ANNUAL REPORT 2012

SPECIALISTS FOR SURFACE TECHNOLOGIES

SURTECO

SOCIETAS EUROPAEA

SURTECO SE
WORLDWIDE

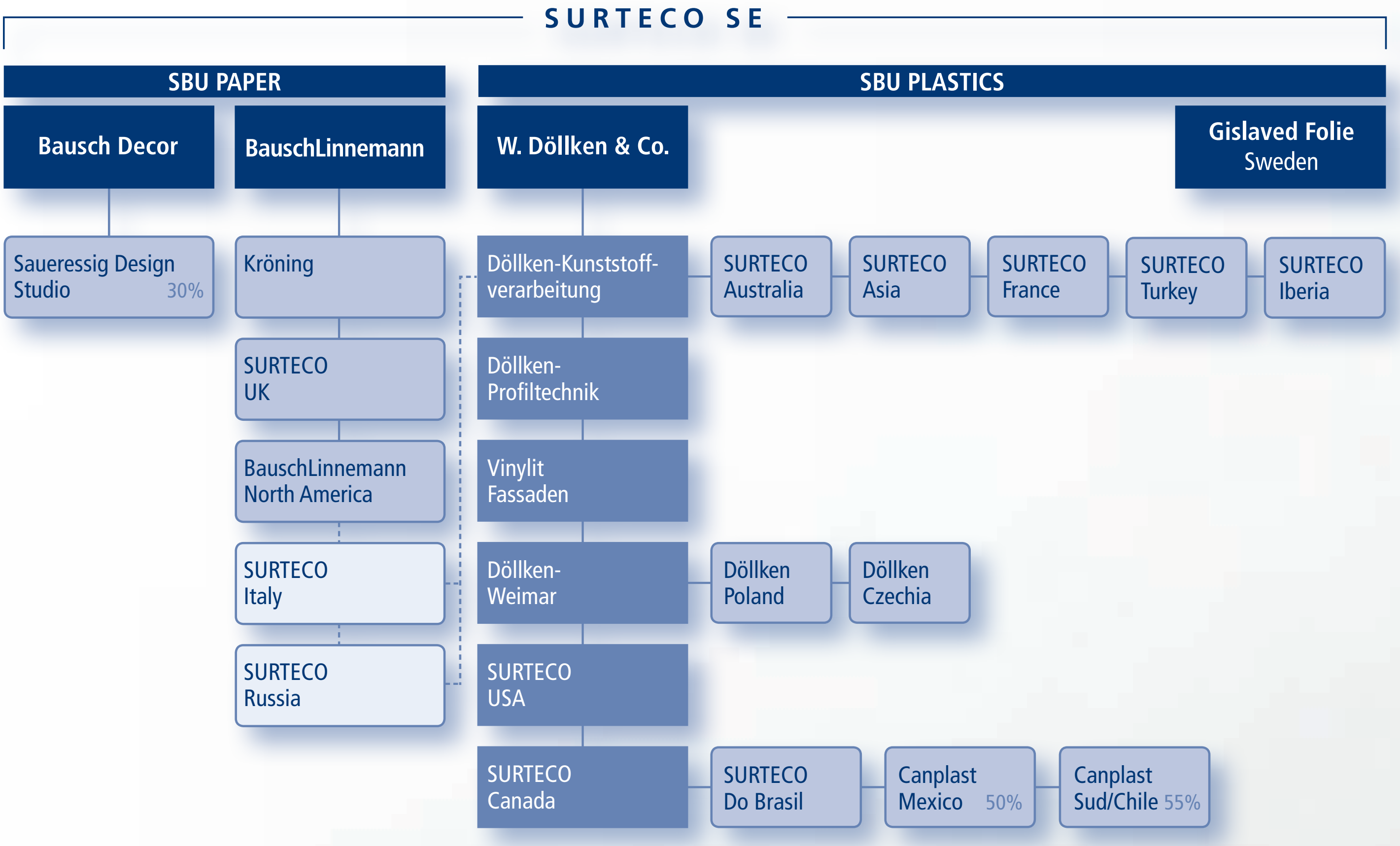
Germany

AT A GLANCE
SURTECO SE

[€ 000s]	2011	2012	Variation in %
Sales revenues	408,809	**407,720**	-
Foreign sales in %	67	**69**	
EBITDA	56,116	**51,699**	-8
EBITDA margin in %	13.7	**12.7**	
Depreciation and amortization	-21,099	**-22,045**	
EBIT	35,017	**29,654**	-15
EBIT margin in %	8.6	**7.3**	
Financial result	-12,089	**-8,463**	
EBT	22,928	**21,191**	-8
Consolidated net profit	12,484	**15,028**	+20
Earnings per share in €	1.13	**1.36**	+20
Additions to fixed assets	16,495	**21,512**	+29
Balance sheet total	482,135	**467,250**	-3
Equity	216,504	**223,178**	+3
Equity ratio in %	44.9	**47.8**	+6
Net financial debt at 31 December	125,786	**101,835**	-19
Gearing (level of debt) at 31 December in %	58	**46**	-21
Average number of employees for the year	2,050	**1,994**	-3
Number of employees at 31 December	2,005	**1,967**	-2
PROFITABILITY INDICATORS IN %			
Return on sales	5.6	**5.3**	
Return on equity	5.9	**6.9**	
Total return on total equity	6.8	**6.6**	

GROUP STRUCTURE

SURTECO SE



SALES DISTRIBUTION in %

2012

SURTECO GROUP

Germany	31
Rest of Europe	44
America	14
Australia	6
Asia	5

Edgebandings	50
Foils	27
Skirtings	7
Decorative printing	5
Technical extrusions	4
DIY	2
Cladding systems	2
Other	3

STRATEGIC BUSINESS UNIT PLASTICS

Germany	31
Rest of Europe	38
America	16
Australia	10
Asia	5

Edgebandings	59
Skirtings	11
Foils	11
Technical extrusions	7
DIY	3
Cladding systems	4
Other	5

58 %
Percentage of total sales

STRATEGIC BUSINESS UNIT PAPER

Germany	32
Rest of Europe	52
America	12
Australia	1
Asia	3

Foils	48
Edgebandings	36
Decorative printing	13
Laminates (CPL)	2
Other	1

42 %
Percentage of total sales

THE PRODUCT RANGE

OF SURTECO SE

STRATEGIC BUSINESS UNIT PLASTICS

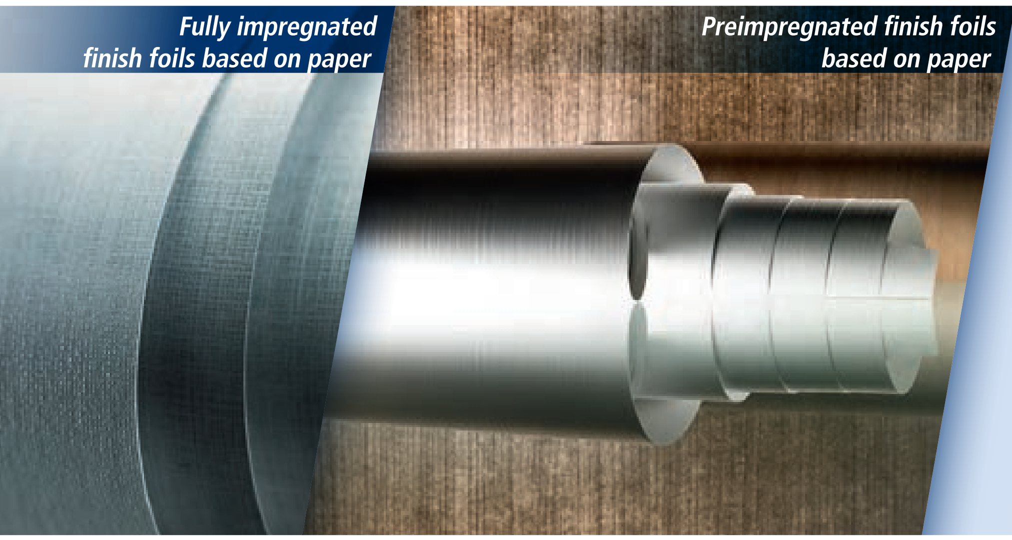
Roller shutter systems

Ranges for buildings and DIY stores

Technical extrusions for industry

Plastic foils

STRATEGIC BUSINESS UNIT PAPER



Fully impregnated finish foils based on paper

Preimpregnated finish foils based on paper

SURTECO SE

ISIN: DE0005176903

Ticker symbol: SUR

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IMAGES IN THIS ANNUAL REPORT

The products of SURTECO accompany the daily life of people throughout the world. The areas of application range from house facades, articles for interior design, through to surface coatings for furniture or interior furnishings of all kinds. Although edgebandings, decorative papers and finish foils from SURTECO only represent a small proportion of the production depth for an item of furniture, they exert a key influence in defining their visual appearance. The floor of the cover picture is given its appealing design by the decorative paper from SURTECO.
The pictures in this Annual Report illustrate the products from SURTECO and show the diversity of their applications in daily life. They include unusual objects such as headphones where the cushioning is made of plastic foils from SURTECO.

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, we have come through a business year with ups and downs. The year 2012 started full of hope for SURTECO, and although the sentiment in our market and sector environment gradually became depressed, our sales were still almost exactly at the year-earlier level by the time we came round to September. October also showed gratifying development but the economic crisis in Europe intensified in the last two months of the year and uncertainties in the markets about the "fiscal cliff" in the USA led to customers reining in expenditure. As a result, sales for the year as a whole at € 408 million fell slightly below the value for 2011 (€ 409 million).

The result was also impacted by a number of negative issues in 2012. Firstly, the cost of materials was a significant factor which continued to remain at an exceptionally high level, despite a cooling of the economy. Secondly, the rise in personnel costs and one-off expenses amounting to € 1.7 million due to restructuring measures at the Buttenwiesen-Pfaffenhofen site put pressure on margins. As a consequence, the operating result (EBITDA) at € 51.7 million was 8 % lower than in the previous year. The EBITDA margin was 12.7 % (2011: 13.7 %).

Over the course of the past year, our strategic focus has mainly been on further penetration of our markets. In January, we took over the customer base of our French competitor Sodimo. In North America, the Strategic Business Unit Paper concentrated its production activities in Myrtle Beach, South Carolina.

The business performance was reflected in the price of the SURTECO share. The first half of the year witnessed a turbulent price curve with the high for the year of more than € 24 in March and investors subsequently taking profits. A similar development emerged in the second half of the year with some significant fluctuations that culminated in a closing price for the year at € 17, slightly below the value posted at the beginning of the year. This value is not satisfying as far as we are concerned either.

We would like to allow shareholders to participate again at an appropriate level in the profit we have generated. In agreement with the Supervisory Board, we would therefore like to submit a proposal to the Annual General Meeting to be held in Munich on 28 June 2013 that a resolution should be passed to pay out a dividend amounting to € 0.45 (2011: € 0.45) per share.

We are currently assuming that the economic situation will continue to stagnate in our most important markets. A negative development is even expected in some countries. Furthermore, the tense situation in the procurement market is not demonstrating any signs of consistent and sustainable easing. Our long-term strategy is therefore all the more important. We need to focus on our core activities and achieve further penetration in the most important growth markets. We would be delighted for you to continue supporting SURTECO as it develops in the future.

We would like to take this opportunity to thank all our shareholders for the support they have given us and for the trust they have placed in us. We also wish to thank all our employees for their high level of commitment, as well as extending our thanks to our customers, partners and suppliers for their excellent cooperation in an atmosphere of trust.

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
Sole shareholder of the GMH-Group, Hamburg

Björn Ahrenkiel — Vice-Chairman
Lawyer, Hürtgenwald

Dr. Markus Miele — Deputy Chairman
Industrial engineer, Gütersloh

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

Dr. Matthias Bruse
Lawyer, Munich

Markus Kloepfer
Managing Director of alpha logs GmbH, Essen

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

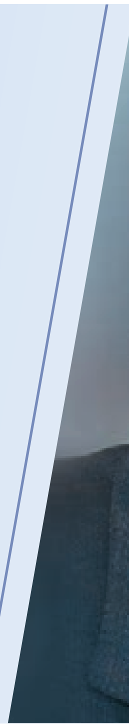
DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Oliver Beer Joachim Dausch Peter Schulte
SURTECO AUSTRALIA PTY. LTD. Sydney	Maximilian Betzler
SURTECO ASIA (SURTECO PTE. LTD. + PT DÖLLKEN BINTAN) Singapore + Batam, Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	Gilbert Littner
SURTECO DEKOR A.Ş. 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. Kattowice, Poland	Rafael Pospiech
DÖLLKEN CZ s.r.o Prague, Czech Republic	Jan Vitu
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	Per Gustafsson
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
SURTECO UK LTD. Burnley	Tim Barber David Fleming
BAUSCHLINNEMANN NORTH AMERICA INC. Greensboro, USA	Mike Phillips Bernhard Düpmeier
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 2012, 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 in the Supervisory Board. 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 2012. 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

Once again in 2012, the Supervisory Board – as in previous years – intensively 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 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.

Discussion focused particularly intensively on the costreduction measures carried out at SURTECO sites in the USA, the merger of divisions at the Buttenwiesen-Pfaffenhofen site and planned investments in Gladbeck. Strategic aspects were dealt with at all the meetings of the Supervisory Board, particularly against the background of an emerging consolidation in the sector.

During the reporting year 2012, 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 financial indicators whereby noncompliance could have resulted in the conditions of the loan deteriorating or such noncompliance could have led to the loan being called in by creditors were also complied with in 2012.

The plans submitted by the Board of Management for the business year 2013 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 21 December 2012.

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.

At its meeting held on 20 April 2012, the Supervisory Board adopted the proposals for the agenda of the Ordinary General Meeting 2012.

COMPENSATION FOR THE BOARD OF MANAGEMENT

At the meeting of the Supervisory Board held on 20 April 2012, the variable compensation elements of the Members of the Board of Management for the business year 2011 were standardized along with the pension benefits. The company now pays the members of its Board of Management a uniform fixed annual amount and they can use this to build their own pension provision. There are no longer any further pension or retirement commitments extending beyond this.

PERSONNEL DECISIONS OF THE SUPERVISORY BOARD

No personnel decisions were made by the Supervisory Board during the period under review beyond the measures already discussed above (definitions of bonuses for 2011 and standardization of rules for pensions).

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTEE

At its meeting held on 21 December 2012, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to § 12 Section 3 of the Articles of Association at a total amount of € 32,000.00, which does not breach the upper limit of € 40,000.00 defined in the articles. The amount of € 32,000.00 was allocated to the individual members of the Audit Committee on a time basis.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

Following the departure of Mr. Karl Becker from the Supervisory Board on 16 September 2011, the Augsburg Local Court (Amtsgericht Augsburg) appointed Mr. Markus Kloepfer, Essen, as a Member of the Supervisory Board. Mr. Markus Kloepfer was appointed by the Ordinary General Meeting held on 22 June 2012 for a full term and hence was confirmed in his office. There were no changes in the composition of the Supervisory Board during the period under review.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed on page 99 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, the determination of the focuses of 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 one meeting during the year under review. In particular, the committee addressed the proposal to calculate the variable compensation elements of the Members of the Board of Management for the business year 2011. The committee also dealt with a standardization of the pension arrangements in the contracts of service for Members of the Board of Management and 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 2012 and also took account of the amendments to the German Corporate

Governance Code made on 15 May 2012. Within the scope of the efficiency audit, the Supervisory Board regularly carries out a self-evaluation of its members and discusses the results in the plenary session of the Supervisory Board. In view of only slight deviations in the individual self-assessments during previous years, the self-assessment will only be carried out every two years, i.e. for the business years 2012 and 2013 at the end of 2013. Discussions were also carried out relating to the issue of the variable compensation of the Supervisory Board following the amendment to the German Corporate Governance Code adopted on 15 May 2012 whereby the remuneration no longer complies with the code's recommendation for a longerterm perspective for variable remuneration. However, the Supervisory Board does not currently see any need to propose a change in the compensation for the Members of the Supervisory Board because the existing remuneration is appropriate and there are no obvious disadvantages for the company.

On 21 December 2012, 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 § 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 2012 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 23 April 2013 in the presence of the auditor and following a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the submitted documents. Furthermore, we took note of the report by the auditor. We have no objections. We therefore concur with the result of the audit. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements prepared by the 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 2013 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 2012.

Buttenwiesen-Pfaffenhofen, April 2013

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman

MANAGEMENT REPORT 2012

SURTECO GROUP AND
SURTECO SE

GROUP STRUCTURE AND BUSINESS ACTIVITY

OVERVIEW

The SURTECO Group is a leading international manufacturer of decorative surface coatings which are processed mainly by the furniture industry. The products of SURTECO are primarily used to coat wood-based materials, such as chipboard and fibreboard. These materials then have their final surface with appealing visual profile and haptic feel. The companies of the SURTECO Group have production facilities on four continents with a total of some 2,000 employees.
SURTECO is the global market leader in the product segment of edgebandings. This product range is used to refine the narrow edges of wood-based boards for use in settings like kitchens. The product range covers endless, single-layer melamine coated edgings based on paper for straight and profiled edges, and door rebates through to themoplastic edgebandings which are manufactured from a range of different plastics to suit the planned area of application. Since SURTECO manufactures edgebandings from plastic and paper, customers can choose from a virtually unlimited number variations in terms of qualities, finishes, dimensions, decorative designs and colours to suit any application.
Flat foils are used to cover large areas of wood-based materials. They are extremely important for the visual and haptic appraisal of a piece of furniture. The companies of the SURTECO Group supply finish foils based on plastic and paper which have outstanding technical properties and feature trend-setting decors, colours and textures. Finish foils based on paper are typically used to manufacture furniture for living areas, bedrooms and teenager settings. They are also used for profile wrappings and for manufacturing panelling. SURTECO

also 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 decor 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 from the world of interior design. The laminate flooring market provides a particularly appealing example of refinement outside the company. This is because the use of decor paper lends flooring elements their attractive appearance. The very comprehensive collection of wood-based, stone and imaginative fantasy decors is continually being expanded with new, trendy decors in our in-house design department.
SURTECO supplies the specialist flooring wholesale trade with floor edgings and skirtings. These are either made entirely of plastics or they are provided with a core of wood-based materials in a special three-part extrusion process. They are mainly used by professional floorlayers. The companies in the plastics segment also have a long track record of experience in manufacturing a wide range of extruded products for interior design and the construction industry. High-quality manufactured products like flooring extrusions, stair edges, cover and transition extrusions, as well as angle rails, cladding systems and roller-shutter systems complete the range.
The Group also supplies high-quality product ranges for home improvement and DIY stores as well as the trade wholesale business. These ranges are compiled from products manufactured in-house and purchased parts.

ORGANISATION AND BUSINESS UNITS

The Group is managed centrally by the holding company SURTECO SE with registered office in Buttenwiesen-Pfaffenhofen. The functions carried out comprise strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting, investor relations activities and IT coordination. The individual subsidiary companies of the Group manage their businesses independently on the basis of group-wide targets. They are legally independent companies and as such they bear responsibility for sales and earnings.
The Group is divided into the Strategic Business Units (SBU) Plastics and Paper in line with the base material used. 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) and roller-shutter systems, cladding systems, plastic foils and many other products made of plastic for interior design, and for artisan and trade applications. The companies of the SBU Paper manufacture products based on specialist technical papers for the furniture and flooring industries. These include finish foils, edgebandings and decorative papers. The production of multilayered laminates was discontinued at the end of 2012. SURTECO manufactures its products locally

EDGEBANDINGS MADE OF PLASTIC

Plastic edgebandings are also described as thermoplastic edgebandings and their robust strength means they are mainly found in furniture for kitchens, bathrooms and offices. They are made in different dimensions and strengths to match specific applications. The choice of colours and decorative designs is virtually unlimited.

EDGEBANDINGS

in all relevant markets at 15 production locations on four continents. This ensures secure, fast production tailored to the target market at all times. Customers source their products through direct sales, using 15 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 subsidiary companies* 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.
Döllken-Kunststoffverarbeitung GmbH and its subsidiaries have specialized in the production and sale of plastic edgebandings. Manufacture is carried out at the main production facility in Gladbeck, as well as in Australia (SURTECO Australia Pty Limited) and Indonesia (PT Doellken Bintan Edgings & Profiles). Global delivery capability is ensured by 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.) and Russia (SURTECO OOO).
Döllken-Profiltechnik GmbH in Dunningen has specialized in the manufacture of technical extrusions for industrial applications and roller-shutter systems for furniture.
Vinylit Fassaden GmbH based in Kassel manufactures ventilated cladding systems made of plastic for covering house facades. The visually appealing elements are easy to assemble and provide substantially improved energy saveings allongside improved noise abatement properties.
Döllken-Weimar GmbH based in Nohra near Weimar and its subsidiary in Bönen manufactures floor strips and skirtings and wall edging systems for professional floorlayers, and for home-improvement and specialist stores. The accessories required for laying the products are also supplied as product ranges for resale. The company has sales venues in Poland (Döllken Sp. z o.o.) and the Czech Republic (Döllken CZ s.r.o.).
SURTECO USA Inc., Greensboro, is responsible for the production and sale of plastic edgebandings in the USA.
SURTECO Canada Ltd. produces plastic edgebandings at the headquarters in Brampton, Canada and at its subsidiary company in Santiago, Chile (Canplast SUD S.A.). Other sales locations in Mexico (Canplast Mexico S.A. de C.V.) and Brazil (SURTECO Do Brasil S/A) ensure comprehensive sales support for markets on the American continent.

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

STRATEGIC BUSINESS UNIT PAPER

The SBU Paper comprises Bausch Decor GmbH and BauschLinnemann GmbH including their subsidiary companies*.
Decorative printer Bausch Decor GmbH based in Buttenwiesen-Pfaffenhofen manufactures decorative papers based on non-fade specialist papers which are either further refined to produce finish foils within the Group or supplied directly to the flooring and furniture industry. Bausch Decor holds a 30 % stake in Saueressig Design Studio GmbH and the in-house design department works closely together with this studio to develop and create new decorative designs.
BauschLinnemann GmbH is based in Sassenberg and manufactures edgebandings and finish foils at its production facility there. Meanwhile, the production location in Buttenwiesen has focused entirely on the manufacturing and refining of finish foils. The subsidiary company Kröning GmbH & Co. located in Hüllhorst is a specialist supplier for surface coatings with exceptionally complex specifications. The product portfolio comprises edgebandings, finish foils and hybrid products. On the North American continent, BauschLinnemann South Carolina LLC, Myrtle Beach, specializes in finish foils tailored to the American market. Semi-finished products are supplied to the sales companies located in the USA (BauschLinnemann North America, Inc.), in the United Kingdom (SURTECO UK Ltd.; up to 27 December 2012: BauschLinnemann UK Ltd.) and – in cooperation with the SBU Plastics – in Italy (SURTECO Italia s.r.l.) and Russia (SURTECO OOO). They are then 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.

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 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 has 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 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 Members of the Board of Management each receive an annual allowance amounting to € 100,000 for retirement provision (Mr. Friedhelm Päfgen since 1 June 2012 – pro rata payout in 2012: € 50,000). 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 of the Chairman of the Board of Management Mr. Friedhelm Päfgen includes a surviving dependent pension for his widow in the form of a life-time widow's pension payable from the seventh month after the month of decease in equal monthly amounts and amounting to a total of € 68,400 p.a. This agreement was cancelled without replacement with effect from 1 May 2012. In compensation, Mr. Päfgen was paid a single amount of € 500,000 which is based on the provision formed in the financial statements of SURTECO for the widow's entitlement.

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 2012:

Compensation of the Board of Management for 2012:

€ 000s	Basic salary		Performance-based compensation		Non-cash benefits and other payments		Total compensation	
	2011	2012	2011	2012	2011	2012	2011	2012
Friedhelm Päfgen	252	252	615	612	22	72	889	936
Dr.-Ing. Herbert Müller	252	252	485	504	99	134	836	890
Total	**504**	**504**	**1,100**	**1,116**	**121**	**206**	**1,725**	**1,826**

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

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

EDGEBANDINGS MADE OF PAPER

Edgebandings made of paper form a perfect fit for the surface products from SURTECO. They can also be combined with other surface systems. They are primarily used in furniture for living areas, for profiled edging with narrow radiuses and in door rebates.

EDGEBANDINGS

Compensation for the Supervisory Board 2012:

€	Total		fixed Compen-sation	variable Compen-sation	Compensation for work carried out on the Audit Committee
	2011	2012			
Dr.-Ing. Jürgen Großmann, Chairman	40,400	45,900	6,000	34,400	5,500
Björn Ahrenkiel, Vice-Chairman	30,300	45,800	4,500	25,800	15,500
Dr. Markus Miele, Deputy Chairman	30,300	30,300	4,500	25,800	-
Josef Aumiller	20,200	20,200	3,000	17,200	-
Dr. Matthias Bruse	20,200	25,700	3,000	17,200	5,500
Markus Kloepfer	5,900	20,200	3,000	17,200	-
Udo Sadlowski	20,200	20,200	3,000	17,200	-
Dr.-Ing. Walter Schlebusch	20,200	25,700	3,000	17,200	5,500
Thomas Stockhausen	20,200	20,200	3,000	17,200	-
	14,100*				
Total	**222,000**	**254,200**	**33,000**	**189,200**	**32,000****

* This amount includes the compensation for the Member of the Supervisory Board Karl Becker, who retired from the Supervisory Board on 12 September 2011.
** The upper limit of € 40,000 was not used fully during the year under review.

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. The members of the Audit Committee also receive a further remuneration amounting to a total of € 40,000 annually. The Supervisory Board decides on the allocation of this further remuneration based on the proposal by the Audit Committee, at their discretion taking into account the time taken by each of the members of the Audit Committee to carry out their functions.

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.

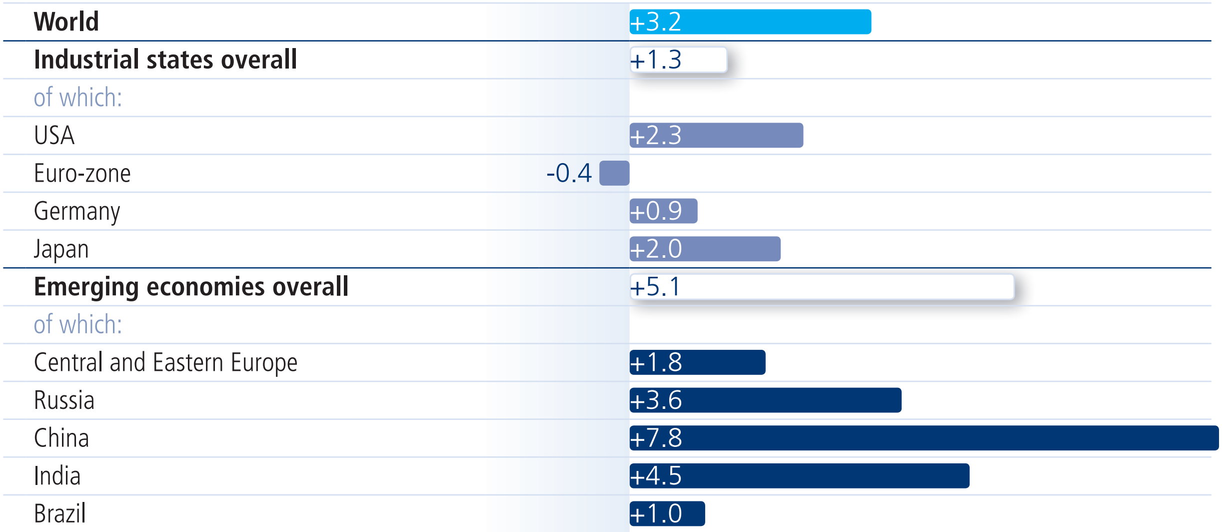
Loans to Members of the Supervisory Board

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 2012, 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 GROWTH FOR 2012 IN %



Source: International Monetary Fund (IWF) World Economic Outlook 23 January 2013

ECONOMIC FRAMEWORK CONDITIONS

DECLINE IN ECONOMIC OUTPUT IN THE EURO-ZONE

Growth in the global economy slowed during the course of 2012 compared with the previous year. According to the figures from the International Monetary Fund (IMF), the economic activity across the world grew by 3.2 % in 2012 following an increase of 3.9 % in 2011. Negative impacts on global growth were mainly due to the sovereign debt crisis in Europe and a general economic slow-down in the second half of the year. Forecasts by economic experts were corrected downwards several times. The IMF estimated an overall decline in economic output of 0.4 % for the entire euro-zone in 2012. The intensification of the crisis tipped some of the countries in southern Europe into a deep recession. For example, aggregate output in Italy shrank by 2.1 %, and in Spain it fell by 1.4 %, after both countries had posted slight growth of 0.4 % in 2011. In Germany, statistics from the IMF indicated that growth was at a level of 0.9 %, whereas the Federal Government recorded an increase of 0.7 %. The IMF estimated that economic output in the USA and Japan was higher by 2.3 % and 2.0 % respectively than in 2011. The industrialized countries posted an overall increase in aggregate output of 1.3 % in 2012.

The biggest stimuli for global growth in 2012 came once again from the emerging economics, although even these countries were unable to continue the high level of dynamic growth from previous years. According to calculations by the IMF, growth in the developing countries and threshold economies amounted to 5.1 % overall in 2012, with China once again leading the charge with an increase in aggregate output of 7.8 %.

While inflation in the industrialized countries was relatively modest at 2.0 %, inflation in the emerging economies was 6.1 % in 2012. The central banks of some emerging economies increased interest base rates to counteract price increases that were in some cases significant. Conversely, base rates in the industrialized countries were at historic low levels. The prices of raw materials were overwhelmingly stable in 2012. The general global uncertainty about the ongoing economic development meant that prices for energy feedstocks, such as oil and gas, remained largely unchanged at the close of 2012 by comparison with the beginning of the year, although there had been significant price hikes in the course of the year.

FURNITURE INDUSTRY WITH SLIGHT GROWTH IN 2012

Companies from the furniture industry and the wood-based sector constitute the most important customer base for manufactured products from the

SURTECO Group. At the beginning of 2012, the associations of the German wood and furniture industries (HDH and VDM) projected that the German furniture industry would grow by 3 % in the course of the year. However, these expectations could not be realized. The sector sold goods totalling € 17.2 billion during the year under review, which only represented an increase of just 1.3 % compared to 2011. During the first half of the year 2012, business developed well with growth of 4.5 % and continued the positive trend of 2011. Domestic business was fuelled by very robust demand for residential accommodation, the favourable situation in the employment market and historically low interest rates. Manufacturers of kitchen furniture, furniture for living areas and office furniture were the main drivers for the positive result in the German furniture industry during the first half of 2012. By contrast, consumers in European countries outside Germany held back on purchases during the first half of the year as the impact of the euro crisis and the effects of the financial crisis left their mark in important sales markets. Incoming orders with German furniture manufacturers fell significantly as the situation began to bite. The trend increased significantly during the second half of 2012 so that the year overall saw an increase in exports of just one percent. In 2012, German furniture exporters only managed to post significant growth in markets such as Asia, Russia and the Far East. However, these positive results were unable to compensate the sales balance sheet of the German furniture industry during the months from July to December in 2012. The final month of the year in particular witnessed major setbacks. The order activities of the domestic furniture business were also unable to achieve the levels of the previous year during the second half of 2012, although the purchasing trend among domestic consumers continued to remain buoyant. Overall, furniture sales in Germany amounted to around € 12.3 billion overall. Goods worth some € 4.9 billion were sold in foreign markets. Sales of the German wood-based industry overall also only underwent very moderate growth of € 33.2 billion, compared with the value for the previous year of € 32.8 billion.

FALL IN DEMAND AT THE END OF THE YEAR

As the business year progressed, the companies of the SURTECO Group detected a significant dampening of consumers' inclination to spend money on purchases particularly in Germany and the rest of Europe. It emerged here that the German furniture industry was undergoing weaker development than had been anticipated by the sector associations at the beginning of the year. SURTECO's important European sales market became a problem case. Stagnation in demand in France gave special cause for concern, as did the collapse of the economy in Spain and Italy. The closure of the Chinese location in the previous year followed by restructuring in Asia coincided with cooling economic output in this region, leading to a temporary decline in Asia business. SURTECO countered these challenges with intensification of market penetration. This enabled the SURTECO Group to hold sales at the high level of the previous year, mainly driven by the expansion of business in North America. Nevertheless, the last

quarter saw a deterioration in the position of the euro and the intensification of the financial crisis, leading to an unexpected collapse in incoming orders in Europe. The usual seasonally determined weakness in demand at the end of the year was strengthened even further by this development. The flourishing business on the American continent was unable to compensate for this in full and sales over the entire business year remained slightly below the level of the previous year.
Despite the cooling economy, costs for the most important raw materials used by SURTECO remained at a very high level. Moreover, one-off expenses for restructuring at the Buttenwiesen-Pfaffenhofen site impacted negatively on the result.

SALES AND BUSINESS PERFORMANCE

EXPANSION OF BUSINESS IN AMERICA

Sales of the SURTECO Group at € 407.7 million in the business year 2012 were slightly below the value of € 408.8 million for the previous year. At the beginning of the business year, the internal market continued stable but conditions gradually deteriorated particularly during the second half of the year. This resulted in sales in Germany amounting to € 128.4 million (-3 %). Stagnating and declining markets in the European Union (-3 %) and declines in Asia of 15 % delivered a negative impact on foreign sales. However, these were more than compensated by a further market penetration in Eastern Europe and increased activities on the American continent so that consolidated foreign sales rose by 1 % to 279.3 during the year under review. The foreign sales ratio went up by 2 percentage points to a respectable 69 %.

STRATEGIC BUSINESS UNIT PLASTICS: CONTINUOUS EXPANSION OF EDGINGS BUSINESS

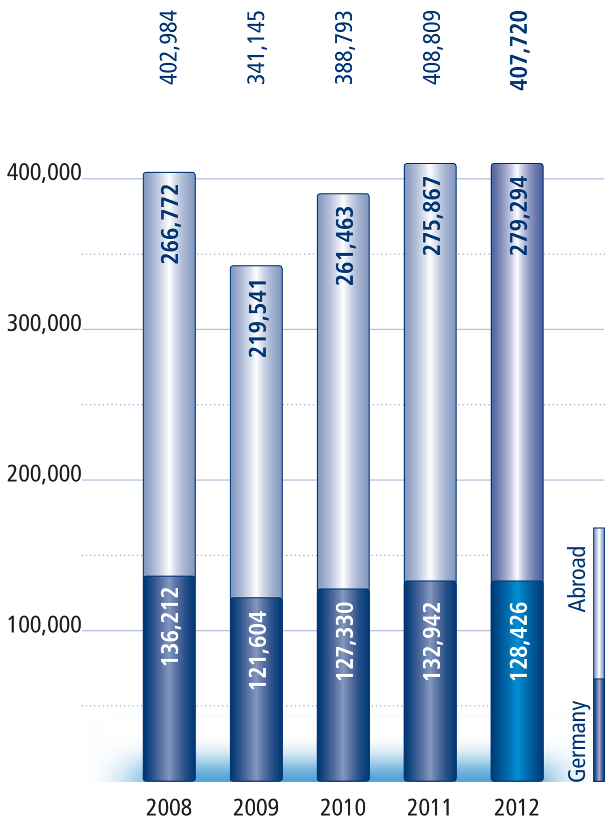
The Strategic Business Plastics succeeded in expanding its sales slightly by 1 % to € 237.6 million during the year under review. This corresponds to growth of € 3.1 million compared with the business year 2011. Once again, the business with thermoplastic edgebandings drove the modest but steady growth in the plastics line. New surface versions for supermatt

SKIRTINGS

Skirtings from SURTECO form a functional and decorative finish from the floor to the wall. SURTECO manufactures skirtings for professional floorlayers and for home improvement and DIY stores.
The material necessary for laying is also supplied as goods held for resale.

SKIRTINGS

SALES REVENUES



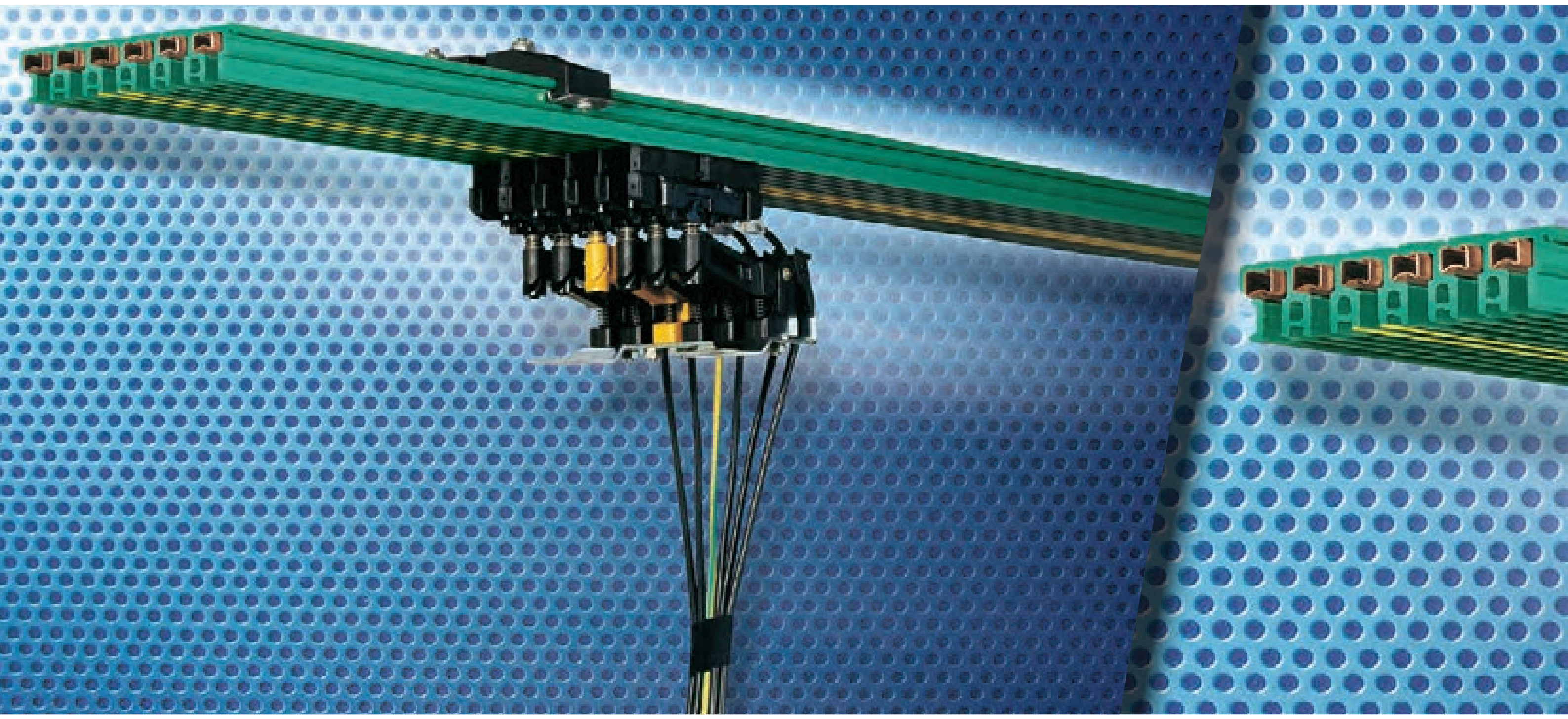
SALES REVENUES in € 000s SURTECO GROUP

and high-gloss edgings, alongside a continuous widening of services led to expansion of the edgings business by 3 %. This is all the more gratifying against the background of a stagnating market for plastic edgings in Europe. Gains of 4 % were posted in the Plastic Foils product segment. Sales of skirtings remained stable during the period under review. A trend emerged in office furniture for reduced use of roller blinds and this product segment eased by 3 % compared with 2011 alongside technical extrusions (profiles).

Business of the SBU Plastics in Germany rose slightly by 1 % and achieved sales of € 73.3 million. Declining sales in Asia (-12 %) are only likely to have experienced an adverse effect over the short term by relocation and restructuring measures in the region, compared with increases of 5 % in Australia. The relocation of production in Asia involved a move within Indonesia, the closure of production activities at the Chinese location and the transfer of production equipment to Indonesia during the years 2011 and 2012. During the reporting year 2012, the participation in the Chinese subsidiary company was deconsolidated. The activities in the French market were further expanded by the takeover of the customer base of French competitor Sodimo. In aggregate, foreign sales rose by 1 % to € 164.3 million. The foreign sales ratio remained constant at 69 %.

STRATEGIC BUSINESS UNIT PAPER: GROWTH ON THE AMERICAN CONTINENT

The resurgence of the economic crisis in Europe during the second half of the year exerted a pervasive effect on the Strategic Business Unit Paper since

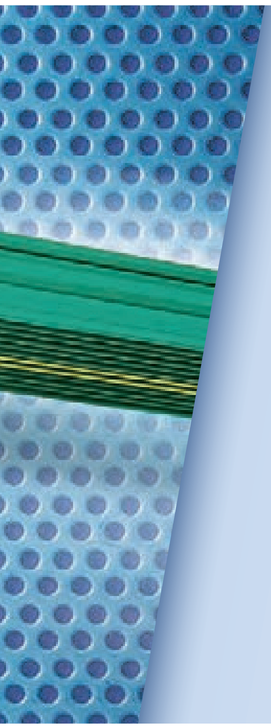


more than 80 % of sales are generated in Europe including Germany. The modified consumer behaviour during the period under review led to shifts in the product mix. The trend is moving away from the purchase of complete interior furniture and fittings towards the procurement of individual items of furniture, frequently in striking single colours – so-called colour blocking. This has resulted in ever declining batch sizes during production. The substitution of fully impregnated materials with more cost-effective pre-impregnates also continued apace. The sales of the Strategic Business Unit Paper fell back as a result by 2 % during the business year 2012 compared with the previous business year and achieved € 170.1 million. Gratifying increases in North and South America generated by opening up new markets, more competitive activities and the slight but steady increase in the economy in the USA were able to buck the trend but not entirely compensate the negative development in Germany and Europe. The internal market generated sales of € 55.1 million (-9 %) and the business in Europe (without Germany) dropped slightly by 2 %. The markets in Asia and Australia fell back by 22 % and 27 % respectively. Significant sales increases of 41 % in America resulted in a rise in foreign sales of 1 % to € 115.0 million compared with 2011. The foreign sales ratio increased by 3 percentage points to 68 %. As far as the product groups were concerned, a revival of the business for pre-impregnated materials (+10 %) was unable to avert a decline in flat foils (- 5%). While sales in paper-based edgebandings remained at the level of the previous year, business with decorative prints rose by 4 %.

FINANCIAL POSITION, NET ASSETS AND RESULTS OF OPERATIONS

VALUE ADDED

Over the period of 2012, corporate performance at € 415.7 million remained virtually unchanged compared with the previous year. The slightly fallen sales revenues were compensated by increased other income. Since the costs of materials and other expenses were slightly below the level for the previous year, value added went up to € 138.3 million (2011: € 135.6 million). The net value added ratio reached 33.3 % after 32.6 % in the previous year. The halved



TECHNICAL EXTRUSIONS

Technical extrusions from SURTECO are exceptionally versatile. They are used in the furniture industry and in many other industrial areas. One example of this expanded application is the extrusion shown, which is used as a power rail.

TECHNICAL EXTRUSIONS

VALUE ADDED CALCULATION

	2011 € 000s	in %	2012 € 000s	in %
Sales revenues	408,809		407,720	
Other income	6,819		7,945	
Corporate performance	**415,628**	**100.0**	**415,665**	**100.0**
Cost of materials	-192,400	-46.3	-190,201	-45.8
Depreciation and amortization	-21,099	-5.1	-22,045	-5.3
Other expenses	-66,532	-16.0	-65,080	-15.6
Creation of value added (net)	**135,597**	**32.6**	**138,339**	**33.3**
Shareholders (dividends)	9,968	7.3	4,984	3.6
Employees (personnel expenses)	102,771	75.8	107,691	77.9
Government (taxes)	10,542	7.8	6,384	4.6
Lenders (interest)	9,898	7.3	9,457	6.8
Allocation of value added	**133,179**	**98.2**	**128,516**	**92.9**
Remaining in the company (value added)	**2,418**	**1.8**	**9,823**	**7.1**

dividend payment compared to the previous year and the lower tax payments were the main factors leading to a reduced distribution of value added at € 128.5 million in 2012 (2011: € 133.2 million). The value added remaining in the company amounted to € 9.8 million (2011: € 2.4 million).

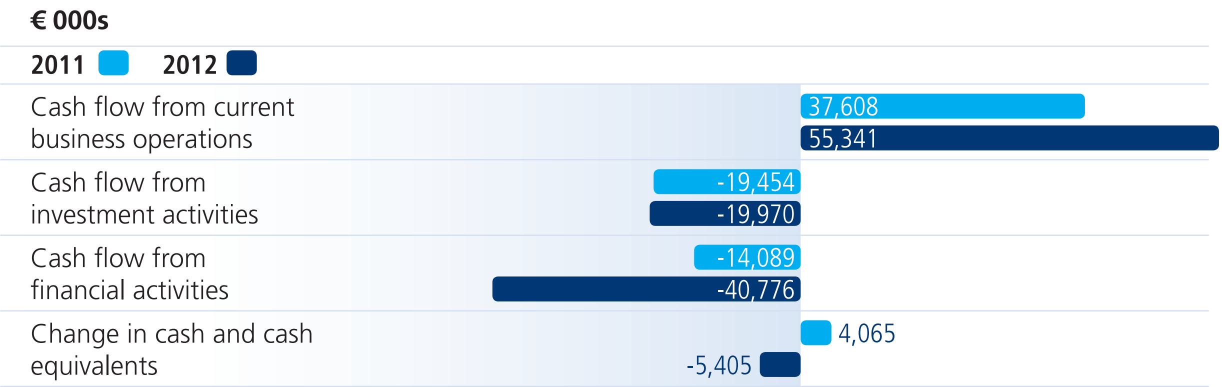
CASH FLOW STATEMENT

During the business year 2012, the cash flow from current business operations rose by 47 % to € 55.3 million compared with the previous year. This is due to the change in net working capital of € 12.6 million during the reporting period. An increase in trade liabilities and other assets played a major role in this development. During the previous year, the change in net working capital amounted to € -6.5 million.
Investment activity at € 20.0 million remained at the level of the previous year (€ 19.5 million). Investment focuses were technical equipment and machines and the acquisition of the customer base from a competitor.
Cash flow from financial activity amounted to € -40.8 million after € -14.1 million in the previous year. This was mainly due to the repayment of short term financial liabilities and reduced drawing on open credit lines during the business year 2012.
Overall, financial resources in the Group decreased by € 5.4 million on 31 December 2012.

LEVEL OF DEBT REDUCED

During the year under review, the consolidated balance sheet fell by 3 % compared with the previous year to € 467.3 million. A key factor of this reduction was the repayment of short-term financial liabilities and reduced drawing on open credit lines. Equity was increased at the same time. These positive developments are expressed as a reduction in gearing (level of debt) by 12 percentage points to 46 %.
Cash and cash equivalents fell to € 61.4 million (2011: 66.7 million) on 31 December 2012. Together with lower other current assets amounting to € 8.4 million (2011: € 12.7 million) this led to a value of € 175.3 million for current assets after € 187.1 million in 2011. Non-current assets fell by € 3.1 million to € 291.9 million mainly due to the valuation of other non-current financial assets which include the hedging instruments for the capital-payment and interest flows for the USD tranche from the US private placement (see Notes item 24).
Repayments of short-term financial debts amounting to € 27.7 million were set against increases in trade liabilities of € 6.4 million. Overall, current liabilities fell to € 51.8 million (2011: € 71.1 million) in 2012. Non-current liabilities, which mainly originate from a US private placement, changed only minimally to € 192.3 million (2011: € 194.5 million).
Net financial debt was reduced by € 24.0 million to € 101.8 million. Enhanced management of the working capital also achieved successes (31/12/2012:

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/12/2011	1/1/-31/12/2012
Cash flow from current business operations	**37,608**	**55,341**
Purchase of property, plant and equipment	-14,723	-16,267
Purchase of intangible assets	-5,474	-2,871
Acquisition of business	0	-1,477
Proceeds from disposal of property, plant and equipment	653	371
Dividends received	90	274
Cash flow from investment activities	**-19,454**	**-19,970**
Free cash flow	**18,154**	**35,371**

€ 76.3 million, 2011: € 82.0 million).
Shareholders' equity improved by € 6.7 million to € 223.2 million. The equity ratio rose by 2.9 percentage points to 47.8 %.

EXPENSES

Although the economic situation cooled significantly during the second half of the year, the cost of materials of the SURTEDCO Group continued at a very high level during the year under review. Although prices for cellulose and titanium dioxide eased slightly by the close of the business year, prices continued to remain at very high level due to the enormous increases in recent years. The continued unbroken trend towards solid-colour products also gave rise to an increase in the proportion of more expensive printing inks, papers and chemical additives with a high content of titanium dioxide. The storage effects mean that the impact of the slight reduction in costs of the intermediate products lags behind in impacting on the procurement prices of raw papers.
Around 60 % of the cost of materials in the Strategic Business Unit Plastics impact on the raw materials ABS, PVC, PP and PMMA. By comparison with the previous year, slight price increases for ABS and PVC had to be accepted at a very high level overall. The prices of intermediate products acrylonitrile, butadiene, styrol, ethylene and propylene were very volatile and not at all stable in 2012 due to production downtimes and capacity bottlenecks. The high prices of crude oil were a further contributory factor. Furthermore, a number of special additives were only available on the market in limited quantities in 2012.
The cost of materials for the Group at € 190.2 million (2011: € 192.4 million) constituted the biggest proportion of expenses. The proportion of costs of materials in relation to sales remained at a high level with 46.3 % (2011: 46.6 %).
The rise in personnel costs by 5 % to € 107.7 million compared with the previous year was due to a collective payroll increase in wages and salaries during the year under review and to one-off expenses amounting to € 1.7 million which were due to restructuring measures at the Buttenwiesen-Pfaffenhofen site. The personnel expense ratio is calculated from the ratio of personnel expenses to total output and rose by 1.3 percentage points to 26.2 % in 2012.
Other operating expenses at € 65.5 million were at the level of the previous year (€ 65.9 million) in 2012.

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

	31/12/2011 € 000s	Percentage in the balance sheet total in %	31/12/2012 € 000s	Percentage in the balance sheet total in %
ASSETS				
Current assets	187,136	38.8	175,317	37.5
Non-current assets	294,999	61.2	291,933	62.5
Balance sheet total	**482,135**	**100.0**	**467,250**	**100.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	71,132	14.8	51,806	11.1
Non-current liabilities	194,499	40.3	192,266	41.1
Equity	216,504	44.9	223,178	47.8
Balance sheet total	**482,135**	**100.0**	**467,250**	**100.0**

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2011	2012
Capital ratio in %	44.9	47.8
Gearing in %	58	46
Working capital in € 000s	81,970	76,314
Interest cover factor	6.3	6.2
Debt-service coverage ratio in %	26.7	36.4

GROUP RESULTS

The operating result (EBITDA) of the SURTECO Group at € 51.7 million in 2012 was 8 % below the value of € 56.1 million for the previous year. The reason for this deviation is mainly one-off expenses and collective payscale increases in human resources accompanied by lower sales. The continued high level of the cost of materials and other operating expenses at the level of the previous year yielded an EBITDA margin (EBITDA/sales) of 12.7 % (2011: 13.7 %).
Depreciation and amortization rose by 4 % to € 22.0 million and resulted in Earnings before financial result and income tax (EBIT) of € 29.7 million (2011: € 35.0 million). The corresponding margin fell by 1.3 percentage points to 7.3 %.
The financial result improved significantly from € -12.1 million in the previous year to € -8.5 million in 2012. This was essentially due to impairments in 2011 on the package of shares held by SURTECO in Pfleiderer AG in the amount of € 3.5 million. During the period under review, the book value of the package of shares amounting to € 0.4 million was written off. Earnings before tax therefore achieved a value of € 21.2 million (2011: € 22.9 million). Income tax at € -6.4 million fell disproportionately compared with the previous year (€ -10.5 million), because impairments on the Pfleiderer shares in 2011 were not deductible against tax and loss carry-forwards had to be written down in the USA and Canada in 2011. This resulted in a consolidated net profit of € 15.0 million which was therefore 20 % above the profit for the previous year (€ 12.5 million). This yields earnings per share amounting to € 1.36 based on an unchanged number of shares at 11,075,522.

HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO SE

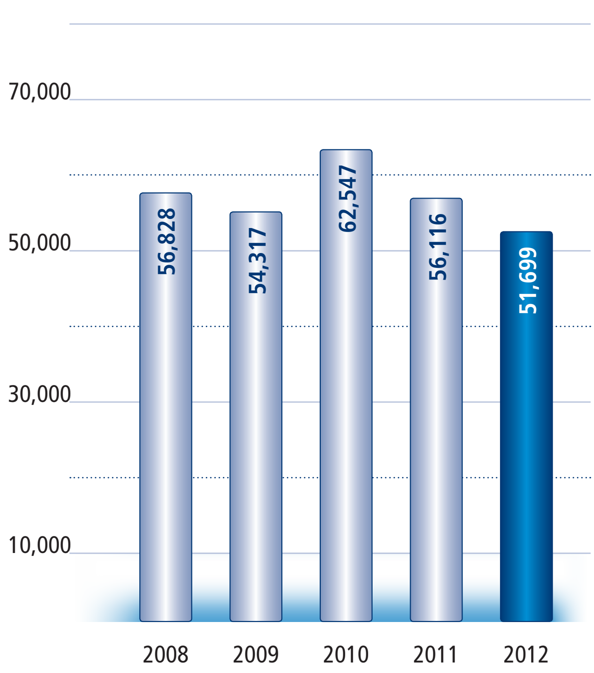
The balance sheet total of SURTECO SE fell by € 17.7 million to € 423.8 million by comparison with the previous year. While fixed assets at € 301.4 million remained at the level of the previous year (€ 301.7 million), current assets came down by € 17.3 million to € 122.3 million. Key factors here were the reduction in receivables from affiliated enterprises by € 7.0 million from cash pooling and lower cash in hand amounting to € 46.8 million (2011: € 53.6 million). This development was reflected on the liabilities side of the balance sheet with a fall in liabilities by € 17.0 million due to the payment of short-term financial liabilities and reduced drawing on credit lines. Provisions also came down by € 1.0 million. Shareholders' equity at € 215.2 million remained at the level of 2011 (€ 214.9 million). The equity ratio went up to 50.8 % (2011: 48.7 %) due to the lower balance sheet total.
Income from profit-transfer agreements and participations fell to € 18.7 million (2011: € 30.4 million). This is essentially due to write-downs amounting to € 9.9 million on book values of shareholdings in the USA and Canada at the subsidiary company W. Döllken. Other operating expenses fell to € 2.1 million (2011: € 3.5 million) and write-down on investments fell by € 3.0 million to € 0.5 million. Earnings from ordinary activities at SURTECO SE

FINISH FOILS BASED ON PAPER

Front surfaces in caravans and in living areas, teenagers' rooms and bedrooms are laminated with paper-based finish foils. The capability to cover large areas plays a key role in defining the visual appearance of furniture and also provides an attractive haptic feel to the surface.

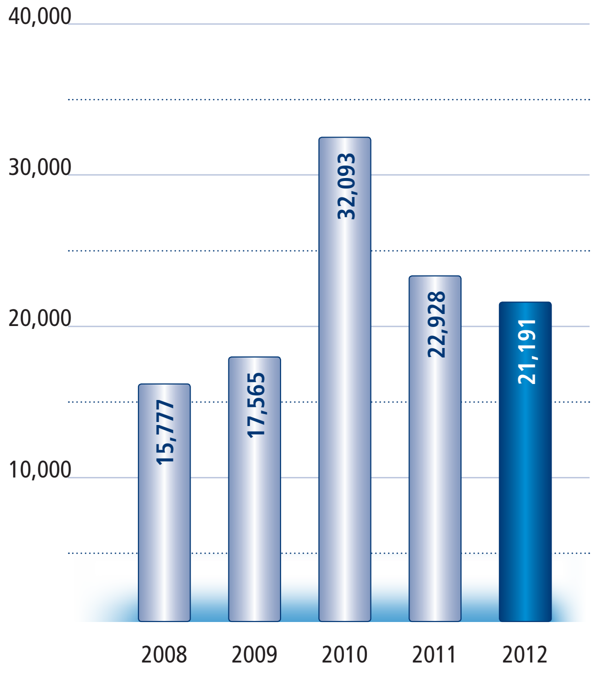
FINISH FOILS

EBITDA



EBITDA in € 000s SURTECO GROUP

EBT



EBT in € 000s SURTECO GROUP

accordingly achieved € 8.4 million (2011: € 15.8 million) in 2012. Income taxes fell slightly to € 3.1 million (2011: € 3.4 million). Net income amounted to € 5.3 million after € 12.4 million 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 28 June 2013 adopt a resolution that the net profit of SURTECO SE amounting to € 5,048,804.48 should be distributed as follows: payment of a dividend per share amounting to € 0.45 (2011: € 0.45). This corresponds to a total amount distributed as dividend of € 4,983,984.90 for 11,075,522 shares. € 64,819.58 will be carried forward to the new account.

RESEARCH AND DEVELOPMENT

Highly qualified technical experts are continually working in our research and development departments on research into alternative raw materials for production, improving the existing product portfolio and developing new products and manufacturing procedures.
During the business year 2012, the Strategic Business Unit Paper developed a finish foil which is based on an unusual substrate. The platform for the new product with a visual patina effect is a hybrid foil comprising paper and real metal which is printed and sealed with a special varnish. The result is a very striking foil made of metal which can be processed in the furniture industry in the same way as a conventional finish foil. The design is a deceptively genuine simulation of the patina that comes into being when iron is burnished. This product gives furniture designers the opportunity to achieve authentic, antique metal applications and to introduce special design elements in combination with the latest decorative designs.
The design departments of the Strategic Business Unit Paper work on developing new designs and decors in order to be in a position to reflect the rapidly changing tastes of consumers. The development work in digital printing technology enables designers to draw on evidence-based know-how and advanced printing facilities which permit real-time and cost-effective implementation of the new decors. This allows customer aspirations to be implemented within a very short space of time and significantly leverages market penetration.
Pioneering innovations and advanced developments also came onstream with different surface versions of thermoplastic edgebandings. High-gloss applications offer a number of different gradations to match the customer’s application and budget. The supermatt surfaces provided a particular challenge because they are very sensitive to fingerprints and mechanical contact, and are easily marked. The Strategic Business Unit Plastics solved this problem by using nanotechnology. Intensive research work carried out in this area has yielded a production procedure for producing supermatt edgings with a highly resistant surface and pleasant tactile touch.

PLASTIC FOILS

SURTECO has finish foils made of plastic in its product range to cater for surfaces requiring particularly hard-wearing properties, such as ship’s cabins. Foils are also included in SURTECO’s product range for special applications in the health sector, for weaving to form carpets and to provide cushioning for hearing protectors as shown.

PLASTIC FOILS

The robust, resistant surface offers consumers an easy-care, enduring and visually attractive piece of furniture. Furniture manufacturers have a simplified process for refinement.
A plastic skirting especially designed for the Eastern European market with integrated cable duct was developed by Döllken-Weimar GmbH. In contrast to conventional systems, the cable duct for this skirting is invisible because the special single-part design allows the entire cover to be flapped open and closed again. The duct can be opened any time after assembly as many times and as often as required. The design and colour of the skirting is tailored to all standard flooring decors. The transition from floor to wall can therefore be accomplished with a streamlined and functional finish.
Significant resources were also invested in research on alternative raw materials and additives at both the Strategic Business Units. The tense situation between price and availability of raw materials in recent years has increased the pressure for certification of new alternative raw materials and suppliers. A strong research base combined with continuous optimization of formulations and processes has consistently maintained the high quality of our products and guaranteed security of supply at all times.

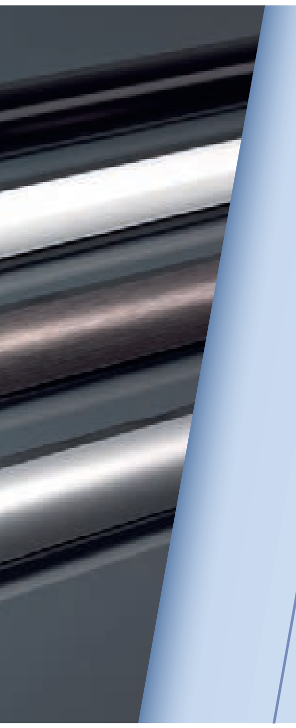
ENVIRONMENTAL PROTECTION

SURTECO has made a clear commitment to the protection of our environment. Alongside efficient use of resources in the production of our products, we aspire to responsible and sustainable standards in conducting our business operations that exceed the statutory requirements.
Research into environmentally friendly materials and production methods has been driven forward relentlessly in the quest to achieve this ambitious goal. The Strategic Business Unit Plastics succeeded in replacing the phthalates traditionally used as plasticizers in the production of skirtings by environmentally friendly alternatives. As a result, the entire product range of skirtings has significantly improved emission values. These products were prepared for certification with the label "Children and Schools" and "Indoor Air Quality" from the accredited Greenguard Environmental Institute in Atlanta/USA. Certification with the "Blue Angel" environmental seal is also currently in preparation.
Work on replacing solvent-based systems with water-based bonding agents and printing inks has also been pursued intensively in the Strategic Business Unit Plastics. Combined with investments in a modern air extraction system has therefore significantly reduced emissions at the site in Gladbeck.
During the business year under review, the Strategic Business Unit Paper successfully certified an energy management system in conformity with ISO 50001. The companies worked together in parallel on implementation of an Environmental Management System in conformity with the international ISO 14001 standard. Implementation of such systems is based on a precisely defined procedure where the current status of the company is first analysed. The executive management then defines and doc-

uments guide values which are used to determine targets and programmes designed to attain targets. All employees must be involved in this system to attain these targets and this is primarily achieved through training measures. Internal audits assist in regularly monitoring implementation of the defined processes. The system is not brought to a close after certification has been successfully completed but is continually updated and developed. This approach serves to protect the environment and also contributes to the commercial success of the company.

PEOPLE AND TRAINING

At the end of the third quarter of the year under review, the number of people employed in the workforce of the companies within the SURTECO Group was stable at the level for the close of the previous year (31 December 2011: 2,005 employees). The final quarter of the year then saw a slight decline to 1,967 employees (status: 31 December 2012). The change is mainly due to the discontinuation of laminated products in the Strategic Business Unit Paper at the year-end 2012. Restructuring measures in the "SHAPE" project also exerted an impact on the number of employees in the Strategic Business Unit Plastics. Both measures only affected domestic plants in Germany, while the employment situation in the foreign locations remained stable. The average number of employees working at SURTECO over the year amounted to 1,994 (2011: 2,050). The number of people working at the Strategic Business Unit Plastics was 1,293 (2011: 1,354), while the figure for the Strategic Business Unit Paper was 684 (2011: 678). The figure for the holding company SURTECO SE was 17 (2011: 18) employees. The average length of service in the company rose to 13.8 years (2011: 13.3 years). The average age of employees of 42.9 years was at the level of the previous year (42.7 years). The sickness ratio of 3.4 % was 0.1 percentage points higher than in 2011. Fluctuation fell significantly to 2.8 % (2011: 4.3 %). The domestic companies of the SURTECO Group trained an annual average of 68 young employees (2011: 66 employees) in a range of commercial and technical vocations, which corresponds to a training ratio of 5.4 % (2011: 5.1 %).
Furthermore, SURTECO strives to continuously increase the level of qualification of all employees.



WALL EDGING STRIPS

A typical application for wall edging strips from SURTECO is for laminating and sealing kitchen worktops where large surfaces meet walls. The system shown here can be laid horizontally or vertically and blends perfectly into the kitchen with its timeless and understated design.

WALL EDGING STRIPS

EMPLOYEES BY REGIONS

Location	Employees 31/12/2011	Employees 31/12/2012	Change
Germany	1,304	1,270	-34
Sweden	125	122	-3
Canada	124	119	-5
USA	93	95	+2
South and Central America	85	88	+3
Australia	83	79	-4
Asia	64	64	-
United Kingdom	30	32	+2
Italy	26	30	+4
Poland	23	23	-
France	19	19	-
Turkey	17	16	-1
Russia	12	10	-2
	2,005	**1,967**	**-38**

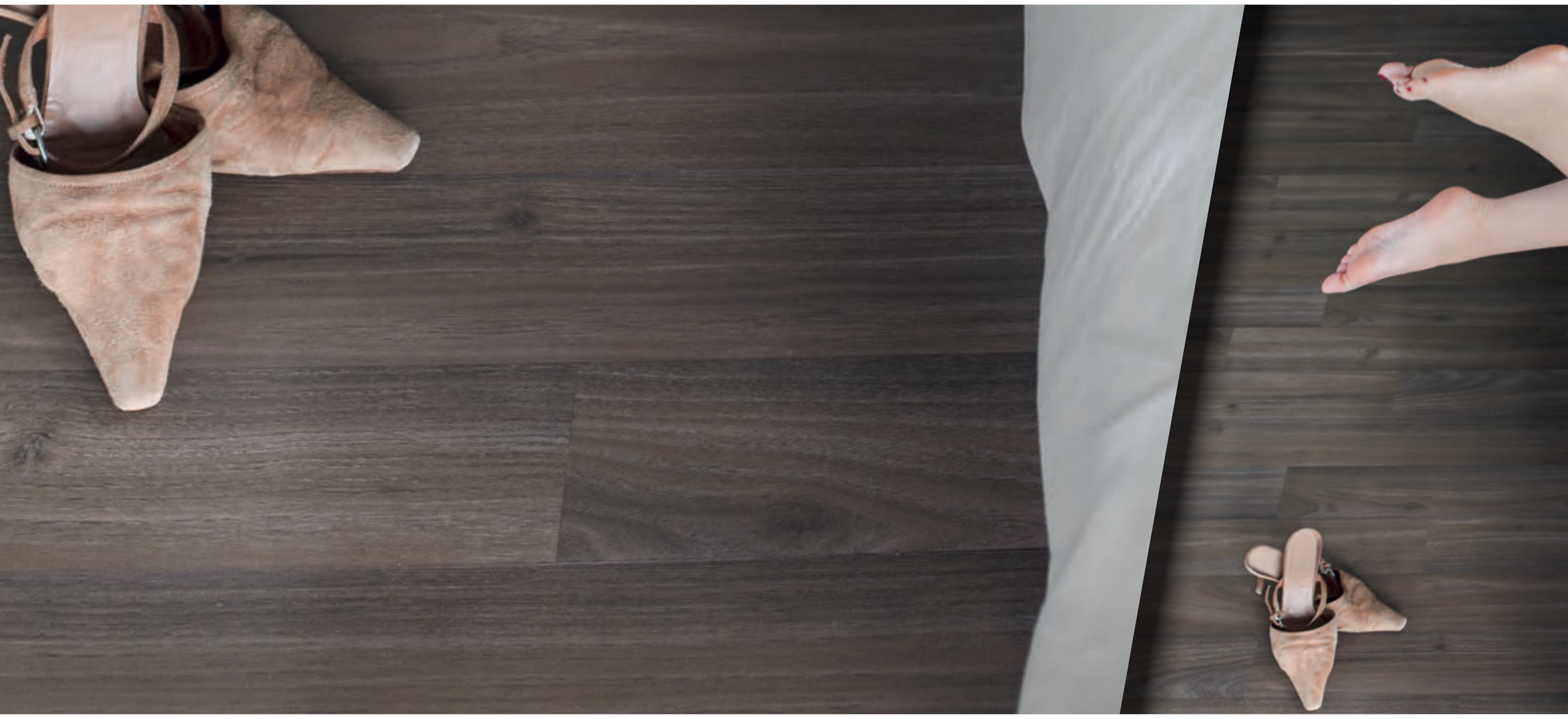
An example of these efforts is the Company Agreement on the Promotion of Career Training and Qualification Measures drawn up by the Strategic Business Unit Paper in close cooperation with employee representatives, which was used intensively by the workforce.

RISK AND OPPORTUNITIES REPORT

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

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

DECORATIVE PRINTING

The decorative prints from SURTECO are either processed within the Group to form finish foils or, as seen here, used in the laminate flooring industry as material to provide a decorative design. The decor paper provides the flooring with its appeal.

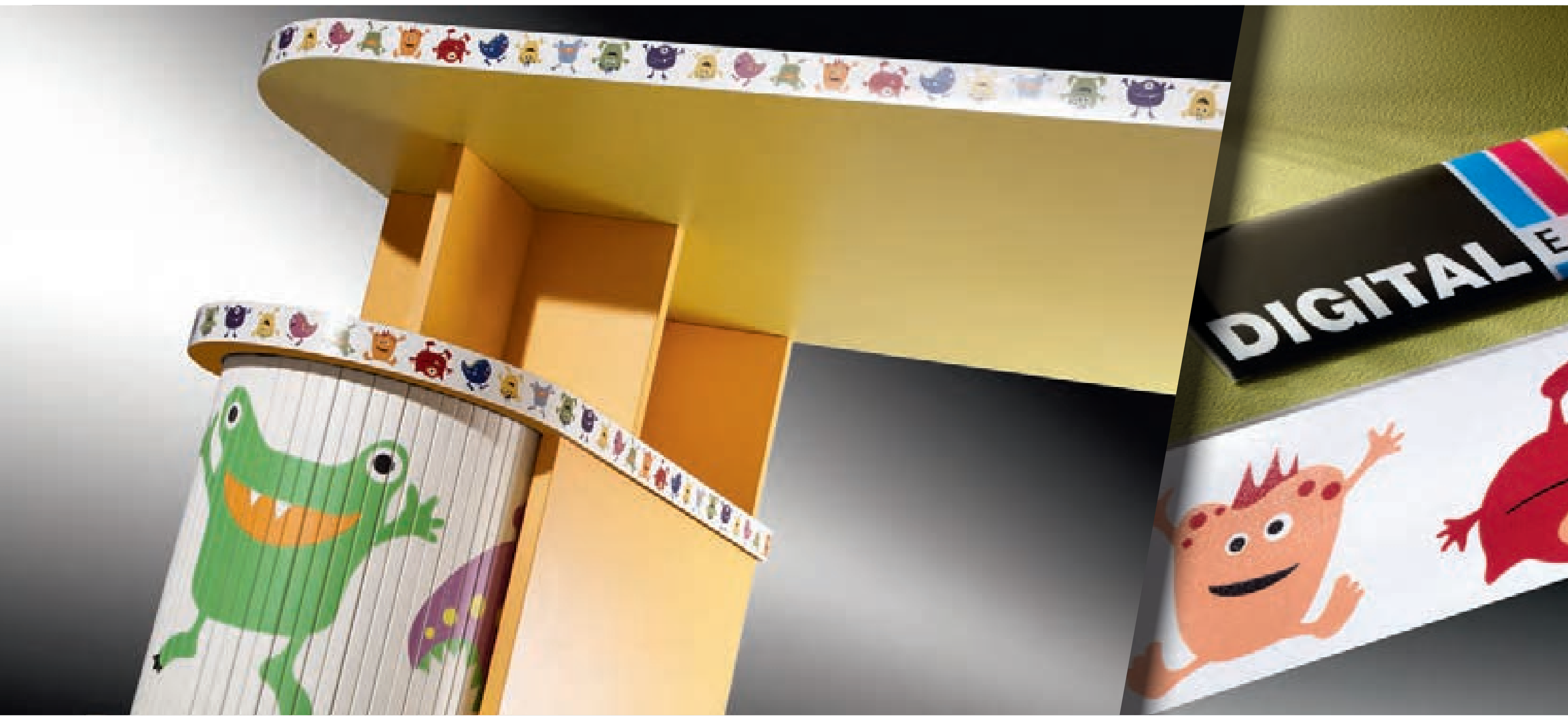
DECORATIVE PRINTING

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, double-check principle and approval and release procedures are applied to the annual financial statements and the consolidated financial statements. Information from external service providers is checked for plausibility.

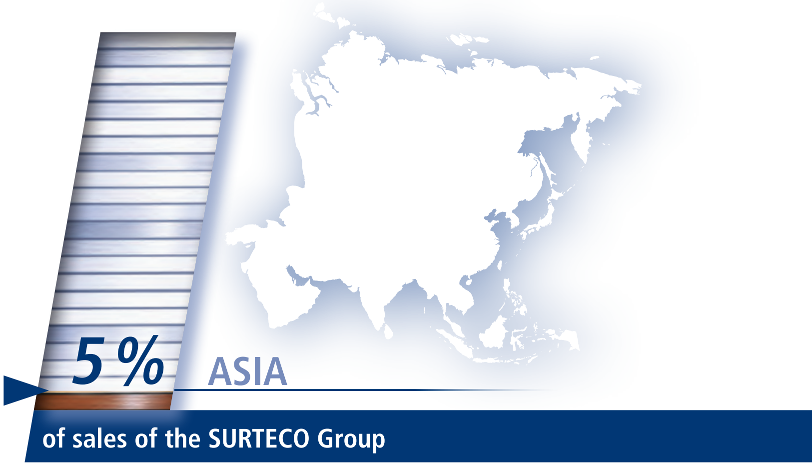
STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

MACRO-ECONOMIC RISKS, MARKET RISKS AND MARKET OPPORTUNITIES

The development of the business of SURTECO depends significantly on macro-economic conditions due to 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.
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 15 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. This gives SURTECO the opportunity to participate in the growth of individual markets.
The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered.
The global economy experienced a tangible slowdown as the reporting year 2012 progressed. The euro-zone in particular was affected by a decline



in economic output. This also exerted an impact on the German furniture industry which lost a significant amount of dynamic impetus as the business year unfolded. The international profile of the Group partly compensated for setbacks in the domestic market.
There is no prospect of any significant growth in the global economy during 2013. In particular, the euro-zone will undoubtedly experience difficulties in leaving the recession behind. The emerging economies are likely to grow at a reduced pace. The industrial nations are having to come to grips with an environment of low growth.



COMPETITIVE RISKS AND OPPORTUNITIES

The entry of new local competitors in the markets for plastics and paper combined with the long-standing increase in product depth with decorative printers have led to overcapacities which impact negatively on revenues. The high costs of raw materials only serve to intensify the already high competitive pressure. SURTECO is countering the high pressure on prices by expansion and reinforcement of its existing business, innovative products and not least a further increase in efficiency and productivity. There is some scope for regional opportunities in the form of takeovers or if local competitors become insolvent or leave the market.

OPERATIVE RISIKEN

PROCUREMENT RISKS

SURTECO is dependent on outsourcing from suppliers and partners for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks such as unexpected supply difficulties or unforeseeable price increases resulting from market consolidation, 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 of the global economy slowed down in the second half of 2012, the costs for the relevant raw materials plastics, technical papers and chemical intermediate products have remained at a high

DIGITAL EDGINGS

Digitally printed plastic edgebandings from SURTECO are used for individual design and creative applications. They give interior architects and furniture designers unlimited opportunities to personalize individual furniture elements or provide them with an original design.

DIGITAL EDGINGS

level. This is inevitably increasing costs in the manufacturing sector which can only be balanced by price increases. However, the competitive situation over recent years has precluded full compensation through price rises.

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. SURTECO limits risks relating to the availability, dependability and efficiency of information technology systems by making strategic investments. 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 dependent on having a workforce of qualified personnel at all levels. Shorter innovation cycles and increasingly international links place ever more stringent demands on the skills of technical specialists and managers. The employees of SURTECO receive regular basic and advanced training inside the company and with external providers in order to ensure staff have the appropriate qualifications in the relevant functions and countries.

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. There is a risk that complaints may be traced to intermediate products and claims for compensation are not always feasible. 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 arise from correspondingly positive developments in 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 central 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 up to five years (see also maturity structure in the Notes to the Consolidated Financial Statements item 24) and is structured with fixed interest rates. Repayment of significant long-term loans is not necessary in the business year 2013. 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. 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 2012.

FLUCTUATIONS IN VALUE 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 2012. 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

ROLLER SHUTTER SYSTEMS

SURTECO supplies ready-to-assemble roller shutter systems made of plastic for furniture in offices, kitchens and bathrooms, as well as living areas. A wide range of different designs is available as printed or fully laminated finishes. The roller shutters therefore form a perfect fit with the visual appearance of the furniture.

ROLLER SHUTTER SYSTEMS

as interest base rates and currency parities, this may exert a negative impact or improve the earnings of the Group. Item 29 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 audit company 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.

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

CAPITAL STOCK

The capital stock of SURTECO SE is unchanged from the previous year and amounts to € 11,075,522.00. It 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 through 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 26) 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 2013). 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 € 500,000.00 for each year of the contract term commenced for which a bonus has not yet been paid.

FOLLOW-UP REPORT

During the first quarter of 2013, BauschLinnemann North America, Inc., located in Greensboro in the USA and part of the Strategic Business Unit Paper, took over the outstanding 20 % of the minority shareholding in BauschLinnemann South Carolina LLC, Myrtle Beach. This was then merged fully with BauschLinnemann North America, Inc.
Up to 11 April 2013, 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

MODERATE GLOBAL GROWTH EXPECTED IN 2013

The forecasts of the International Monetary Fund (IMF) in January 2013 project that the global economy will undergo moderate expansion of 3.5 % in 2013. This forecast therefore assumes that growth will slightly exceed the figure for the year under review (+3.2 %). The biggest challenge for the global economy remains the sovereign debt crisis in the euro-zone. The IMF revised its expectations for the euro-zone downwards compared with earlier forecasts to a minimal downturn of 0.2 % compared with earlier forecasts. Up to then, experts had still been predicting slight growth of 0.2 %. While forecasts continue to predict that countries like Italy (-1.0 %) and Spain (-1.5 %) will continue to remain in recession, the IMF is projecting growth of 0.6 % in Germany. The absence of long-term initiatives to solve the debt crisis will continue to impact on economic development in the euro-zone. However, experts are assuming that the position in the euro-zone looks set to improve in the second half of the year as fiscal constraints are eased. The economy in the USA could develop more positively than in Europe. If the measures adopted to rebalance the US budget only exert slight effects on the economy, the IMF predicts that growth in 2013 could be 2.0 %. However, growth in industrial countries is likely to remain low at 1.4 %.
As in previous years, the emerging economies will make the most important contribution to global growth in 2013. The IMF predicts a global growth rate of 5.5 % for the developing countries and emerging economies. After the pace of economic growth slowed in China during 2012, the economic stimulus measures initiated by the government are likely to generate rather stronger growth for 2013 (+8.2 %).
The assessments of the IMF are based on the assumption of a gradual easing of the crisis in European government debt. If there is a deterioration in the situation in Europe, there will inevitably be deviations from the forecasts made by economic experts.

FURNITURE INDUSTRY ANTICIPATES BREAK-EVEN FOR 2013

In view of the ongoing tense situation caused by the debt crisis in Europe and the essentially weak development of exports in European countries outside Germany, the associations of the German wood and furniture industries (HDH and VDM) are anticipating sales at the level of 2012 for 2013. The forecast of zero growth means that the sector will be unable

IMF GROWTH FORECASTS FOR 2013 IN %

World	+3.5
Total for industrial countries	+1.4
of which:	
USA	+2.0
Euro-zone	-0.2
Germany	+0.6
Japan	+1.2
Total for emerging economies	+5.5
of which:	
Central and Eastern Europe	+2.4
Russia	+3.7
China	+8.2
India	+5.9
Brazil	+3.5

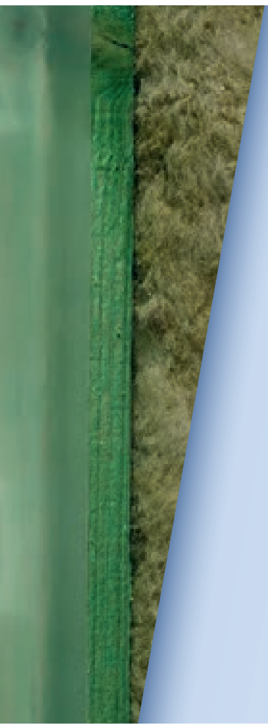
Source: International Monetary Fund (IWF), World Economic Outlook January 2013

to continue the story of positive development from the past three years. Depressed sentiment among furniture manufacturers results from the rising uncertainty within Germany and ailing markets in the rest of Europe. Although domestic sales in Germany continue to be bolstered by high levels of investment in residential property and low mortgage rates, the mood among domestic consumers became increasingly downbeat during the second half of 2012 and led to falling sales. Forecasts for the macroeconomic development in Germany lead to the conclusion that domestic consumers will only provide minimal stimuli for furniture sales in 2013. Europe as the core sales market will continue to remain the problem case for the sector in 2013. Development in France, the biggest export market for Germany's furniture manufacturers, continues to remain fraught. Purchase orders there fell back

by 4.2 % during 2012 and there are signs that French consumers will continue to be restrained in 2013.
The destiny of 2013 appears to be significantly dependent on overcoming the debt crisis in the European countries and the very high levels of unemployment in some of the core countries. Consumers also need to regain their confidence in the markets and manifest this in their spending habits.

OUTLOOK FOR SURTECO

The reserved expectation of sales in the furniture industry was already reflected in business development at the SURTECO Group at the beginning of the new year. Although the unusually weak demand at the end of 2012 led to catch-up effects in January of the new business year, demand fell to the level of the previous year in subsequent months. SURTECO is not expecting any fundamental change in this development and is assuming that restrained growth will continue in all the relevant sales markets and product segments in 2013. The fiscal consolidation being pursued in many industrialized countries specifically as a result of pressure from the financial markets is likely to weigh down the global economy until for the foreseeable future. According to the company's assessment, 2013 will at best see sales at the level of 2012. Given that the product range has been streamlined in the Strategic Business Unit Paper, growth equivalent to the previous year would represent slight organic growth. The development of SURTECO beyond 2013 is likely to primarily depend on whether uncertainties in the European financial markets and among consumers can be dissipated and consumption takes off again over the long term.
As in the previous two years, the future development of earnings will primarily depend on the development of prices for our most important raw materials of paper and plastic. The current status of the procurement situation indicates pretax earnings for 2013 in the region of the level for the business year 2012 with the possibility of a slight increase.
SURTECO SE does not have any operations and is therefore dependent on the earnings and dividend payments of the subsidiary companies. The company therefore refers to the forecast for the Group as a whole.



CLADDING SYSTEMS

Cladding systems from SURTECO are found in many buildings. The panels are made of extruded plastic and are provided with a wood or fantasy effect, or alternatively finished with genuine stones like the depicted element.

CLADDING SYSTEMS

CALCULATION OF INDICATORS

Cost of materials ratio in %	Cost of materials / Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation an amortization) / 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 expenses / 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

Share price performance 2012 in €

SUCCESSFUL YEAR ON THE STOCK EXCHANGE DESPITE DIFFICULT ENVIRONMENT

Although global equity markets were beset by the field of tension between the problems surrounding European sovereign debt and economic concerns during the course of 2012, most stock exchanges finished the year with significant price gains. The beginning of 2012 saw stock markets posting major gains which were then lost again as spring progressed due to the deterioration in the European debt crisis. The debate about the continuing membership of Greece in the euro-zone and the spreading of the crisis to Italy and Spain ushered in a downward slide which took the German DAX share index down to below 6,000 points. The tide turned as the second half of the year began and significant price gains defined the picture on most global stock markets. Investors turned to equities in spite of the burgeoning debt crisis, which was presumably due to a lack of investment alternatives owing to the extremely low interest levels. Discussions about the "fiscal cliff" in the USA caused a brief dip in late autumn. Fears that tax hikes and fiscal cuts in the US economy might impact negatively on some parts of the global economy temporarily caused uncertainty among investors. Optimism once again took hold among market players as the fourth quarter progressed and led to many stock exchanges ending 2012 with highs for the year. The DAX ended the stock-exchange year with a gain of 25.3 % at 7,612 points, and the SDAX went up by 17.3 % to 5,249 points over the course of 2012. The EURO STOXX 50 European lead index booked an increase of 11.2 % and stood at 2,636 points at the end of the reporting period.

SURTECO SHARES HARDLY CHANGE VIEWED OVER THE YEAR

After SURTECO shares lost more than a third of their value in the wake of the generally negative stock-market performance in 2011, the year on the stock exchange was more positive overall in 2012. After a volatile price performance with some phases of strong gains, SURTECO shares closed the last trading day of 2012 with the share price at the level from the beginning of 2012 at € 17.00. The first quarter was defined by significant price increases in harmony with the general performance of the stock market. In mid-March, SURTECO shares reached the high for the year at € 24.16. Positive impulses were contributed by favourable consumer sentiment, which generated a significant increase in furniture sales. The second quarter was dominated by profit-taking, which led to prices falling back slightly and anticipated the weakening in the furniture industry already forecast for the second half of the year. During the second half of the year, the price performance of SURTECO shares tracked the uncertain sector development with big fluctuations in a range between € 16.41 and € 21.71.

STABLE MARKET CAPITALIZATION

Compared with year-end 2011, the level of the SURTECO share price was virtually unchanged and this meant that the market capitalization of the company remained stable at € 188.3 million for an unchanged number of no-par-value shares of around 11.1 million. 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 DAX or TecDAX, SURTECO was ranked in position 117 by market capitalization (based on free float) and in position 148 by trading volume at the end of 2012. SURTECO would have to be ranked in the top 110 in order to meet the two criteria for inclusion in the SDAX. There were no significant changes in the shareholder structure of the company. At the close of 2012, 77.4 % of the shares were in the hands of the founding shareholders. The remaining 22.6 % were in free float.

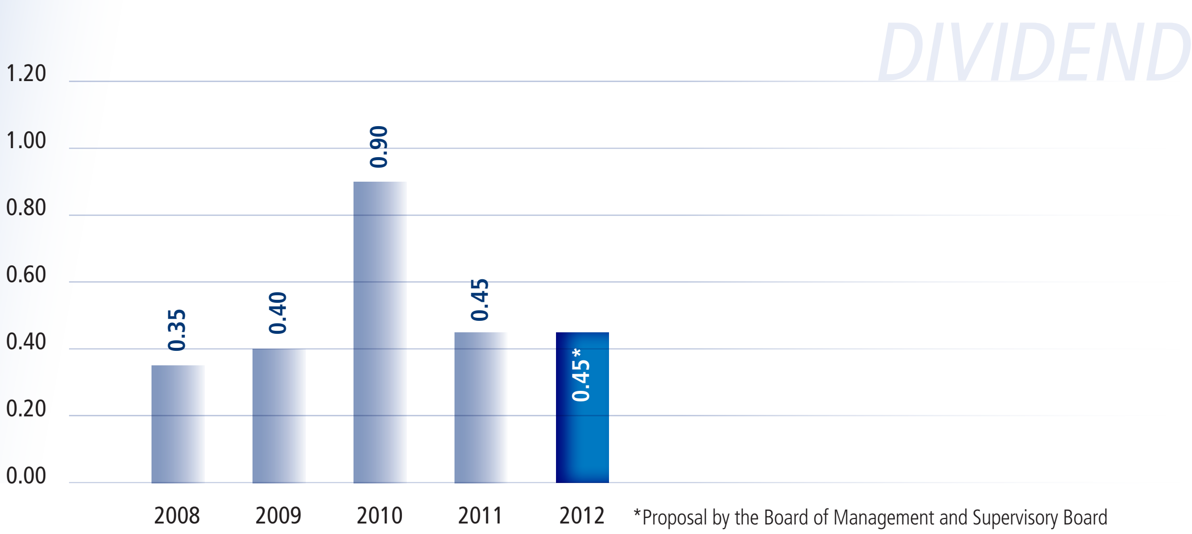
DIVIDEND OF € 0.45 PER SHARE

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 (2011: € 0.45) per share for the business year 2012. Based on the closing price for the year 2012, 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 absolutely necessary as far as SURTECO SE is concerned. 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 Department. 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 2008-2012 in €



*Proposal by the Board of Management and Supervisory Board

SURTECO SHARES

€	2011	2012
Number of shares	11,075,522	11,075,522
Price at start of year	26.75	17.10
Year-end price	17.10	17.00
Price per share (high)	32.00	24.16
Price per share (low)	16.80	16.41
Stock-market turnover in shares per month	24,359	12,982
Market capitalization at year-end in € 000s	189,391	188,284
Free float in %	22.6	22.6

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

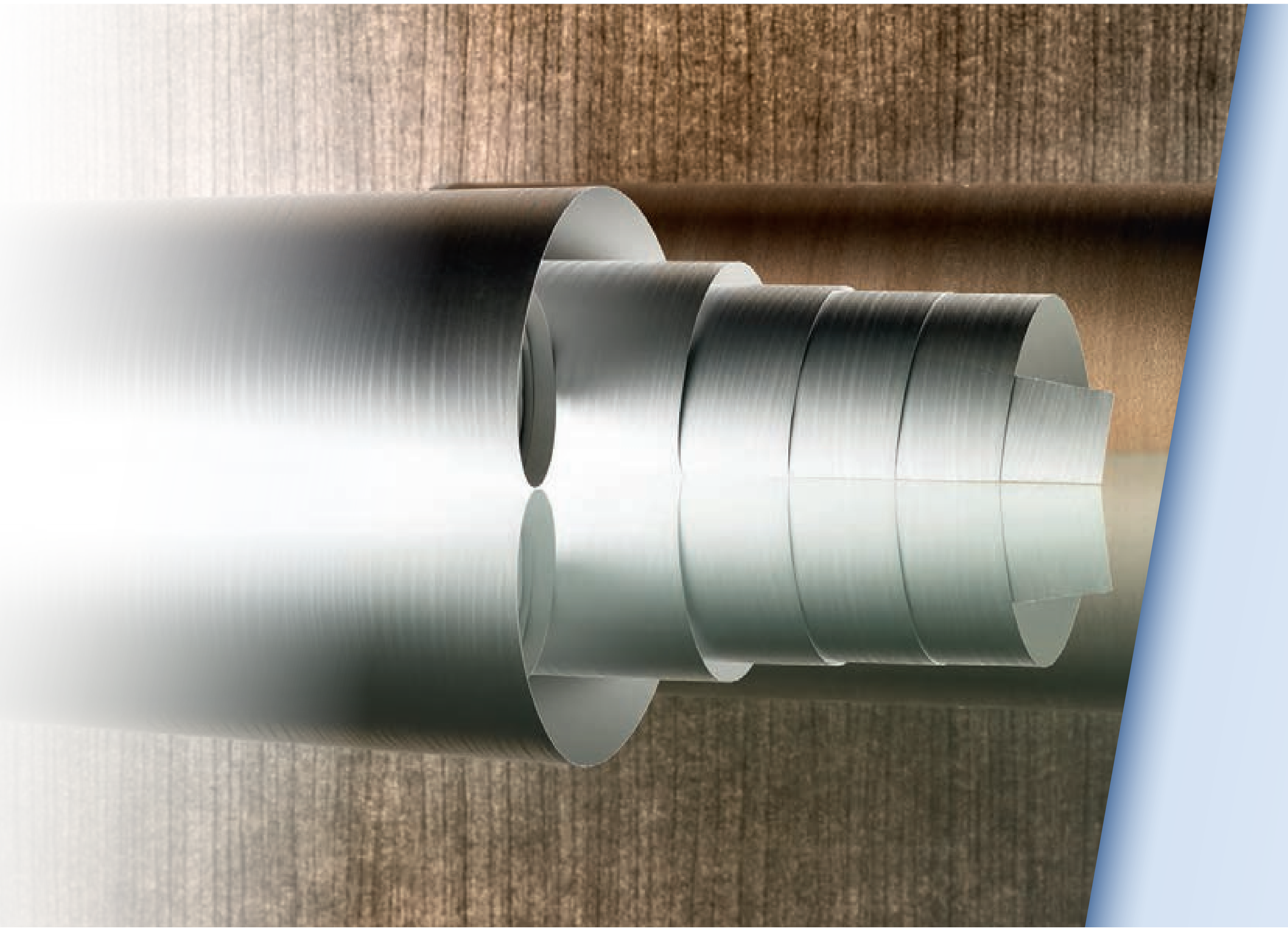
€ 000s	2011	2012
Sales	408,809	407,720
EBITDA	56,116	51,699
EBIT	35,017	29,654
EBT	22,928	21,191
Consolidated net profit	12,484	15,028

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2011	2012
Earnings	1.13	1.36
Dividend	0.45	(Proposal by the Board of Management and Supervisory Board) 0.45
Dividend yield at year-end in %	2.6	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



SURTECO SE 2012

CONSOLIDATED FINANCIAL STATEMENTS 2012

CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2011	1/1/-31/12/ 2012
Sales revenues	(1)	**408,809**	**407,720**
Changes in inventories	(2)	2,472	469
Own work capitalized	(3)	1,441	2,385
Total		**412,722**	**410,574**
Cost of materials	(4)	-192,400	-190,201
Personnel expenses	(5)	-102,771	-107,691
Other operating expenses	(6)	-65,857	-65,470
Other operating income	(7)	4,422	4,487
EBITDA		**56,116**	**51,699**
Depreciation and amortization	(16)	-21,099	-22,045
EBIT		**35,017**	**29,654**
Interest income		956	1,073
Interest expenses		-9,898	-9,457
Other financial expenses and income		-3,147	-79
Financial result	(8)	-12,089	-8,463
EBT		**22,928**	**21,191**
Income tax	(9)	-10,542	-6,384
Net income		**12,386**	**14,807**
Group share (consolidated net profit)		12,484	15,028
Non-controlling interests		-98	-221
Basic and diluted earnings per share (€)	(10)	1.13	1.36

STATEMENT OF COMPREHENSIVE INCOME

€ 000s				1/1/-31/12/2011				1/1/-31/12/2012
Net income				**12,386**				**14,807**
Difference from currency translation								
Currency differences from hedges of a net investment	-642				1,588			
Tax effect	189				-468			
		-453				1,120		
Currency translation of foreign operations		1,313				-2,470		
Change in the amount recorded in equity			**860**				**-1,350**	
Actuarial gains/losses								
Change in actuarial gains/losses		371				-1,509		
Tax effect		-110				489		
Change in the amount recorded in equity			**261**				**-1,020**	
Financial instruments available for sale								
Change in market value of cash flow hedges		181				-762		
Tax effect from change in market value of cash flow hedges		-53				225		
Reclassification amounts in the income statement		-213				-222		
Tax effect on reclassification amounts		63				66		
Change in the amount recorded in equity			**-22**				**-693**	
Other Comprehensive Income for the year				**1,099**				**-3,063**
Comprehensive Income				**13,485**				**11,744**
Group share				13,583				11,965
Non-controlling interests				-98				-221

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2011	31/12/2012
ASSETS			
Cash and cash equivalents	(11)	66,739	61,386
Trade accounts receivable	(12)	40,837	41,745
Inventories	(13)	61,250	61,052
Current income tax assets	(14)	5,641	2,692
Other current assets	(15)	12,669	8,442
Current assets		**187,136**	**175,317**
Property, plant and equipment	(17)	160,200	158,520
Intangible assets	(18)	12,065	12,658
Goodwill	(19)	112,428	112,718
Investments in associated enterprises	(20)	1,804	1,660
Financial assets	(20)	638	569
Non-current tax assets	(14)	537	527
Other non-current assets		469	335
Other non-current financial assets	(24)	3,929	2,150
Deferred taxes	(9)	2,929	2,796
Non-current assets		**294,999**	**291,933**
		482,135	**467,250**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(24)	29,634	1,975
Trade accounts payable		20,117	26,483
Income tax liabilities	(21)	2,903	1,253
Short-term provisions	(22)	2,175	2,349
Other current liabilities	(23)	16,303	19,746
Current liabilities		**71,132**	**51,806**
Long-term financial liabilities	(24)	162,891	161,246
Pensions and other personnel-related obligations	(25)	9,876	11,139
Deferred taxes	(9)	21,732	19,881
Non-current liabilities		**194,499**	**192,266**
Capital stock		11,076	11,076
Capital reserve		50,416	50,416
Retained earnings		141,920	146,358
Consolidated net profit		12,484	15,028
Capital attributable to shareholders		**215,896**	**222,878**
Non-controlling interests		608	300
Equity	(26)	**216,504**	**223,178**
		482,135	**467,250**

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1-31/12/ 2011	1/1-31/12/ 2012
Earnings before income tax and non-controlling interests		**22,928**	**21,191**
Payments for income tax		-7,759	-6,737
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(16)	21,099	22,045
- Impairment on investments	(8)	3,462	451
- Interest income and result from investments	(8)	8,942	8,288
- Income/losses from disposals of fixed assets		-821	0
- Change in long-term provisions		-535	1,263
- Other expenses/income with no effect on liquidity		-3,249	-3,783
Internal financing		**44,067**	**42,718**
Increase/decrease in			
- Trade accounts receivable	(12)	546	-427
- Other assets		-404	4,381
- Inventories	(13)	-2,055	724
- Accrued expenses		468	170
- Trade accounts payable		-3,243	6,224
- Other liabilities		-1,771	1,551
Change in assets and liabilities (net)		**-6,459**	**12,623**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(30)	**37,608**	**55,341**
Acquisition of business		0	-1,477
Purchase of property, plant and equipment	(17)	-14,723	-16,267
Purchase of intangible assets	(18)	-5,474	-2,871
Proceeds from the disposal of property, plant and equipment		653	371
Dividends received		90	274
CASH FLOW FROM INVESTMENT ACTIVITIES	(30)	**-19,454**	**-19,970**
Dividend paid to shareholders	(26)	-9,968	-4,984
Repayment of long-term liabilities	(24)	-12,724	-1,031
Repayment and issue of short-term financial liabilities	(24)	17,545	-26,662
Interest received	(8)	956	1,073
Interest paid	(8)	-9,898	-9,172
CASH FLOW FROM FINANCIAL ACTIVITIES	(30)	**-14,089**	**-40,776**
Change in cash and cash equivalents		**4,065**	**-5,405**
Cash and cash equivalents			
1 January		62,395	66,739
Effect of changes in exchange rate on cash and cash equivalents		279	52
31 December	(11)	**66,739**	**61,386**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Capital reserve	Retained earnings				Con-solidated net profit	Non-control-ling interests	Total
			Fair value measure-ment for financial instru-ments	Other compre-hensive income	Currency translation adjust-ments	Other retained earnings			
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**
Dividend payout	0	0	0	0	0	0	-4,984	0	-4,984
Net income	0	0	0	0	0	0	15,028	-221	14,807
Acquisition of shares of non-controlling interests	0	0	0	0	0	0	0	-87	-87
Actuarial gains/losses (net)	0	0	0	-1,020	0	0	0	0	-1,020
Market value of financial instruments	0	0	-693	0	0	0	0	0	-693
Currency differences from net investment in a foreign business operation	0	0	0	0	1,120	0	0	0	1,120
Currency translation	0	0	0	0	-2,469	0	0	0	-2,469
Reclassification to retained earnings	0	0	0	0	0	7,500	-7,500	0	0
31 December 2012	**11,076**	**50,416**	**1,260**	**-652**	**-3,998**	**149,748**	**15,028**	**300**	**223,178**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2012

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 companies consolidated in the SURTECO Group is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2012 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 2012.

The consolidated financial statements and the consolidated management report for 2012 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 2013, 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

CHANGE IN ACCOUNTING AND VALUATION METHODS

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

During the business year, IFRS 7 "Financial Instruments: Disclosure requirements for transferring financial assets" was applied for the first time. The application of this standard does not give rise to significant effects at SURTECO. It does not lead to any effects on the net assets, financial position and results of operations of the Group or on any other information provided in the notes to the consolidated financial statements.

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 the financial statements: Presentation of individual items of other comprehensive income	1/7/2012	yes	yes
IAS 12	Deferred taxes: Recovery of underlying assets	1/1/2013	yes	none
IAS 19	Employee benefits	1/1/2013	yes	yes
IAS 27	Separate financial statements	1/1/2014	yes	none
IAS 28	Investments in associates and interests in joint ventures	1/1/2014	yes	yes
IAS 32	Financial instruments: Presentation Offsetting financial assets and liabilities	1/1/2014	yes	none
IFRS 1	First-time adoption of IFRS: - Severe hyperinflation and removal of fixed dates - Government loans	 1/1/2013 1/1/2013	 yes yes	 none none
IFRS 7	Financial instruments: Disclosures – Offsetting financial assets and liabilities	1/1/2013	yes	none
IFRS 9	Financial instruments: Classification and valuation	1/1/2015	no	yes
IFRS 7/9	Amendments to the standards – mandatory effective date and transition disclosures	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	1/1/2014	yes	none
IFRS 11	Joint arrangements	1/1/2014	yes	yes
IFRS 12	Disclosures of interests in other entities	1/1/2014	yes	none
IFRS 10/11/12	Amendment to the standards – transition guidance	1/1/2014	yes	none
IFRS 10/12 and IAS 27	Amendment to the standards – investment entities	1/1/2014	no	none
IFRS 13	Fair value measurement	1/1/2013	yes	none
IFRIC 20	Stripping costs in the production phase of a surface mine	1/1/2013	yes	none

Standard/Interpretation		Application, obligation for business years beginning on or from	Adoption by the EU Commission	Expected Effects on SURTECO
Changes due to the Improvements to IFRS 2009-2011 Cycle				
IAS 1	Clarification of the requirements for comparative information for mandatory or voluntary preparation of a third balance sheet	1/1/2013	yes	none
IAS 16	Clarification that spare parts and servicing equipment, which meet the definition criteria of property, plant and equipment, are carried as such and not as inventory	1/1/2013	yes	none
IAS 32	Clarification of the recognition of tax consequences of distributions and transactions costs related to the issue or repurchase of equity instruments	1/1/2013	yes	none
IAS 34	Clarification of interim reporting of segment assets and liabilities	1/1/2013	yes	none
IFRS 1	- Clarification that under certain circumstances repeat application of IFRS 1 is possible - Clarification that first-time adopters of IFRS may choose to apply the rules of IAS 23 "Borrowing costs" from the date of transition to IFRS or from an earlier date in accordance with IAS 23.28 - Clarification that first-time adopters of IFRS must disclose explanatory notes in the first-time financial statements on all the components of the mandatory components of the financial statements	1/1/2013	yes	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 2012. 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.

Three companies are not included in the consolidated financial statements for 2012 (2011: two 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.

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

	31/12/2011	Additions/ Disposals	31/12/2012
Consolidated subsidiaries			
- of which in Germany*	13	0	13
- of which abroad**	24	-1	23
Subsidiaries reported at acquisition costs			
- of which abroad	2	1	3
Companies accounted for using the equity method			
- of which in Germany	1	0	1
	40	**0**	**40**

* of which 2 special-purpose entities

** of which 2 proportionately consolidated companies

The companies included in the consolidated financial statements at 31 December 2012 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 2012 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

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 further expand its business in France through the acquisition of the customer base, various long-term tangible assets and inventories. A price of € 000s 1,600 was recorded as the acquisition price, of which € 000s 200 was agreed as a contingent payment dependent on income (fair value). 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. By 31 December 2012, € 000s 77 of this had been paid. Within the framework of the purchase price allocation in accordance with IFRS 3, € 000s 1,360 were allocated to the customer base, € 000s 200 to inventories and € 000s 40 to machinery. No value was allocated to the company name. Other assets and liabilities were not assumed. Goodwill was not identified. The purchase price allocation was carried out entirely on the basis of assets being taken over as valued at current value. In the business year 2012, the acquired business contributed € 000s 1,867 to sales and € 000s 176 to the consolidated net profit.

On 30 April 2012, BauschLinnemann North America Inc. acquired 10 % of the shares in BauschLinnemann South Carolina LLC. Since this point in time, 80 % of the shares have been included in the consolidated financial statements. BauschLinnemann South Carolina LLC was established in the business year 2010 and the assets acquired in an asset deal from Coastal Paper of South Carolina, Inc., Myrtle Beach, were included in the financial statements.

The minority shareholders are the former owners of Coastal Paper. A purchase price of € 000s 99 was agreed with the minority shareholders which was made up of the nominal value of the shareholding and an interest amount.

On 30 November 2012, SURTECO Decorative Material (Taicang) Co. Ltd. was deconsolidated on account of the complete discontinuation of the business operations and the winding up of the business. The company was included in the consolidated financial statements up to this date. The deconsolidation yielded a deconsolidation profit of € 000s 1,134 which essentially arose from the positive differences arising from currency translation.

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	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 individual companies included in the consolidated financial statements (31/12/2012).
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 shares 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 2012. 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.
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**	
		31/12/2011	**31/12/2012**	31/12/2011	**31/12/2012**
US dollar	USD	0.7730	0.7584	0.7190	0.7782
Canadian dollar	CAD	0.7577	0.7624	0.7271	0.7786
Australian dollar	AUD	0.7865	0.7865	0.7419	0.8060
Singapore dollar	SGD	0.5947	0.6207	0.5717	0.6230
Swedish krona	SEK	0.1121	0.1165	0.1108	0.1149
Sterling	GBP	1.1949	1.2262	1.1527	1.2332
Turkish lira	TRY	0.4127	0.4244	0.4293	0.4319
Polish zloty	PLN	0.2241	0.2443	0.2430	0.2389
Russian rouble	RUB	0.0240	0.0248	0.0245	0.0251
Chinese renminbi	CNY	0.1227	0.1218	0.1110	0.1229

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.

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

EBIT
EBIT is earnings before financial result and income tax.

EBT
EBT is earnings before income tax.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the proportion of the share in the consolidated net profit attributable to the shareholders of SURTECO 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.
Primary 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 checked for plausibility. If this is not possible, the determination of the fair value is to a certain extent a decision of judgment. The decision of judgment relates 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 at fair value through profit and loss" – which accordingly are "classified at fair value" 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 do not come under one of the other categories – 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 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 2012 as being exclusively cash flow hedges.

The effective proportion of profit or loss arising from a hedging instrument is recorded 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 as loans and receivables.

Receivables and other financial assets are reported at face value with the exception of derivative financial instruments. Allowances are made in accordance with the default risks expected in individual cases and are carried out through an allowance account. 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 lump-sum allowance 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 a factoring agreement. 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.
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 lives 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 19 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

- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, 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 earnings will be available against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used, with the exception of

- deductible temporary differences from first-time recognition of an asset or a liability arising from a transaction that is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS 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 as necessary reduced by the amount by which it is no longer likely that an adequate taxable result will be available against which the deferred tax assets can be at least partly applied. Unrecognized deferred taxes are audited on each 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.

Income and expenses arising from 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 an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

In accordance with IAS 1.70, 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 recognized 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:

	2011	**2012**
Interest rate	4.93 %	3.25 %
Salary increases	2.00 %	2.00 - 3.00 %
Pension increases	2.00 %	2.00 %
Fluctuation rate	0.00 %	0.00 %
Expected yield from plan assets	4.75 %	3.50 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a uniform 3.25 % (2011: 5.00 %). 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.

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

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

Segment reporting

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. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUES

Sales revenues are comprised as follows:

Business (product) [€ 000s]	2011	**2012**
Edgebandings	197,768	201,835
Foils	111,803	108,339
Skirtings	26,538	26,656
Decorative printing	20,843	21,744
Technical extrusions	16,796	16,263
Cladding systems	9,716	9,771
Do-It-Yourself sector	7,920	6,301
Other	17,425	16,811
	408,809	**407,720**

(2) CHANGES IN INVENTORIES

The changes in inventories relate to work/services in progress amounting to € 000s -82 (2011: € 000s -34) and finished products amounting to € 000s 551 (2011: € 000s 2,506).

(3) OWN WORK CAPITALIZED

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

(4) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2011	**2012**
Cost of raw materials, consumables and supplies, and purchased merchandise	189,571	188,079
Cost of purchased services	2,829	2,122
	192,400	**190,201**

(5) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2011	**2012**
Wages and salaries	85,865	89,760
Social security deductions	9,907	10,484
Pension costs	6,999	7,447
	102,771	**107,691**

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, current service cost and payments of pensions.

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

	Industrial	Salaried	2011 Total	**Industrial**	**Salaried**	**2012 Total**
Production	1,059	113	1,172	1,027	112	1,139
Sales	13	279	292	13	277	290
Engineering	88	30	118	89	28	117
Research and development, quality assurance	43	56	99	46	56	102
Administration, materials management	97	272	369	91	255	346
	1,300	**750**	**2,050**	**1,266**	**728**	**1,994**

The number of employees by regions is as follows:

	2011	**2012**
Germany	1,320	1,300
European Union	223	223
Rest of Europe	28	27
Asia/Australia	178	147
America	301	297
	2,050	**1,994**

(6) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2011	**2012**
Operating expenses	15,737	17,077
Sales expenses	33,018	33,284
Administrative expenses	16,103	14,258
Impairment losses on receivables	999	851
	65,857	**65,470**

Research and development costs (personnel and material costs) in the Group amounted to € 000s 3,348 (2011: € 000s 3,410).

Other operating expenses include the following fee charged by the Group auditor Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft (PwC) for the business year amounting to € 000s 639. Of which € 000s 372 was attributable to auditing services, € 000s 115 for tax consultancy services and € 152 for other services.

(7) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2011	**2012**
Proceeds from deconsolidation of subsidiary company	0	1,134
Release of unused amounts of provisions and obligations	754	761
Claims for compensation	533	223
Income from fixed asset disposals	1,089	218
Other operating income	2,046	2,151
	4,422	**4,487**

(8) FINANCIAL RESULT

[€ 000s]	2011	**2012**
Interest and similar income	956	1,073
Interest and similar expenses	-9,898	-9,457
Interest (net)	**-8,942**	**-8,384**
Income from market valuation for financial derivatives	0	72
Expenses from market valuation for financial derivatives	-151	0
Currency gains/losses, net	345	17
Earnings from associated enterprises	121	130
Sales earnings on shares in Pfleiderer AG	0	146
Impairment on shares in Pfleiderer AG	-3,462	-451
Other	0	7
Other financial expenses and income	**-3,147**	**-79**
Financial result	**-12,089**	**-8,463**

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 12 (2011: € 000s 7).

(9) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2011		**2012**
Current income taxes				
- Germany	4,027		3,700	
- International	4,645		3,789	
		8,672		7,489
Deferred income taxes				
- from time differences	4,504		-1,105	
- on losses carried forward	-2,634		0	
		1,870		-1,105
		10,542		**6,384**

An average overall tax burden of 29.5 % therefore results for the German companies. The tax rate takes account of trade tax (14.4 %), 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 2012 (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 8,518 (€ 000s 10,413) 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		
	2011	Change	**2012**	2011	Change	**2012**
Inventories	618	-119	499	81	-48	33
Receivables and other assets	153	17	170	1,226	-516	710
Goodwill	0	0	0	2,668	636	3,304
Property, plant and equipment	524	-143	381	16,641	-1,331	15,310
Intangible assets	2	-1	1	1,261	-183	1,078
Other non-current assets	0	0	0	354	176	530
Financial liabilities	2,250	-420	1,830	992	-992	0
Pensions and other personnel-related obligations	738	425	1,163	42	-39	3
Other liabilities	327	-34	293	150	304	454
	4,612	**-275**	**4,337**	**23,415**	**-1,993**	**21,422**
Netting	-1,683	142	-1,541	-1,683	142	-1,541
	2,929	**-133**	**2,796**	**21,732**	**-1,851**	**19,881**

Reconciliation between expected and actual tax expenditure is as follows:

[€ 000s]	2011	**2012**
Earnings before Taxes (EBT)	**22,928**	**21,191**
Expected income tax (29.5 %)	6,764	6,251
Reconciliation:		
Differences from foreign tax rates	214	241
Result from associated enterprises	-36	43
Losses for which no deferred taxes were recorded	181	164
Expenses not deductible from taxes	1,766	286
Allowance on deferred tax assets	1,792	-109
Tax expenses/income not related to the reporting period	162	-346
Other effects	-301	-146
Income tax	**10,542**	**6,384**

Taxes recorded directly in equity

[€ 000s]	2011	**2012**
Actuarial gains/losses	110	-489
Fair value measurement of financial instruments	53	-225
Net investment in a foreign operation	-189	468
Reclassification to income statement	-63	-66
	-89	**-312**

(10) EARNINGS PER SHARE

	2011	2012
Consolidated net profit in € 000s	12,484	15,028
Number of no-par-value shares issues	11,075,522	11,075,522
Basic and diluted earnings per share in €	1.13	1.36

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.

IX. NOTES TO THE BALANCE SHEET

(11) CASH AND CASH EQUIVALENTS

[€ 000s]	2011	2012
Cash in hand and bank balances	29,739	44,997
Fixed-term deposits	37,000	16,389
	66,739	**61,386**

(12) TRADE ACCOUNTS RECEIVABLE

[€ 000s]		2011		2012
Trade accounts receivable	41,888		41,464	
Less allowances	-1,407		-1,135	
Trade accounts receivable, net		40,481		40,329
Accounts receivable from affiliated enterprises		356		1,416
Book value		**40,837**		**41,745**

The trade accounts receivable from affiliated enterprises are from non consolidated subsidiary companies.

The allowances relate to specific allowances and lump-sum allowances. 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]	2011	2012
1/1/	**1,296**	**1,407**
Recourse	-284	-734
Release of unused amounts	-171	-134
Addition (effect on expenses)	566	596
31/12/	**1,407**	**1,135**

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]		2011	2012
Book value		**40,837**	**41,745**
of which: not impaired and not overdue		32,133	31,969
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	7,725	8,877
	3-6 months	435	258
	6-12 months	187	248
	more than months	734	706
Less lump-sum allowances		-377	-313

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

(13) INVENTORIES

The inventories of the Group are comprised as follows:

[€ 000s]	2011	2012
Raw materials, consumables and supplies	20,389	19,703
Work and services in progress	5,519	5,436
Finished products and goods	35,342	35,913
	61,250	**61,052**

Impairments of € 000s 2,180 (2011: € 000s 1,822) were reported on inventories.

Out of the inventories, € 000s 23,022 (2011: € 000s 22,526) were recognized under assets at the net disposal value.

(14) 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 642 (2011: € 000s 743), of which € 000s 115 are recognized under current income tax assets.

(15) OTHER CURRENT ASSETS

[€ 000s]		2011		**2012**
Land		3,255		2,827
Income tax assets (value added tax, wage tax)		1,512		1,419
Prepaid expenses		1,243		1,058
Receivable factoring		1,407		964
Receivable purchase price		2,298		0
Financial assets				
Bonuses, receivables	478		222	
Debit balances in accounts receivable	130		80	
		608		302
Other		2,346		1,872
		12,669		**8,442**

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

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 131 that was reported under other current liabilities. The continuing involvement is reported because not all opportunities and risks (in particular payment date risk) are transferred to the factoring agent. Obligations amounting € 000s 4,362 (2011: € 000s 2,745) in respect of the factoring account are recognized under other current liabilities for the receivables settled as at the balance sheet date.
The book value of nominal amount outstanding on 31 December amounts to € 000s 10,632 (2011: € 000s 11,838). The maximum amount of the receivables sold amounted to € 000s 12,665 in the business year.

The purchase price receivable in the previous year resulted from the sale of business premises and buildings.

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

The other current financial assets include € 000s 0 (2011: € 000s 697) from affiliated enterprises. In the previous year, these existed against non consolidated subsidiary companies in the amount of € 000s 631 and against an associated enterprise in the mount of € 000s 66 and result from other current receivables.

(16) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Financial assets and associated enterprises	Total
Acquisition costs					
1/1/2011	**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**
Currency adjustment	1,366	-157	209	0	1,418
Change in consolidated companies	-153	-110	0	0	-263
Additions	16,601	4,400	0	511	21,512
Disposals	-13,545	-27	0	-22,086	-35,658
Transfers	-53	53	0	0	0
31/12/2012	**425,755**	**33,529**	**159,875**	**2,229**	**621,388**
Depreciation and amortization					
1/1/2011	**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**
Currency adjustment	797	-323	-81	0	393
Change in consolidated companies	-66	-15	0	0	-81
Additions	18,161	3,881	0	450	22,492
Transfers	-12,996	23	0	-21,812	-34,785
31/12/2012	**267,235**	**20,871**	**47,157**	**0**	**335,263**
Book value at 31/12/2012	**158,520**	**12,658**	**112,718**	**2,229**	**286,125**
Book value at 31/12/2011	**160,200**	**12,065**	**112,428**	**2,442**	**287,135**

(17) 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					
1/1/2011	**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**
Currency adjustment	174	815	228	149	1,366
Change in consolidated companies	0	0	-162	9	-153
Additions	509	8,254	4,304	3,534	16,601
Disposals	-221	-8,390	-4,934	0	-13,545
Transfers	0	1,356	180	-1,589	-53
31/12/2012	**127,581**	**225,699**	**67,982**	**4,493**	**425,755**
Depreciation and amortization					
1/1/2011	**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**
Currency adjustment	102	546	149	0	797
Change in consolidated companies	0	0	-66	0	-66
Additions	3,173	10,520	4,468	0	18,161
Disposals	-213	-7,946	-4,837	0	-12,996
31/12/2012	**50,844**	**164,698**	**51,693**	**0**	**267,235**
Book value at 31/12/2012	**76,737**	**61,001**	**16,289**	**4,493**	**158,520**
Book value at 31/12/2011	**79,337**	**62,086**	**16,387**	**2,390**	**160,200**

(18) 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					
1/1/2011	**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**
Currency adjustment	30	-207	20	0	-157
Change in consolidated companies	-110	0	0	0	-110
Additions	547	1,360	995	1,498	4,400
Disposals	-27	0	0	0	-27
Transfers	538	436	-921	0	53
31/12/2012	**18,964**	**11,488**	**905**	**2,172**	**33,529**
Depreciation and amortization					
1/1/2011	**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**
Currency adjustment	46	-349	-20	0	-323
Change in consolidated companies	-15	0	0	0	-15
Additions	1,023	2,428	430	0	3,881
Disposals	-24	0	47	0	23
Transfers	557	73	-630	0	0
31/12/2012	**14,548**	**5,945**	**378**	**0**	**20,871**
Book value at 31/12/2012	**4,416**	**5,543**	**527**	**2,172**	**12,658**
Book value at 31/12/2011	**5,025**	**6,106**	**260**	**674**	**12,065**

(19) GOODWILL

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

Goodwill developed as follows:

[€ 000s]	2011	**2012**
1/1/	**112,039**	**112,428**
Currency adjustment	389	290
31/12/	**112,428**	**112,718**

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 Unit Plastics.

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

[€ 000s]		2011		**2012**
CGU edgebandings	69,983		69,915	
CGU skirtings	25,747		25,746	
CGU technical extrusions and cladding systems	692		692	
CGU technical foils	9,128		9,487	
Strategic Business Unit Plastics		105,550		105,840
Strategic Business Unit Paper		6,878		6,878
		112,428		**112,718**

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 2.6%. 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 an interest rate of 10.6 % (2011: 9.3 %) before taxes in December 2012.

On the basis of impairment tests carried out in the business year 2012, 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. At a discounting rate increased by 0.5 %, the values in use of the cash generating units are still estimated higher than net asset values.

(20) INVESTMENTS IN ASSOCIATED ENTERPRISES AND FINANCIAL ASSETS

[€ 000s]	Investments in associated enterprises	Investments in affiliated companies	Partici-pations	Securities	Other loans	Financial assets
Acquisition costs						
1/1/2011	**1,773**	**202**	**11**	**21,812**	**0**	**22,025**
Change in consolidated companies	0	-14	0	0	0	-14
Additions	31	0	0	0	0	0
Disposals	0	0	-11	0	0	-11
31/12/2011	**1,804**	**188**	**0**	**21,812**	**0**	**22,000**
Additions	130	0	0	0	381	381
Disposals	-274	0	0	-21,812	0	-21,812
31/12/2012	**1,660**	**188**	**0**	**0**	**381**	**569**
Depreciation and amortization						
1/1/2011	**0**	**0**	**0**	**17,900**	**0**	**17,900**
Additions	0	0	0	3,462	0	3,462
31/12/2011	**0**	**0**	**0**	**21,362**	**0**	**21,362**
Additions	0	0	0	450	0	450
Disposals	0	0	0	-21,812	0	-21,812
31/12/2012	**0**	**0**	**0**	**0**	**0**	**0**
Book value at 31/12/2012	**1,660**	**188**	**0**	**0**	**381**	**569**
Book value at 31/12/2011	**1,804**	**188**	**0**	**450**	**0**	**638**

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

(21) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2012 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(22) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2012	Expense	Release	Allocation	31/12/2012
Warranty	1,073	-346	-187	1,318	1,858
Impending losses	395	-395	0	153	153
Fair value measurement for financial derivatives	45	-45	0	21	21
Other	662	-296	-250	201	317
	2,175	**-1,082**	**-437**	**1,693**	**2,349**

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".

(23) OTHER CURRENT LIABILITIES

[€ 000s]	2011	**2012**
Liabilities from employment relationship*	7,512	9,454
Other current liabilities factoring	2,745	4,362
Debit balances in accounts payable	2,709	2,405
Tax liabilities (value added tax)	706	928
Bonuses and promotion costs	917	674
Social insurance against occupational accidents	490	493
Supervisory Board remuneration	222	254
Other	1,002	1,176
	16,303	**19,746**
* of which social security	807	794

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 15 "Other current assets".

(24) 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.

Debt amounting to € 000s 3,211 (2011: € 000s 3,431) in the special-purpose entities is secured by charges on property and assignment of receivables of the special-purpose entities.
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-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 € 000s 224 (2011: € 000s 213), increase in equity capital (before deduction of deferred taxes) by € 000s 1,771 (2011: € 000s 2,756) through direct recording of the cash flow hedge under the item market valuation of financial instruments, increase in the USD liability by € 000s 1,297 (2011: € 000s 2,315) on the basis of the valuation on the balance sheet and recording the market value of the hedging transactions amounting to € 000s 2,150 with no effect on income in the other non-current financial assets (2011: € 000s 3,929). In addition, € 000s 1,297 from equity was transferred to the result for the accounting period (2011: € 000s 2,315). The cash flows from the interest-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-currency swaps is carried out using the discounted cash flow method. The prospective and retrospective team 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 4.20 %.

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 43 (2011: € 000s 46).

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

[€ 000s]	2011	2012
Leasing payments to be made in the future		
in less than one year	51	47
between one year and five years	117	203
after more than five years	0	0
Interest share		
in less than one year	-5	-4
between one year and five years	-6	-11
after more than five years	0	0
Present value		
in less than one year	46	43
between one year and five years	111	192
after more than five years	0	0
	157	**235**

The maturity structure of financial liabilities is as follows:

[€ 000s]				**2011**				**2012**
	up to 1 year	1-5 years	more than 5 years	**Total**	up to 1 year	1-5 years	more than 5 years	**Total**
Financial liabilities								
- of which to banks	11,972	46,031	116,839	174,842	1,932	98,525	62,530	162,987
- of which from finance lease	46	110	0	156	43	191	0	234
	12,018	**46,141**	**116,839**	**174,998**	**1,975**	**98,716**	**62,530**	**163,221**

(25) 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 9,685 internally through the formation of a pension provision and through pledged reinsurance amounting to € 000s 196.

The pension obligations and the plan assets developed as follows:

[€ 000s]		2011		**2012**
Pension obligations				
1/1/		**8,761**		**8,574**
Payments		-409		-418
Current service cost		197		166
Interest expense		387		375
Actuarial gains/losses		-362		1,684
Adjustments		0		-500
31/12/		**8,574**		**9,881**
Plan assets				
1/1/		**-171**		**-178**
Expected income from plan assets	-8		-8	
Actuarial gains/losses	1		1	
Actual income		-7		-7
31/12/		**-178**		**-185**
Book value at 31/12/		**8,396**		**9,696**

The actual income of the plan assets amounts to € 000s 7 (2011: € 000s 7) in the business year.

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

[€ 000s]	2011	**2012**
Current service cost	197	166
Interest expense	387	375
Expected income from plan assets	-8	-8
Pension expense	**576**	**533**

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 2012 before deferred taxes amounts to € 000s 1,684 (2011: € 000s 362).

Up to now, a total of € 000s -650 has been recognized in shareholder's equity.

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

[€ 000s]	2008	2009	2010	2011	**2012**
Pension obligations	7,712	8,711	8,761	8,574	9,881
Plan assets	-125	-145	-171	-178	-185
Carrying amount (undercoverage)	**7,587**	**8,566**	**8,590**	**8,396**	**9,696**
Experience adjustments from pension obligations	-19	4	589	119	92
Experience adjustments from plan assets	-13	3	19	-1	-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 398.

If the discounting interest rate comes down by 0.5 %, the pension accruals would increase by € 000s 553, a rise in the discounting interest rate by 0.5 % would entail a reduction by € 000s 329.

The additional personnel-related obligations are comprise of phased retirement and anniversary agreements. The phased retirement obligations amount to € 000s 290 (2011: € 000s 581) on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 268 (2011: € 000s 387) on account of the statutory requirement for insolvency protection. The anniversary obligations amount to € 000s 1,421 on the balance sheet date (2011: € 000s 1,286).

€ 000s 191 (2011: € 000s 331) out of the non-current obligations arising from phased retirement regulations are due in 2013.

(26) 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 partial amounts 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, a financial services institution 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 partial amounts 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, a financial services institution 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 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 5,049 (2011: € 000s 6,282). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.45 (2011: € 0.45) per share, amounting to € 000s 4,984 (2011: € 000s 4,984) be paid out and the amount of € 000s 0 (2011: € 000s 1,200) be transferred to retained earnings. The Board of Management further recommends carrying forward the residual amount of € 000s 65 (2011: € 000s 98) as profit carried forward.

(27) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities were recognized on 31 December 2012 in the amount of € 000s 285 (2011: € 000s 327) and relate exclusively to a special-purpose entity. The probability of occurrence is assessed as low. There are no identifiable points of reference for assuming that the conditions underlying the investment allowance are no longer applicable.

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.

[€ 000s]	2011	**2012**
Rental and operate leasing obligations, due		
in less than one year	931	1,336
between one year and five years	1,030	1,697
after more than five years	0	319
	1,961	**3,352**

Payments from operate leasing contracts in the period are recorded in the amount of € 000s 1,994 (2011: € 000s 1,675).

Commitments amounting to € 000s 1,350 (2011: € 000s 0) were recognized arising from orders for investment projects already in progress or planned in the area of items of property, plant and equipment and intangible assets (commitments from orders).

The corresponding payments are due in full in the business year 2013.

(28) 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 for the business year 2012 remained unchanged compared with 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 6.2 (2011: 6.3) in 2012. The debt-service coverage ratio was 36.4 % (2011: 26.7 %) in 2012. The net debt amounted to € 000s 101,835 (2011: € 000s 125,786) on 31 December 2012 and the equity ratio was 47.8 % (2011: 44.9 %). 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.

(29) 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 up to five years and they are structured with fixed interest rates (see maturity structure item 24 in the Notes). Repayment of significant long-term loans is not necessary in the business year 2013. 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 2012.

3. Liquidity and credit 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 0 (2011: € 000s 17,527). If the maturity date is not fixed, the liability relates to the earliest liability date.

2012 [€ 000s]	Book value 31/12/2012	2013 Interest	 Repayment	2014 - 2017 Interest	 Repayment	2018 ff. Interest	 Repayment
Financial liabilities	163,221	8,906	1,975	26,502	98,716	5,828	62,530
Trade accounts payable	26,483	0	26,483	0	0	0	0
Other financial liabilities	14,377	0	14,377	0	0	0	0

2011 [€ 000s]	Book value 31/12/2011	2012 Interest	 Repayment	2013 - 2016 Interest	 Repayment	2017 ff. Interest	 Repayment
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

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 primary financial instruments in the SURTECO Group to the rise or fall of interest rates by 100 basis points (bp):

[€ 000s]	Income statement 100 bp Rise	 100 bp Fall	Equity / Other comprehensive income 100 bp Rise	 100 bp Fall
31/12/2012				
Variable-interest instruments	448	-448	0	0
Derivates	-3	3	2,645	-2,795
	445	**-445**	**2,645**	**-2,795**
31/12/2011				
Variable-interest instruments	102	-102	0	0
Derivates	-5	5	3,140	-3,347
	97	**-97**	**3,140**	**-3,347**

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 / Other comprehensive income	
	10% Rise	10% Fall	10% Rise	10% Fall
31/12/2012				
Financial instruments	1,486	-1,216	4,411	-3,609
Derivates	-345	282	1,197	-980
	1,141	**-934**	**5,608**	**-4,589**
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**

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

5. Fluctuations in value for securities

SURTECO SE had a share package in Pfleiderer AG, Neumarkt, amounting to 2.74 % of the share capital, until the second quarter of 2012. The falls in share price meant that impairments had to be carried out on the package of shares amounting to € 0.4 million (2011: € 3.5 million), as against proceeds from the sale of the share package amounting to € 0.1 million. € 0.4 million (2011: € 3.5 million) are due to impairments that affect earnings. There were no reductions in retained earnings with no effect on the income statement in the year under review or in the previous year. The book value of the shares amounted to € 0.4 million on 31/12/2011.

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) was carried out in the previous year according to the fair value hierarchy level 1.
The change in the market index exerted the following effect on the portfolio of shares in Pfleiderer AG, Neumarkt, classified as available for sale in the previous year:

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

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:

31/12/2012 [€ 000s]	Category acc. IAS 39	Book value	of which in scope of IFRS 7	(amortized) Acquisition cost	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Current value
Assets								
Cash and cash equivalents	LaR	61,386	61,386	61,386				61,386
Trade accounts receivable	LaR	41,745	41,745	41,745				41,745
Other current assets								
- Current financial receivables	LaR	2,908	2,908	2,908				2,908
Financial assets								
- Investments in affiliated enterprises	AfS	188	0	188				0
- Other loans	LaR	381	381	381				381
Other non-current financial assets								
- Financial derivatives (with hedging)	n.a.	2,150	2,150		2,150			2,150
Liabilities								
Current and non-current financial liabilities	FLAC	163,221	162,987	162,987			235	176,511
Trade accounts payable	FLAC	26,483	26,483	26,483				26,483
Other current liabilities								
- Other financial liabilities	FLAC	14,377	14,377	14,377				14,377
- Financial derivatives (without hedging)	FLaFV	21	21			21		21
Of which aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	106,420	106,420	106,420				106,420
Available for Sale Financial Assets	AfS	187	0	0				0
Financial Liabilities Measured at Amortised Cost	FLAC	204,081	203,847	203,847				217,371
Financial Liabilities at Fair Value through profit/loss	FLaFV	21	21	0		21		21

Key to abbreviations	
LaR	Loans and Receivables
AfS	Available for Sale
FLAC	Financial Liabilities at Amortised Cost
FLaFV	Financial Liabilities at Fair Value through profit/loss

31/12/2011 [€ 000s]	Category acc. IAS 39	Book value	of which in scope of IFRS 7	(amortized) Acquisition cost	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Current value
Assets								
Cash and cash equivalents	LaR	66,739	66,739	66,739				66,739
Trade accounts receivable	LaR	40,837	40,837	40,837				40,837
Other current assets								
- Current financial receivables	LaR	6,550	6,550	6,550				6,550
Financial assets								
- Investments in affiliated enterprises / securities	AfS	638	450	450				450
- Other loans	LaR	31	31	31				31
Other non-current financial assets								
- Financial derivatives (with hedging)	n.a.	3,929	3,929		3,929			3,929
Liabilities								
Current and non-current financial liabilities	FLAC	192,525	192,525	192,368			157	205,964
Trade accounts payable	FLAC	20,117	20,117	20,117				20,117
Other current liabilities								
- Other financial liabilities	FLAC	11,678	11,678	11,678				11,678
- Financial derivatives (without hedging)	FLaFV	45	45			45		45
Of which aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	114,157	114,157	114,157				114,157
Available for Sale Financial Assets	AfS	638	451	451				0
Financial Liabilities Measured at Amortised Cost	FLAC	224,320	224,320	224,163				237,759
Financial Liabilities at Fair Value through profit/loss	FLaFV	45	45	0		45		45

Key to abbreviations	
LaR	Loans and Receivables
AfS	Available for Sale
FLAC	Financial Liabilities at Amortised Cost
FLaFV	Financial Liabilities at Fair Value through profit/loss

Financial instruments in the categories "available for sale" and "at fair value" 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)

The following table shows the financial instruments whose subsequent measurement is carried out at fair value.
During the business year and in the previous year there were no reclassifications between the levels.

[€ 000s]	31/12/2011				**31/12/2012**			
	Level 1	Level 2	Level 3	Total	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets in the category „Available for Sale“								
Investments in affiliated enterprises / Securities	450			450				
Financial liabilities in the category „Financial Liabilities at Fair Value through profit/loss“								
Financial derivatives (without hedging)		45		45		21		21

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

[€ 000s]	2011	**2012**
Loans and Receivables	-625	-710
Available for Sale Financial Assets	-3,462	-451
Financial Assets and Liabilities at Fair Value through profit/loss	-166	72
Financial Liabilities Measured at Amortised Cost	-366	-35

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 at Fair Value through profit/loss 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 fair value 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 financial instruments used essentially relate to interest and currency swaps, and forward-exchange operations.

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

Nominal and market values of derivative financial instruments:

[€ 000s]	2011		**2012**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Currency-related transactions	4,900	-42	3,082	-21
Interest and currency-related transactions	54,108	3,929	53,091	2,150
	59,008	**3,887**	**56,173**	**2,129**

X. SUPPLEMENTARY INFORMATION

(30) 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.

(31) 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**	**Recon-ciliation**	**SURTECO GROUP**
2012				
External sales	170,133	237,587	0	407,720
Internal sales in the Group	1,133	686	-1,819	0
Total sales	171,266	238,273	-1,819	407,720
Interest income	49	749	275	1,073
Interest expenses	-721	-2,558	-6,178	-9,457
Depreciation and amortization	-10,512	-11,392	-141	-22,045
Segment earnings (EBT)	14,289	17,207	-10,305	21,191
Income from associated enterprises	146	0	0	146
Segment assets	137,562	249,105	8,468	395,135
Segment liabilities	53,527	70,119	-75,089	48,557
Net segment assets	84,035	178,986	83,557	346,578
Book value of participations recorded at equity	1,660	0	0	1,660
Investments in property, plant and equipment and intangible assets	7,312	13,411	278	21,001
Employees	684	1,293	17	1,994
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

SEGMENT INFORMATION BY REGIONAL MARKETS						
	2011			**2012**		
[€ 000s]	Sales revenues	Non-current assets	Investments	**Sales revenues**	**Non-current assets**	**Investments**
Germany	132,942	176,841	10,854	128,426	176,502	13,752
Rest of Europe	178,795	39,707	2,759	176,440	43,869	4,840
America	47,777	35,629	1,482	56,651	32,403	1,661
Asia/Australia	46,008	32,516	1,369	43,197	31,122	748
Other	3,287	0	0	3,006	0	0
	408,809	**284,693**	**16,464**	**407,720**	**283,896**	**21,001**

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

The non-current assets from the year 2011 and 2012 were allocated to goodwill by regions.

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2011	**2012**
Balance sheet total	**482,135**	**467,250**
Less financial assts		
- Cash and cash equivalents	66,739	61,386
- Investments	2,717	2,564
- Tax credits/deferred taxes	9,107	6,015
- Financial derivatives	3,929	2,150
Segment assets	**399,643**	**395,135**
Current and non-current liabilities	**265,634**	**244,072**
Less financial liabilities		
- Short-term and long-term financial liabilities	192,525	163,221
- Financial derivatives	45	21
- Tax liabilities/deferred taxes	24,635	21,134
- Pensions and other personnel-related obligations	9,876	11,139
Segment liabilities	**38,553**	**48,557**
Net segment assets	**361,090**	**346,578**

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

Supervisory Board
Total compensation of the Supervisory Board for the business year 2012 amounted to € 000s 254 (2011: € 000s 222). It includes fixed remuneration of € 000s 33 (2011: € 000s 33) and a variable component of € 000s 189 (2011: € 000s 189) and compensation for the audit-committee activities of € 000s 32 (2011: € 000s 0).

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 Tax (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 1,826 (2011: € 000s 1,725) for the business year 2012. Out of this amount, € 000s 504 (2011: € 000s 504) were attributable to the fixed compensation, € 000s 1,116 (2011: € 000s 1,100) were accounted for by performance-based compensation and € 000s 206 (2011: € 000s 121) 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.

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

On the balance sheet date, 10,230 shares (2011: 10,230) of the company were held by the members of the Board of Management and 202,255 shares (2011: 202,255) were held by members of the Supervisory Board.

(34) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 11 April 2013 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2012.

During the first quarter of 2013, BauschLinnemann North America, Inc., located in Greensboro in the USA and part of the Strategic Business Unit Paper, took over the outstanding 20 % of the minority shareholding in BauschLinnemann South Carolina LLC, Myrtle Beach. This was then merged fully with BauschLinnemann North America, Inc.

XI. EXECUTIVE OFFICERS OF THE COMPANY

(at 31/12/2012)

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	-
Dr.-Ing. Herbert Müller Engineer, Heiligenhaus	Member of the Board of Management, Strategic Business Unit Plastics	• 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, Hamburg (Chairman)	Sole shareholder of the GMH Group, Georgsmarienhütte	• Member of the Supervisory Board of Deutschen Bahn AG, Berlin • 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 • Chairman of the Board of Trustees of RAG Stiftung (since 2/11/2012, Member since 15/10/2012), Essen
Björn Ahrenkiel Lawyer, Hürtgenwald (Vice Chairman)	Lawyer	-
Dr. Markus Miele Industrial engineer, Gütersloh (Deputy Chairman)	Managing Director of Miele & Cie. KG, Gütersloh	• Member of the Supervisory Board of Reply Deutschland AG, Gütersloh • Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf
Josef Aumiller* Industrial clerk, Unterthürheim	Chairman of the Works Council of Bausch Decor GmbH, Buttenwiesen-Pfaffenhofen	-
Dr. Matthias Bruse Lawyer, Munich	Partner, P+P Pöllath + Partners Rechtsanwälte Steuerberater, Munich	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching • Member of the Supervisory Board of MAN SE, Munich (until 20/4/2012) • Member of the Supervisory Board of Wacker Neuson SE, Munich
Markus Kloepfer Engineer, Essen	Managing Director of alpha logs GmbH, Essen	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching

SUPERVISORY BOARD

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Udo Sadlowski* Training Manager, Essen	Chairman of the Works Council of Döllken Kunststoffverarbeitung GmbH, Gladbeck	-
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

COMMITTEES OF THE SUPERVISORY BOARD

Presiding Board
Dr.-Ing. Jürgen Großmann (Vorsitzender)
Björn Ahrenkiel
Markus Kloepfer
Dr. Markus Miele

Personnel Committee
Dr.-Ing. Jürgen Großmann (Vorsitzender)
Björn Ahrenkiel
Dr. Matthias Bruse

Audit Committee
Björn Ahrenkiel (Vorsitzender)
Dr. Matthias Bruse
Dr.-Ing. Jürgen Großmann
Dr.-Ing. Walter Schlebusch

XII. 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 2012 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".

XIII. 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 Coporation 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) Nr.1 WpHG § 22 (1) Nr. 1 iVm § 22 (2) WpHG	20.8657 52.9312
G.Schürfeld + Co. (GmbH & Co.), Hamburg	01/01/2007	6.4155	§ 22 (1) Nr. 1 WpHG	6.4155
G.A.Schürfeld Verwaltungs GmbH, Hamburg	01/01/2007	6.4155	§ 22 (1) Nr. 1 WpHG	6.4155
PKG Schürfeld GmbH, Hamburg	01/01/2007	6.4155		
Jens Schürfeld, Hamburg	01/01/2007	11.9306	§ 22 (1) Nr. 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) Nr. 1 WpHG § 22 (2) WpHG	1.8057 68.6596
Ricarda Bausch, Glashütten	01/04/2002	73.8283	§ 22 (2) WpHG § 22 (1) Nr. 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) Nr.1 WpHG § 22 (1) Nr. 1 iVm § 22 (2) WpHG	8.2837 65.5132
Dr. Dr. Thomas Bausch, Berlin	01/04/2002	74.2715	§ 22 (1) Nr.1 WpHG § 22 (1) Nr. 1 iVm § 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, Hannover	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 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.

On November 9, 2012, Delta Lloyd N.V., Amsterdam, The Netherlands, has informed us in the name and on behalf of DLAM Holding B.V., Amsterdam, The Netherlands, about the following:
On January 18, 2010, the stake of DLAM Holding B.V., Amsterdam, The Netherlands, in the voting rights of Surteco SE, Buttenwiesen-Pfaffenhofen, Germany, exceeded the thresholds of 3% and 5%. On that date, DLAM Holding B.V. held 8.90% in relation to all voting rights in Surteco SE (voting rights arising from 985,255 ordinary shares (Stammaktien)). All of such voting rights were attributed to DLAM Holding B.V. pursuant to section 22 (1) sent. 1 no. 6 in connection with sentences 2 and 3 WpHG. Of such voting rights, 7.54% (voting rights arising from 834,655 ordinary shares (Stammaktien)) were voting rights arising from shares held by Delta Lloyd Europees Deelnemingen Fonds N.V.

SURTECO HOLDINGS (at 31/12/2012)

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**			
	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	SURTECO 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	80.00	441
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	NC	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, Nohra	Germany	F	100.00	500
531	Döllken Sp. z o.o., Kattowitz	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 consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the consolidated notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. 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 HGB 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, 12 April 2013
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

RESPONSIBILITY STATEMENT

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, 11 April 2013

The Board of Management

Friedhelm Päfgen

Friedhelm Päfgen

H. Müller

Dr.-Ing. Herbert Müller

BALANCE SHEET (HGB)

(SHORT VERSION)

€ 000s	31/12/2011	31/12/2012
ASSETS		
Intangible assets	104	250
Tangible assets	294	286
Investments		
- Interest in affiliated enterprises	276,484	276,484
- Notes receivables to affiliated enterprises	24,405	24,405
- Participations	1	1
- Non-current marketable securities	451	0
Fixed assets	**301,739**	**301,426**
Receivables and other assets		
- Receivables from affiliated enterprises	78,454	71,450
- Other assets	7,565	4,053
Cash in hand, bank balances	53,601	46,818
Current assets	**139,620**	**122,321**
Prepaid expenses	**151**	**17**
	441,510	**423,764**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	11,076	11,076
Additional paid-in capital	94,864	94,864
Retained earnings	102,683	104,183
Net profit	6,282	5,049
Equity	**214,905**	**215,172**
Pension accruals	482	0
Tax accruals	1,301	631
Other accruals	1,604	1,720
Accrued expenses	**3,387**	**2,351**
Liabilities to banks	178,581	151,806
Trade accounts payable	298	241
Liabilities to affiliated enterprises	41,508	49,731
Other liabilities	2,831	4,463
Liabilities	**223,218**	**206,241**
	441,510	**423,764**

INCOME STATEMENT (HGB)

(SHORT VERSION)

€ 000s	1/1/-31/12/ 2011	1/1/-31/12/ 2012
Earnings from profit and loss transfer agreements	30,370	18,038
Other operating income	2,126	1,766
Personnel expenses	-3,080	-3,314
Amortization and depreciation on intangible assets and property, plant and equipment	-112	-140
Other operating expenses	-3,451	-2,104
Investment income	0	734
Income from loans from financial assets	1,522	1,569
Interest income	-8,099	-7,677
Write-downs on investments	-3,461	-451
Result from ordinary activities	**15,815**	**8,421**
Income taxes	-3,401	-3,093
Other taxes	15	-78
Net income	**12,429**	**5,250**
Profit carried forward from the previous year	53	99
Transfer to retained earnings	-6,200	-300
Net profit	**6,282**	**5,049**

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 (Short version) from these Annual Financial Statements are represented 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

2013

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

2014

30 April	Annual Report 2013
15 May	Three-month report January – March 2014
27 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
30 June	Dividend payout
8 August	Six-month report January – June 2014
14 November	Nine-month report January – September 2014

PUBLICATION DETAILS

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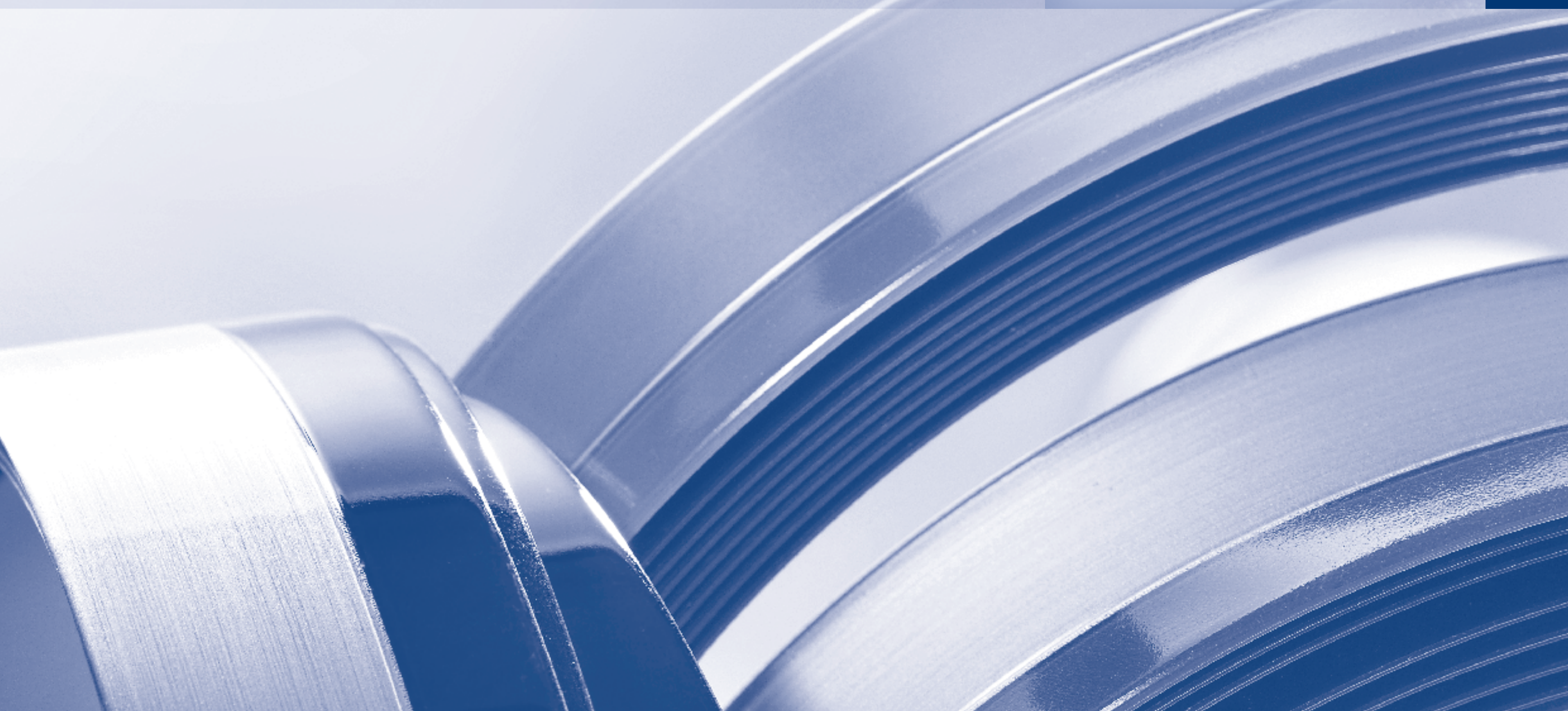
TEN YEAR OVERVIEW

	2003	2004	2005	2006
Sales revenues in € 000s	355,037	380,428	396,372	403,156
Foreign sales in %	60	61	64	64
Restructuring expenses in € 000s	0	1,329	3,871	0
EBITDA in € 000s	63,976	70,346	65,211	71,698
Depreciation and amortization in € 000s	-26,762	-25,912	-17,765	-17,612
EBIT in € 000s	37,214	44,434	47,446	54,086
Financial result in € 000s	-10,120	-9,686	-9,890	-8,060
EBT in € 000s	27,094	34,748	37,556	46,026
Consolidated net profit in € 000s	14,847	18,205	21,987	28,761
Balance sheet total in € 000s	356,414	362,130	370,121	373,198
Equity in € 000s	108,710	116,609	148,967	165,678
Equity ratio in %	31	32	40	44
Average number of employees for the year	1,941	1,998	2,132	2,059
Number of employees at 31/12	1,937	2,192	2,109	2,051
Capital stock in €	10,575,522	10,575,522	11,075,522	11,075,522
Number of shares	10,575,522	10,575,522	11,075,522	11,075,522
Earnings per share in €	1.40	1.72	1.97	2.60
Dividend per share in €	0.70	0.80	0.80	1.00
Dividend payout in € 000s	7,403	8,860	8,860	11,076
PROFITABILITY INDICATORS				
Return on sales in %	7.6	9.1	9.4	11.4
Return on equity in %	14.7	17.0	15.6	18.4
Total return on total equity in %	10.5	12.3	12.8	14.7

2007	2008	2009	2010	2011	2012
414,519	402,984	341,145	388,793	408,809	407,720
65	66	64	67	67	69
0	7,297	0	0	0	0
74,358	56,828	54,317	62,547	56,116	51,699
-19,060	-19,731	-19,892	-20,934	-21,099	-22,045
55,298	37,097	34,425	41,613	35,017	29,654
-8,371	-21,320	-16,860	-9,520	-12,089	-8,463
46,927	15,777	17,565	32,093	22,928	21,191
31,837	6,754	9,239	21,754	12,484	15,028
516,728	490,073	481,676	480,996	482,135	467,250
189,506	180,516	191,815	212,969	216,504	223,178
37	37	40	44	45	48
2,121	2,194	1,979	1,990	2,050	1,994
2,181	2,137	1,903	2,003	2,005	1,967
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
2.87	0.61	0.83	1.96	1.13	1.36
1.10	0.35	0.40	0.90	0.45	0.45*
12,183	3,876	4,430	9,968	4,984	4,984
11.3	3.9	5.1	8.2	5.6	5.3
15.8	3.8	4.9	10.8	5.9	6.9
11.1	6.0	6.2	8.9	6.8	6.6

* Proposal by the Board of Management and Supervisory Board



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