation of the specific allowance is carried out on the basis of the age structure, and on account of knowledge about the customer-specific credit and default risk.

The allowances developed as follows:

[€ 000s]	2010	2011
1/1/	**1,310**	**1,296**
Recourse	-221	-284
Release of unused amounts	-149	-171
Addition (effect on expenses)	356	566
31/12/	**1,296**	**1,407**

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

The following table shows the maturity structure of receivables:

[€ 000s]		2010	2011
Book value		**41,293**	**40,837**
of which: not impaired and not overdue		32,724	32,133
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	7,147	7,725
	3-6 months	864	435
	6-12 months	824	187
	more than months	229	734
Less lump-sum allowances		-495	-377

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

(12) INVENTORIES AND CHANGES IN INVENTORIES

The inventories of the Group are comprised as follows:

[€ 000s]	2010	**2011**
Raw materials, consumables and supplies	19,178	20,389
Work and services in progress	5,553	5,519
Finished products and goods	34,198	35,342
	58,929	**61,250**

Impairments of € 000s 1,822 (2010: € 000s 1,428) were reported on inventories.

Out of the inventories, € 000s 22,526 (2010: € 000s 21,457) were recognized under assets at the net disposal value.

The changes in inventories relate to work/services in progress amounting to € 000s -34 (2010: € 000s 645) and finished products and goods amounting to € 000s 2,506 (2010: € 000s 7,390).

(13) CURRENT AND NON-CURRENT INCOME TAX ASSETS

Claims arising from income tax are recognized under current tax assets.

Corporate income tax credits are recognized under non-current tax assets. These were granted when the law on tax measures to accompany the adoption of European companies and amendment to additional tax regulations (SE Introductory Act, SEStEG) came into force. On 13 December 2006, a legal unconditional claim to refund of corporate income tax credits from the period of the tax imputation system (§ 37 Corporate Income Tax Act, KStG amended version) came into effect for the first time with expiry on 31 December 2006. The credit will be paid out in ten equal annual instalments from 2008 to 2017. The present value of the corporate income tax credit on the balance sheet date amounts to € 000s 743 (2010: € 000s 811), of which € 000s 206 are recognized under current income tax assets.

(14) OTHER CURRENT ASSETS

[€ 000s]		2010		**2011**
Land		3,663		3,255
Receivable purchase price		0		2,298
Income tax assets (value added tax, wage tax)		239		1,512
Receivable factoring		1,353		1,407
Prepaid expenses		999		1,243
Accrued interest		0		36
Financial assets				
Financial derivatives	106		0	
Bonuses, receivables	196		478	
Debit balances in accounts receivable	207		130	
		509		608
Other		2,447		2,310
		9,210		**12,669**

The land recognized relates to a former production site that is being sold in individual lots.

The purchase price receivable results from the sale of a business premises and building.

The receivables recognized from the factoring are the result of the sale of trade accounts receivable to a factoring agent. The receivables include a blocked amount of the factoring agent for invoice deductions by customers and the continuing involvement of € 000s 172 that was reported in the same amount under other current liabilities. The continuing involvement is reported because not all opportunities and risks are transferred to the factoring agent. Obligations amounting € 000s 2,745 (2010: € 000 2,129) in respect of the factoring account are recognized under other current liabilities for the receivables settled as at the balance sheet date.

The item financial derivatives in the previous year comprises forward exchange swaps.

No significant impairments were carried out on other current financial assets.

The other current financial assets include € 000s 697 (2010: € 000s 906) from affiliated enterprises. These exist against non-consolidated subsidiary companies in the amount of € 000s 631 (2010: € 000s 876) and against an associated enterprise in the amount of € 000s 66 (2010: € 000s 30) and result from other current receivables.

(15) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Financial assets and associated enterprises	Total
Acquisition costs					
1/1/2010	**398,066**	**20,755**	**155,867**	**23,613**	**598,301**
Currency adjustment	8,781	888	3,218	1	12,888
Change in consolidated companies	924	0	0	0	924
Additions	11,437	7,623	0	184	19,244
Disposals	-8,543	-701	0	0	-9,244
Transfers	-25	25	0	0	0
31/12/2010	**410,640**	**28,590**	**159,085**	**23,798**	**622,113**
Currency adjustment	2,015	-415	581	0	2,181
Change in consolidated companies	56	0	0	-14	42
Additions	15,191	1,273	0	31	16,495
Disposals	-6,363	-78	0	-11	-6,452
31/12/2011	**421,539**	**29,370**	**159,666**	**23,804**	**634,379**
Depreciation and amortization					
1/1/2010	**230,843**	**12,119**	**46,146**	**11,925**	**301,033**
Currency adjustment	5,122	356	900	0	6,378
Change in consolidated companies	9	0	0	0	9
Additions	18,407	2,527	0	5,975	26,909
Disposals	-7,786	-607	0	0	-8,393
Transfers	-10	10	0	0	0
31/12/2010	**246,585**	**14,405**	**47,046**	**17,900**	**325,936**
Currency adjustment	1,177	-453	192	0	916
Change in consolidated companies	6	0	0	0	6
Additions	17,716	3,383	0	3,462	24,561
Disposals	-4,145	-30	0	0	-4,175
31/12/2011	**261,339**	**17,305**	**47,238**	**21,362**	**347,244**
Book value at 31/12/2011	**160,200**	**12,065**	**112,428**	**2,442**	**287,135**
Book value at 31/12/2010	**164,055**	**14,185**	**112,039**	**5,898**	**296,177**

(16) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised as follows:

[€ 000s]	Land and buildings	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs					
1/1/2010	**125,436**	**204,065**	**65,469**	**3,096**	**398,066**
Currency adjustment	2,658	5,154	965	4	8,781
Change in consolidated companies	0	924	0	0	924
Additions	479	6,120	3,233	1,605	11,437
Disposals	-870	-3,742	-3,789	-142	-8,543
Transfers	179	1,765	172	-2,141	-25
31/12/2010	**127,882**	**214,286**	**66,050**	**2,422**	**410,640**
Currency adjustment	686	1,053	114	162	2,015
Change in consolidated companies	0	0	24	32	56
Additions	368	7,256	4,965	2,602	15,191
Disposals	-1,860	-1,424	-3,044	-35	-6,363
Transfers	43	2,493	257	-2,793	0
31/12/2011	**127,119**	**223,664**	**68,366**	**2,390**	**421,539**
Depreciation and amortization					
1/1/2010	**41,506**	**140,448**	**48,889**	**0**	**230,843**
Currency adjustment	504	4,007	611	0	5,122
Change in consolidated companies	0	9	0	0	9
Additions	3,328	10,676	4,403	0	18,407
Disposals	-628	-3,639	-3,519	0	-7,786
Transfers	88	3	-101	0	-10
31/12/2010	**44,798**	**151,504**	**50,283**	**0**	**246,585**
Currency adjustment	222	866	89	0	1,177
Change in consolidated companies	0	0	6	0	6
Additions	3,141	10,374	4,201	0	17,716
Disposals	-379	-1,166	-2,600	0	-4,145
31/12/2011	**47,782**	**161,578**	**51,979**	**0**	**261,339**
Book value at 31/12/2011	**79,337**	**62,086**	**16,387**	**2,390**	**160,200**
Book value at 31/12/2010	**83,084**	**62,782**	**15,767**	**2,422**	**164,055**

Impairments amounting to € 000s 326 were included in depreciation for the previous year on technical equipment and machines.

The additions to the item "technical equipment and machines" for the previous year included € 000s 934 from the acquisition through business combinations (IFRS 3) of the business of Coastal Paper of South Carolina Inc., Myrtle Beach, USA.

(17) INTANGIBLE ASSETS

Intangible assets comprise primarily IT software and assets acquired in the framework of acquisitions.

[€ 000s]	Concessions, patents, licences and similar rights	Customer relations and similar values	Development expenses	Payments on account	Total
Acquisition costs					
1/1/2010	**16,467**	**3,771**	**517**	**0**	**20,755**
Currency adjustment	450	317	121	0	888
Additions	1,060	6,303	0	260	7,623
Disposals	-650	0	-51	0	-701
Transfers	25	0	0	0	25
31/12/2010	**17,352**	**10,391**	**587**	**260**	**28,590**
Currency adjustment	37	-408	-44	0	-415
Additions	166	0	685	422	1,273
Disposals	-48	0	-30	0	-78
Transfers	479	-84	-387	-8	0
31/12/2011	**17,986**	**9,899**	**811**	**674**	**29,370**
Depreciation and amortization					
1/1/2010	**11,032**	**921**	**166**	**0**	**12,119**
Currency adjustment	74	261	21	0	356
Additions	1,278	1,178	71	0	2,527
Disposals	-607	0	0	0	-607
Transfers	10	0	0	0	10
31/12/2010	**11,787**	**2,360**	**258**	**0**	**14,405**
Currency adjustment	123	-535	-41	0	-453
Additions	1,069	1,968	346	0	3,383
Disposals	-18	0	-12	0	-30
31/12/2011	**12,961**	**3,793**	**551**	**0**	**17,305**
Book value at 31/12/2011	**5,025**	**6,106**	**260**	**674**	**12,065**
Book value at 31/12/2010	**5,565**	**8,031**	**329**	**260**	**14,185**

(18) GOODWILL

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

Goodwill developed as follows:

[€ 000s]	2010	**2011**
1/1/	**109,721**	**112,039**
Currency adjustment	2,318	389
31/12/	**112,039**	**112,428**

Goodwill is allocated to cash generating units (CGU Level) for purposes of carrying out annual or event-related (triggering events) impairment tests. These correspond to the Business Segment Paper and the operating divisions in the Business Segment Plastics.

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

[€ 000s]		2010		**2011**
CGU edgebandings	69,651		69,983	
CGU skirtings	25,747		25,747	
CGU technical extrusions and cladding systems	692		692	
CGU technical foils	9,071		9,128	
Strategic Business Unit Plastics		105,161		105,550
Strategic Business Unit Paper		6,878		6,878
		112,039		**112,428**

The value in use to be applied for carrying out the impairment test is calculated on the basis of 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 Board of Management and is valid at the time when the impairment test was carried out. These plans include experience and expectations relating to the future market development. Growth rates are estimated individually for each subsidiary company on the basis of the macro-economic 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 5 years amounted to an average of 6.4%. For the period after the fifth year, a growth rate of 1 % was used, since the value in use is mainly determined by the terminal value and this responds in a particularly sensitive way to changes in assumptions with respect to its growth rate and its discounting rate.

The costs of capital are calculated as a weighted average of the costs of equity and debt. As far as possible, 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 our shares. Market conditions for loans are taken into account for borrowing costs. This yielded a discounting rate of 9.3 % (2010: 9.4 %) before taxes in December 2011.

On the basis of impairment tests carried out in the business year 2011, the values in use of the cash generating units are estimated as higher than the net asset values. As a result, no impairments have been recognized.

(19) INVESTMENTS IN ASSOCIATED ENTERPRISES AND FINANCIAL ASSETS

[€ 000s]	Investments in associated enterprises	Investments in affiliated enterprises	Participa-tions	Securities	Financial assets
Acquisition costs					
1/1/2010	**1,614**	**175**	**12**	**21,812**	**21,999**
Currency adjustment	0	0	1	0	1
Additions	159	25	0	0	25
Transfers	0	2	-2	0	0
31/12/2010	**1,773**	**202**	**11**	**21,812**	**22,025**
Change in consolidated companies	0	-14	0	0	-14
Additions	31	0	0	0	0
Disposals	0	0	-11	0	-11
31/12/2011	**1,804**	**188**	**0**	**21,812**	**22,000**
Depreciation and amortization					
1/1/2010	**0**	**0**	**0**	**11,925**	**11,925**
Additions	0	0	0	5,975	5,975
31/12/2010	**0**	**0**	**0**	**17,900**	**17,900**
Additions	0	0	0	3,462	3,462
31/12/2011	**0**	**0**	**0**	**21,362**	**21,362**
Book value at 31/12/2011	**1,804**	**188**	**0**	**450**	**638**
Book value at 31/12/2010	**1,773**	**202**	**11**	**3,912**	**4,125**

Detailed information on investments in affiliated enterprises, participations and associated enterprises are not given for reasons of materiality. The securities recognized under financial assets relate to a share package amounting to 2.74 % of the capital stock in Pfleiderer AG, Neumarkt.

(20) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2011 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(21) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2011	Expense	Release	Allocation	31/12/2011
Warranty	1,218	-459	-150	464	1,073
Impending losses	0	0	0	395	395
Fair value measurement for financial derivatives	0	0	0	45	45
Legal process costs	10	-10	0	0	0
Other	467	-448	-2	645	662
	1,695	**-917**	**-152**	**1,549**	**2,175**

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 will come with fulfilment of the sales transactions. Forward exchange deals are recognized under the item "Fair-value measurement for financial derivatives".

(22) OTHER CURRENT LIABILITIES

[€ 000s]	2010	2011
Liabilities from employment relationship *	9,799	7,512
Other current liabilities factoring	2,129	2,745
Debit balances in accounts payable	1,552	2,709
Bonuses and promotion costs	1,212	917
Tax liabilities (value added tax)	695	706
Social insurance against occupational accidents	453	490
Supervisory Board remuneration	424	222
Purchase price obligation	4,200	0
Other	1,738	1,002
	22,202	**16,303**
* of which social security	718	807

The liabilities in relation to employment relationships primarily include obligations arising from profit shares, bonuses, holiday and working time credits.

Obligations in respect of the factoring agent for receivables settled as at the balance sheet date are recognized under other current liabilities arising from factoring. Reference is made to the explanations on receivables from factoring provided in the Notes to the Consolidated Financial Statements item 14 Other current assets.

(23) OTHER NON-CURRENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Interest liabilities, including the liabilities of finance leasing, of the SURTECO Group are recognized under short-term and long-term debt.

The debt is not secured in the business year. In the previous year, debt amounting to € 000 481 was secured by charges on property.

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US private placement. The US private placement comprised a tranche amounting to USD 70 million with a term of 10 years and tranches of € 100 million with terms of 7 to 12 years. The loans are repayable on maturity. They are payable under fixed-interest agreements charged at 5.5% - 5.7% before hedging and with six-monthly payment points.

The capital payment and interest flows in USD were fully hedged in euros with interest and currency swaps. The interest cash flows were hedged in advance of the transaction against changing interest payments up to the issue of the loans. This resulted in the following effects during the year under review: realization of interest income amounting to € 000 213 (2010: € 000s 213), increase in equity capital (before deduction of deferred taxes) by € 000s 2,756 (2011: € 000 2,788) through direct recording of the cash flow hedge under the item market valuation of financial instruments, increase in the USD liability by € 000s 2,315 (2010: € 000 500) on the basis of the valuation on the balance sheet and recording the market value of the hedging transactions amounting to € 000 3,929 with no effect on income in the other non-current financial assets (2010: € 000 1,933). In addition, € 000s 2,315 from equity was transferred to the result for the accounting period (2010: € 000s 500). The cash flows from the interest and currency swaps occurred every six months at the interest payment points until repayment in August 2017 and are recognized in the income statement with an effect on earnings. The valuation of the interest and currency swaps is carried out using the discounted cash flow method. The prospective and retrospective test is carried out in accordance with the hypothetical derivative method.
Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 3.45 % and 5.70 %.

Short-term debt includes short-term credit lines that have been drawn down and variable-interest credit lines for supplies, the short-term proportion of loan liabilities and finance leasing liabilities of € 000s 46 (2010: € 000s 40).

The liabilities from finance leasing obligations are released over the contract term and are due on the balance sheet date as follows:

[€ 000s]	2010	**2011**
Leasing payments to be made in the future		
in less than one year	47	51
between one year and five years	164	117
after more than five years	0	0
Interest share		
in less than one year	-7	-5
between one year and five years	-11	-6
after more than five years	0	0
Present value		
in less than one year	40	46
between one year and five years	153	111
after more than five years	0	0
Present value	**193**	**157**

The values for the previous year were adjusted in accordance with IAS 8 (see section VIII).

The maturity structure of long-term debt is as follows:

[€ 000s]	1-5 years	more than 5 years	**2010 Total**	1-5 years	more than 5 years	**2011 Total**
Financial liabilities						
- of which to banks	56,415	116,206	172,621	58,003	116,839	174,842
- of which from finance lease	40	153	193	156	0	156
	56,455	**116,359**	**172,814**	**58,159**	**116,839**	**174,998**

(24) PENSIONS AND OTHER PERSONNEL-RELATED OBLIGATIONS

Agreements 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 pay achieved taking account of length of service with the company and fixed pension components for each year of service.

Financing amounts to € 000s 8,411 internally through the formation of a pension provision and through pledged reinsurance amounting to € 000s 163.

The pension obligations and the plan assets developed as follows:

[€ 000s]		2010		**2011**
Pension obligations				
1/1/		**8,711**		**8,761**
Payments		-570		-409
Current service expense		170		197
Interest expense		434		387
Actuarial gains/losses		147		-362
Adjustments		-131		0
31/12/		**8,761**		**8,574**
Plan assets				
1/1/		**-145**		**-171**
Expected income from plan assets	-7		-8	
Actuarial gains/losses	-19		1	
Actual income		-26		-7
31/12/		**-171**		**-178**
Book value at 31/12/		**8,590**		**8,396**

The actual income of the plan assets amounts to € 000s 7 (2010: € 000s 26) in the business year.

The pension expense is recognized in full in the operating result and is comprised as follows:

[€ 000s]	2010	**2011**
Current service expense	170	197
Interest expense	434	387
Expected income from plan assets	-7	-8
Pension expense	**597**	**576**

The expected yield from plan assets results from the long-term yield expectation of the life insurer. The Group recognizes actuarial gains and losses from defined-benefit plans in shareholders' equity (other comprehensive income). The amount included for 2011 amounts to € 000s 362 (2010: € 000s -133). Up to now, a total of € 000s 368 has been recognized in shareholders' equity.

The carrying amount for the current and previous business years and the experience adjustments are comprised as follows:

[€ 000s]	2007	2008	2009	2010	**2011**
Pension obligations	8,743	7,712	8,711	8,761	8,574
Plan assets	-139	-125	-145	-171	-178
Carrying amount (undercoverage)	**8,604**	**7,587**	**8,566**	**8,590**	**8,396**
Experience adjustments from pension obligations	-151	-19	4	589	119
Experience adjustments from plan assets	46	-13	3	19	-1

The annual payments by the employer over the coming years are expected to be in the same order of magnitude as the payments for previous years at € 000s 409.

If the discounting interest rate comes down by 0.5 %, the pension accruals would increase by € 000s 514, a rise in the discounting interest rate by 0.5 % would entail a reduction by € 000s 463.

The other personnel-related obligations are comprise of phased-retirement and anniversary agreements. The phased retirement obligations amount to € 000s 581 (2010: € 000s 1,036) on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 387 (2010: € 000s 565) on account of the statutory requirement for insolvency protection. The anniversary obligations amount to € 000s 1,286 on the balance sheet date (2010: € 000s 1,339).

€ 000s 331 (2010: € 000s 568) out of the non-current obligations arising from phased retirement regulations are due in 2012.

(25) SHAREHOLDERS´ EQUITY

The subscribed capital (**capital stock**) of SURTECO SE remains at € 11,075,522.00, unchanged from the previous year and is fully paid in. It is divided into 11,075,522 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 each.

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 24 June 2015 by overall up to € 1,100,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration (**Authorized capital I**). The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders up to a proportionate amount of the capital stock of € 1,100,000.00, if the new shares are issued at an issue amount, which is not significantly lower than the stock-market price. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. If the Board of Management does not make use of the above authorizations to exclude pre-emptive rights, the pre-emptive right of the shareholders may only be excluded for equalization of fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 24 June 2015 by overall up to € 4,400,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash or a non-cash consideration (**Authorized capital II**). In the case of a capital increase for a cash consideration, the shareholders should be granted a pre-emptive right, although the Board of Management is authorized to exclude the fractions from shareholders' statutory pre-emptive right. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. In the case of a capital increase for a non-cash consideration, the Board of Management is entitled to exclude the statutory pre-emptive right of shareholders. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve

The capital reserve of SURTECO SE includes the amounts by which the capital investment values of investments in affiliated enterprises 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.

Netting differences capitalized as assets arising from capital consolidation on account of the pooling of interests method were netted in the consolidated financial statements of SURTECO SE against the capital reserve during the year of first-time consolidation.

Retained earnings

Retained earnings include:

- Transfers from consolidated net profit
- Offsetting of actuarial gains and losses with no effect on income,
- Differences arising from currency translations from annual financial statements of foreign subsidiaries with no effect on income,
- Effects arising from valuation of derivative financial instruments with no effect on income
- Unrealized gains from equity instruments reported as available for sale
- Unrealized gains and losses arising from foreign-currency loans to subsidiary companies which met the requirement of a net investment

Dividend proposal

The dividend payout of SURTECO SE is based on net profit reported in the financial statements of SURTECO SE in accordance with commercial law in conformity with § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG). The financial statements of SURTECO SE drawn up in accordance with commercial law have recorded a net profit of € 000s 6,282 (2010: € 000s 10,021). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.45 (2010: € 0.90) per share, amounting to € 000s 4,984 (2010: € 000s 9,968) be paid out and the amount of € 000 1,200 (2010: € 000s 0) be transferred to retained earnings. The Board of Management further recommends carrying forward the residual amount of € 000s 98 (2010: € 000s 53) as profit carried forward.

(26) OTHER FINANCIAL OBLIGATIONS

[€ 000s]	2010	**2011**
Rental and operate leasing obligations, due		
in less than one year	1,019	931
between one year and five years	1,572	1,030
after more than five years	0	0
	2,591	**1,961**

Obligations arising from rental, hire and leasing contracts relate exclusively to rental contracts whereby the companies of the SURTECO Group are not the commercial owners of the leased assets in accordance with IFRS. The operate leasing contracts essentially relate to typical commercial leasing relationships on the rental of factory and office equipment. The operate leasing contracts have terms of one year to five years and partly include extension options and price adjustment clauses.

Payments from operate leasing contracts in the reporting period are recorded in the amount of € 1,675 (2010: € 000s 1,370).

(27) CAPITAL MANAGEMENT

The goals of capital management are derived from 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.
The dividend was adjusted to the earnings situation during the business year 2011. Cash flow not required for investments and dividend payments was used to reduce the existing net debt. The private placement of the loan in the business year 2007 is directed towards the long-term financing of the Group.
Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 6.3 (2010: 6.6) in 2011. The debt-service coverage ratio was 26.7 % (2010: 34.7 %) in 2011. The net debt amounted to € 000s 125,786 (2010: € 000s 123,085) on 31 December 2011 and the equity ratio was 44.9 % (2010: 44.3 %). 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 is tracked at local level and centrally, and any changes are taken into account for purposes of capital management.

(28) FINANCIAL INSTRUMENTS AND FINANCIAL RISK 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

The international activities of the SURTECO Group mean that changes in interest rates and currency exchange rates exert an effect 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. Corporate Treasury controls centrally the currency and interest-management of the Group and correspondingly the key 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. 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 analyzed and evaluated on the basis of attributes relevant to decision-making.
Derivative financial instruments are used by the Group exclusively for hedging purposes and to reduce risk. They are valued on a monthly basis. If significant fluctuations of underlying values, such as interest base rates and currency parities occur, this can impact negatively on the earnings of the Group.

2. Financing risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years and they are structured with fixed interest rates (see maturity structure item 23 in the Notes). Repayment of significant long-term loans is not necessary in the business year 2012. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with lenders at standard market conditions in loan agreements (Interest Coverage Ratio and Net Leverage Ratio) and these have to be complied with by the SURTECO Group. If the indicators are breached, the lenders have the right to serve notice on the loan agreements. The financial indicators were complied with in the business year 2011.

3. Liquidity risk

Corporate Treasury 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 high levels of free 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 the credit rating of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and taking out cover through trade credit insurance policies.
The following table shows the undiscounted contractually agreed **cash outflows** in respect of financial liabilities and derivative financial instruments with a negative market value. Financial liabilities to banks are recognized less current-account liabilities in the amount of € 000s 17,527 (2010: € 000s 282). If the maturity date is not fixed, the liability relates to the earliest liability date.

2011	**Book value**	**2012**		**2013 - 2016**		**2017 ff.**	
[€ 000s]	**31/12/2011**	**Interest**	**Repay-ment**	**Interest**	**Repay-ment**	**Interest**	**Repay-ment**
Financial liabilities	174,998	9,092	11,972	30,003	46,187	11,227	116,839
Trade accounts payable	20,117	0	20,117	0	0	0	0
Other financial liabilities	11,678	0	11,678	0	0	0	0

2010	**Book value**	**2011**		**2012 - 2015**		**2016 ff.**	
[€ 000s]	**31/12/2010**	**Interest**	**Repay-ment**	**Interest**	**Repay-ment**	**Interest**	**Repay-ment**
Financial liabilities	185,198	9,710	12,375	32,570	56,456	17,740	116,367
Trade accounts payable	22,918	0	22,918	0	0	0	0
Other financial liabilities	16,472	0	16,472	0	0	0	0

4. Interest and currency risks

The global nature of the business activities of the SURTECO Group results in delivery and payment flows in different currencies. Invoicing in euros is the preferred method of accounting. Conversion of business figures and balance sheets from foreign subsidiaries into euros can entail risks which can only be hedged to a certain extent.

Interest risks are mainly incurred for short-term financial liabilities. The majority of long-term financial liabilities are structured with fixed-interest rates. SURTECO SE meets the remaining interest and currency risks by hedging positions with derivative financial instruments and regular and intensive observation of a range of early-warning indicators. Hedging of individual risks is discussed by the Central Treasury with the Board of Management and the responsible Managing Directors, and decisions are arrived at jointly.

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

[€ 000s]	Income statement		Equity	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2011				
Variable-interest instruments	102	-102	102	-102
Derivatives	-5	5	3,140	-3,347
	97	**-97**	**3,242**	**-3,449**
31/12/2010				
Variable-interest instruments	216	-216	216	-216
Derivatives	-5	0	3,414	-3,660
	211	**-216**	**3,630**	**-3,876**

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 for SURTECO against the euro would exert the following effects:

[€ 000s]	Income statement		Equity	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2011				
Financial instruments	1,636	-1,338	4,610	-3,772
Derivates	-383	308	1,315	-1,081
	1,253	**-1,030**	**5,925**	**-4,853**
31/12/2010				
Financial instruments	1,527	-1,253	4,503	-3,688
Derivates	-649	531	754	-617
	878	**-722**	**5,257**	**-4,305**

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

5. Fluctuations in value for securities

SURTECO SE has a share package in Pfleiderer AG, Neumarkt, amounting to 2.74 % of the share capital. The massive falls in share price in 2011 meant that impairments had to be carried out on the package of shares amounting to € 3.5 million (2010:

€ 6.0 million). € 3.5 million (2010: € 0.4 million) are due to impairments that affect earnings. There were no reductions in retained earnings with no effect on the income statement in 2011 (2010: € 5.6 million). The book value of the shares amounted to € 0.4 million on 31/12/2011 (2010: € 3.9 million). An impairment results in a changed subsequent measurement of the securities reported as available for sale. An impairment reversal may only be undertaken under equity.

The calculation of the fair value of the share portfolio in Pfleiderer AG (classified as securities) is carried out according to the fair value hierarchy level 1. Each additional reduction in the market value of the share package below the impaired book value results in a further impairment. Further impairments cannot be entirely excluded.
The change in the market index may exert the following effect on the portfolio of shares in Pfleiderer AG, Neumarkt, classified as available for sale:

[€ 000s]	Income statement		Equity	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2011				
Pfleiderer AG	0	-38	38	-38
31/12/2010				
Pfleiderer AG	0	-646	646	-646

6. Valuations of financial instruments

The **book values and market values based on valuation categories** for the financial assets and liabilities classified according to the classes of the balance sheet are structured as follows:

[€ 000s]	Category acc. to IAS 39	Book value 31/12/2010	Market value 31/12/2010	Book value 31/12/2011	Market value 31/12/2011
Assets					
Cash and cash equivalents	LaR	62,395	62,395	66,739	66,739
Trade accounts receivable	LaR	41,293	41,293	40,837	40,837
Other financial assets	LaR	4,619	4,619	6,581	6,581
Other investments	AfS	5,899	5,899	2,442	2,442
Derivative financial assets					
- without hedging	FAHfT	106	106	0	0
- with hedging	n.a.	1,933	1,933	3,929	3,929
Liabilities					
Financial liabilities	FLAC	179,142	182,509	192,525	205,964
Trade accounts payable	FLAC	22,918	22,918	20,117	20,117
Miscellaneous financial liabilities	FLAC	16,472	16,472	11,678	11,678
Derivative financial liabilities					
- without hedging	FLHfT	0	0	45	45
Of which aggregated according to valuation categories in accordance with IAS 39					
Loans and Receivables	LaR	108,307	108,307	114,157	114,157
Available-for-Sale Financial Assets	AfS	5,899	5,899	2,442	2,442
Financial Assets Held for Trading	FAHfT	106	106	0	0
Financial Liabilities Measured at Amortised Cost	FLAC	218,532	221,899	224,320	237,759
Financial Liabilities Held for Trading	FLHfT	0	0	45	45

Key to abbreviations	
FAHfT	Financial Assets Held for Trading
LaR	Loans and Receivables
AfS	Available for Sale
FLAC	Financial Liabilities at Amortised Cost
FLHfT	Financial Liabilities Held for Trading

Financial instruments in the categories available for sale and held for trading are reported at current value, unless this cannot be reliably calculated. In this case, the financial assets are recorded at acquisition costs. Cash and cash equivalents, trade accounts receivables, other financial assets in the category "loans and receivables" and trade accounts payable and other financial liabilities mostly have short residual terms. The values reported therefore approximate to the fair value on the balance sheet date.

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
Level 3 - inputs for the valuation of the asset and liability that are not based on observable market data (unobservable inputs)

On 31 December 2011, Financial Assets Held for Trading were reported at cash-effective fair value in the amount of € 000s 0 (2010: € 000s 106) and Financial Liabilities Held for Trading were reported in the amount of € 000s 45 (2010: € 000s 0). The calculation and recognition of the fair value was carried out in accordance with level 2. During the business year no classifications were carried out between the levels.

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

[€ 000s]	2010	**2011**
Loans and Receivables	1,043	-625
Available for Sale Financial Assets	-370	-3,462
Financial Assets and Liabilities Held for Trading	-393	-166
Financial Liabilities Measured at Amortised Cost	-1,137	-366

The net gains and losses from Loans and Receivables essentially related to changes in impairments, income from cash inflows and currency translations and impairment reversals.
Net losses from Available-for-Sale Financial Assets show the cash-effective impairment on the package of shares held in Pfleiderer AG, Neumarkt.
The net gains and losses from Financial Assets and Liabilities Held for Trading include effects from the market value of derivatives that are not part of a hedging arrangement.
Net gains and losses from currency translation are shown for Financial Liabilities Measured at Amortised Cost.

7. Derivative financial instruments

The derivative financial instruments concluded are reported in the balance sheet for the first time at the date when the contract is closed. They are recognized at acquisition costs and subsequently revalued on the balance-sheet date at their market value. The market values of derivative financial instruments are derived from the amounts at which the relevant derivative financial transactions are traded or listed on the balance-sheet date, without taking into account opposite developments in value arising from the underlying transactions. The market values of currency-related transactions are determined on the basis of current reference prices, taking into account forward discounts and premiums. The market values of the interest-related transactions are determined on the basis of discounted, cash flows expected in the future. The applicable market interest rates for the residual term of the financial instruments are used.

The Board of Management anticipates that commitments in transactions of this nature will not exert any significant negative effects on the financial situation.

Nominal and market values of derivative financial instruments:

[€ 000s]	2010		**2011**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Currency-related transactions	5,940	106	4,900	-42
Interest and currency-related transactions	52,293	1,933	54,108	3,929
	58,233	**2,039**	**59,008**	**3,887**

XI. SUPPLEMENTARY INFORMATION

(29) NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7. It is structured on the basis of cash flows arising from operating activities and those arising 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, capital payments from and repayments of debts, and interest payments from loans.

(30) SEGMENT REPORTING

The activities of the SURTECO Group are segmented on the basis of operating segments according to IFRS 8 within the scope of segment reporting. The breakdown is based on internal controlling and reporting. It takes into account the product-oriented split of SURTECO into the two Strategic Business Units (SBU) Paper and Plastics. Each company within the Group is assigned to the appropriate segment essentially in accordance with the list "SURTECO Holdings".

- The SBU Paper comprises the production and sale of melamine-coated edgebandings, finish foils and laminates, and the printing of specialist technical papers for use in the international furnishing industry.

- The SBU Plastics includes the production and sale of thermoplastic edgings, foils, roller shutter systems, technical extrusions (profiles), skirtings and extrusions for flooring wholesalers, cladding systems and ranges for home-improvement and do-it-yourself stores.

- Consolidation measures, the holding company SURTECO SE and income, expenses, assets and liabilities, which are not directly attributable to the segments, are recognized in the "Reconciliation" column.

The segment information is based on the same recognition, accounting and valuation methods as those used in the consolidated financial statements. There are no changes in valuation methods compared with previous periods. 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 operating segment assets and the operating segment liabilities are comprised of the assets necessary for operations and borrowings – without liquid funds, interest-bearing assets and liabilities, and tax assets and liabilities.

The Board of Management holds the power of decision-making with regard to resource allocation and the measurement of the earnings power of the reportable segments. Uniform parameters for measuring success and assets 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 allocated on the basis of cost.

SEGMENT INFORMATION [€ 000s]	**SBU PAPER**	**SBU PLASTICS**	**Reconciliation**	**SURTECO GROUP**
2011				
External sales	174,344	234,465	0	408,809
Internal sales in the Group	3,161	641	-3,802	0
Total sales	177,505	235,106	-3,802	408,809
Interest income	63	943	-50	956
Interest expenses	-1,019	-2,650	-6,229	-9,898
Depreciation and amortization	-9,838	-11,142	-119	-21,099
Segment earnings (EBT)	18,174	19,524	-14,770	22,928
Income from associated enterprises	121	0	0	121
Segment assets	138,852	254,588	6,203	399,643
Segment liabilities	51,447	82,095	-94,989	38,553
Net segment assets	87,405	172,493	101,192	361,090
Book value of participations recorded at equity	1,804	0	0	1,804
Investments in property, plant and equipment and intangible assets	5,575	10,763	126	16,464
Employees	678	1,354	18	2,050
2010				
External sales	162,899	225,894	0	388,793
Internal sales in the Group	1,578	708	-2,286	0
Total sales	164,477	226,602	-2,286	388,793
Interest income	73	678	589	1,340
Interest expenses	-761	-2,604	-7,429	-10,794
Depreciation and amortization	-9,396	-11,435	-103	-20,934
Segment earnings (EBT)	22,190	21,956	-12,053	32,093
Income from associated enterprises	120	0	0	120
Segment assets	142,845	247,665	9,670	400,180
Segment liabilities	54,158	72,989	-80,330	46,817
Net segment assets	88,687	174,676	90,000	353,363
Book value of participations recorded at equity	1,773	0	0	1,773
Investments in property, plant and equipment and intangible assets	11,335	7,379	346	19,060
Employees	657	1,317	16	1,990

SEGMENT INFORMATION BY REGIONAL MARKETS						
	2010			**2011**		
[€ 000s]	Sales revenues	Non-current assets	Investments	**Sales revenues**	**Non-current assets**	**Investments**
Germany	127,330	182,844	14,479	132,942	125,396	10,854
Rest of Europe	169,142	41,925	2,221	178,795	21,267	2,759
America	47,023	33,168	1,928	47,777	15,352	1,482
Asia/Australia	42,222	32,342	432	46,008	10,250	1,369
Other	3,076	0	0	3,287	0	0
	388,793	**290,279**	**19,060**	**408,809**	**172,265**	**16,464**

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

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2010	**2011**
Balance sheet total	**480,996**	**482,135**
Less financial assts		
- Cash and cash equivalents	62,395	66,739
- Investments	5,898	2,717
- Tax credits/deferred taxes	10,483	9,107
- Financial derivatives	2,040	3,929
Segment assets	**400,180**	**399,643**
Current and non-current liabilities	**268,028**	**265,634**
Less financial liabilities		
- Short-term and long-term financial liabilities	185,479	192,525
- Financial derivatives	0	45
- Tax liabilities/deferred taxes	25,332	24,635
- Pensions and other personnel-related obligations	10,400	9,876
Segment liabilities	**46,817**	**38,553**
Net segment assets	**353,363**	**361,090**

(31) REMUNERATION FOR THE EXECUTIVE OFFICERS AND FORMER EXECUTIVE OFFICERS

Supervisory Board
Total compensation of the Supervisory Board for the business year 2011 amounted to € 000s 222 (2010: € 000s 420). It includes fixed remuneration of € 000s 33 (2010: € 000s 33) and a variable component of € 000s 189 (2010: € 000s 387).

Board of Management
Most of the remuneration for Members of the Board of Management is performance based. It includes a small fixed element and a primarily variable element. The variable element is a bonus based on performance and is calculated on the basis of the earnings before taxes (EBT) of the Group in accordance with IFRS, taking account of the return on sales. The total remuneration of the active members of the Board of Management amounted to € 000s 1,725 (2010: € 000s 2,035) for the business year 2011. Out of this amount, € 000s 504 (2010: € 000s 504) were attributable to the fixed compensation, € 000s 1,100 (2010: € 000s 1,431) were accounted for by performance-based compensation and € 000s 121 (2010: € 000s 100) to other elements of the salary.

The information about individual compensation is provided in the compensation report of the Management Report of the SURTECO Group and SURTECO SE.

(32) SHARE OWNERSHIP OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD OF SURTECO SE

On the balance sheet date, 10,230 shares (2010: 10,230) of the company were held by the members of the Board of Management and 202,255 shares (2010: 202,505) were held by members of the Supervisory Board.

(33) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 10 April 2012 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2011.

SURTECO France S.A.S., a subsidiary of SURTECO SE, acquired the plastics and veneer business of its French competitor Sodimo in Bohal in an asset deal on 4 January 2012. SURTECO intends to expand further expand its business in France through the acquisition of the customer base, various long-term tangible assets and inventories. A price of € 1.6 million was recorded as the acquisition price, of which € 0.2 million was agreed as a contingent payment. This is to be paid within a period of 15 months. The purchase price was essentially allocated to the acquired customer base for purposes of acquisition price allocation.

On 28 March 2012, the Board of Management of Pfleiderer AG, Neumarkt, filed an application for the opening of insolvency proceedings. Since according to the assessment of the management of SURTECO SE, a loss of the entire value of the shares held in this company is to be assumed, a decision was taken to write off the remaining book value amounting to € 0.4 million on 31 March 2012.

XII. EXECUTIVE OFFICERS OF THE COMPANY
(at 31/12/2011)

BOARD OF MANAGEMENT

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Friedhelm Päfgen Businessman, Buttenwiesen-Pfaffenhofen	Chairman of the Board of Management, Group strategy, Strategic Business Unit Paper	• Deputy Chairman of the Supervisory Board of Döllken-Kunststoff-verarbeitung GmbH, Gladbeck (Supervisory Board dissolved 9/9/2011)
Dr.-Ing. Herbert Müller Engineer, Heiligenhaus	Board of Management, Strategic Business Unit Plastics	• Chairman of the Supervisory Board of Döllken-Kunststoffverarbei-tung GmbH, Gladbeck (Supervisory Board dissolved 9/9/2011) • Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke

SUPERVISORY BOARD

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Jürgen Großmann Engineer, Essen (Chairman)	Chairman of the Board of Management of RWE Aktiengesellschaft Essen	• Member of the Supervisory Board of Deutsche Bahn AG, Berlin • Member of the Supervisory Board of Volkswagen AG, Wolfsburg (until 3/5/2011) • Member of the Supervisory Board of - British American Tobacco (Industrie) GmbH, Hamburg - BATIG Gesellschaft für Beteiligungen mbH, Hamburg - British American Tobacco (Germany) Beteiligungen GmbH, Hamburg • Member of the Board, Hanover Acceptances Limited, London
Björn Ahrenkiel Lawyer, Hürtgenwald (Vice Chairman)	Lawyer	-
Dr. Markus Miele Industrial engineer, Gütersloh (Deputy Chairman)	Managing Director of Miele-Verwaltungs GmbH, Gütersloh	• Member of the Supervisory Board of Reply Deutschland AG (formerly: syskoplan AG), Gütersloh • Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf
Josef Aumiller* Industrial clerk, Unterthürheim	Chairman of the Works Coun-cil of BauschDecor GmbH, Buttenwiesen-Pfaffenhofen	-
Karl Becker Engineer, Coesfeld (until 12/92011)	-	-
Dr. Matthias Bruse Lawyer, Munich	Partner, P+P Pöllath + Partners Rechtsanwälte Steu-erberater, Munich	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching • Member of the Advisory Council of CELIA Capital Partners GmbH, Munich (until 31/3/2011) • Member of the Supervisory Board of MAN SE, Munich (since 27/6/2011) • Member of the Supervisory Board of Wacker Neuson SE, Munich (since 11/8/2011)

SUPERVISORY BOARD

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Markus Kloepfer** Engineer, Essen (since 16/9/2011)	Managing Director of alpha logs GmbH, Essen	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching
Udo Sadlowski* Training Manager, Essen	Chairman of the Works Council of Döllken Kunststoff-verarbeitung GmbH	-
Dr.-Ing. Walter Schlebusch Engineer, Munich	Managing Director of the Banknotes Division of Giesecke & Devrient GmbH, Munich	-
Thomas Stockhausen* Specialist in safety at work, Sassenberg	Chairman of the Works Council of BauschLinnemann GmbH, Sassenberg	-

* Employee representative
** Mr. Markus Kloepfer was appointed as a Member of the Supervisory Board by resolution of the Local Court Augsburg (Amtsgericht Augsburg) on 16 September 2011 to replace Mr. Karl Becker after he stepped down.

COMMITTEES OF THE SUPERVISORY BOARD

Presiding Board

Dr.-Ing. Jürgen Großmann (Chairman)
Björn Ahrenkiel
Karl Becker (until 12/9/2011)
Markus Kloepfer (since 21/12/2011)
Dr. Markus Miele

Personnel Committee

Dr.-Ing. Jürgen Großmann (Chairman)
Björn Ahrenkiel
Karl Becker (until 12/9/2011)
Dr. Matthias Bruse (since 13/9/2011)

Audit Committee

Björn Ahrenkiel (Chairman)
Dr. Matthias Bruse`
Dr.-Ing. Jürgen Großmann
Dr.-Ing. Walter Schlebusch

XIII. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 SENTENCE 1 STOCK CORPORATION ACT (AKTG)

The Board of Management and the Supervisory Board of SURTECO SE have submitted a Declaration of Compliance pursuant to § 161 sentence 1 of the Stock Corporation Act (AktG) on 21 December 2011 and made this declaration available to shareholders on the website of the company: www.surteco.com. This declaration is intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

XIV. DISCLOSURE IN ACCORDANCE WITH § 21 SECURITIES TRADING ACT (WPHG) / § 160 (1) NO. 8 STOCK CORPORATION ACT (AKTG)

Pursuant to § 160 section 1 no. 8 of the Stock Corporation Act (AktG) we are required to disclose the content of the notifications received by us during the course of the business year pursuant to § 21 section 1 or section 1a of the Securities Trading Act (WpHG). Persons are required to submit these notifications if their voting rights in SURTECO SE as a result of acquisition, disposal or other method directly or indirectly reaches, or exceeds or falls below 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 %. We received notice of the following thresholds being exceeded at the balance sheet date:

Shareholder	Date of reaching the threshold limit of the portfolio	Percentage of voting rights held in %	Addition in %	
Christa Linnemann, Gütersloh	18/03/2005	72.2495	§ 22 (2) WpHG	64.2209
Claus Linnemann, Gütersloh	18/03/2005	73.0873	§ 22 (2) WpHG	61.2883
Katrin Schlautmann, Gütersloh	01/04/2002	74.2394	§ 22 (2) WpHG	72.2480
Christian Schlautmann, Gütersloh	01/04/2002	74.2394	§ 22 (2) WpHG	72.2480
Klöpfer & Königer Management GmbH, Garching	01/04/2002	73.7969	§ 22 (2) WpHG	52.9312
Klöpfer & Königer GmbH & Co. KG, Garching	01/04/2002	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	20.8657 52.9312
G. Schürfeld + Co. (GmbH & Co.), Hamburg	01/01/2007	6.4155	§ 22 (1) no.1 WpHG	6.4155
G.A. Schürfeld Verwaltungs GmbH, Hamburg	01/01/2007	6.4155	§ 22 (1) no. 1 WpHG	6.4155
PKG Schürfeld GmbH, Hamburg	01/01/2007	6.4155		
Jens Schürfeld, Hamburg	01/01/2007	11.9306	§ 22 (1) no. 1 WpHG	6.4155
J. V. Bausch GmbH & Co. Vermögensverwaltungs KG, Grünwald	09/03/2006	70.4653	§ 22 (2) WpHG	68.6596
J. V. Bausch GmbH, Grünwald	09/03/2006	70.4653	§ 22 (1) no. 1 WpHG § 22 (2) WpHG	1.8057 68.6596
Ricarda Bausch, Glashütten	01/04/2002	73.8283	§ 22 (2) WpHG § 22 (1) no. 6 WpHG	73.4110 0.0213
Oliver Bausch, Osnabrück	01/04/2002	73.8290	§ 22 (2) WpHG	73.3773
Th. Bausch GmbH & Co. Vermögensanlage KG, Berlin	01/04/2002	73.7969	§ 22 (2) WpHG	65.5132
Th. Bausch GmbH, Berlin	01/04/2002	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Dr. Dr. Thomas Bausch, Berlin	01/04/2002	74.2715	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Coralie Anna Bausch, Berlin	01/04/2002	73.8111	§ 22 (2) WpHG	73.6550
Camilla Bausch, Berlin	01/04/2002	73.8330	§ 22 (2) WpHG	73.6550
Constanze Bausch, Berlin	01/04/2002	73.8181	§ 22 (2) WpHG	73.6550
Marion Ramcke, Hanover	01/04/2002	73.8725	§ 22 (2) WpHG	70.7774
Hans Christian Ahrenkiel, Hürtgenwald	01/04/2002	73.8612	§ 22 (2) WpHG	73.5699
Björn Ahrenkiel, Hürtgenwald	01/04/2002	73.7973	§ 22 (2) WpHG	71.0048

On May 28 2008, the stake of Delta Lloyd Europees Deelnemingen Fonds NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Str. 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd Europees Deelnemingen Fonds NV held 5.01 % in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).

On May 28 2008, the stake of Delta Lloyd Asset Management NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesent-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd Asset Management NV held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Delta Lloyd Asset Management NV via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 WpHG.
The controlled undertaking through which the voting rights are held is Delta Lloyd Europees Deelnemingen Fonds NV.

On May 28 2008, the stake of Delta Lloyd NV, Amsterdam, The Netherlands, in the voting rights in Surteco SE, Johan-Viktor-Bausch-Straße 2, 86647 Buttenwiesen-Pfaffenhofen, exceeded the threshold of 5%. On that date, Delta Lloyd NV held 5.01% in relation to all voting rights in Surteco SE (voting rights arising from 555,000 ordinary shares (Stammaktien)).
All such voting rights are attributed to Delta Lloyd NV via Delta Lloyd Europees Deelnemingen Fonds NV pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

On May 6, 2011, the stake of CGU International Holdings B.V., London, United Kingdom, in the voting rights in Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, fell below the thresholds of 5% and 3%. On that date, CGU International Holdings B.V. held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares (Stammaktien)).

On May 6, 2011, the stake of Aviva International Holdings Limited, London, United Kingdom, in the voting rights in Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, fell below the thresholds of 5% and 3%. On that date, Aviva International Holdings Limited held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares (Stammaktien)).

On May 6, 2011, the stake of Aviva Insurance Limited, Scotland, United Kingdom, in the voting rights in Surteco SE, Buttenwiesen-Pfaffenhofen,Germany, fell below the thresholds of 5% and 3%. On that date, Aviva Insurance Limited held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares (Stammaktien)).

On May 6, 2011, the stake of Aviva International Insurance Limited, London, United Kingdom, in the voting rights in Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, fell below the thresholds of 5% and 3%. On that date, Aviva International Insurance Limited held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares (Stammaktien)).

On May 6, 2011, the stake of Aviva Group Holdings Limited, London, United Kingdom, in the voting rights of Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, fell below the thresholds of 5% and 3%. On that date, Aviva Group Holdings Limited held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares(Stammaktien)).

On May 6, 2011, the stake of Aviva Plc., London, United Kingdom, in the voting rights in Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, fell below the thresholds of 5% and 3%. On that date, Aviva Plc. held 0% in relation to all voting rights in Surteco SE (voting rights arising from 0 ordinary shares (Stammaktien)).

On July 25, 2011, Lazard Freres Gestion S.A.S, Paris, France has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on SURTECO SE, Buttenwiesen-Pfaffenhofen, Deutschland, have exceeded the 3% threshold of the Voting Rights on July 18, 2011 and on that day amounted to 3.002% (this corresponds to 332435 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 0.515% of the Voting Rights (this corresponds to 57000 Voting Rights) is to be attributed to the company.

SURTECO HOLDINGS (at 31/12/2011)

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	PARENT COMPANY				
100	**SURTECO SE, Buttenwiesen-Pfaffenhofen**	**Germany**			

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PAPER				
300	Bausch Decor GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
310	Saueressig Design Studio GmbH, Mönchengladbach	Germany	E	30.00	300
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100.00	100
210	Bausch (U.K.) Limited, Burnley	Great Britain	F	100.00	100
405	BauschLinnemann UK Ltd., Burnley	Great Britain	F	70.00 30.00	210 401
410	Kröning GmbH & Co., Hüllhorst	Germany	F	100.00	401
420	Kröning Verwaltungsgesellschaft mbH, Hüllhorst	Germany	F	100.00	401
441	BauschLinnemann North America, Inc., Greensboro	USA	F	100.00	401
442	BauschLinnemann South Carolina LLC, Myrtle Beach	USA	F	70.00	441
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	F	100.00	401
470	SURTECO Italia s.r.l., Martellago	Italy	F	50.00 50.00	401 510
499	SURTECO Decorative Surfaces GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PLASTICS				
500	W. Döllken & Co. GmbH, Gladbeck	Germany	F	100.00	100
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	F	100.00	500
511	Vinylit Fassaden GmbH, Kassel	Germany	F	100.00	500
512	SURTECO Australia Pty Limited, Sydney	Australia	F	100.00	510
513	SURTECO PTE Ltd.	Singapore	F	100.00	510
514	PT Doellken Bintan Edgings & Profiles, Batam	Indonesia	F	99.00 1.00	510 513
515	Döllken-Profiltechnik GmbH, Dunningen	Germany	F	100.00	500
516	SURTECO France S.A.S., Beaucouzé	France	F	100.00	510
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş, Istanbul	Turkey	F	99.66 0.25 0.03 0.03 0.03	510 520 300 401 500
518	SURTECO OOO, Moscow	Russia	F	50.00 50.00	510 401
519	SURTECO Iberia S.L., Madrid	Spain	NC	100.00	510
520	Döllken-Weimar GmbH Profile für den Fachmann, Nohra	Germany	F	100.00	500
531	Döllken Sp. z o.o., Katowice	Poland	F	100.00	520
532	Döllken CZ s.r.o., Prague	Czech Republic	NC	100.00	520
550	SURTECO USA Inc., Greensboro	USA	F	100.00	500
560	SURTECO Canada Ltd., Brampton	Canada	F	100.00	500
561	Doellken-Canada Ltd., Brampton	Canada	F	100.00	560
563	1784824 Ontario Inc., Brampton	Canada	F	100.00	561
566	Canplast Centro America S.A., Guatemala	Guatemala	P	50.00	561
567	SURTECO Do Brasil S/A Comercio E Importacao de Componentes Para Moveis, Curitiba	Brazil	F	100.00	561
568	Inversiones Doellken South America Ltd, Santiago	Chile	F	100.00	561
569	Canplast SUD S.A., Santiago	Chile	F	55.00	568
572	Canplast Mexico S.A. de C.V., Chihuahua	Mexico	P	50.00	561
599	W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Gladbeck	Germany	F	100.00	500
610	SURTECO Svenska AB, Gislaved	Sweden	F	100.00	100
611	Gislaved Folie AB, Gislaved	Sweden	F	100.00	610
	JORNA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	Germany	F*		520
	SANDIX Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Düsseldorf	Germany	F*		520

F = Full Consolidation E = Consolidation at Equity P = Proportionate Consolidation NC = Not Consolidated F* = Full Consolidation (special-purpose entity)

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the SURTECO SE, Buttenwiesen-Pfaffenhofen, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 11 April 2012
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefano Mulas	Dietmar Eglauer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in 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 position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Buttenwiesen-Pfaffenhofen, 10 April 2012

The Board of Management

Friedhelm Päfgen

Dr.-Ing. Herbert Müller

BALANCE SHEET (HGB)

€ 000s	31/12/2010	31/12/2011
ASSETS		
Intangible assets	132	104
Tangible assets	269	294
Investments		
- Interest in affiliated enterprises	276,485	276,484
- Notes receivables to affiliated enterprises	24,405	24,405
- Participations	1	1
- Non-current marketable securities	3,913	451
Fixed assets	**305,205**	**301,739**
Receivables and other assets		
- Receivables from affiliated enterprises	66,814	78,454
- Other assets	5,485	7,565
Cash in hand, bank balances	50,813	53,601
Current assets	**123,112**	**139,620**
Prepaid expenses	**93**	**151**
	428,410	**441,510**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	11,076	11,076
Additional paid-in capital	94,864	94,864
Retained earnings	96,484	102,683
Net profit	10,021	6,282
Equity	**212,445**	**214,905**
Pension accruals	468	482
Tax accruals	1,792	1,301
Other accruals	2,539	1,604
Accrued expenses	**4,799**	**3,387**
Liabilities to banks	170,555	178,581
Trade accounts payable	278	298
Liabilities to affiliated enterprises	38,112	41,508
Other liabilities	2,211	2,831
Liabilities	**211,166**	**223,218**
	428,410	**441,510**

INCOME STATEMENT (HGB)

€ 000s	1/1/-31/12/ 2010	1/1/-31/12/ 2011
Earnings from profit transfer agreements	35,204	30,370
Investment income	809	0
Other operating income	3,003	2,126
Personnel expenses	-3,324	-3,080
Amortization and depreciation on intangible assets and property, plant and equipment	-89	-112
Other operating expenses	-3,626	-3,451
Income from loans from financial assets	3,892	1,522
- of which to affiliated enterprises		
€ 000s 1,522 (2010: € 000s 3,892)		
- of which write-ups on financial assets		
€ 000s 0 (2010: € 000s 2,430)		
Interest income	-8,538	-8,099
Write-downs on investments	-5,973	-3,461
Result from ordinary activities	**21,358**	**15,815**
Extraordinary expenses	-188	0
Income taxes	-6,515	-3,401
Other taxes	-4	15
Net income	**14,651**	**12,429**
Profit carried forward from the previous year	70	53
Transfer to retained earnings	-4,700	-6,200
Net profit	**10,021**	**6,282**

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

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

GLOSSARY

AUTHORIZED CAPITAL

Authorized capital relates to the authorization of the Board of Management to increase the capital stock up to a specified nominal amount by issuing new shares subject to the approval of the Supervisory Board. The authorization is granted by the Annual General Meeting and requires a three-quarter majority of the repre-sented capital. The term is a maximum of five years. Furthermore, the authorized capital may not be higher than half of the capital stock. Authorized capital gives the Board of Management the opportunity to increase the equity capital of the company at a favourable time for the company and in accordance with the capital requirement and situation on the stock exchange, without having to convene an Annual General Meeting.

CALENDERING

Calendering is used for the manufacture of plastic foils. Calenders are comprised of two or more heatable rollers which are configured in parallel and rotate in opposite directions. The polymer being processed is first mixed, then gelled (pre-heated) and finally calendered. The foil is then taken over by other rollers. This enables the thickness to be further reduced. The foil is also embossed. This is again a calender. The embossing roller is tempered, the counter-roller is cooled. After the embossing process has been carried out, the foil is cooled and rolled up.
Calenders are also used for embossing, smoothing, compressing and satinizing papers and textiles. In the paper industry, surface properties such as gloss and smoothness are improved while at the same time reducing the thickness. An array of different effects can be achieved by changing the pressure, temperature and roller speed.

CAPITAL STOCK

The capital stock is the minimum capital defined in law which has to be provided by the shareholders of a joint-stock company or a European Company (SE). The capital stock of a joint-stock company (AG) must be at least € 50,000 (§ 7 Stock Corporation Act, AktG), the capital stock of an SE must be € 120,000 (Article 4 Section 2 SE-VO). The capital stock in an AG and a SE is divided into shares. In the case of par shares, the total of all the par values form the capital stock. In the case of no-par-value shares, each share forms a numerical share of the capital stock.

CORPORATE GOVERNANCE

Corporate Governance relates to responsible management and control of companies directed towards long-term creation of value added and increase in the value of the company. This does not simply cover the management functions of the executive management but also involves the distribution of functions between the Board of Management and the Supervisory Board, and their relationships with the current and future shareholders, investors, employees, business partners and the public domain. Corporate Governance therefore encompasses shareholder value – the increase in income for shareholders – and stakeholder value – the value of the company for the business partners. Apart from the internal effect directed towards the increase in efficiency and control, Corporate Governance exerts a significant external effect that can be described as entailing a transparent and open policy on information. The internal and external effect are directed towards increasing the value of the company, most importantly the stock-market value.

DEALING-AT-ARM'S LENGTH PRINCIPLE

Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must be subject to the test of dealing-at-arm's length, which would involve 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.

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 of consolidation 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 rate basis to reflect performance of the associated enterprise.

EXTRUSION

The process of extrusion (from the Latin extrudere = push out, drive out) involves plastics or other thermosetting materials, e.g. rubber, being squeezed through a nozzle in a continuous procedure. The plastic – the extrudate – is initially melted as it passes through an extruder (also known as a screw 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 application of a vacuum ensures that the extrusion is pressed against the calibre wall and the process of forming is completed in this way. This stage is often followed by a cooling phase carried out in a cooled water bath. The cross section of the geometrical component created corresponds with the nozzle or calibration used. The merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

FULLY IMPREGNATED PAPER

During the process of full impregnation, papers are saturated in a resin bath and then dried. The impregnated papers are generally varnished and they can then be applied as finish foils to substrate materials, such as MDF boards or fibre boards.

GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code defines essential statutory regulations for managing and monitoring German companies listed on the stock exchange (company management) and includes internationally and nationally recognized standards for sound and responsible corporate management. The code is intended to make the Corporate Governance System in Germany transparent and accountable. The intention is to promote the trust of international and national investors, customers, employees and members of the general public in the management and monitoring of German companies listed on the stock exchange. The code elucidates the duties of the Board of Management and the Supervisory Board to act in harmony with the principles of the social market economy in the interests of the company and creation of the company's long-term value added (interests of the company).

IMPAIRMENT TEST

According to the regulations of the IFRS, it is necessary to recognize an impairment if the comparable value – the recoverable amount – is less than the book value (carrying amount). The recoverable amount is the higher value in a comparison of the net sale price with the utility value of the asset in question.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

IASB has been the abbreviation for the International Accounting Standards Board since 2001. The IASB is based in London and is organized and financed under private law. The function of the IASB is to draw up international accounting standards (IFRS - International Financial Reporting Standards). The goal of the IASB is to develop high-quality, comprehensible and feasible accounting standards in the interests of the public that result in the presentation of high-quality, transparent and comparable information in financial statements and other financial reports. The aim of this is to assist participants in the capital markets to make economic decisions and to create convergence between national standards and IAS / IFRS. The IASB is developing standards on an ongoing basis. Since 2000, the EU Commission has implemented many of these standards as binding EU law in a special endorsement procedure.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The IFRIC is a committee in the International Accounting Standards Committee Foundation. The group has twelve members. 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. The IFRIC meets every six weeks and initially publishes interpretations, as a draft for purposes of discussion in the public domain.

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 Standing Interpretation Committee (SIC).

PREIMPREGNATED PAPER

In contrast to fully impregnated materials, the raw paper has already been impregnated with resin when it is supplied as a preimpregnated material. The paper is printed and then varnished.

PRIME STANDARD

New share segment on the Frankfurt Stock Exchange (alongside the General Standard) with uniform registration obligations. Participation in the Prime Standard entails compliance with higher international requirements for transparency than required for the General Standard. Quarterly reporting, application of international accounting standards, publication of a corporate calendar, an annual analysts' conference, publication of ad hoc press releases and ongoing reporting in English are the key obligations consequent on admission to the Prime Standard.

SBU

Strategic Business Unit

SE

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

FINANCIAL CALENDAR

2012

11 May	Three-month report January – March 2012
22 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
25 June	Dividend payout
10 August	Six-month report January – June 2012
9 November	Nine-month report January – September 2012

2013

30 April	Annual Report 2012
15 May	Three-month report January – March 2013
28 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
1 July	Dividend payout
14 August	Six-month report January – June 2013
14 November	Nine-month report January – September 2013

Published by	SURTECO SE
	Johan-Viktor-Bausch-Straße 2
	86647 Buttenwiesen-Pfaffenhofen
	Germany
	Phone +49(0) 8274 9988-0
	Fax +49(0) 8274 9988-505
	ir@surteco.com
	www.surteco.com
Concept and Design	DesignKonzept, Mertingen
Photos	Ebbing + Partner, Iserlohn
	Kaloo Images, Mertingen

TEN YEAR OVERVIEW

	2002	2003	2004	2005
Sales revenues in € 000s	367,642	355,037	380,428	396,372
Foreign sales in %	60	60	61	64
Restructuring expenses in € 000s	0	0	1,329	3,871
EBITDA in € 000s	69,761	63,976	70,346	65,211
Depreciation and amortization in € 000s	-27,025	-26,762	-25,912	-17,765
EBIT in € 000s	42,736	37,214	44,434	47,446
Financial result in € 000s	-12,721	-10,120	-9,686	-9,890
EBT in € 000s	30,015	27,094	34,748	37,556
Consolidated net profit in € 000s	17,616	14,847	18,205	21,987
Balance sheet total in € 000s	390,510	356,414	362,130	370,121
Equity in € 000s	104,046	108,710	116,609	148,967
Equity ratio in %	27	31	32	40
Average number of employees for the year	2,053	1,941	1,998	2,132
Number of employees at 31/12	2,033	1,937	2,192	2,109
Capital stock in €	10,575,522	10,575,522	10,575,522	11,075,522
Number of shares	10,575,522	10,575,522	10,575,522	11,075,522
Earnings per share in €	1.67	1.40	1.72	1.97
Dividend per share in €	0.65	0.70	0.80	0.80
Dividend payout in € 000s	6,874	7,403	8,860	8,860
PROFITABILITY INDICATORS				
Return on sales in %	8.2	7.6	9.1	9.4
Return on equity in %	18.1	14.7	17.0	15.6
Total return on total equity in %	11.0	10.5	12.3	12.8

2006	2007	2008	2009	2010**	2011
403,156	414,519	402,984	341,145	388,793	408,809
64	65	66	64	67	67
0	0	7,297	0	0	0
71,698	74,358	56,828	54,317	62,547	56,116
-17,612	-19,060	-19,731	-19,892	-20,934	-21,099
54,086	55,298	37,097	34,425	41,613	35,017
-8,060	-8,371	-21,320	-16,860	-9,520	-12,089
46,026	46,927	15,777	17,565	32,093	22,928
28,761	31,837	6,754	9,239	21,754	12,484
373,198	516,728	490,073	481,676	480,996	482,135
165,678	189,506	180,516	191,815	212,969	216,504
44	37	37	40	44	45
2,059	2,121	2,194	1,979	1,990	2,050
2,051	2,181	2,137	1,903	2,003	2,005
11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522
11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522
2.60	2.87	0.61	0.83	1.96	1.13
1.00	1.10	0.35	0.40	0.90	0.45*
11,076	12,183	3,876	4,430	9,968	4,984
11.4	11.3	3.9	5.1	8.2	5.6
18.4	15.8	3.8	4.9	10.8	5.9
14.7	11.1	6.0	6.2	8.9	6.8

* Proposal by the Board of Management and Supervisory Board
** Adjusted on the basis of IAS 8 (see Notes to the Consolidated Financial Statements Section VIII. Adjustment to the consolidated financial statements).

CONTACT

SURTECO SE

Andreas Riedl
Chief Financial Officer
Phone +49 (0) 8274 9988-563

Martin Miller
Investor Relations and Press Office
Phone +49 (0) 8274 9988-508

Fax +49 (0) 8274 9988-515
Email ir@surteco.com
Internet www.surteco.com

SURTECO
SOCIETAS EUROPAEA

SURTECO SE
Johan-Viktor-Bausch-Str. 2
86647 Buttenwiesen-Pfaffenhofen
Germany

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