ANNUAL REPORT 2013

SPECIALISTS FOR SURFACE TECHNOLOGIES

SURTECO

SOCIETAS EUROPAEA

21 production and sales locations   16 additional sales locations

AMERICA

Agawam
Biscoe
Brampton
Chihuahua
Curitiba
East Longmadow
Greensboro
Myrtle Beach
Santiago

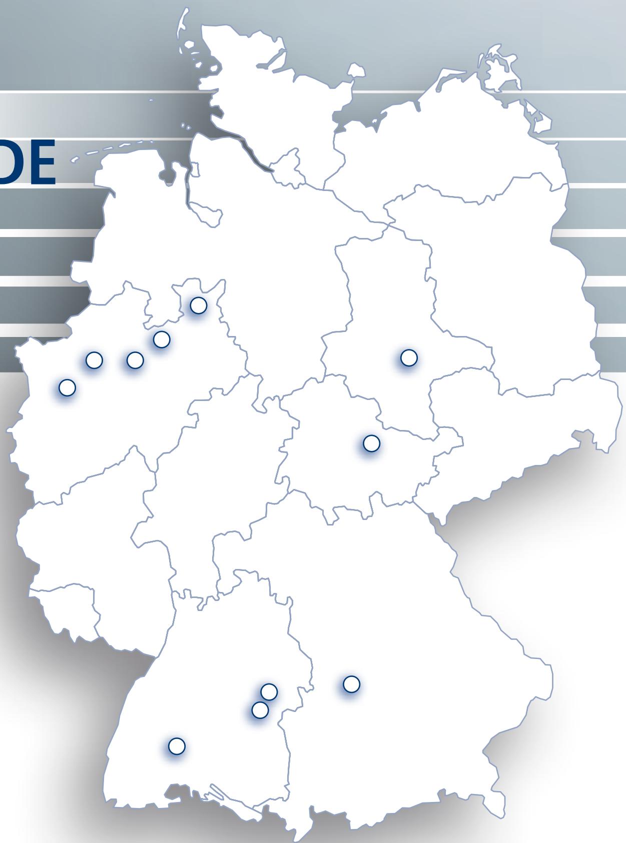
EUROPE

Angers
Burnley
Gislaved
Istanbul
Katowice
Madrid
Prague
Venice

ASIA / OCEANIA

Batam
Brisbane
Melbourne
Moscow
Perth
Singapore
Sydney
Tokyo

SURTECO SE **WORLDWIDE**



GERMANY

Buttenwiesen-Pfaffenhofen
Bönen
Dunningen
Gladbeck
Halle (Saale)
Heroldstatt
Hüllhorst
Laichingen
Sassenberg
Weimar
Willich

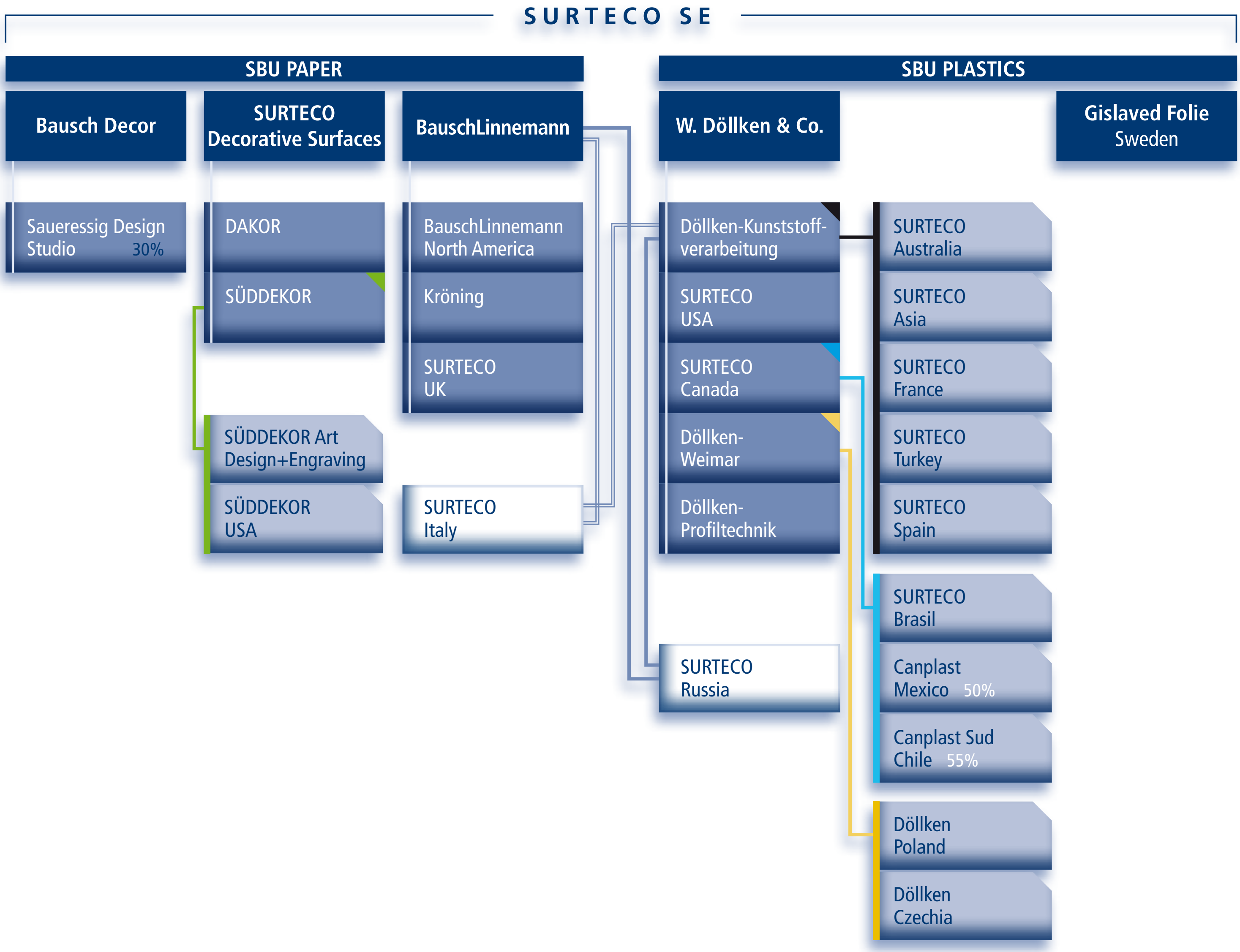
AT A GLANCE
SURTECO SE

[€ 000s]	2012	2013	Variation in %
Sales revenues	407,720	**404,059**	-1
Foreign sales in %	69	**70**	
EBITDA	51,699	**59,942**	+16
EBITDA margin in %	12.7	**14.8**	
Depreciation and amortization	-22,045	**-22,636**	
EBIT	29,654	**37,306**	+26
EBIT margin in %	7.3	**9.2**	
Financial result	-8,463	**-9,175**	
EBT	21,191	**28,131**	+33
Consolidated net profit	15,028	**21,899**	+46
Earnings per share in € (by weighted average of shares issued)	1.36	**1.86**	+37
Number of shares at 31 December	11,075,522	**15,505,731**	
Number of shares weighted average	11,075,522	**11,767,363**	
Additions to fixed assets	21,512	**31,547**	+47
Balance sheet total	467,250	**626,467**	+34
Equity	223,178	**311,047**	+39
Equity ratio in %	47.8	**49.7**	+1.9 pts.
Net financial debt at 31 December	101,835	**151,144**	+48
Gearing (level of debt) at 31 December in %	46	**49**	+3 pts.
Average number of employees for the year	1,994	**2,154**	+8
Number of employees at 31 December	1,967	**2,702**	+37

PROFITABILITY INDICATORS IN %

Return on sales	5.3	**6.9**
Return on equity	6.9	**7.3**
Total return on total equity	6.6	**6.0**

GROUP STRUCTURE
SURTECO SE



SALES DISTRIBUTION IN %
2013

SURTECO GROUP

Germany	30
Rest of Europe	45
America	15
Australia	5
Asia	4
Other	1

Edgebandings	47
Foils	25
Skirtings	7
Decorative printing	7
Technical extrusions	4
Impregnated products/ Release papers	2
DIY	2
Cladding systems	2
Other	4

STRATEGIC BUSINESS UNIT PLASTICS

Germany	29
Rest of Europe	39
America	17
Australia	9
Asia	5
Other	1

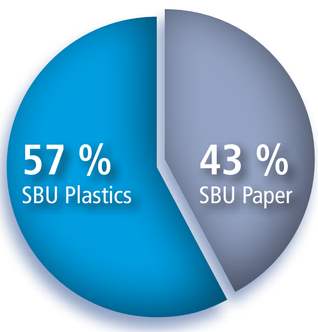
Edgebandings	58
Skirtings	13
Foils	10
Technical extrusions	7
Cladding systems	4
DIY	3
Other	5

STRATEGIC BUSINESS UNIT PAPER

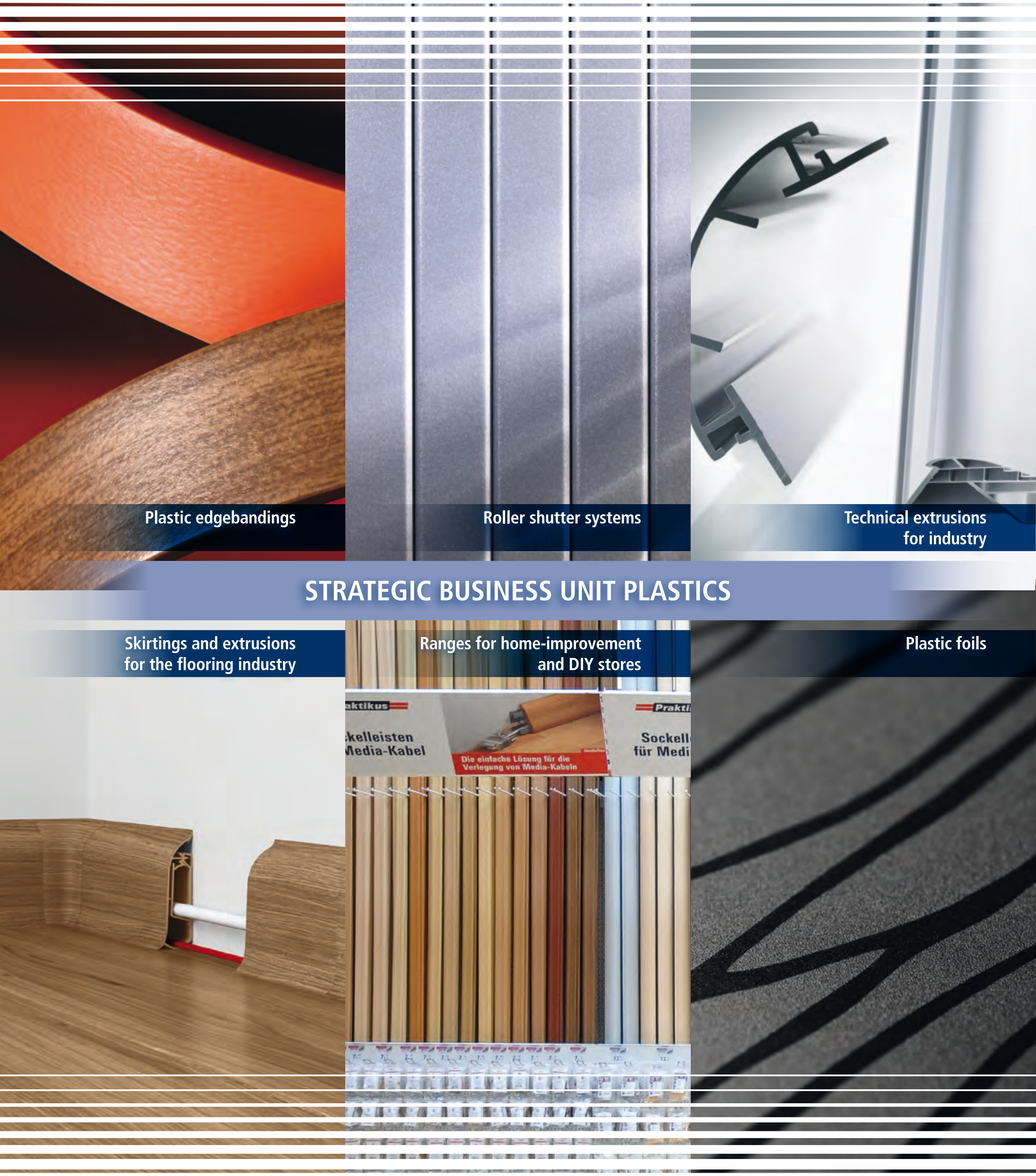
Germany	31
Rest of Europe	53
America	13
Australia	1
Asia	2

Foils	46
Edgebandings	32
Decorative printing	16
Impregnated products/ Release papers	4
Other	2

PERCENTAGE OF TOTAL SALES



THE PRODUCT RANGE



Plastic edgebandings

Roller shutter systems

Technical extrusions for industry

STRATEGIC BUSINESS UNIT PLASTICS

Skirtings and extrusions for the flooring industry

Ranges for home-improvement and DIY stores

Plastic foils


Decorative printing
Edgebandings based on paper
Fully impregnated finish foils based on paper
STRATEGIC BUSINESS UNIT PAPER
Preimpregnated finish foils based on paper
Impregnated products
Release papers

SURTECO SE

ISIN: DE0005176903

Ticker symbol: SUR

SURTECO

DÖLLKEN

BauschLinnemann

BAUSCH DECOR

GISLAVED FOLIE AB

Kröning

CANPLAST

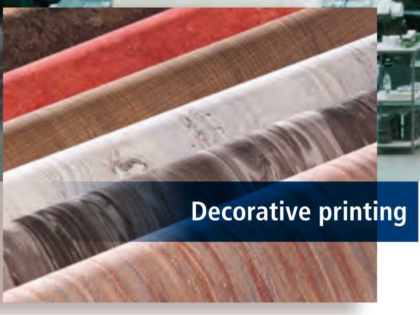
Praktikus

DAKOR

SÜDDEKOR

Art SÜDDEKOR

THE SÜDDEKOR GROUP



770 employees **7** production locations in Germany and the USA

IN DECEMBER 2013, SURTECO ACQUIRED ALL THE SHARES IN THE SÜDDEKOR GROUP

As a specialist for surface refinement of wood materials and one of the leading providers of decorative printing, the Group is a perfect fit in the corporate structure of SURTECO.

The acquisition means that SURTECO is significantly expanding its market share in decorative papers and finish foils. Additional depth will be added to the value chain by the additional business with impregnated products and release papers. SURTECO now offers a product range which remains unsurpassed in the market for surface coating.

IMAGES IN THIS ANNUAL REPORT

As a specialist in surface technologies, SURTECO offers a broad range of products which play a key role in shaping the appearance and quality of surfaces for furniture, flooring and the materials used for interior design. The acquisition of the SÜDDEKOR companies created greater depth to the range of paper-based surface materials and expanded the offering by completely new product areas. The product range of the SURTECO Group comprises virtually all surface areas for interior design and is absolutely unique in the sector. We would therefore like to give you a short overview of this diverse range and present the new products as well as some innovations from the existing product range in this series of images in our Annual Report.

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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

All's well that ends well. This would be a good way of describing the successful acquisition of the SÜDDEKOR Group last year. Up to that point, the circumstances had never been quite right on a number of different occasions. Luckily the tide turned last year and we were able to take a significant step in the strategic development of our company. SURTECO is already the global market leader in the edgebandings segment, and we have now also become the leading supplier of finish foils and rank among the leaders for decorative printing. SURTECO has therefore played a proactive role in consolidating the paper industry and this stage can essentially be regarded as completed. The strategic focus of the SURTECO Group on the core competence of decorative surface coatings was driven forward with this takeover. As a consequence of developing this focus, the cladding line of business was sold at the end of November last year.

Alongside these portfolio measures, we further optimized our company at other levels in 2013. In North America, we established a new location and there bundled the activities of the Strategic Business Unit Paper in the USA. In France, the customer base of a competitor in the plastics sector was taken over, and in the United Kingdom, the paper location was expanded by the product range from the plastics line.

Nevertheless, the operations of SURTECO were not immune to the generally weak sales in the furniture industry in the last business year. The business expectation at the beginning of the reporting year was already somewhat reserved and had to be corrected downwards as the year progressed. The reason for this was changed consumer behaviour which the furniture industry still has to adapt to. Our biggest sales market is the rest of Europe and this has been defined by a weak economy and high levels of unemployment. Consolidated sales at € 404.1 million in the year under review were only at the level of the previous year due to the consolidation of the SÜDDEKOR companies from December 2013. Adjusted by this takeover, the business would have been below the level of € 400 million, as forecast in the third quarter. Since the purchase price was below the book value of the acquired companies, this difference could be recognised in assets as a positive one-off effect. Most importantly, this led to a rise in EBITDA to € 59.9 million after € 51.7 million in the previous year and also exerted a positive effect on consolidated net profit. Following the first-time consolidation over an entire year of the SÜDDEKOR companies, we are expecting a significant increase in the sales revenues during the business year 2014 and the first positive effects in the cost structure from the business year 2015.

The transaction announced in October 2013 caused the share price to soar after a period of its languishing in the doldrums. Compared with the beginning of the business year, the share price rose by 35.6 % to finish on a high for the year of € 23.05. The capital increase to finance the transaction also generated a great deal of interest among investors. We would have liked to have been able to satisfy all orders but the pre-placement very rapidly became several times oversubscribed. The other subscription rights were also in a great deal of demand, a fact that was very obvious with a subscription rate of 95.8 %. We would like to give a strong vote of thanks to all these investors for the confidence they have placed in us. We have also significantly increased our free float as a result. The resulting higher trading volume paved the way to a listing in the SDAX from 24 March 2014.

It is extremely important to us that our existing shareholders and the holders of the new shares are able to enjoy reasonable participation in the success of our company. We are therefore joining together with the Supervisory Board to submit a proposal at the Annual General Meeting to be held in Munich on 27 June 2014 that a resolution should be passed to increase the dividend to € 0.65 per share (2012: € 0.45) in spite of the significant increase in the number of shares.

We are continuing to anticipate ongoing fraught framework conditions in the surface sector for the current business year. However, our new Group structure has laid the foundation stone for sustainable, profitable growth of the company. SURTECO is currently charting a promising course to achieve this objective. We would be delighted if you would continue to support us as we develop in the future.

We should like to take this opportunity to thank not just all our shareholders but also most importantly all our employees. These successes would not have been possible without their very high level of commitment. These thanks are also extended to the successful cooperation with our customers, partners and suppliers. We would like to thank them as well.

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
Chairman of the Managing Board of
Giesecke & Devrient GmbH, Munich

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

BOARD OF MANAGEMENT

Friedhelm Päfgen — Chairman, SBU Paper
Businessman, Unterwössen

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

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

STRATEGIC BUSINESS UNIT PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Frank Bruns 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	Peter Schulte
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Wolfgang Buchhart
DÖLLKEN-WEIMAR GMBH Nohra	Hartwig Schwab Tibor Aranyossy Wolfgang Breuning
DÖLLKEN SP. Z O.O. Katowice, 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 Reinhold Affhüppe Dieter Baumanns
BAUSCHLINNEMANN GMBH Sassenberg	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns
KRÖNING GMBH 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
SÜDDEKOR GMBH Laichingen	Dieter Baumanns Dr. Jürgen Dambrowski Dr. Steffen Griffel
DAKOR MELAMIN IMPRÄGNIERUNGEN GMBH Heroldstatt	Dr. Jürgen Dambrowski Dr. Steffen Griffel
SÜDDEKOR ART DESIGN + ENGRAVING GMBH Willich	Dieter Krichel Dieter Baumanns
SÜDDEKOR LLC Agawam, USA	Joe Hoelzer

REPORT OF THE SUPERVISORY BOARD

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

In the business year 2013, 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 five meetings during the course of the business year 2013. 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 2013, 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.

The Supervisory Board addressed the reports relating to the purchase of the SÜDDEKOR companies submitted by the Board of Management in considerable depth at several meetings. Apart from the structure of the transaction and the current negotiations, the discussions focused on the strategic direction of the SÜDDEKOR companies, the future integration within the SURTECO Group, and the detailed financial forecasts for the coming year including the SÜDDEKOR companies. The Chairman of the Supervisory Board was also in continuous contact with the Board of Management and was informed about the progress of negotiations. In connection with the conclusion of the purchase contract, the Supervisory Board passed the necessary resolution on 23 October 2013. At the same time, the Supervisory Board passed the necessary resolutions at the same meeting or delegated the power to pass relevant resolutions to the Presiding Board of the Supervisory Board, in order to increase the ordinary capital of the company by nominally € 4,430,209.00 to a total nominal amount of € 15,505,731.00 by means of the authorized capital. An entry relating to the capital increase for the company was made in the Commercial Register of the company on 4 November 2013. The purchase contract for the acquisition of the SÜDDEKOR companies was completed on 2 December 2013.

The Supervisory Board also addressed the issue of the purchase of Vinylit Fassaden GmbH at its meeting on 23 October 2013 and agreed to conclusion of a purchase contract.

During the reporting year 2013, 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 non-compliance could have resulted in the conditions of the loan deteriorating or such non-compliance could have led to the loan being called in by creditors were also complied with in 2013.

The plans (budget and investment plan) submitted by the Board of Management for the business year 2014 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 18 December 2013.

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 23 April 2013, the Supervisory Board adopted the proposals for the agenda of the Ordinary General Meeting 2013.

COMPENSATION FOR THE BOARD OF MANAGEMENT

At the meeting of the Supervisory Board held on 23 April 2013, the variable compensation elements of the Members of the Board of Management for the business year 2012 were standardized.

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 2012).

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTEE

At its meeting held on 18 December 2013, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to Article § 12 Section 3 of the Articles of Association at a total amount of € 34,000.00, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 34,000.00 was allocated to the individual members of the Audit Committee on a time basis.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

There were no changes in the composition of the Supervisory Board during the period under review.

The periods of office of Mr. Thomas Stockhausen and Mr. Josef Aumiller as employee representatives on the Supervisory Board come to an end at the conclusion of the Annual General Meeting that decides on the discharge of the Members of the Supervisory Board for the business year 2013. The Board of Management requested the relevant Members of the Works Council pursuant to § 1.4 of the agreement relating to the participation of employees in SURTECO SE dated 13 February 2007 to appoint the employee representatives to be seconded from the eligible members of the Works Council under the agreement and to nominate them to the Board of Management. The annual General Meeting will hold a vote on the appointment.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee whose members are listed on page 107 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 held meetings during the period under review on 30 and 31 October 2013 in order to agree to the resolutions of the Board of Management relating to the utilization of the authorized capital and the determination of the offer price and the subscription price, and to amend the Articles of Association of the company to take account of the capital increase. The Supervisory Board had previously authorized the Presiding Board to prepare the motions for these resolutions so that the resolutions might be passed promptly in connection with the listing of the new shares on the stock exchange.

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 2012.

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 2013 and also took account of the amendments to the German Corporate Governance Code made on 13 May 2013. 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.

On 18 December 2013, 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 2013 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 Committee Meeting of the Supervisory Board held on 27 April 2014 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 € 0.65 for each no-par-value share.

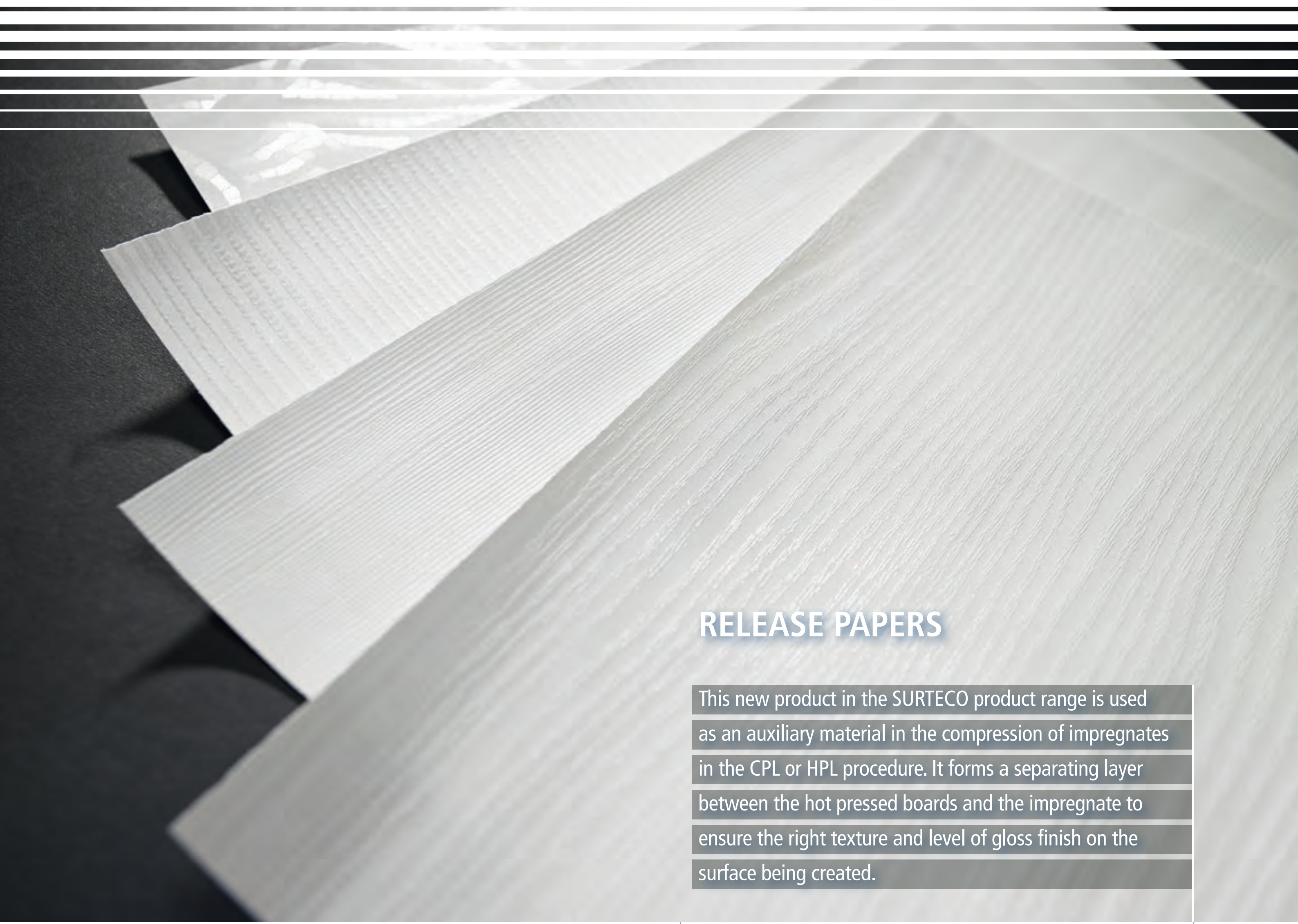
The Audit Committee submitted a proposal for the appointment of the auditor of the accounts for the business year 2014 and the Supervisory Board also accepted this proposal.

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 2013.

Buttenwiesen-Pfaffenhofen, April 2014

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman



RELEASE PAPERS

This new product in the SURTECO product range is used as an auxiliary material in the compression of impregnates in the CPL or HPL procedure. It forms a separating layer between the hot pressed boards and the impregnate to ensure the right texture and level of gloss finish on the surface being created.

BASIC PRINCIPLES OF THE GROUP

OVERVIEW

The SURTECO Group (hereinafter referred to also as SURTECO) is a leading international manufacturer of decorative surface coatings which are processed mainly by the flooring, wood-based and furniture industry. The products of SURTECO are mainly used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with an appealing visual profile and haptic feel.
The companies of the SURTECO Group were expanded in December 2013 by the takeover of all the shares in the companies of the SÜDDEKOR Group (SÜDDEKOR). The companies are described in the overview of the Strategic Business Unit Paper. In the business year 2012, the SÜDDEKOR Group had a workforce of around 770 employees and generated sales amounting to some € 240 million on the basis of accounting principles under German commercial law. The product portfolio of the SÜDDEKOR Group overlaps the products of SURTECO in the area of paper-based finish foils and decorative papers. On the other hand, this acquisition added impregnates and release papers to the product range. SURTECO now also has its own dedicated facilities for manufacturing printing ink and print cylinders.
At the end of November 2013, the business with cladding systems was discontinued through the sale of Vinylit Fassaden GmbH. This step reflected SURTECO's intention to pursue a strategy of concentrating on its core business.
At the end of the business year under review, the

SURTECO Group employed a total global workforce of around 2,700 employees in 21 production and sales companies and at 16 further sales locations.
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 thermoplastic edgebandings which are manufactured from a range of different plastics to suit the area of application. Since SURTECO manufactures edgebandings from plastic and paper, customers can choose from a virtually unlimited number of variations in terms of qualities, finishes, dimensions, decorative designs and colours to suit any application.
Flat foils and melamine impregnates 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 in 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 additionally 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.
Impregnates for coating flat surfaces are newcomers to the product portfolio of SURTECO. These products include impregnated decorative papers, which by contrast with finish foils only receive their final surface in the compression stage at the manufacturer of wood-based materials or furniture. Their product range is primarily targeted at particularly hardwearing surfaces, for example laminate flooring or worktops. Release papers are also a new element in the product portfolio. These are an auxiliary material used in the compression of impregnates with wood-fibre boards. The release paper provides the melamine surface created with the desired texture and degree of gloss finish.
Printed papers for specialist applications are produced at the Group's dedicated decor printing facilities. These papers are then processed within the Group to create finish foils and impregnates. They are also produced for external customers from the furniture and flooring industries, and from the world of interior design. The very comprehensive collection of wood-based, stone and imaginative fantasy decors is continually being expanded with new, trendy decors in our design departments.
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 for a broad spectrum of industrial applications. High-quality manufactured products like flooring extrusions, stair edges, cover and transition extrusions, as well as angle rails, cladding systems (until the end of November 2013) 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 wholesale business. These ranges are compiled from products manufactured in-house and purchased parts.

INTERNAL CORPORATE CONTROLLING SYSTEM

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-side 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. Sales revenues and the pretax result (EBT) are important financial controlling parameters for the SURTECO Group and the Strategic Business Units. The SURTECO Group also uses a summarized true and fair view of a number of indicators, the "covenants", as a key financial controlling parameter. This is comprised of the indicators equity ratio, level of debt (gearing) and interest cover factor. The covenants defined threshold values which should not be exceeded. Compliance or non-compliance with the "covenants" indicator is monitored and reports are regularly submitted. Non-financial controlling parameters are not used for controlling purposes with the companies.
Financial and non-financial performance indicators play a subordinated role for SURTECO SE as an individual company.
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 system, cladding systems (until the end of November 2013), 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. From December 2013, the product portfolio was extended by impregnates and release papers through the takeover of SÜDDEKOR. SURTECO currently manufactures its products at 21 production locations in Europe, Asia, Australia, and North and South America. This ensures safe, fast production tailored to the target market at all times. Customers source their products in a variety of ways including direct sales, 16 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 the enterprises Döllken-Kunststoffverarbeitung GmbH, Döllken-Profiltechnik GmbH, Döllken-Weimar GmbH, SURTECO USA Inc. and SURTECO Canada Ltd., and until the end of November 2013 Vinylit Fassaden GmbH.
Döllken-Kunststoffverarbeitung GmbH and its subsidiaries have specialized in the production and sales 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).
The production and sale of plastic edgebandings in the USA is carried out by SURTECO USA Inc., Greensboro.
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 Brazil (SURTECO Do Brasil S/A) and as a joint venture in Mexico (Canplast Mexico S.A. de C.V.) ensure comprehensive sales support for markets on the American continent.
Döllken-Profiltechnik GmbH in Dunningen has specialized in the manufacture of technical extrusions for industrial applications and roller-shutter systems for furniture.
Döllken-Weimar GmbH based in Nohra near Weimar and its subsidiary in Bönen manufactures products for professional floorlayers, and for home-improvement and specialist stores. The products include floor strips and skirtings as well as wall edging systems. The accessories required for laying the products are also supplied as product ranges for resale. The company has sales venues in Poland (DöllkenSp. z. o.o.) and the Czech Republic (Döllken CZ s.r.o.).
Vinylit Fassaden GmbH based in Kassel manufactures ventilated cladding systems made of plastic for covering house facades. This company was sold at the end of November 2013.

STRATEGIC BUSINESS UNIT PAPER

The SBU Paper comprises BauschLinnemann GmbH, Bausch Decor GmbH and SURTECO Decorative Surfaces GmbH, including their respective subsidiary companies*.
BauschLinnemann GmbH is based in Sassenberg and produces 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 located in Hüllhorst is a specialist supplier for surface coatings with exceptionally complex specifications. The product portfolio comprises edgebandings, finish foils and hybrid products. In the USA, the production company for finish foils, BauschLinnemann South Carolina LLC, Myrtle Beach, was merged with the sales company BauschLinnemann North America, Inc. in January 2013. This company now produces and sells products specially tailored to the North American market from a brand new facility in Myrtle Beach, USA. Semi-finished products are supplied to the sales companies located in the United Kingdom, SURTECO 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.
Decorative printer Bausch Decor GmbH headquartered 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 Dekor holds a 30 % stake in Saueressig Design Studio GmbH and the in-house design department works closed together with this studio to develop and create new decorative designs.
SURTECO Decorative Surfaces GmbH, Buttenwiesen-Pfaffenhofen, acts as an intermediate holding company for the businesses purchased in December 2013. The companies Dakor Melamin Imprägnierungen GmbH based in Heroldstadt and SÜDDEKOR GmbH, Laichingen, are integrated within this holding company together with their subsidiary companies.
The product range of SÜDDEKOR GmbH comprises decorative papers, finish foils, impregnates and release papers. The decorative papers are manufactured at the headquarters in Laichingen and at the subsidiary company SÜDDEKOR LLC, Agawam, USA. This company also has production locations for impregnates

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

DECOR PAPERS

SURTECO has expanded its market share of decorative prints and once again extended the range of decorative designs. Customers now have access to a virtually unlimited selection of wood, stone and imaginative designs.

in East Longmeadow and Biscoe in the USA. Finish foils and release papers are manufactured in a second facility at the plant in Laichingen.
Dakor Melamin Imprägnierungen GmbH based in Herolstadt is responsible for the production of impregnates in Germany.
SÜDDEKOR Art Design + Engraving GmbH in Willich is responsible for the development of new decorative designs and engraving new print cylinders.

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.

ECONOMIC REPORT

MACROECONOMIC AND SECTOR SPECIFIC FRAMEWORK CONDITIONS

Global economic growth continued to slow down in 2013

In 2013, growth of the global economy weakened once again compared with the previous year. After the International Monetary Fund (IMF) was still anticipating an increase in global growth amounting to 3.5 % in the spring of 2013, the forecasts were corrected downwards several times over the course of the year. The calculations of the IMF for global growth in 2013 yielded a growth rate of 3.0 %, after 3.1 % in 2012. Negative impacts on global growth were mainly due to the sustained fraught state of the economies in some euro countries, the slowdown in the growth dynamic in emerging economies over the course of the year, and the easing of economic development in the USA due to the discussions surrounding the budget there. During the previous year, the position in the eurozone with easing economic output of 0.2 % was still being assessed with tentative optimism when a drop of 0.4 % was finally recorded for 2013. In Central and Eastern Europe, economic growth in 2013 at 2.5 % was slightly above the expectations of the previous year. Meanwhile, Germany achieved modest growth in domestic output of 0.5 %. The IMF calculated economic output for the USA 1.9 % higher than in 2012, while the increase for South America was 2.6 %. The biggest growth rates in country groups relevant to SURTECO were again achieved in Asia, although it was not possible to continue the very high growth attained in previous years. IMF calculations indicate that growth in this region in 2013 was 6.5 %.

Disappointing year for the furniture industry

The most important group of customers for the SURTECO Group are companies from the furniture and wood-based industries. The associations of the German wood and furniture industries (HDH and VDM) had to carry out downward revisions of their forecasts for business expectations in the sector several times over the course of the year. The VDM furniture industry association finally estimated a reduction in sales amounting to between 2 % and 3 %. Ultimately, sales in the domestic furniture industry shrank by as much as 3.7 % to € 16.1 billion in 2013, although analysts had still predicted sales for the level of 2012 at the beginning of the year. The disappointing drop in 2013 was due firstly to weak demand in the European core markets and secondly to disappointing development in Germany. Furniture exports to France declined by almost 11 % during the first ten months of the year, while exports to the Netherlands fell by almost 16 % and exports to Austria went down by 6 %. Only exports to Switzerland remained steadfastly at the level of

ECONOMIC GROWTH FOR 2013 IN %

World	+3.0
Germany	+0.5
Eurozone	-0.4
Central and Eastern Europe	+2.5
USA	+1.9
Latin America	+2.6
Asia	+6.5

Source: International Monetary Fund (IMF), World Economic Outlook 21 January 2014 the previous year. Even though furniture exports to the USA went up by 18.5 % and exports to China rose by 16.7 %, this was not sufficient to compensate for the falls in Europe. Overall, furniture exports came down by 4.1 % to € 7.6 billion in the period from January to October. At the same time, sales of domestic manufacturers in Germany also underwent a significant fall (up to the end of October by -3.8 %). This was mainly due to a surprisingly weak second half of the year. Manufacturers of home furniture had to contend with substantial declines in sales, whereas kitchen manufacturers succeeded in keeping their sales virtually at the level of the previous year. The weakness in the German furniture sector is also reflected in the import figures. Accordingly, between January and October 2013, furniture worth € 8.2 billion was imported to Germany, 3.6 % less than in the previous year.

SALES AND BUSINESS PERFORMANCE

Sales slightly down on the previous year

Business activity of the SURTECO Group in 2013 was essentially defined by the unsatisfactory situation in the furniture sector. Already in the first quarter of the business year under review there were signs that consumers living in Germany and Europe in particular were postponing long-term investments like furniture. This lack of willingness to make purchases was a continuous theme throughout the entire business year. Since consumers are also becoming increasingly trend conscious, the life-time of individual decorative designs is continuing to shrink. During the year under review, this led to a reinforcement of the development towards diminishing figures for production runs that had emerged over recent years. This was particularly evident in a saturated market where SURTECO is the market leader. Sales revenues in this product area (plastics and melamine edgings) came down by 6 % compared with the previous year to € 190.6 million. Business with foils fell back by 5 %, and growth in pre-impregnated finished foils originating from the acquisition of the SÜDDEKOR companies was unable to mitigate slowdowns in fully impregnated finish foils and plastic foils.

Total sales for the SURTECO Group at € 404.1 million during the business year 2013 were slightly below the year-earlier value of € 407.7 million. This included sales revenues amounting to € 14.2 million generated by the SÜDDEKOR companies in December 2013. Since the same month, the sales from the divested business with cladding elements have no longer been consolidated. The business development still being forecast at the start of the last business year, with sales expected at the level of 2012, had to be corrected downwards during the course of the year due to the increasingly marked weakening of the furniture sector. However, acquisition of the SÜDDEKOR companies meant that the sales level of 2012 was almost attained.

STRATEGIC BUSINESS UNIT PLASTICS:

Surprisingly reserved demand in the domestic market

During the business year 2013, the Strategic Business Unit Plastics generated sales amounting to € 229.4 million. After sales of € 237.6 million in the previous year, this corresponds to a decline of 3 %. More than half of this negative development (€ -4.9 million) was due to exchange-rate effects. The main other cause of the decline is to be found in the difficult economic conditions in some sales countries and the general weakness in the Germany furniture industry during the year under review. Demand went down from the furniture sector and the artisan sector for plastic edgebandings. The business year under review also witnessed purchasers developing a marked preference for lower-priced, thinner edgings rather than conventional plastic edgings. Sales revenues with this product fell back by 4 % as a consequence of this trend. Since plastic edgebandings are the main sales driver for the Strategic Business Unit Plastics, this decline represents a drop in sales amounting to € 6.0 million. Business with roller-shutter systems also depends directly on the furniture sector so that sales drops of 11 % or € 0.5 million had to be absorbed. Plastic foils and technical extrusions are sold in several sectors. Very volatile markets here entailed reduced sales of 13 % and 7 % respectively. Conversely, business with skirtings and do-it-yourself ranges developed positively. The group of customers served is made up of professional floorlayers, specialist and home-improvement stores. Sales were expanded here by 13 % with skirtings and by 8 % with do-it-yourself goods by extending the sales structures and revising the product range. The division with cladding elements was sold at the end of November 2013 so that sales revenues amounting to € 8.6 million were consolidated for the months of January to November 2013.

Sales amounting to € 67.1 million, after € 73.3 million in the previous year, were generated in the domestic market. This significant fall of 8 % is essentially due to the unexpected negative development in the German furniture sector in 2013. Business in Europe (without Germany) remained virtually the same as in 2012 even with significant economic problems remaining tangible in some European countries. The takeover of the plastic and veneer edging business from a competitor in France on 1 July 2013 contributed to this result.

Sales revenues increased by 3 % on the American continent, with the increase in South America at 15 % being stronger than in the USA and Canada (+1 %). In Australia, a persistent weakness in the economy combined with cheap imports, mainly due to the strong Australian dollar, led to a fall in sales of 12 %. Business in Asia also came under high levels of pressure on pricing during the business year 2013. This resulted in a decline in sales for this region by 8 %. The share of foreign sales from the Strategic Business Unit Plastics rose by two percentage points compared with the previous year and is now at 71 %.

STRATEGIC BUSINESS UNIT PAPER:

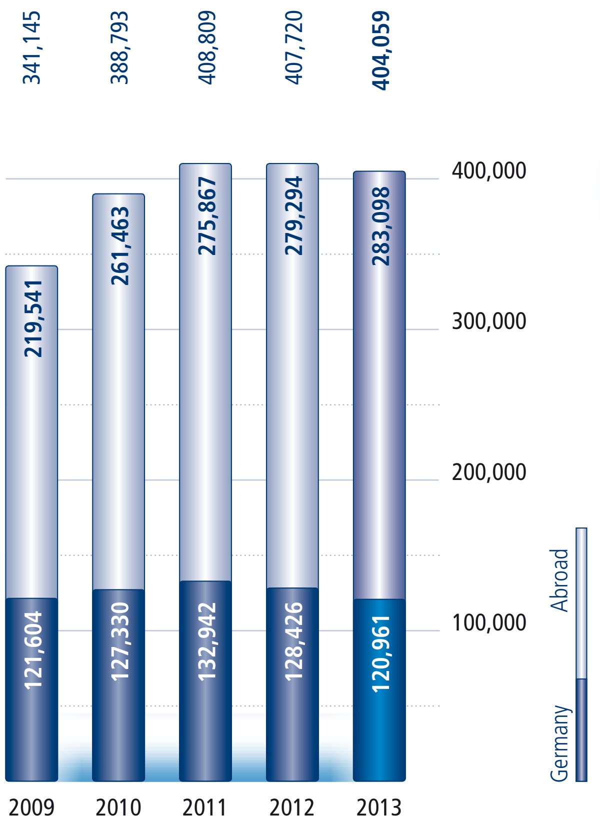
Acquisition provides stimuli

The year 2013 was defined by a large number of changes at the Strategic Business Unit Paper. The production of multilayer laminates was discontinued at the end of 2012 and the business unit generated sales of € 0.4 million from the sale of remaining stock, following on from sales revenues amounting to € 2.6 million with this product in 2012. In the United Kingdom, the product range was expanded by the products of the SBU Plastics and in North America the facilities of BauschLinnemann North America moved into their newly constructed plant in Myrtle Beach. The sales and production activities of this company are now concentrated in one place. The dominant theme at the end of the business year was the acquisition of the companies in the SÜDDEKOR Group. They were integrated in the SBU Paper because they operate in the same markets and sectors as the other companies in the Strategic Business Unit. During the year under review, the new companies contributed sales revenues amounting to € 14.2 million to the SBU Paper during the month of December.

In common with the plastics line, the operating business of the SBU Paper was negatively impacted by the unexpectedly poor framework conditions in the furniture sector. These also exerted a direct effect on sales with melamine edgebandings, which declined by 8 % to € 56.7 million. There were no overlaps in this segment with the product range of the SÜDDEKOR companies. The performance of the caravan industry was also surprisingly reserved; the Strategic Business Unit Paper supplies this industry with high-quality fully impregnated finish foils. Sales with this segment fell back by 17 %. The companies taken over in December are also suppliers of pre-impregnated finish foils, and like the SBU Paper they also supply decorative printing. The sales revenues generated by these product groups rose by 19 % for pre-impregnates and by 31 % for decorative printing. This more than compensated for a fall in demand for decorative papers from the flooring industry. The takeover of the SÜDDEKOR companies contributed impregnates and release papers as two new product groups to the product range of the SBU Paper. These product lines taken together contributed € 6.1 million to sales in the business year 2013.

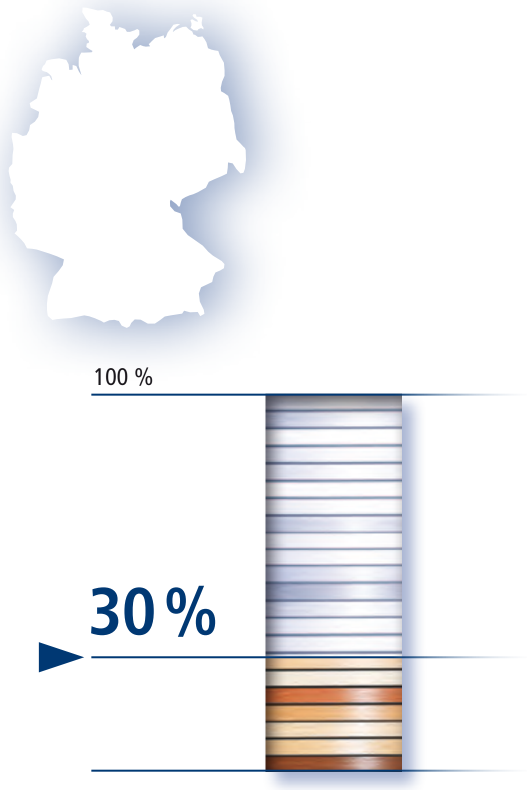
Overall, the Strategic Business Unit Paper generated sales of € 174.7 million (2012: € 170.1 million) during the period under review. This corresponds to growth of 3 %, which was driven by the acquisition of the SÜDDEKOR companies. Even with the sales generated in Germany by the SÜDDEKOR Group, the SBU Paper sustained slight losses of 2 % at € 53.9 million in the German market. Business in Europe (without Germany) rose by 6 % and in America, where the SÜDDEKOR companies are also very active, growth of 15 % was achieved. Sales in the Asia region fell by 19 %. In Australia, sales of some goods held for resale were transferred to the Strategic Business Unit Plastics following internal rationalization of product ranges. For this reason, sales of the SBU Paper in Australia came down disproportionately by 48 %. Foreign sales overall rose by 5 %. The foreign sales ratio rose by 1 percentage point to 69 %.

SURTECO GROUP



SALES REVENUES IN € 000s

SALES REVENUES GERMANY



PERCENTAGE OF TOTAL SALES

FINANCIAL POSITION, NET ASSETS AND RESULTS OF OPERATIONS

VALUE ADDED

Corporate performance increased from € 415.7 million in the previous year to € 425.6 million in 2013. Adjusted by badwill amounting to € 13.5 million resulting from the new valuation of the assets in a purchase price allocation and the difference between the purchase price and the book values of the SÜDDEKOR companies, corporate performance fell to € 412.1 million compared with the previous year. Lower costs of materials compared with increased other expenses in the generation of net value added. Depreciation and amortization were slightly above the level for the previous year. Overall, the total net value added increased from € 138.3 million in 2012 to € 145.7 million during the period under review. The net value added ratio reached 34.2 % after 33.3 % in the previous year. Mainly because the dividend payment was held at the same level in 2012 and 2013, the distribution of value added at € 128.7 million in 2013 remained virtually the same as the value of € 128.5 million in the previous year. A slight increase in personnel expenses was effectively compensated by slightly lower taxes and interest expenses. The value added remaining in the company rose by 73.3 % from € 9.8 million in 2012 to € 17.0 million in 2013.

CASH FLOW STATEMENT

During the year under review, the cash flow from current business operations at € 55.0 million remained at the level of the previous year (€ 55.3 million). On the basis of a pre-tax result of € 28.1 million (2012: € 21.2 million), this was essentially brought about by the adjustment of income from the company merger amounting to € -13.5 million, inflow of funds from settlement of accounts receivable

FINISH FOILS SUPERMATT

Finish foils with a particularly low level of gloss also bring a new feature to our product range. Apart from the trendy visual effect, this surface offers outstanding technical characteristics. For example, it is impervious to finger prints, offers a robust level of resilience to abrasive cleaning agents, and provides a repellent beading effect with water.

amounting to € 11.8 million and a change in other assets compared with the previous year amounting to € -4.7 million. These effects essentially result from the consolidation of the SÜDDEKOR companies.

Investment activity rose significantly in 2013 from € -20.0 million in 2012 to € -123.8 million. Outgoings amounting to € 99.0 million for the acquisition of the SÜDDEKOR Group are set against proceeds of € 5.0 million derived from the sale of the cladding business. Furthermore, investments in property, plant and equipment amounting to € 16.3 million in the previous year rose to € 26.2 million during the year under review. Further details on this matter are provided in the section "Investments in property, plant and equipment".

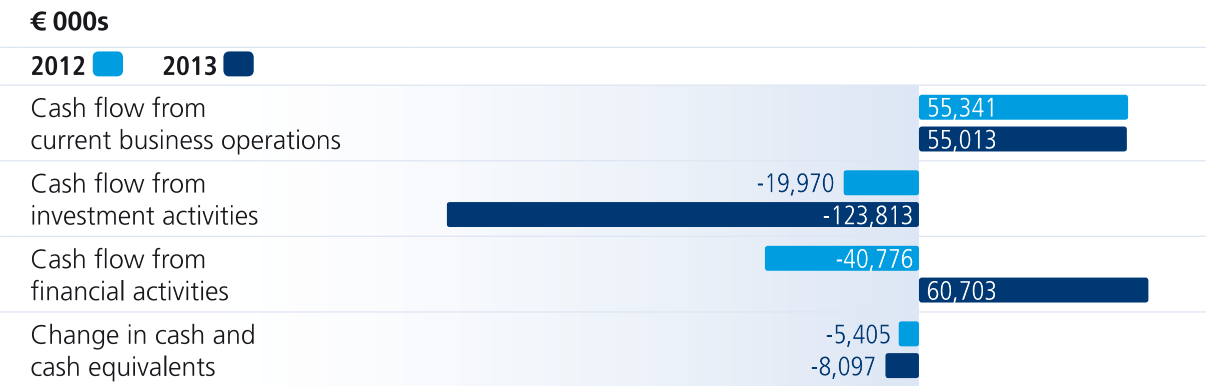
Cash flow from financial activities rose from € -40.8 million in 2012 to € 60.7 million in the year under review, mainly due to incoming payments arising from the capital increase in 2013 amounting to € 75.5 million and an increase in short-term financial liabilities amounting to € 0.5 million in 2013 after repayment of € -26.8 million in the previous year.

Cash and cash equivalents therefore fell by € 8.1 million as at 31 December 2013.

VALUE ADDED CALCULATION

	2012 € 000s	in %	2013 € 000s	in %
Sales revenues	407,720		404,059	
Other income	7,945		21,559	
Corporate performance	**415,665**	**100.0**	**425,618**	**100.0**
Cost of materials	-190,201	-45.8	-185,512	-43.6
Depreciation and amortization	-22,045	-5.3	-22,636	-5.3
Other expenses	-65,080	-15.6	-71,730	-16.9
Creation of value added (net)	**138,339**	**33.3**	**145,740**	**34.2**
Shareholders (dividends)	4,984	3.6	4,984	3.4
Employees (personnel expenses)	107,691	77.9	108,284	74.3
Government (taxes)	6,384	4.6	6,127	4.2
Lenders (interest)	9,457	6.8	9,325	6.4
Allocation of value added	**128,516**	**92.9**	**128,720**	**88.3**
Remaining in the company (value added)	**9,823**	**7.1**	**17,020**	**11.7**

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/12/2012	1/1/-31/12/2013
Cash flow from current business operations	**55,341**	**55,013**
Purchase of property, plant and equipment	-16,267	-26,170
Purchase of intangible assets	-2,871	-4,854
Acquisition of business	-1,477	-99,000
- net of cash acquired	0	797
Disposal of companies	0	5,044
Proceeds from disposal of property, plant and equipment	371	370
Dividends received	274	0
Cash flow from investment activities	**-19,970**	**-123,813**
Free cash flow	**35,371**	**-68,800**

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

	31/12/2012 € 000s	Percentage in the balance sheet total in %	31/12/2013 € 000s	Percentage in the balance sheet total in %
ASSETS				
Current assets	175,317	37.5	229,098	36.6
Non-current assets	291,933	62.5	397,369	63.4
Balance sheet total	**467,250**	**100.0**	**626,467**	**100.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	51,806	11.1	127,661	20.3
Non-current liabilities	192,266	41.1	187,759	30.0
Equity	223,178	47.8	311,047	49.7
Balance sheet total	**467,250**	**100.0**	**626,467**	**100.0**

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2012	2013
Capital ratio in %	47.8	49.7
Gearing in %	46	49
Working capital in € 000s	76,314	121,127
Interest cover factor	6.2	7.0
Debt-service coverage ratio in %	36.4	29.5

SÜDDEKOR acquisition and capital increase push up balance sheet total

The balance sheet total of the SURTECO Group as at 31 December 2013 rose by 34 % to the current figure of € 626.5 million compared with the reference date from the previous year. The various effects arising from the acquisition of the SÜDDEKOR companies and the associated capital increase in 2013 were essentially responsible for this. Accordingly, on the assets side of the balance sheet, cash and cash equivalents fell by € 10.2 million to € 51.2 million, since liquid assets as well as proceeds from the capital increase were used in the settlement of the purchase price for the acquisition. Trade accounts receivable (€ 55.0 million after € 41.7 million in the previous year) and inventories (€ 103.6 million after € 61.1 million) underwent a strong increase with consolidation of the acquired companies. The significant growth of current income tax assets from € 2.7 million in the previous year to € 6.5 million on the balance sheet date for 2013 is explained by the fact that SURTECO SE can set the costs arising from the capital increase against tax as a deductible expense. The production and sales activities of BauschLinnemann North America were concentrated on a newly constructed site, and the parcel of land with buildings at the former sales location no longer in use led to a reclassification of property, plant and equipment to assets held for sale amounting to € 0.7 million. Current assets therefore rose to € 229.1 million after € 175.3 million in the previous year as a result of these effects.

Property plant and equipment went up by € 86.4 million to € 244.9 million as at 31 December 2013 essentially due to the consolidation of the SÜDDEKOR companies. Intangible assets also rose (from € 12.7 million in the previous year to € 29.7 million) as was the case with other non-current assets (€ 0.3 million in the previous year to € 1.5 million). This compared with an increase in deferred tax assets by € 4.9 million to € 7.7 million so that the non-current assets increased from € 291.9 million as at 31 December 2012 to € 397.4 million on the balance sheet date. On the liabilities side of the balance sheet, short-term financial liabilities rose from € 2.0 million in the previous year to € 55.6 million on the balance sheet date due to the release of the first tranche from the US private placement in 2014 and factoring

SKIRTINGS

The special feature of this skirting with integrated cable duct is the option of being able to configure the cable duct or carry out renovation work without dismantling the skirting. A neat fit flush with the wall is achieved with flexible soft lips, and the finishing touches are provided by accessories with matching decorative design.

and leasing liabilities of the SÜDDEKOR companies. Trade accounts payable increased as a result of the first-time consolidation of the SÜDDEKOR companies by € 11.0 million to € 37.5 million and other current liabilities went up by € 10.2 million to € 29.9 million. Current liabilities therefore rose from € 51.8 million at year-end 2012 to € 127.7 million on 31 December 2013.

By contrast, non-current liabilities eased by € 4.5 million and amounted to € 187.8 million on the balance sheet date, with long-term financial liabilities falling by € 14.5 million to € 146.7 million. While the reclassification of the first tranche from the US private placement amounting to € 40 million led to a reduction in liabilities, the liabilities of the SÜDDEKOR companies initially reported in the balance sheet from leasing obligations amounting to € 29.3 million increased non-current financial liabilities. The deferred tax liabilities rose by € 9.6 million to € 29.5 million.

Equity went up significantly as a result of the capital increase carried out in 2013 from € 223.2 million to the present level of € 311.0 million. The capital stock therefore rose as a result of the 4.4 million new shares issued to € 15.5 million and the additional capital paid in from the net proceeds generated by the capital increase rose by € 72.4 million to the current value of € 122.8 million. The equity ratio rose compared to the year-earlier value by 1.9 percentage points to 49.7 % as at 31 December 2013.

The level of debt (gearing) of the SURTECO Group climbed by 3 percentage points to 49 % and the net financial debt increased by € 49.3 million to € 151.1 million. The covenants (→ Internal corporate controlling system) were maintained during the business year 2013 as was the case in the previous year.

On 31 December 2013, SURTECO SE had external credit lines in the amount of € 45.3 million. At this point, € 0.7 million has been drawn on these lines.

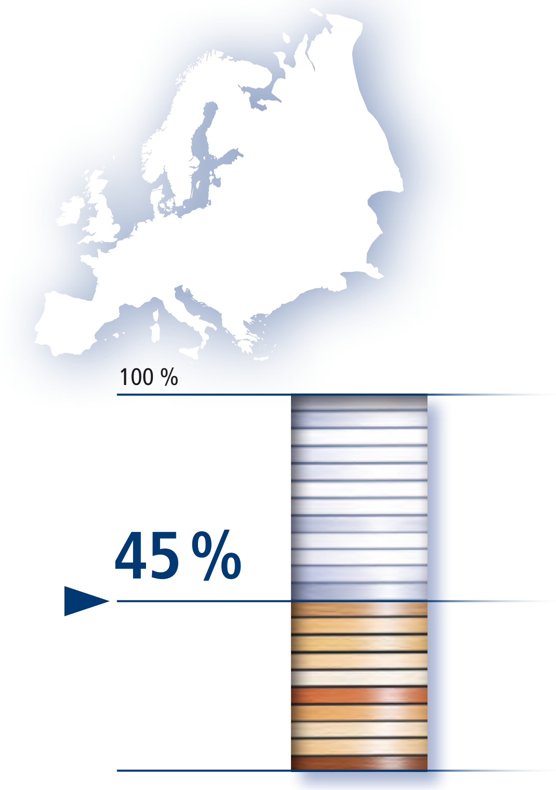
EXPENSES

The cost of materials was again the biggest expense item at SURTECO in the year under review. Pricing for raw papers for technical applications as the most important raw material in the Strategic Business Unit Paper is carried out on the basis of long-term calculation models. The pricing developments of intermediate products like titanium dioxide and cellulose are included. The price level of cellulose was stable in the business year 2013, partly on account of positive currency effects. Although the costs for titanium dioxide came down slightly in 2013, this was not at all helpful in compensating for the enormous price increase in the years 2010 and 2011. As a result of this, the procurement situation for technical raw papers eased slightly compared with the previous year although the price level continued to remain high. A similar trend was also evident for chemical additives and printing inks. With the exception of melamine resins, prices fell slightly compared with the previous year. The processing of impregnates primarily relies on the use of melamine resins with ongoing high prices, and since the Strategic Business Unit has also included impregnates in its product range since December 2013, the proportion of costs in relation to sales was negatively impacted even further around the end of the year.
The prices of raw materials for the Strategic Business Unit Plastics continued to be volatile in the business year 2013. During the first quarter, the Group had to contend constantly with price increases in the most important plastic materials ABS (acrylonitrile butadiene styrene), PVC (polyvinylchloride) and PP (polypropylene). However, as the year progressed the situation became less fraught. Since SURTECO is a relatively small purchaser with respect to plastics, certainty of supply remains the top priority for procurement management and market prices therefore essentially have to be accepted.
At Group level, the cost of materials amounted to € 185.5 million compared with € 190.2 million in the previous year. The cost of materials ratio is calculated from the ratio of the cost of materials to total output and this ratio fell by 0.6 percentage points to 45.7 %. Personnel expenses from the previous year were still impacted negatively with one-off expenses amounting to € 1.7 million as a result of a restructuring measure at the Buttenwiesen site. A payscale increase in wages and salaries under a collective agreement during the year under review alongside an increase in the number of employees on account of the acquisition in December 2013 meant that personnel expenses at € 108.3 million were slightly above the costs for the previous year (€ 107.7 million). The ratio of personnel expenses to total output rose slightly to 26.6 % following on from 26.2 % in 2012. Other operating expenses went up by € 65.5 million in the previous year to € 69.5 million in 2013. A main cause for this may be the expenses in connection with the acquisition of the SÜDDEKOR companies amounting to € 1.0 million and higher sales expenses (€ 1.7 million) compared with the previous year.

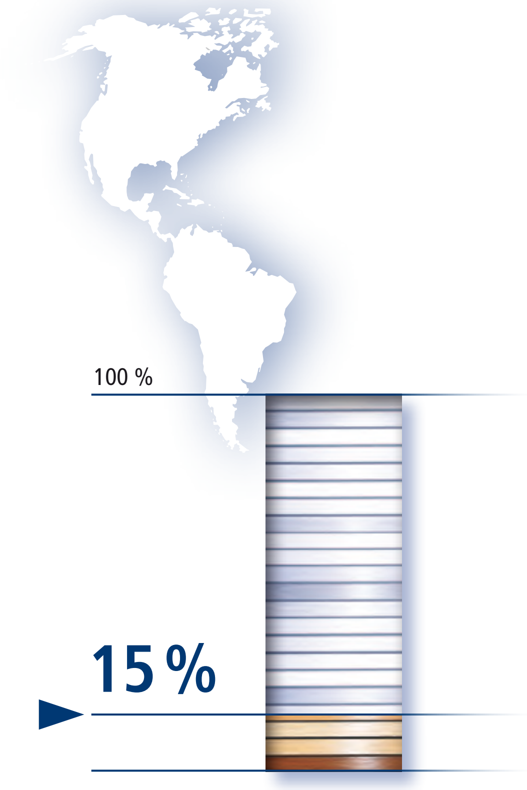
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

In the business year 2013, the SURTECO Group invested € 31.5 million in property, plant and equipment, intangible assets and financial assets, and associated enterprises. The investment sum last year amounted to € 21.5 million. Property, plant and equipment increased by € 26.3 million. Key items in the Strategic Business Unit Paper were in production machinery and a new production building in North America. The Strategic Business Unit Plastics invested above all in new production facilities, expansion of existing production lines and in the modernization of buildings. Intangible assets increased mainly as a result of introducing new applications software in the Strategic Business Unit Paper amounting to a total of € 4.4 million. Out of total additions, € 3.1 million were attributable to the SBU Paper and € 1.3 million to the SBU Plastics.
Out of total investments in property, plant and equipment, € 14.6 million were attributable to the SBU Paper and € 11.7 million to the SBU Plastics.
Within the SBU Paper, € 6.2 million of the additions were attributable to buildings and machinery at BauschLinnemann North America. The investments are associated with creating more in-depth value added and the transfer of production from Greensboro to Myrtle Beach.
The other investments in property, plant and equipment in the SBU Paper relate in particular to the expansion and improvement of existing production facilities.
Within the SBU Plastics, the investments in property, plant and equipment amounted to € 11.7 million. Out of this, € 4.8 million were attributable to Döllken-Kunststoffverarbeitung in Gladbeck, € 2.1 million to Döllken-Weimar, € 1.4 million to SURTECO Canada/USA, € 1.2 million to Gislaved and € 0.8 million to Döllken-Profiltechnik GmbH.

SALES REVENUES EUROPE (WITHOUT GERMANY)



SALES REVENUES AMERICA



PERCENTAGE OF TOTAL SALES

GROUP RESULTS

The operating result (EBITDA) of the SURTECO Group was significantly impacted by the acquisition of the SÜDDEKOR companies during the year under review. While expenses for the acquisition amounting to € 1.0 million increased other operating expenses, other operating income increased from € 4.5 million in the previous year to € 17.0 million in the business year 2013. This increase mainly resulted from badwill which arose from the remeasurement of assets carried out in the course of the purchase price allocation and the difference between the purchase price and the book value of the SÜDDEKOR companies. EBITDA therefore increased as a result during the business year 2013 to € 59.9 million after € 51.7 million in the previous year. The corresponding margin (EBITDA/sales) rose from 12.7 % to 14.8 %.

Depreciation and amortization were hardly influenced by the acquisition because it was only consolidated in the month of December. At € 22.6 million depreciation and amortization was only slightly above the value for the previous year at € 22.0 million, which resulted in an EBIT (Earnings Before Income (financial result) and Taxes) of € 37.3 million (2012: € 29.7 million). The EBIT margin rose to 9.2 % after 7.3 % in the previous year. The financial result at € 9.2 million was € 0.7 million above the value for the previous year.

After a pretax result (EBT – Earnings Before Tax) of € 21.2 million or higher was forecast in the previous Annual Report, this outlook had to be corrected downwards as the business year progressed. The fact that EBT nevertheless rose by 33 % to € 28.1 million (2012: € 21.2 million) in the business year 2013, is attributable to the acquisition of the SÜDDEKOR companies and the associated badwill. Since the one-off effects arising from the acquisition are not relevant for tax purposes, income tax at € 6.1 million in 2013 was slightly below the value of € 6.4 million for the previous year. As a result,

SELF-ADHESIVE FOILS

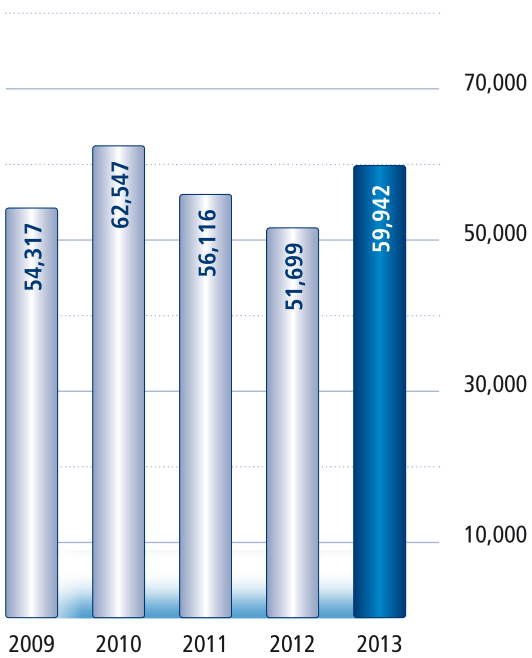
This latest development in the paper line is an innovative, self-adhesive finish foil based on paper that can be removed at any time without leaving any residue behind. This opens up the possibility of completely new applications. It is ideal for applications in shop and exhibition fitting, as well as the construction of prototypes and the repair of damaged sections of furniture.

consolidated net profit rose more strongly than EBT by 46 % to € 21.9 million (2012: € 15.0 million). Earnings per share were not calculated on the basis of the year-end number of shares at 15,505,731 no-par value shares but on the weighted average of issued shares. The 4.4 million new shares originating from the capital increase carried out in 2013 are therefore included proportionately for the year, which yields earnings per share of € 1.86 based on 11,767,363 no-par value shares. In the previous year, earnings per share of € 1.36 were achieved based on 11,075,522 no-par value shares.

RESULT OF THE STRATEGIC BUSINESS UNITS

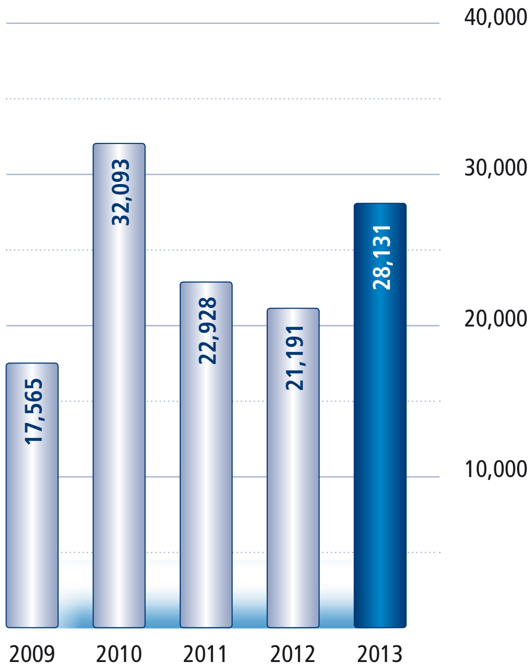
The Strategic Business Unit Plastics generated EBT of € 15.0 million in 2013 after € 17.2 million in the previous year. This development is mainly due to the lower sales revenues compared with the previous year combined with a slight increase in the personnel expense ratio.
The one-off effect arising from the acquisition of the SÜDDEKOR companies exerted a positive effect on EBT of the Strategic Business Unit Paper, which rose after € 14.3 million in 2012 to the current figure of € 25.1 million. Without this one-off effect, the pretax result for the Strategic Business Unit would be slightly above the value for the previous year.

SURTECO GROUP



EBITDA IN € 000s

SURTECO GROUP



EBT IN € 000s

HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO SE

The balance sheet total of SURTECO SE increased by € 108.6 million to € 532.4 million compared with the previous year. Key factors for this rise were the capital increase carried out in October and the acquisition of the companies of the SÜDDEKOR Group.
Following the resolution passed by the Board of Management and the Supervisory Board on 31 October 2013, the capital stock of the company was increased by € 4,430,209.00 from the existing amount of € 11,075,522.00 to € 15,505,731.00 on the basis of the authorizations granted (Authorized Capital I and II). Taking into account the issue price of the new shares amounting to € 18.00, this resulted in an addition to equity capital totalling € 79.7 million.
By contrast, the fixed assets increased in particular as a result of the allocation of additional capital paid in amounting to € 10.0 million for the subsidiary company SURTECO Decorative Surfaces GmbH. The current assets rose from € 122.3 million to € 221.0 million. Receivables from affiliated enterprises were mainly responsible for this and these went up by € 105.3 million compared with the previous year. Of this, € 68.4 million is attributable to the subsidiary company SURTECO Decorative Surfaces GmbH.
The acquisition of SÜDDEKOR GmbH was financed at the level of the subsidiary company SURTECO Decorative Services GmbH by allocation of the capital reserve and building up receivables.
The equity ratio rose to 55.8 % in 2013 (2012: 50.8 %).
Earnings from the profit transfer agreements and participations rose to € 23.7 million (2012: € 18.0 million). Here it should be taken into account that during the previous year the profit transfer of the subsidiary company W. Döllken & Co. GmbH was negatively impacted by impairments in the amount of € 9.9 million on investment book values of subsidiary companies in the USA and Canada. Personnel expenses rose to € 3.6 million (2012: € 3.3 million). Other operating expenses totalled € 6.7 million (2012: € 2.1 million) in particular on account of the costs of the acquisition of the SÜDDEKOR Group and the costs involved in carrying out the

capital increase (€ 4.2 million). Interest expenses amounted to € 10.7 million (2012: € 9.5 million).
Earnings from ordinary activities at SURTECO SE amounted to € 7.6 million in the business year 2013 (2012: € 8.4 million). Income taxes fell to € 0.5 million (2012: € 3.1 million). Net income climbed to € 7.2 million after € 5.3 million in the previous year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

Business development in 2013 was defined by unexpectedly difficult framework conditions for the furniture sector, which resulted in the falling sales revenues. Significant momentum for growth was only generated following the takeover of the SÜDDEKOR companies in December 2013 but this was not sufficient to compensate for the subdued development over the rest of the year. Meanwhile, positive one-off effects arising from revaluation of the assets held by the acquired companies brought about an increase in consolidated net profit. Conversely, operating business during the period under review was shaped by weak business performance. Finance for the takeover of the SÜDDEKOR companies through equity raised from the capital increase and existing liquid funds ensured that the SURTECO Group remains in a good financial position after the acquisition. Maintenance of the covenants and the equity ratio of 49.7 % underpin this.

RESEARCH AND DEVELOPMENT

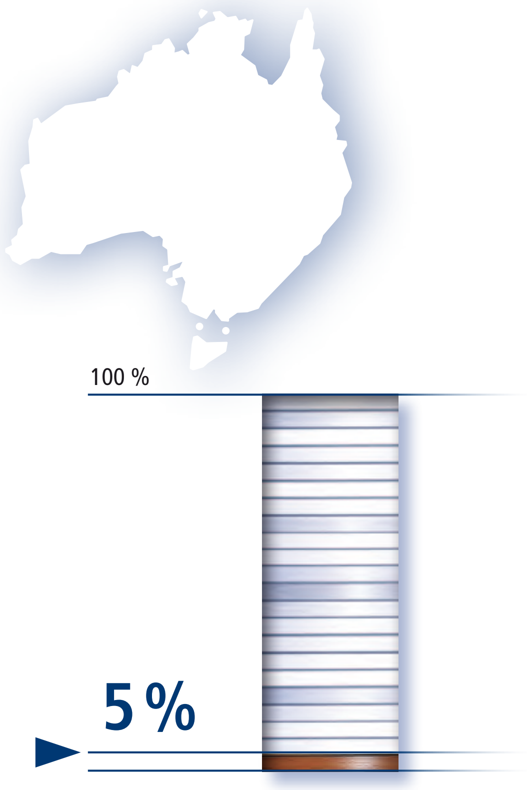
Apart from research into completely new products for additional applications and expanded markets, SURTECO also regards research and development as including the search for alternative raw materials and consumables, and most importantly maintenance of appropriate quality assurance in the manufacturing process. Furthermore, the functions of the research and development departments at the SURTECO Group also include the continuous development and optimization of the existing product range, such as the development of new product versions alongside continuous improvement in the qualitative features of the products.
On average 111 (2012: 102) employees in all the Group companies were working in this area during the year under review. The expenses for research and development work amounted to € 4.4 million in 2013 after € 3.3 million in the previous year. These include personnel and material costs. The personnel costs for research and development are also included under the item personnel expenses in the balance sheet.

Research and development work over the course of the year under review yielded a diverse range of product innovations. For example, a self-adhesive furniture foil was developed in the Strategic Business Unit Paper. This product is based on a classic finish foil which is then laminated with an adhesive-coated transfer foil. This foil can then be bonded to wood fibre boards or other smooth surfaces without the use of any additional adhesive and it can also be removed again without leaving any residue behind. New markets and applications for this product are emerging in advertising, exhibition and shop fitting and in the manufacture of prototypes in furniture manufacture. A new surface version was similarly developed for finish foils in the Strategic Business Unit Paper, which brings about a further improvement in the mechanical resistance properties of the matt surfaces which are very popular at the moment. The companies that joined the SBU Paper in December have a supermatt finish foil for this application in their product range. It is based on plastic and the surface has particularly robust non-marking properties. At the close of the business year, the development of this surface was well advanced and at the final stage of production readiness.
The research and development department in the Strategic Business Unit Plastics succeeded in further developing its jointless edgebanding during the year under review. New function coatings for the edgebanding were brought to production readiness with the aim of refining the edgebanding alongside the laser procedure also with plasma and hot-air technology. The surface technology of the edgebandings was further refined. This enables new embossing versions with differing degrees of gloss to be produced on one edge. This facilitates improved harmonization of the edgebanding with the finished item of furniture. Development resources were also bundled in the Strategic Business Unit Paper with the aim of supplying the thin edge programme of the company based on the raw material acrylonitrile butadiene styrene (ABS) and based on polyvinyl chloride (PVC).

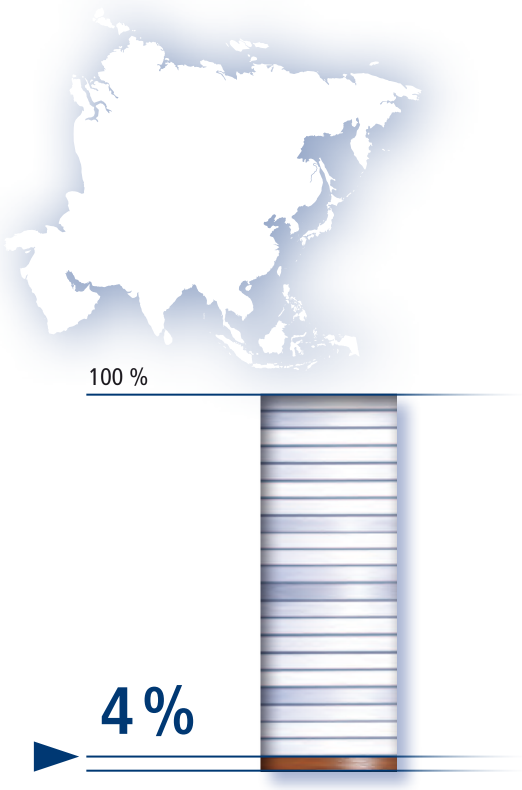
PEOPLE AND TRAINING

On the balance sheet date of the business year 2013, the number of employees in the SURTECO Group had increased to 2,702 after 1,967 on 31 December 2012. This increase was essentially due to the takeover of the SÜDDEKOR companies in December 2013.This takeover had a particularly marked effect in Germany and the USA because the SÜDDEKOR companies maintained their production sites there. The number of employees also went up

SALES REVENUES AUSTRALIA



SALES REVENUES ASIA



PERCENTAGE OF TOTAL SALES

in Romania and Poland because of the production facilities of SÜDDEKOR GmbH there. Overall, the SÜDDEKOR companies contributed 767 employees to the SURTECO Group. Furthermore, Döllken CZ s.r.o., Prague, was also consolidated for the first time from 1 January 2013 with 6 employees.

The calculation for the average number of employees was carried out in accordance with the principles of the German Commercial Code (HGB). This calculation method involves the number of employees for the entire quarter being taken into account at each quarterly end-date so that the average number of employees is based on quarters rather than months. According to this method, the average number of employees working at the SURTECO Group during the period under review was 2,154 employees after 1,994 in 2012. Out of these, 16 (2012: 17) worked in the holding company of SURTECO SE while 1,287 (2012: 1.293) worked in the Strategic Business Unit Plastics and 851 (2012: 684) worked in the Strategic Business Unit Paper. On an annual average, the SÜDDEKOR companies contributed 192 employees to the Strategic Business Unit Paper. The average age and the average length of the service rose slightly to 44.1 years (2012: 42.9 years) and 15.0 years (2012: 13.8 years) respectively. The sickness ratio during the year under review also came out slightly higher at 3.6 % after 3.4 % in the previous year. Fluctuation also went up to 3.5 % after 2.8 % in 2012. The training ratio rose slightly from 5.4 % in the previous year to 5.6 % in 2013, which equates to 79 apprentices on average working in the companies of the SURTECO Group.

The SURTECO Group made strenuous efforts to increase the level of qualification of its employees during the business year under review. This involves a range of different measures including internships for students and offers of twin-track degree courses and participation in apprenticeship training fairs. The active promotion of career training and measures leading to vocational qualifications was once again regarded as very positive by the workforce

EMPLOYEES BY REGIONS

Location	Employees 31/12/2012	Employees 31/12/2013	Change
Germany	1,270	1,824	+554
USA	95	255	+160
Canada	119	128	+9
Sweden	122	112	-10
South and Central America	88	93	+5
Australia	79	76	-3
Asia	64	71	+7
United Kingdom	32	34	+2
Poland	23	29	+6
Italy	30	23	-7
France	19	20	+1
Turkey	16	16	-
Russia	10	9	-1
Czech Republic	-	6	+6
Romania	-	6	+6
	1,967	**2,702**	**+735**

during the business year 2013. So-called value days were also held at the Strategic Business Unit Paper. The primary focus of these days was provided by an external service provider creating an objective image of our corporate culture. This was the starting point for the values days at which the employees joined forces with managers to define values which would allow the corporate culture to be further improved and make cooperation in the entire workforce more focused.

FOLLOW-UP REPORT

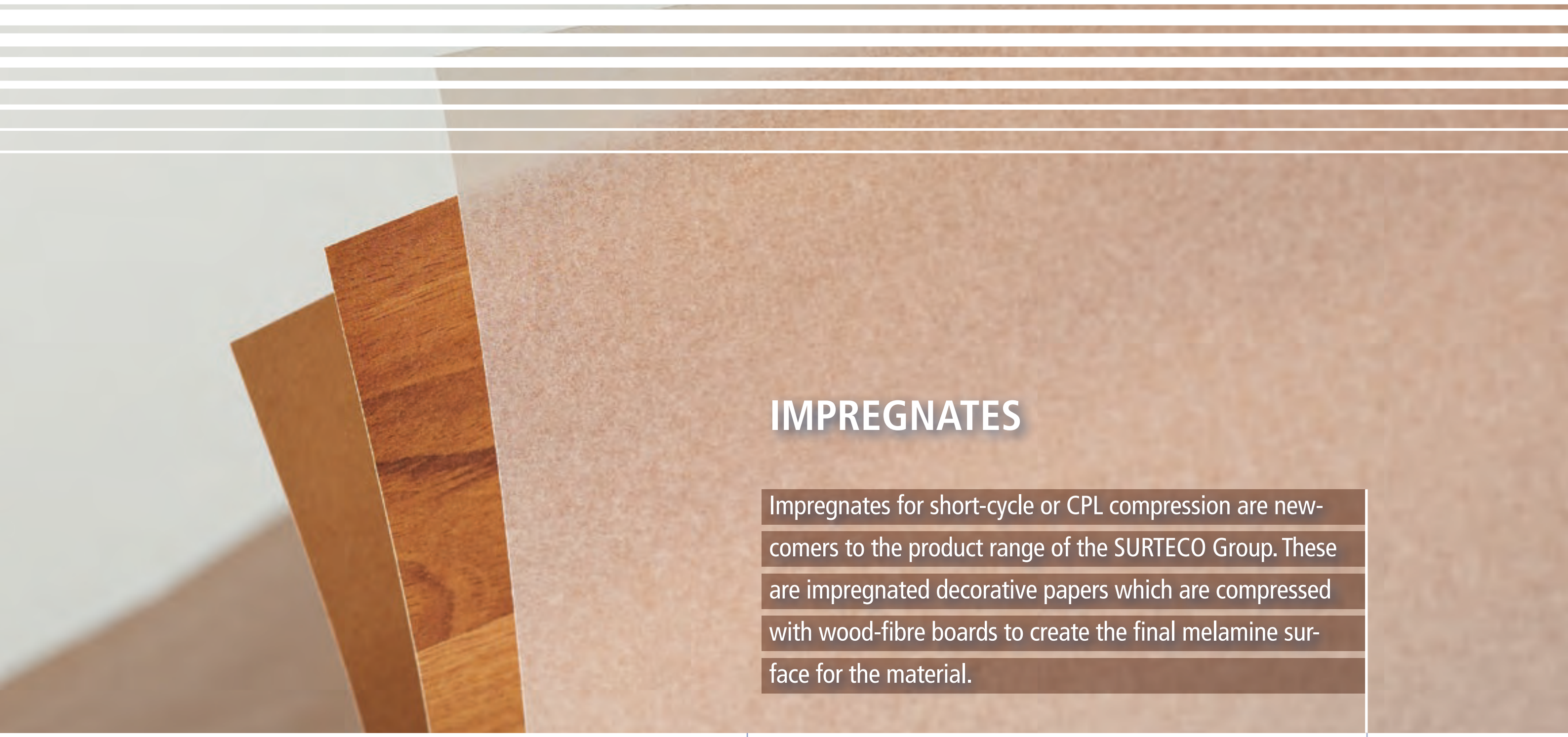
Up to 14 April 2014, there were no events of special significance that will exert an effect on the net assets, financial position and results of operations of SURTECO SE.

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 now and/or in future 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 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



IMPREGNATES

Impregnates for short-cycle or CPL compression are newcomers to the product range of the SURTECO Group. These are impregnated decorative papers which are compressed with wood-fibre boards to create the final melamine surface for the material.

integrated in the entire structural and workflow organization of SURTECO and its subsidiary companies. 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. This ensures that the identified risks are classified into damage and probability classes on the basis of their anticipated gross financial burden (EBT) with respect to the current and subsequent years using the following tables. Overcoming individual risks up to € 000s 500 is deemed to be the responsibility of the individual companies.
After identification and evaluation of the risks, a detailed presentation of the causes that have led to this risk is carried out.

Damage class	Qualitative	Quantitative
1	Minor	More than € 0.5 million to € 0.75 million
2	Moderate	More than € 0.75 million to € 1.5 million
3	Major	More than € 1.5 million to € 3.0 million
4	Threat to existence as a going concern	More than € 3.0 million

Probability class	Qualitative	Quantitative
1	Slight	0 to 24 %
2	Moderate	25 to 49 %
3	Likely	50 to 74 %
4	Very likely	75 to 100 %

OVERLAYS

Overlays are a special product version of impregnates new to the product range of SURTECO. When the impregnates are compressed, the overlays provide an additional, protective surface coating. The product shown here was refined with a particularly high-quality polymer overlay which gives the furniture a resilient surface that is pleasant to the touch.

Appropriate measures for reducing the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing, the Risk Management System is also subject to continuous implementation of monitoring, documentation and reporting of the risks. 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 at regular intervals by the Board of Management and the managers of the subsidiary companies. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.
Any opportunities identified are also recorded and documented, although they are not allocated to classes. The individual identified opportunities are below the threshold of € 000s 500.

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

The ICS comprises the accounting-based processes and controls which are significant for consolidated financial statements. The SURTECO Group bases the structure of its internal controlling system on the relevant publications of the Institute of Auditors (Institute der Wirtschaftsprüfer, IDW). There were no significant amendments to the account-based ICS between the balance sheet date and the preparation of the management report.

The preparation of the accounts and the financial statements is primarily carried out locally and in accordance with local standards. The consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). A uniform chart of accounts and the use of an accounting manual form the basis for these documents. The Group holding company supports the companies as a central service provider on issues relating to accounting and manages the consolidated accounting process.

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

The plausibility of the figures is ensured at every level by manual and systematic checks. Transparent responsibilities and access rules for IT systems relevant to the financial statements are significant elements in this process. The controlling principles of separation of functions, 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. Both the Strategic Business Units operate in more or less the same countries and sectors.

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 21 production locations and 16 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.

In 2013, the global economy did not develop as dynamically as expected. The economic output of the eurozone declined more sharply than had been forecast and business in Central and Eastern Europe, and in Germany also remained slightly below expectations, even though the level of business activity increased here compared with the previous year. Since SURTECO generates more than half of its sales in Germany and Europe, these developments exerted a major impact on the business performance of the company. Although uncertainties continue to beset Europe and the USA, the IMF predicts increasingly dynamic development in the global economy over the course of 2014. By contrast, the furniture industry in Germany is therefore assuming that sales will remain at the level of the previous year and continues to assess the situation of the furniture industry as difficult.

Even though observers within the German furniture sector are currently assuming that sales in 2014 will remain stable at the level of the previous year, there is a possibility that business generated by the German and international furniture industry could exceed expectations if the global economy and domestic demand undergo an unexpected growth spurt. Since the broadly based structure of SURTECO enables it to respond quickly and flexibly to changes in demand, there is an opportunity to participate in this potential upturn.

A number of individual risks with a damage potential of less than € 000s 500 were identified in the category of market risks for both Strategic Business Units. Beyond the threshold of € 000s 500, a risk of damage class 2 and probability class 2 was identified for the Strategic Business Unit Plastic as well as a further risk in damage class 1 and probability class 3.

Further information on the likely development of the global economy and the furniture sector is given in the outlook report.

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
No major risks were identified in this risk class at Group level.

RISKS AND OPPORTUNITIES ARISING FROM THE SÜDDEKOR ACQUISITION

When the SÜDDEKOR companies were taken over in December 2013, SURTECO played a proactive role in consolidating the paper segment. This gives SURTECO the opportunity to generate synergy effects, for example by bundling procurement quantities or by integrating sales, marketing, production and administrative activities. Furthermore, there is an opportunity to increase the business transacted by the company on the basis of expansion of the product portfolio and extension of market shares. At the same time, there is also the risk that it may not be possible to integrate the SÜDDEKOR companies within the Strategic Business Unit Paper as planned and that the synergies and sales are not generated at the expected level.

OPERATIONAL RISKS

PROCUREMENT RISKS AND OPPORTUNITIES

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. Even though the price of raw materials relevant to SURTECO such as plastics, papers for technical applications and chemical additives did not get even more expensive during the course of the business year 2013, the cost of materials still remains at a very high level. The cost inflation over recent years could only be partly compensated by price rises due to the extremely competitive situation. No major change in the raw material markets for the two Strategic Business Units is expected for the business year 2014.

A risk was identified in the procurement risks for the Strategic Business Unit Plastics in damage class 3 and probability class 3. The other procurement risks for the two Strategic Business Units were below the threshold of € 000s 500.
The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significant positive impact on the earnings situation. The integration of the SÜDDEKOR Group also offers an opportunity to generate synergies in the sourcing of raw materials. Furthermore, the research and development departments have a rolling programme of research into alternative raw materials and additives so that there is a possibility of identifying cheaper substitute projects or higher quality materials at the same price.

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 include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can be avoided through implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.
No significant risks were identified for information technologies in either of the Strategic Business Units.

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.
No major personnel risks were identified above the threshold of € 000s 500 in the SURTECO Group.

PRODUCTION RISKS / TECHNOLOGY RISKS

An efficient and smooth-running production process is the enabler for the delivery capability of the companies. This entails the risk that machines or equipment may break down or the production workflow may be disrupted in some other way. To a certain extent, SURTECO is able to distribute production over several sites and thereby virtually eliminate the risk of downtime. The production procedures, manufacturing technology, the machines used and the processes are being permanently developed and optimized. Furthermore, the systems and equipment are carefully maintained and the employees receive intensive training. If there are any complaints, extensive investigations are carried out in order to ascertain the causes. It is not possible to exclude the possibility that complaints may actually be traced to intermediate products, and when this is the case it is not always effective to seek recourse with the supplier. Environmental officers monitor the environmental safety of products and production.
A number of individual risks were identified in this risk category for both Strategic Business Units with potential damage of less than the threshold of € 000s 500. A production risk above the threshold of € 000s 500 was identified for the Strategic Business Unit Plastics. This risk was in the damage class 3 and the probability class 3. Another risk was identified in damage class 1 and probability class 4.
The product area also offers opportunities. A continuous improvement process was therefore implemented to identify and continuously realise any identified potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company.

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.
No significant changes in the risks for interest rates and exchange rates were identified above the threshold of € 000s 500 in the SURTECO Group.

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.
No significant liquidity risks were identified above the threshold of € 000s 500 in the SURTECO Group.

FINANCING RISKS, FINANCING OPPORTUNITIES

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the financial liabilities of the Group have residual terms of up to five years (see also maturity structure in the item 30.3) and have fixed interest rates. In the business year 2014, an amount of € 40 million from a US private placement was due for repayment. A further release of significant long-term debt is not necessary in the business year 2014. This repayment gives the opportunity to carry out refinancing with lower interest rates. The Group operates with a wide base of lenders comprising insurance companies and banks. Financial indicators were agreed with the lenders at standard market conditions in loan agreements, e.g. interest coverage ratio and net leverage ratio, and these have to be complied with by SURTECO. These indicators are continuously monitored by the Board of Management and the Supervisory Board. If there is an impending breach of any of the indicators, consultations on individual measures take place as necessary. 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 2013. It is currently anticipated that it will be possible to comply with the financial indicators in the business year 2014.

No significant financial risks above the threshold of € 000s 500 were identified in the SURTECO Group.

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 2013. As a consequence, no impairments were carried out. However, the possibility that planned targets may not be reached in the future cannot be excluded; there may also be a requirement to carry out an impairment.

The derivative financial instruments concluded by the Group for hedging purposes and in order to reduce risks are valued on a monthly basis. If there are significant fluctuations in underlying values such as interest base rates and currency parities, this may exert a negative impact or improve the earnings of the Group. Item 30 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.

No significant risks arising from fluctuations in the value of derivatives and participations above the threshold of € 000s 500 were identified in the SURTECO 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.

A number of individual regulatory risks with damage potential of € 000s 500 and less were identified and recorded for the two Strategic Business Units. One risk with a damage class of 2 and a probability class of 3 was identified above the threshold of € 000s 500 in this risk class for the Strategic Business Unit Plastics.

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 Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. It meets 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. Consequently, the main potential risk relates to a recession in the global economy and an ensuing collapse in the furniture industry as well as an increase in the prices of raw materials. The acquisition of the SÜDDEKOR companies provided an opportunity to achieve market growth and generate synergies.

An overall assessment of all the opportunities and risks for the Strategic Business Unit paper yields a balanced relationship. However, the potential of the identified risks outweighs the opportunities in the Strategic Business Unit Plastics.

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.

TRUE-TO-SCALE EDGINGS

The newly developed plastic edgings from SURTECO offer a perfect, tailor-made design match in a scale to match the worktop. The edgings have a pattern repeat length of 2,000 mm and a unique quality of printed image and surface. This means that even sophisticated patterns in natural stone can be transferred to the chipboard.

OUTLOOK REPORT

More dynamic economic growth expected in 2014

The latest forecasts by the International Monetary Fund (IMF) predict that the global economy will expand by 3.7 % in the course of 2014. This would represent significantly above-average growth compared with the growth of the previous year (+3.0 %). Despite the continuing uncertainties about the effectiveness of the measures to solve the sovereign debt crisis in various euro countries and the uncertainties about the consequences of the budget dispute in the USA, the experts currently expect global development to become slightly more dynamic. The IMF anticipates that this process will include slight growth of 1.0 % in the eurozone.

This means that according to the predictions, crisis-afflicted countries like Italy and Spain will be able to come out of recession. Germany is projected to increase its output by 1.6 %. The IMF suggests that growth in the USA could gather even more strength. Experts at the IMF hold out the realistic prospect of 2.8 % growth there, on the basis of an expectation of increasing reindustrialization. The experts believe that the biggest growth in countries relevant SURTECO will be in Asia with an anticipated economic upswing of 6.7 %.

IMF GROWTH FORECASTS FOR 2014 IN %

World	+3.7
Germany	+1.6
Eurozone	+1.0
Central and Eastern Europe	+2.8
USA	+2.8
Latin America	+3.0
Asia	+6.7

Source: International Monetary Fund (IMF), World Economic Outlook January 2014

Furniture industry expects no further setbacks in the sector for 2014

The sector association VDM expects the German furniture industry only to post stable sales at the level of the previous year for 2014. The association justifies this assessment by highlighting the fact that the core markets for German furniture manufacturers in the markets outside Germany will continue to have weak development. Furthermore, consumers will tend to spend less of their disposable income on furniture. The forecast of zero growth is associated with the expectation that the setbacks from the previous year will not continue to get worse. Nevertheless, the sector remains a long way away from the positive development experienced in the years 2010 to 2012.

FRAMEWORK CONDITIONS FOR THE SURTECO GROUP

Our assessment is that the framework conditions for business development at the SURTECO Group are likely to remain virtually unchanged during the year 2014 compared with the previous year. Although we are probably safe in assuming that our sector has bottomed out – most particularly in Southern Europe – this is hardly likely to mean there will be a significant stimulus for growth. Furthermore, prices in the markets for our raw materials, which exert a significant influence on our result, continue to remain at a very high level.

SALES FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

During the business year 2014, the Strategic Business Unit Plastics will no longer have the sales revenues generated by the cladding business, which was sold at the end of November 2013. However, the business unit is planning to focus more intensively on growth markets and an increase in market shares with slightly increased sales revenues in the continuing business activities.

The sales revenues of the Strategic Business Unit Paper will increase strongly in 2014 since the companies of the SÜDDEKOR Group will be fully consolidated for the first time. Moreover, a slight increase in sales is expected from operating business because of an increase in the intensity of activities in Eastern Europe.

Overall, a strong increase in sales of the SURTECO Group in the range from € 630 million to € 640 million can be expected for the business year 2014, driven by the acquisition of the SÜDDEKOR companies.

EARNINGS FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

Slightly higher sales revenues and strict cost discipline in the handling of costs should lead to a slight increase in the pre-tax result (EBT) of the Strategic Business Unit Plastics during the business year 2014.

EBT for the Strategic Business Unit Paper will be impacted on the one hand by the first-time consolidation of the SÜDDEKOR companies and on the other hand by the elimination of one-off effects arising from badwill and the purchase price allocation. Overall, the management anticipates a slight rise in EBT for the entire year 2014.

It should be possible to slightly increase the EBT of the SURTECO Group in 2014 compared with the previous year, so long as there are no major turbulence in the procurement market or any uncertainties in the markets due to political instability.

COVENANTS

SURTECO assumes that the covenants will be complied with for the year 2014.

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.

Against the background of the Act on the Appropriateness of Management Board Compensation (VorstAG), which came into force on 5 August 2009, the Supervisory Board has reviewed the compensation system with the assistance of external expert consultants and has come to the conclusion that it complies with the applicable statutory regulations and the recommendations of the German Corporate Governance Code with the exception of the deviation published in the Declaration of Conformity. 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. The Members of the Board of Management each receive an annual allowance amounting to € 100,000 p.a. for retirement provision. To the extent that the company does not have to pay employer contributions for the members of the Board of Management, each Member of the Board of Management receives an additional remuneration amounting to the relevant employer contributions that have been saved.

D&O insurance

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

CYLINDER PRODUCTION

SURTECO now has its own production facilities for print cylinders. These are engraved using the latest technology, including the use of high-performance lasers. They are manufactured for our own use as well as being sold to external customers.

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 2013:

Compensation of the Board of Management for 2013:

€ 000s	Basic salary		Performance-based compensation		Non-cash benefits and other payments		Total compensation	
	2012	2013	2012	2013	2012	2013	2012	2013
Friedhelm Päfgen	252	252	612	871	72	132	936	1,255
Dr.-Ing. Herbert Müller	252	252	504	729	134	134	890	1,115
Total	**504**	**504**	**1,116**	**1,600**	**206**	**266**	**1,826**	**2,370**

Compensation for the Supervisory Board 2013:

€	Total		fixed	variable	Compensation for work carried out on the Audit Committee
	2012	2013			
Dr.-Ing. Jürgen Großmann, Chairman	45,900	61,800	6,000	50,400	5,400
Björn Ahrenkiel, Vice Chairman	45,800	60,100	4,500	37,800	17,800
Dr. Markus Miele, Deputy Chairman	30,300	42,300	4,500	37,800	
Josef Aumiller	20,200	28,200	3,000	25,200	
Dr. Matthias Bruse	25,700	33,600	3,000	25,200	5,400
Markus Kloepfer	20,200	28,200	3,000	25,200	
Udo Sadlowski	20,200	28,200	3,000	25,200	
Dr.-Ing. Walter Schlebusch	25,700	33,600	3,000	25,200	5,400
Thomas Stockhausen	20,200	28,200	3,000	25,200	
Total	**254,200**	**344,200**	**33,000**	**277,200**	**34,000***

* The upper limit of € 40,000 was not used fully during the year under review.

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 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.

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

CAPITAL STOCK

The subscribed capital (capital stock) of SURTECO SE is € 15,505,731.00 and is fully paid up. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 in each case.
The increase in the capital stock by a total of € 4,430,209.00 from € 11,075,522.00 to € 15,505,731.00 was carried out with the resolution of the Board of Management and the Supervisory Board taken on 31 October 2013, on the basis of the authorizations granted at the Annual General Meeting held on 24 June 2010 (Authorized Capital 2010/I and Authorized Capital 2010/II). This was entered in the Commercial Register on 4 November 2013.
Each share guarantees one vote at the Annual General Meeting of the company. Apart from the statutory restrictions in certain cases, there are no restrictions on the voting right. There are no different categories of voting rights.

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 partial amounts by overall up to € 1,069,791.00 with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration (Authorized Capital I). Further information on capital stock is provided in the notes to the consolidated financial statements (no. 27) or in the notes of SURTECO SE (item 5).

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 31 December 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. Klöpfer & Königer Management GmbH*, Garching	14.39
2. Klöpfer & Königer GmbH & Co. KG*, Garching	14.39

* 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

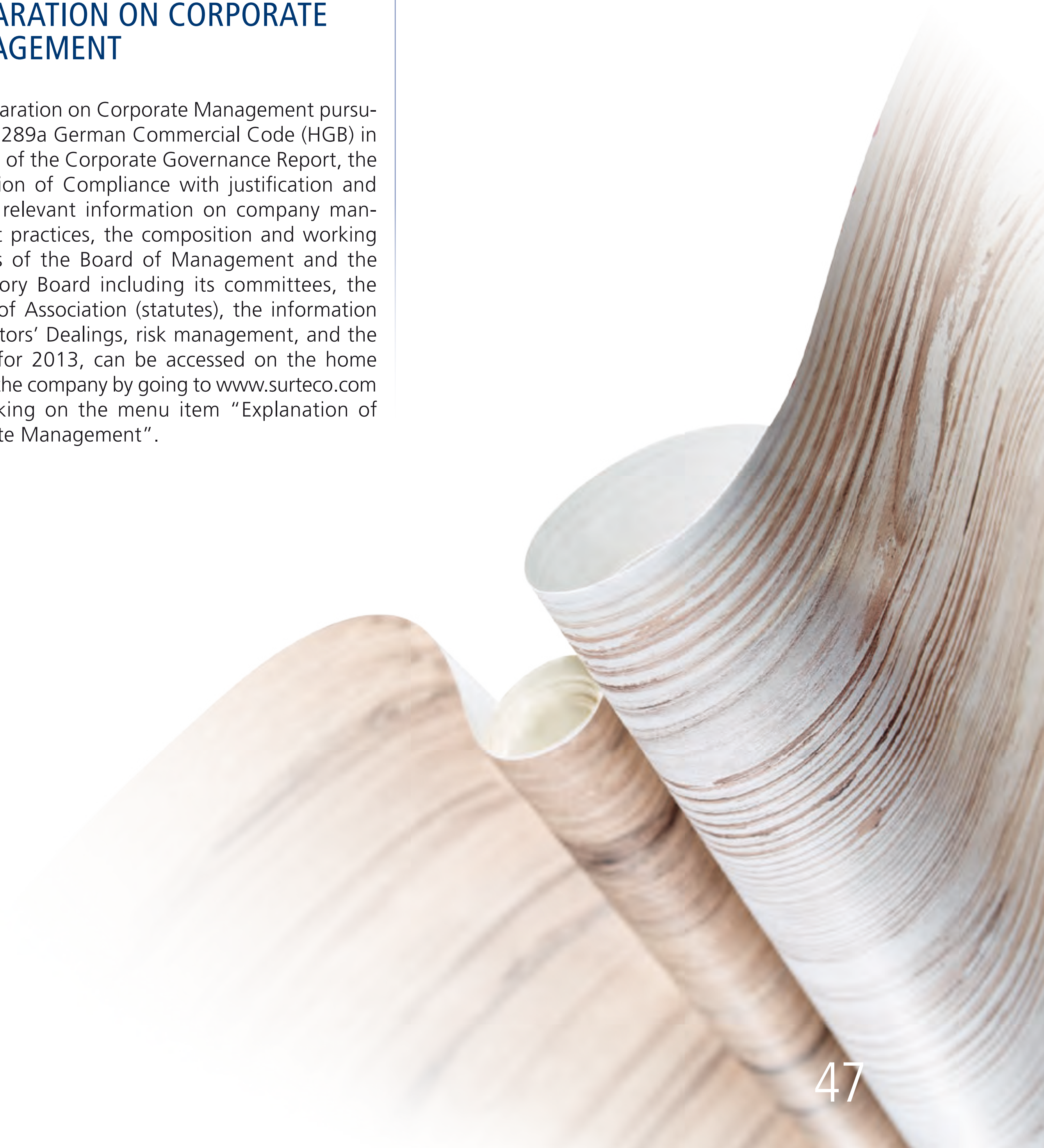
If there is a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the month specified following the month of their submitting the notice of termination. They are entitled to payment of the 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.

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 2013, 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".

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 27 June 2014 adopt a resolution that the net profit of SURTECO SE amounting to € 10,078,725.15 should be distributed as follows: payment of a dividend per share amounting to € 0.65 (2012: € 0.45). This corresponds to a total amount distributed as dividend of € 10,078,725.15 for 15,505,731 shares (2012: 11,075,522 shares). The new shares (4,430,209 no-par value shares) from the capital increase in 2013 have been entitled to participate fully in profits from 1 January 2013.



CALCULATION OF INDICATORS

Cost of materials in %	Cost of materials/Total output
Debt-service coverage ratio in %	(Consolidated net profit + Depreciation and amortization)/Net debt
Dividend yield at year end in %	Dividend per share/Year-end share price
Earnings per share in €	Consolidated net profit/ Weighted average of the issued 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 and Long-term financial liabilities – Cash and cash equivalents
Personal expense ratio in %	Personnel expenses/Total output
Return on equity in %	Consolidated net profit/(Equity – non-controlling interests – Appropriation of profit)
Return on sales %	(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 liabilities

THE SURTECO SHARE

SHARE PRICE PERFORMANCE 2013 IN €

GLOBAL EQUITY MARKETS SEE UPWARD TREND IN 2013

2013 was a good year for global equity markets and some significant gains were booked. After stock exchanges initially started the year with restrained development, a powerful increase in prices was recorded in the spring of 2013. This surge came to an abrupt end in May and June when there were indications about a possible reduction in the sale of billions of dollars of bonds in the quantitative easing programme of the US Federal Reserve. This phase also saw some concerns about a slow-down of economic growth in China, and the continuing problems associated with sovereign debt in Europe also depressed sentiment on stock exchanges.
The resulting increase in share prices as the year progressed was due in particular to the environment of low interest rates. Due to a lack of investment alternatives offering promising returns, risk affinity increased and investors increasingly turned to equities. The potential flash points centring on European sovereign debt and the US fiscal dispute were also diffused in the second half of the year. In spite of the resolution passed by the US Federal Reserve in December to reduce its programme of bond purchases, a number of signs pointing towards a recovery in the global economy began to emerge towards the end of the year. This meant that significant gains were posted on stock exchanges at the tail-end of 2013.
The DAX ended the stock market year with a gain of 25.1 % at 9,522 points, and the SDAX even went up by 29.3 % during the course of 2013 to 6,789 points. The European benchmark index EURO STOXX 50 booked an increase of 17.9 %, closing the reporting period at 3,109 points.

SURTECO SHARES SHOW AN IMPRESSIVE YEAR-END RALLY

After SURTECO shares maintained a constant price level in 2012 over the year, 2013 was defined by a spirited advance at the end of the year.
In a friendly stock-market environment, the SURTECO share initially underwent significant growth in the first quarter. By contrast, negative impacts marred performance in the two subsequent quarters due to the depressed sentiment in the furniture industry and generally muted consumer confidence throughout Europe. This resulted in the SURTECO share trending downwards into the fourth quarter. The closing prices of the share in the first nine months of the year fluctuated between € 16.50 and € 20.01.

When SURTECO announced that it was acquiring all the shares in the companies of the SÜDDEKOR Group and that this acquisition was being financed by a capital increase against cash contribution with a subscription right of the existing shareholders, the mood turned from the end of October. The upside potential demonstrated by the share prices accompanying this announcement and a significantly increased market interest resulted in the shares reaching a high for the year of € 24.02 on the last trading day in October. In mid-November, the capital increase was successfully concluded at an offer and subscription price of € 18.00 for each new share. The SURTECO share closed the year at a price of € 23.05 on the last trading day of the year and therefore posted an increase of 35.6 % over the year.

MARKET CAPITALIZATION WENT UP TO € 357 MILLION AS A RESULT OF THE CAPITAL INCREASE – LONG-TERM TARGET OF GAINING AN SDAX LISTING ACHIEVED

The market capitalization of the company went up from € 188 million at the end of 2012 to € 357 million on 31 December 2013. This was a result of the capital increase and the associated rise in the number of shares from around 11.1 million no-par-value shares to around 15.5 million, and it was supported by the positive price development of the SURTECO share. The capital measure increased the free float from 22.6 % to 45.4 %. This meant that the trading volume for the share also rose significantly and the criteria for a listing in the SDAX were already achieved at the end of the year. In March 2014, SURTECO was included in the SDAX Index of Deutsche Börse.

INCREASE IN DIVIDEND PAYOUT PLANNED

SURTECO has traditionally been a dividend share which enables its shareholders to have appropriate participation in the success of the company. The Board of Management and the Supervisory Board therefore intend to submit a proposal at the Annual General Meeting for the business year 2013 to increase the dividend to € 0.65 per share (2012: € 0.45) notwithstanding the difficult operational environment and despite the increase in the number of shares compared with the previous year.

TRANSPARENCY IS AT THE CENTRE OF INVESTOR RELATIONS WORK

The Board of Management of SURTECO SE believes that open and transparent communication with all the participants in the capital market is part of effective business ethos. Personal discussions with investors and analysts, and presentations at capital market conferences in Germany and abroad are regularly on the agenda of the Investor Relations Department. A lot of information about the company can be found on the Internet pages of SURTECO SE (www.surteco.com). Furthermore, the Investor Relations Department can be contacted directly at any time using the contact data printed on the back cover of this report.

DEVELOPMENT OF THE DIVIDEND 2009-2013 IN €

* Proposal by the Board of Management and the Supervisory Board

SURTECO SHARES (CLOSE PRICE XETRA)

€	2012	2013
Number of shares at 31 December	11,075,522	15,505,731
Number of shares weighted average	11,075,522	11,767,363
Price at start of year	17.10	17.25
Year-end price	17.00	23.05
Price per share (high)	24.16	24.02
Price per share (low)	16.41	16.50
Stock-market turnover in shares per month	12,982	173,214
Market capitalization at year-end in € 000s	188,284	357,407
Free float in %	22.6	45.4

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

in € 000s	2012	2013
Sales	407,720	404,059
EBITDA	51,699	59,942
EBIT	29,654	37,306
EBT	21,191	28,131
Consolidated net profit	15,028	21,899

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2012	2013
Earnings (by weighted average of shares issued)	1.36	1.86
Dividend	0.45	(Proposal by the Board of Management and Supervisory Board) 0.65
Dividend yield at year-end in %	2.6	2.8

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

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CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2012	1/1/-31/12/ 2013
Sales revenues	(1)	**407,720**	**404,059**
Changes in inventories	(2)	469	-1,575
Other own work capitalized	(3)	2,385	3,840
Total output		**410,574**	**406,324**
Cost of materials	(4)	-190,201	-185,512
Personnel expenses	(5)	-107,691	-108,284
Other operating expenses	(6)	-65,470	-69,542
Other operating income	(7)	4,487	16,956
EBITDA		**51,699**	**59,942**
Depreciation and amortization	(17)	-22,045	-22,636
EBIT		**29,654**	**37,306**
Interest income		1,073	763
Interest expenses		-9,457	-9,325
Other financial expenses and income		-79	-613
Financial result	(8)	-8,463	-9,175
EBT		**21,191**	**28,131**
Income tax	(9)	-6,384	-6,127
Net income		**14,807**	**22,004**
Group share (consolidated net profit)		15,028	21,899
Non-controlling interests		-221	105
Basic and diluted earnings per share (€)	(10)	1.36	1.86
Number of shares at 31 December		11,075,522	15,505,731
Weighted average number of shares		11,075,522	11,767,363

STATEMENT OF COMPREHENSIVE INCOME

€ 000s			1/1/-31/12/2012			1/1/-31/12/2013
Net income			**14,807**			**22,004**
Components of comprehensive income not to be reclassified to the income statement						
Remeasurement (actuarial gains/losses)	-1,509			-106		
of which included deferred tax	489			32		
		-1,020			**-74**	
Components of comprehensive income to be reclassified to the income statement						
Net gains from hedging of net investment	1,588			-740		
of which included deferred tax	-468			222		
Exchange differences translation of foreign operations	-2,470			-4,815		
Financial instruments available-for-sale						
Fair valuation of cash flow hedges	-762			-448		
of which including deferred tax	225			129		
Reclassification amounts in the income statement	-222			-248		
of which included deferred tax	66			74		
		-2,043			**-5,826**	
Other comprehensive income for the year			**-3,063**			**-5,900**
Comprehensive income			**11,744**			**16,104**
Group share			11,965			15,999
Non-controlling interests			-221			105

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2012	31/12/2013
ASSETS			
Cash and cash equivalents	(11)	61,386	51,196
Trade accounts receivable	(12)	41,745	55,001
Inventories	(13)	61,052	103,644
Current income tax assets	(14)	2,692	6,508
Other current assets	(15)	8,442	12,028
Assets held for sale	(16)	0	721
Current assets		**175,317**	**229,098**
Property, plant and equipment	(18)	158,520	244,937
Intangible assets	(19)	12,658	29,734
Goodwill	(20)	112,718	111,330
Investments in associated enterprises	(21)	1,660	1,780
Financial assets	(21)	569	22
Non-current tax assets	(14)	527	407
Other non-current assets		335	1,507
Other non-current financial assets	(25)	2,150	0
Deferred taxes	(9)	2,796	7,652
Non-current assets		**291,933**	**397,369**
		467,250	**626,467**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(25)	1,975	55,600
Trade accounts payable		26,483	37,518
Income tax liabilities	(22)	1,253	1,289
Short-term provisions	(23)	2,349	3,330
Other current liabilities	(24)	19,746	29,924
Current liabilities		**51,806**	**127,661**
Long-term financial liabilities	(25)	161,246	146,740
Pensions and other personnel-related obligations	(26)	11,139	10,967
Other non-current financial liabilities	(25)	0	561
Deferred taxes	(9)	19,881	29,491
Non-current liabilities		**192,266**	**187,759**
Capital stock		11,076	15,506
Capital reserve		50,416	122,798
Retained earnings		146,358	150,502
Consolidated net profit		15,028	21,899
Capital attributable to shareholders		**222,878**	**310,705**
Non-controlling interests		300	342
Equity	(27)	**223,178**	**311,047**
		467,250	**626,467**

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1-31/12/ 2012	1/1-31/12/ 2013
Earnings before income tax and non-controlling interests		**21,191**	**28,131**
Payments for income tax		-6,737	-8,897
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(17)	22,045	22,636
- Impairment on investments	(21)	451	0
- Interest income and result from investments	(8)	8,288	9,351
- Change in long-term provisions		1,263	-429
- Income from business combination		0	-13,450
- Other expenses/income with no effect on liquidity		-3,783	-1,010
Internal financing		**42,718**	**36,332**
Increase/decrease in			
- Trade accounts receivable	(12)	-427	11,358
- Other assets		4,381	-302
- Inventories	(13)	724	3,170
- Accrued expenses		170	-104
- Trade accounts payable		6,224	3,702
- Other liabilities		1,551	857
Change in assets and liabilities (net)		**12,623**	**18,681**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(31)	**55,341**	**55,013**
Acquisition of business		-1,477	-99,000
- net of cash acquired		0	797
Sale of companies		0	5,044
Purchase of property, plant and equipment	(18)	-16,267	-26,170
Purchase of intangible assets	(19)	-2,871	-4,854
Proceeds from the disposal of property, plant and equipment		371	370
Dividends received		274	0
CASH FLOW FROM INVESTMENT ACTIVITIES	(31)	**-19,970**	**-123,813**
Proceeds from capital increase		0	75,545
Dividend paid to shareholders	(27)	-4,984	-4,984
Repayment of long-term financial liabilities	(30)	-1,031	-1,008
Repayment and issue of short-term financial liabilities	(30)	-26,662	501
Interest received	(8)	1,073	763
Interest paid	(8)	-9,172	-10,114
CASH FLOW FROM FINANCIAL ACTIVITIES	(31)	**-40,776**	**60,703**
Change in cash and cash equivalents		**-5,405**	**-8,097**
Cash and cash equivalents			
1 January		66,739	61,386
Effect of changes in exchange rate on cash and cash equivalents		52	-1,296
Acquisition of cash and cash equivalents		0	-797
31 December	(11)	**61,386**	**51,196**

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 2012	**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
Remeasurement (actuarial gains/losses (net))	0	0	0	-1,020	0	0	0	0	-1,020
Fair valuation 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**
Dividend payout	0	0	0	0	0	0	-4,984	0	-4,984
Net income	0	0	0	0	0	0	21,899	105	22,004
Issue of ordinary shares	4,430	72,382	0	0	0	0	0	0	76,812
Acquisition of shares of non-controlling interests	0	0	0	0	0	0	0	-63	-63
Remeasurement (actuarial gains/losses (net))	0	0	0	-74	0	0	0	0	-74
Fair valuation of financial instruments	0	0	-493	0	0	0	0	0	-493
Currency differences from net investment in a foreign business operation	0	0	0	0	-518	0	0	0	-518
Currency translation	0	0	0	0	-4,815	0	0	0	-4,815
Reclassification to retained earnings	0	0	0	0	0	10,044	-10,044	0	0
31 December 2013	**15,506**	**122,798**	**767**	**-726**	**-9,331**	**159,792**	**21,899**	**342**	**311,047**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE BUSINESS YEAR 2013

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 2013 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 2013.

The consolidated financial statements and the consolidated management report for 2013 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 14 April 2014, 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, the following new and revised standards and interpretations listed below were applied for the first time. They give rise to the following effects on the net assets, financial position and results of operations.
Individual standards also changed in the course of the Annual Improvements Projects (AIP 2009-2011). There are no significant effects on the SURTECO Group.

Standard/Interpretation		Application, obligation to apply for the business years from	Adoption by the EU Commission	Effects on SURTECO
IAS 1 (A)	Presentation of the financial statements: Presentation of items of other comprehensive income	1/7/2012	yes	yes
IAS 12 (A)	Income tax – deferred taxes: Recovery of underlying assets	1/1/2013	yes	none
IAS 19 (R)	Employee benefits	1/1/2013	yes	yes *
IFRS 1 (A)	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 (A)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1/1/2013	yes	yes
IFRS 13	Fair value measurement	1/1/2013	yes	yes
IFRIC 20	Stripping costs in the production phase of a surface mine	1/1/2013	yes	none
Changes due to the Annual Improvement Projects (AIP 2009-2011)				
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	1/1/2013	yes	none

(A) Amended

(R) Revised

* The first-time application of IAS 19 (R) Employee benefits does not lead to significant effects (for details see the accounting and valuation principles relating to pensions and other personnel-related obligations).

The following new and amended standards and interpretations which did not have to be applied mandatorily during the reporting period or were not yet adopted by the European Union are not be applied in advance. SURTECO SE is investigating the resulting effects on the consolidated financial statements.

Standard/Interpretation		Application, obligation to apply for the business years from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 19 (A)	Defines the recognition of employees' contributions for defined benefit plants	1/7/2014	no	none
IAS 27 (R)	Separate financial statements	1/1/2014	yes	none
IAS 28 (R)	Shares in associated companies and joint ventures	1/1/2014	yes	yes
IAS 32 (A)	Financial instruments: Presentation Offsetting financial assets and financial liabilities	1/1/2014	yes	yes
IAS 36 (A)	Impairment of assets: Recoverable amount disclosures of non-financial assets	1/1/2014	yes	none
IAS 39 (A)	Novation of derivatives and continuation of hedge accounting	1/1/2014	yes	none
IFRS 7 / 9	Amendments to the standards – mandatory effective date and transition disclosures	-	no	yes
IFRS 9	Financial instruments: Classification and measurement	-	no	yes
IFRS 9	Financial instruments: Hedge accounting	-	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	Disclosure on interests in other entities	1/1/2014	yes	yes
IFRS 10/12 and IAS 27 (A)	Amendment to the standards – investment companies	1/1/2014	yes	none
IFRS 10/11/12	Amendment to the standards – transition guidelines	1/1/2014	yes	none
IFRS 14	Regulatory deferral accounts	1/1/2016	no	none
IFRIC 21	Recognition of a liability for a levy imposed by a government	1/1/2014	no	none
	Annual Improvement Projects (AIP 2010-2012)	1/7/2014	no	none
	Annual Improvement Projects (AIP 2011-2013)	1/7/2014	no	none

(A) Amended

(R) Revised

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 2013. 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.

Four companies are not included in the consolidated financial statements for 2013 (2012: three companies) on the grounds that they either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

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

	31/12/2012	Additions	Disposals	31/12/2013
Consolidated subsidiaries				
- of which in Germany*	13	3	-2	14
- of which abroad**	23	3	-1	25
Subsidiaries reported at acquisition costs				
- of which abroad	3	2	-1	4
Companies accounted for using the equity method				
- of which in Germany	1	0	0	1
	40	**8**	**-4**	**44**

* of which 2 special-purpose entities

** of which 2 proportionately consolidated companies

The companies included in the consolidated financial statements at 31 December 2013 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 2013 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

Döllken CZ s.r.o., Czech Republic, was consolidated in the consolidated financial statements for the first time on 1 January 2013. In the business year 2013, this sales company succeeded in increasing its sales because the product range was expanded and hence new markets could be developed. The first-time inclusion in the consolidated financial statements gave no significant effects on the net assets, financial position and results of operations of the SURTECO Group.

With effect from 1 January 2013, SURTECO acquired the outstanding minority shareholders of 20 % in BauschLinnemann South Carolina LLC, USA, which was then merged to BauschLinnemann North America, Inc., USA. A purchase price amounting to € 000s 281 was agreed with the minority shareholders.

In the course of the change in the legal form of Kröning GmbH & Co to create Kröning GmbH with retroactive effect to 1 January 2013, a consolidated subsidiary company was disappeared in Germany.

During the year under review, SURTECO North America, Inc., Myrtle Beach, USA, was newly established, although it was not consolidated due to insignificant business activity.

During the business year 2013, Vinylit Fassaden GmbH, Kassel, was deconsolidated following the sale of the company. This exerted no significant effects on the net assets, financial position and results of operations of the SURTECO Group. The balance from the purchase price less the costs of disposal and net assets resulted in a loss on disposal amounting to € 000s 335 which is included under other operating expenses.

IV. BUSINESS COMBINATIONS

On 1 December, SURTECO SE acquired through its Group company SURTECO Decorative Surfaces GmbH 100 % of the shares in the Süddekor companies and gained control over this company.
The SURTECO Group will tangibly strengthen its market presence in the area of paper-based surface coating products through the takeover of these companies, particularly in the markets for decorative papers and finish foils, and will also expand its product portfolio.
In the course of the acquisition, the following companies were taken over during the business year and were consolidated for the first time on 31 December 2013:

- SÜDDEKOR GmbH, Laichingen
- Dakor Melamin Imprägnierungen GmbH, Heroldstatt
- SÜDDEKOR Art Design + Engraving GmbH, Willich
- SUDDEKOR Management, Inc., Agawam (USA)
- SUDDEKOR LLC, Agawam (USA)
- Sueddekor OOO, Moscow (Russia)

The total price for the acquisition of the Süddekor companies amounted to € 000s 99,000 and was paid out of available cash and cash equivalents and from the liquid funds generated from a capital increase for a cash consideration. The issue of 4,430,209 new SURTECO no-par value shares from authorized capital at a stock-market price of € 18.00 each yielded gross issue proceeds amounting to € 000s 79,744. The costs amounting to € 000s 1,041 associated with the merger are recognized under other operating expenses.
The following tables provides a summary of the purchase price paid for the acquisition of the company and the fair values of the assets and liabilities of the Süddekor Group recognized at the date of acquisition immediately after the company merger:

[€ 000s]	
Cash and cash equivalents	797
Trade accounts receivable	26,539
Inventories	47,283
Current income tax assets	90
Other current assets	5,292
Property, plant and equipment	86,626
Intangible assets	16,976
Deferred tax assets	4,514
ASSETS	**188,117**
Trade accounts payable	9,007
Income tax liabilities	638
Short-term provisions	1,139
Other current liabilities	10,338
Financial liabilities	44,878
Pensions and other personnel-related obligations	334
Deferred tax liabilities	9,333
LIABILITIES AND SHAREHOLDERS' EQUITY	**75,667**
Net assets acquired (provisional)	**112,450**
Total purchase price	**99,000**
Negative difference (badwill) (provisional)	**13,450**

An asset for compensation payments amounting to € 000s 674 was included under other current assets which related to the partial reimbursement of tax liabilities of SUDDEKOR LLC by the seller.

Due to the complex identification and valuation of the assets and liabilities acquired through the acquisition, and the short period of time between the date of acquisition (1 December 2013) and the date

of drawing up the consolidated financial statements of the SURTECO Group, it was not possible to carry out a conclusive purchase price allocation at the time when these consolidated financial statements were prepared. It is based on the premises of the best estimate of likely values carried out by the Board of Management. The final purchase price allocation will be determined within a period of twelve months after the date of acquisition.
In accordance with the requirements of IFRS 3 "Business combinations", all assets, liabilities and contingent liabilities are valued at their fair values. This yielded an increase in the net assets acquired in particular as a result of the identification of intangible assets. Offsetting the purchase costs of the acquisition and the newly valued net assets results in a negative difference (known as Badwill) in the amount of € 000s 13,450 which was realized as other operating income following a renewed audit of the fair values in accordance with IFRS 3.56 The economic reason for this negative difference (known as badwill) results from the necessary restructuring measures carried out in the acquired companies which were taken into account in the process of identifying a purchase price.

The following table shows the sales revenues and the results of the Süddekor Group since the date of the acquisition:

[€ 000s]	1/12/ – 31/12/2013
Sales revenues	14,232
Contribution to the consolidated result	-1,131

The financial information for the period from 1 December to 31 December 2013 of the Süddekor Group corresponds to the actual amount of earnings generated within the Group. The negative difference incurred at Group level and recognized as other operating income amounting to € 000s 13,450 is not a constituent element of the earnings value shown.

The following table shows the sales revenues and the results of the combined company which would have resulted if the acquisitions had taken place previously on 1 January 2013 (pro-forma results):

[€ 000s]	Pro-forma 1/1/ – 31/12/2013
Sales revenues	227,892
Contribution to the consolidated result	-279

The annual net profit of the Süddekor Group for the period 1 January to 31 December 2013 was used as the starting point for drawing up the pro-forma consolidated result for the group. The necessary pro-forma adjustments are based on the available information and on assumptions.

For purposes of calculating the pro-forma consolidated result for the group, the assumption was made that the acquisition had already been carried out on 1 January 2013. However, this hypothetical purchase price allocation is based on the derived fair values for the assets, liabilities and contingent liabilities taken over under the current purchase price allocation. The annual net profit of the independent Süddekor Group was corrected by the following pro-forma adjustments:

- Pro-forma adjustments result from fictitious increased or reduced amounts for depreciation and amortization on fair-value adjustments for the period from 1 January to 31 December 2013 and consequential tax adjustments carried out in the course of first-time consolidation.
- Pro-forma adjustments include earnings effects from the financing associated with the acquisition for the period from 1 January to 31 December 2013.
- The pro-forma finance information does not take account of any synergies or cost savings associated with the transactions.

On the basis of the premises described, the pro-forma earnings shown do not necessarily represent the group result which the group would have generated if the acquisition of the Süddekor Group had actually taken place on 1 January 2013. Only a restricted statement on the future development of the group result is possible on account of the one-off effects.

The fair value of trade receivables amounts to € 000s 26,539. The gross amount of the receivables due is € 000s 28,430 out of which it is estimated that € 000s 1,891 are not recoverable.

V. USE OF § 264 (3) GERMAN COMMERCIAL CODE (HGB)

The exemption regulations pursuant to § 264 (3) 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	Hüllhorst
W. Döllken & Co. GmbH	Gladbeck
Döllken-Kunststoffverarbeitung GmbH	Gladbeck
Döllken-Profiltechnik GmbH	Dunningen
Döllken-Weimar GmbH	Nohra

VI. 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 (31/12/2013).

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. Any remaining negative netting difference is recognized in profit or loss.

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 2013. 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".

VII. 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**	
		31/12/2012	**31/12/2013**	31/12/2012	**31/12/2013**
US dollar	USD	0.7584	0.7264	0.7782	0.7531
Canadian dollar	CAD	0.7624	0.6832	0.7786	0.7314
Australian dollar	AUD	0.7865	0.6496	0.8060	0.7294
Singapore dollar	SGD	0.6207	0.5750	0.6230	0.6019
Swedish krona	SEK	0.1165	0.1133	0.1149	0.1156
Sterling	GBP	1.2262	1.2003	1.2332	1.1775
Turkish lira	TRY	0.4244	0.3395	0.4319	0.3966
Polish zloty	PLN	0.2443	0.2410	0.2389	0.2383
Russian rouble	RUB	0.0248	0.0221	0.0251	0.0237
Czech koruna	CZK	0.0398	0.0365	0.0398	0.0385
Chinese renminbi	CNY	0.1218	0.1200	0.1229	0.1225

VIII. 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 owner ship, 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.

DETERMINATION OF THE FAIR VALUE

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

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

A three-level fair value hierarchy is to be applied. The input factors used in the valuation procedures are classified as follows:
Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.
Level 2 – Directly or indirectly observable input factors which cannot be classified under Level 1.
Level 3 – Unobservable input factors.

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

This is particular true for derivative financial instruments in the case of the SURTECO Group. The fair value for derivatives is based on external valuations by banking partners.

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.

a) Classification
For purposes of subsequent measurement, financial instruments are divided into categories.

IAS 39 categorizes financial assets as follows:
- Financial assets at fair value through profit and loss
- Financial assets held to maturity
- Loans and receivables
- Financial assets available for sale

Financial liabilities are classified in the following categories:
- Financial liabilities at fair value through profit and loss
- Financial assets at amortized acquisition costs

The categorization depends on the relevant purpose for which the financial instrument was entered into. The classification is reviewed on the balance sheet date and determines whether the valuation is at amortized acquisition costs or fair value.

1. Financial instruments valued at fair value through profit and loss are financial assets and liabilities which are held for trading purposes. Financial instruments valued as held for trading are allocated to this category if they have been purchased or entered into with the intention of selling them or buying them back in the short term. Derivatives also belong to this category unless they not qualify as hedges. SURTECO does not make use of the fair value option. Changes in fair value of "financial instruments at fair value through profit and loss" are immediately reported in the income statement. They are also reported as current assets and liabilities if they are likely to be realized within twelve months of the balance sheet date.
2. "Financial assets held to maturity" are non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the company intends to hold to maturity and is in a position to do this. Financial instruments in this category 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. No "financial assets held to maturity" are held in the SURTECO Group.
3. "Loans and receivables" are financial assets which have fixed or determinable payments and are not listed in an active market. They 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. Allowances are made for receivables on the basis of objective criteria, in particular in cases of repeated lack of success with reminder activities and subsequent handover of the receivable to external collection service providers, in cases of application for insolvency proceedings and in cases of receivables subject to legal dispute, they are regarded as doubtful and where no knowledge is available which would justify a different assessment. Necessary allowances are recognized in an allowance account.
4. "Financial assets available for sale" are financial assets which at the date of first-time recognition do not come under one of the other categories. They are insofar recognized at fair value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized in due to tax effects 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 fair 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 notreversed 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.

b) Primary financial instruments

Primary financial instruments are reported on the date of fulfilment.
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.

The liabilities arising from primary financial instruments can either be recognized at the amortized acquisition costs or as “liabilities at fair value through profit and loss”. SURTECO values all financial liabilities at amortized acquisition costs. 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-currency swaps, in order to hedge risks associated with foreign currency and changes in interest rate which can occur in the course of ordinary business activities and with the scope of investment and financial transactions. Derivative financial instruments are used exclusively to hedge existing or held underlyings. These derivative financial instruments are recognized for the first time in the balance sheet at the fair value on the date at which the contract is closed. They are subsequently revalued at market value on the balance sheet date. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

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 2013 as being exclusively cash flow hedges.

The effective proportion of profit or loss arising from a hedging instrument is recorded in equity (other comprehensive income). 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.

d) Offsetting of financial assets and liabilities

Financial assets and liabilities are only netted and then recognized as a net amount in the balance sheet if there is a legal entitlement to this and it is intended to bring about a settlement on a net basis or release the associated liability and realize the asset simultaneously.

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. For the valuation category in accordance with IAS 39, the cash and cash equivalents are classified as “loans and receivables”.

Receivables and other financial assets are reported at amortized acquisition costs 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; final derecognition is carried out when the receivable is no longer recoverable. The determination of the requirements for specific allowances is carried out on the basis of the age structure of the receivable and knowledge of the credit risk, and the 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 amortized acquisition costs, less bonuses, discounts and allowances. The Group sells trade accounts receivable in the context of factoring agreements. 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 essential been transferred or also if the power of authority over the asset has been transferred. If the prerequisites for derecognizing the receivables are not fulfilled, the assets are not removed from the accounts. The incoming payment arising from the sale of the receivable is recognized under cash and cash equivalents. A current financial liability in the same amount is also recognized under current liabilities.

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

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

Assets available for sale are classified in accordance with IFRS 5 as available for sale, if their book value is essentially released by a sale and the sale is highly probable. From the point of classification assets available for sale, these are no longer subject to scheduled amortization and should be recognized at the lower value of carrying amount or fair value less costs to sell.

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. The liabilities from finance leases are recognizes at the present value of the lease instalments on the basis of the interest rate used on the date when the leasing contract was concluded. 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 as assets held for sale 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 an 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 20 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 taxes 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 taxes 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 taxes under 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. This relates to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining in the respective country and is generally based on the period of service and money consideration of the employee. The majority of pension obligations in Germany based on contractual conditions relate to life-time pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.
The pension institutions were closed in the past. New employees will be offered a company pension plan through an external welfare fund and pension scheme; they will not receive any direct pension plans from the company.
Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken account in the determination of the provision.
The pension obligations of SURTECO are subject to various market risks. The risks essentially are related to changes in market interest rates, inflation which exerts an effect on the level of pension adjustments, the longevity and on general market fluctuations.

Pensions are valued using the projected unit credit method in accordance with IAS 19 (2011). 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 obligation is determined using actuarial methods taking into account biometric accounting assumptions. The expense of allocating pensions, including the interest portion contained therein, is recognized under personnel expenses. Remeasurements (up to now actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income) with no effect on income. In the amended IAS 19 (2011), this approach is now prescribed as the only permissible method (as before three permissible methods). This results in no reporting changes for SURTECO and entails no need for retrospective adjustment of the balance sheet and statement of comprehensive income because this method has already been applied in the past. However, changes are entailed because IAS 19 (2011) only envisages standardized income on the plan assets in the amount of the interest rate of the pension obligations at the start of the reporting period (instead of the returns on the plan assets expected by the management). These returns are now also recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income are to be recognized with no effect on income in equity (other comprehensive income). Furthermore, the past service costs are to be recognized with an effect on earnings at the point of arising and no longer distributed over the average time up until vesting. On account of the minor effects a retrospective adjustment was not carried out. Furthermore, the definition of termination benefits was changed. As a result, top-up amounts for phased retirement obligations are no longer to be classified as termination benefits but as other long-term employee benefits. Since all employees with phased retirement contracts are already in the passive phase, these changes exert no effects on SURTECO. Furthermore, the amended IAS 19 (2011) gives rise in particular to expanded disclosure obligations.

Provisions for long-service bonuses are calculated on the basis of actuarial methods. The settlement backlogs and top-up amounts for phased retirement obligations were added pro rata for phased retirement obligations until the end of the active phase. For 2013, only phased retirement obligations arose in the release phase.

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

	2012	**2013**
Interest rate	3.25 %	3.5 %
Salary increases	2.5 %	2.0 %
Pension increases	2.0 %	2.5 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a consistent 3.5 % (2012: 3.25 %). 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. Provisions for warranty claims are formed on the basis of previous or estimated future claims. The provisions for legal disputes and other provisions have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not 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.

IX. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUES

The sales revenues are comprised as follows:

Business (product) [€ 000s]	2012	**2013**
Edgebandings	201,835	190,644
Foils	108,339	102,504
Skirtings	26,656	30,002
Decorative printing	21,744	28,583
Technical extrusions	16,263	14,929
Cladding systems	9,771	8,649
Do-It-Yourself sector	6,301	6,787
Impregnates / Release papers	-	6,139
Other	16,811	15,822
	407,720	**404,059**

(2) CHANGES IN INVENTORIES

The changes in inventories relate to work/services in progress amounting to € 000s 1,964 (2012: € 000s -82) and finished products amounting to € 000s -3,540 (2012: € 000s 551).
Changes in inventories due to the company acquisition of the Süddekor Group were recognized in the consolidated financial statements from the date on which they were consolidated.

(3) OTHER OWN WORK CAPITALIZED

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

(4) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2012	**2013**
Cost of raw materials, consumables and supplies, and purchased merchandise	188,079	183,468
Cost of purchased services	2,122	2,044
	190,201	**185,512**

(5) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2012	**2013**
Wages and salaries	89,760	90,255
Social security contributions	10,484	10,735
Pension costs	7,447	7,294
	107,691	**108,284**

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. Contributions amounting to € 000s 811 (2012: € 000s 803) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 4,977 to statutory pension annuity guarantors. These payments entail no further obligations for the company to make payments.

Contributions are included under personnel expenses that result from the addition of net interest expense/income and the current service cost and pension obligations.

The average number of employees for the year amounted to 2,154 (2012: 1,994). The employees from the Süddekor companies acquired during the business year were reported pro rata with time.

The following table shows the employee structure:

	Industrial	Salaried	2012 Total	**Industrial**	**Salaried**	**2013 Total**
Production	1,027	112	1,139	1,099	138	1,237
Sales	13	277	290	15	291	306
Engineering	89	28	117	99	28	127
Research and development, quality assurance	46	56	102	49	62	111
Administration, materials management	91	255	346	97	276	373
	1,266	**728**	**1,994**	**1,359**	**795**	**2,154**

The number of employees by regions is as follows:

	2012	**2013**
Germany	1,300	1,400
European Union	223	220
Rest of Europe	27	32
Asia/Australia	147	147
America	297	355
	1,994	**2,154**

(6) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2012	**2013**
Operating expenses	17,077	17,153
Sales expenses	33,284	35,011
Administrative expenses	14,258	15,871
Impairment losses on receivables	851	1,507
	65,470	**69,542**

Research and development costs (personnel and materials costs) in the Group amounted to € 000s 4,390 (2012: € 000s 3,348).

(7) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2012	**2013**
Difference from company acquisition (badwill)	0	13,450
Release of unused amounts of provisions and obligations	761	762
Claims for compensation	223	391
Income from fixed asset disposals	218	105
Proceeds from deconsolidation of subsidiary company	1,134	0
Other operating income	2,151	2,248
	4,487	**16,956**

(8) FINANCIAL RESULT

[€ 000s]	2012	**2013**
Interest and similar income	1,073	763
Interest and similar expenses	-9,457	-9,325
Interest (net)	**-8,384**	**-8,562**
Income from market valuation for financial derivatives	72	0
Expenses from market valuation for financial derivatives	0	-134
Currency gains/losses, net	17	-654
Income from investments	0	55
Earnings from associated enterprises	130	120
Sales earnings on shares in Pfleiderer AG	146	0
Impairment on shares in Pfleiderer AG	-451	0
Other	7	0
Other financial expenses and income	**-79**	**-613**
Financial result	**-8,463**	**-9,175**

In accordance with IAS 17 (Leases), the proportion of interest included in financial leasing instalments is recorded in interest expenses in the amount of € 000s 274 (2012: € 000s 12).

(9) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2012		**2013**
Current income taxes				
- Germany	3,700		172	
- International	3,789		3,608	
		7,489		3,780
Deferred income taxes				
- from time differences	-1,105		2,347	
- on losses carried forward	0		0	
		-1,105		2,347
		6,384		**6,127**

An average overall tax burden of 30.2 % therefore results for the German companies. The tax rate takes account of trade tax (14.3 %), 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 40 %.

Tax rate changes abroad resulted in no significant effects on total tax expense in the business year 2013 (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 1,751 (€ 000s 8,518) 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		
	2012	Change	**2013**	2012	Change	**2013**
Inventories	499	547	1,046	33	491	524
Receivables and other assets	170	-29	141	710	-416	294
Tax losses carried forward	0	70	70	0	0	0
Goodwill	0	3,025	3,025	3,304	226	3,530
Property, plant and equipment	381	801	1,182	15,310	3,951	19,261
Intangible assets	1	0	1	1,078	4,498	5,576
Other current assets	0	11	11	0	0	0
Other non-current assets	0	0	0	530	-156	374
Financial liabilities	1,830	-409	1,421	0	359	359
Pensions and other personnel-related obligations	1,163	186	1,349	3	-3	0
Other liabilities	293	534	827	454	540	994
	4,337	**4,736**	**9,073**	**21,422**	**9,490**	**30,912**
Netting	-1,541	120	-1,421	-1,541	120	-1,421
	2,796	**4,856**	**7,652**	**19,881**	**9,610**	**29,491**

Reconciliation between expected and actual tax expenditure is as follows:

[€ 000s]	2012	**2013**
Earnings before Taxes (EBT)	**21,191**	**28,131**
Expected income tax (30.2 %; 2012: 29.5 %)	6,251	8,495
Reconciliation:		
Differences from foreign tax rates	241	-97
Result from associated enterprises	43	-36
Losses for which no deferred taxes were recorded	164	535
Expenses not deductible from taxes	286	966
Tax-free income	0	-4
Allowance on deferred tax assets	-109	-127
Tax-free income from company acquisition	0	-4,062
Tax expenses/income not related to the reporting period	-346	510
Other effects	-146	-53
Income tax	**6,384**	**6,127**

Taxes recorded directly in equity

[€ 000s]	2012	**2013**
Actuarial gains/losses	-489	-32
Fair value measurement of financial instruments	-225	-129
Net investment in a foreign operation	468	-224
Reclassification to income statement	-66	-75
	-312	**-460**

(10) EARNINGS PER SHARE

	2012	**2013**
Consolidated net profit in € 000s	15,028	21,899
Weighted average of no-par value shares issued	11,075,522	11,767,363
Basic and undiluted earnings per share in €	1.36	1.86

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. The weighted average of issued shares rose to 11,767,363 on account of the capital increase in 2013. There were no measures which led to dilution effects.

X. NOTES TO THE BALANCE SHEET

(11) CASH AND CASH EQUIVALENTS

[€ 000s]	2012	**2013**
Cash in hand and bank balances	44,997	31,598
Fixed-term deposits	16,389	19,598
	61,386	**51,196**

(12) TRADE ACCOUNTS RECEIVABLE

[€ 000s]		2012		**2013**
Trade accounts receivable	41,464		57,459	
Less allowances	-1,135		-3,810	
Trade accounts receivable, net		40,329		53,649
Accounts receivable from affiliated enterprises		1,416		1,352
Book value		**41,745**		**55,001**

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]	2012	**2013**
1/1/	**1,407**	**1,135**
Allocation of company acquisition	0	1,890
Recourse	-734	-255
Release of unused amounts	-134	-135
Addition (effect on expenses)	596	1,175
31/12/	**1,135**	**3,810**

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]		2012	**2013**
Book value		**41,745**	**55,001**
of which: not impaired and not overdue		31,969	42,084
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	8,877	11,113
	3-6 months	258	880
	6-12 months	248	442
	more than months	706	723
Less lump-sum allowances		-313	-241

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]	2012	**2013**
Raw materials, consumables and supplies	19,703	36,655
Work and services in progress	5,436	10,532
Finished products and goods	35,913	56,457
	61,052	**103,644**

Impairments of € 000s 2,867 (2012: € 000s 2,180) were reported on inventories.

Out of the inventories, € 000s 32,177 (2012: € 000s 23,022) 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 527 (2012: € 000s 642), of which € 000s 120 are recognized under current income tax assets.

(15) OTHER CURRENT ASSETS

[€ 000s]		2012		**2013**
Income tax assets (value added tax, wage tax)		1,419		3,252
Land		2,827		1,946
Prepaid expenses		1,058		1,767
Receivable factoring		964		1,103
Financial assets				
Debit balances in accounts receivable	80		212	
Bonuses, receivables	222		254	
		302		466
Other		1,872		3,494
		8,442		**12,028**

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

The receivables recognized from factoring result from the sales of trade accounts receivable of SURTECO to a factor. These receivable sales led to a continuing involvement, while the receivable sales of the companies SÜDDEKOR GmbH und Dakor Melamin Imprägnierungen GmbH taken over in the business year 2013 did not lead to derecognition of the receivables. The reason for this is that in all cases the settlement risk remains with the SURTECO Group. Apart from the continuing involvement, the receivables include the reservation amount of the factor for invoice deductions by the customer. Sales of receivables with a book value at 31 December amounting to € 000s 12,889 (2012: € 000s 10,632) led to a partial disposal. A continuing involvement asset in the amount of € 000s 141 was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 141 was reported under other current liabilities. The maximum amount of the receivables sold amounts to € 000s 12,889 in the business year.

In the case of the other receivable sales, the full amount of the receivables were included in the balance sheet at a book value of € 000s 11,605 in the balance sheet. The payment received for the sale of the payables was recognized under cash and cash equivalents. An associated current financial liability was recorded in the same amount.

Obligations in respect of the factor amounting to € 000s 5,759 (2012: € 000s 4,362) are also recognized under other current liabilities settled by the balance sheet date.

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

(16) ASSETS HELD FOR SALE

The item assets held for sale relates to a parcel of land with buildings at a former sales location of the SBU Paper in Greensboro, USA. The sales and production activities were merged at the new facility constructed in Myrtle Beach, USA. The disposal is anticipated to take place during the course of the business year 2014. The asset held for sale is allocated to the paper segment.

(17) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Financial assets and associated enterprises	Total
Acquisition costs					
1/1/2012	**421,539**	**29,370**	**159,666**	**23,804**	**634,379**
Currency adjustment	1,366	-157	209	0	1,418
Changes 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**
Currency adjustment	-5,522	-38	-1,851	0	-7,411
Addition to consolidated companies	86,626	16,976	0	-167	103,435
Disposal from consolidated companies	-11,661	-90	0	0	-11,751
Additions	26,255	4,572	0	720	31,547
Disposals *	-7,427	-352	0	-3	-7,782
Transfers	-86	86	0	0	0
31/12/2013	**513,940**	**54,683**	**158,024**	**2,779**	**729,426**
Depreciation and amortization					
1/1/2012	**261,339**	**17,305**	**47,238**	**21,362**	**347,244**
Currency adjustment	797	-323	-81	0	393
Changes in consolidated companies	-66	-15	0	0	-81
Additions	18,161	3,881	0	450	22,492
Disposals	-12,996	23	0	-21,812	-34,785
31/12/2012	**267,235**	**20,871**	**47,157**	**0**	**335,263**
Currency adjustment	-3,321	63	-463	0	-3,721
Disposal from consolidated companies	-8,800	-89	0	0	-8,889
Additions	18,575	4,061	0	0	22,636
Disposals *	-4,686	43	0	0	-4,643
Transfers	0	0	0	0	0
31/12/2013	**269,003**	**24,949**	**46,694**	**0**	**340,646**
Book value at 31/12/2013	**244,937**	**29,734**	**111,330**	**2,779**	**388,780**
Book value at 31/12/2012	**158,520**	**12,658**	**112,718**	**2,229**	**286,125**

* Disposals amounting to € 000s 1,358 and € 000s 637 respectively are included in the disposals on account of the intention to dispose of a parcel of land and the resulting reclassification to the item "Assets held for sale".

(18) 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					
1/1/12	**127,119**	**223,664**	**68,366**	**2,390**	**421,539**
Currency adjustment	174	815	228	149	1,366
Changes 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**
Currency adjustment	-1,547	-3,668	-410	103	-5,522
Addition to consolidated companies	40,738	35,956	3,288	6,644	86,626
Disposal from consolidated companies	-4,529	-4,873	-2,259	0	-11,661
Additions	6,005	10,862	3,541	5,847	26,255
Disposals	-2,877	-2,379	-2,075	-96	-7,427
Transfers	401	8,031	749	-9,267	-86
31/12/2013	**165,772**	**269,628**	**70,816**	**7,724**	**513,940**
Depreciation and amortization					
1/1/12	**47,782**	**161,578**	**51,979**	**0**	**261,339**
Currency adjustment	102	546	149	0	797
Changes 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**
Currency adjustment	-402	-2,637	-282	0	-3,321
Disposal from consolidated companies	-2,728	-4,095	-1,977	0	-8,800
Additions	3,427	10,917	4,231	0	18,575
Disposals	-765	-2,056	-1,865	0	-4,686
31/12/2013	**50,376**	**166,827**	**51,800**	**0**	**269,003**
Book value at 31/12/2013	**115,396**	**102,801**	**19,016**	**7,724**	**244,937**
Book value at 31/12/2012	**76,737**	**61,001**	**16,289**	**4,493**	**158,520**

(19) 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					
1/1/12	**17,986**	**9,899**	**811**	**674**	**29,370**
Currency adjustment	30	-207	20	0	-157
Changes 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**
Currency adjustment	-198	156	4	0	-38
Addition to consolidated companies	7,268	9,705	0	3	16,976
Disposal from consolidated companies	-90	0	0	0	-90
Additions	1,029	614	453	2,476	4,572
Disposals	-6	0	0	-346	-352
Transfers	4,143	66	0	-4,123	86
31/12/2013	**31,110**	**22,029**	**1,362**	**182**	**54,683**
Depreciation and amortization					
1/1/12	**12,961**	**3,793**	**551**	**0**	**17,305**
Currency adjustment	46	-349	-20	0	-323
Changes 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**
Currency adjustment	35	-39	67	0	63
Disposal from consolidated companies	-89	0	0	0	-89
Additions	1,268	2,377	416	0	4,061
Disposals	-4	0	47	0	43
Transfers	-245	245	0	0	0
31/12/2013	**15,513**	**8,528**	**908**	**0**	**24,949**
Book value at 31/12/2013	**15,597**	**13,501**	**454**	**182**	**29,734**
Book value at 31/12/2012	**4,416**	**5,543**	**527**	**2,172**	**12,658**

(20) GOODWILL

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

Goodwill developed as follows:

[€ 000s]	2012	**2013**
1/1/	**112,428**	**112,718**
Currency adjustment	290	-1,388
31/12/	**112,718**	**111,330**

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]	2012		**2013**
CGU edgebandings	69,915		68,788
CGU skirtings	25,746		25,746
CGU technical extrusions and cladding systems	692		692
CGU technical foils	9,487		9,226
Strategic Business Unit Plastics		105,840	104,452
Strategic Business Unit Paper		6,878	6,878
		112,718	**111,330**

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 3.5 %. 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 interest 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 9.5 % (2012: 10.6 %) before taxes in December 2013.

On the basis of impairment tests carried out in the business year 2013, 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 an discounting rate increased by 0.5 %, the values in use of the cash generating units are still estimated higher than net asset values.

(21) 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						
1/1/2012	**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**
Changes in consolidated companies	0	-167	0	0	0	-167
Additions	120	0	0	0	600	600
Disposals	0	0	0	0	-3	-3
31/12/2013	**1,780**	**21**	**0**	**0**	**978**	**999**
Depreciation and amortization						
1/1/2012	**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**
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
31/12/2013	**0**	**0**	**0**	**0**	**0**	**0**
Book value at 31/12/2013	**1,780**	**21**	**0**	**0**	**978**	**999**
Book value at 31/12/2012	**1,660**	**188**	**0**	**0**	**381**	**569**

Detailed information on investments in affiliated enterprises, participations and associated enterprises are not given for reasons of materiality.

(22) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2013 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(23) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2013	Addition of company acquisition	Expense	Release	Allocation	31/12/2013
Warranty	1,858	824	-528	-272	663	2,545
Legal disputes	0	0	0	0	485	485
Impending losses	153	0	-153	0	83	83
Fair value measurement for financial derivatives	21	0	-21	0	0	0
Other	317	315	-467	-43	95	217
	2,349	**1,139**	**-1,169**	**-315**	**1,326**	**3,330**

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".

(24) OTHER CURRENT LIABILITIES

[€ 000s]	2012	**2013**
Liabilities from employment relationships *	9,454	14,902
Other current liabilities factoring	4,362	5,900
Debit balances in accounts payable	2,405	2,004
Bonuses and promotion costs	674	1,116
Tax liabilities (value added tax)	928	1,093
Social insurance against occupational accidents	493	770
Supervisory Board remuneration	254	341
Other	1,176	3,798
	19,746	**29,924**
* of which social security	794	697

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".

(25) OTHER FINANCIAL LIABILITIES AND FINANCIAL DEBTS

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 2,976 (2012: € 000s 3,211) in the special-purpose entities is secured by charges on property 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 (2012: € 000s 224), increase in equity capital (before deduction of deferred taxes) by € 000s 1,080 (2012: € 000s 1,771) through direct recording of the cash flow hedge under the item market valuation of financial instruments, decrease in the USD liability by € 000s 947 (2012: increase by € 000s 1,297) on the basis of the valuation on the balance sheet and recording the market value of the hedging transactions amounting to € 000s 561 with no effect on income in the other non-current financial liabilities (2012: other non-current financial assets € 000s 2,150). In addition, € 000s 947 from equity was transferred to the result for the accounting period (2012: € 000s 1,297). 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 prospective and retrospective effectiveness test is carried out in accordance with the hypothetical derivative method.

Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 3.45 % and 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 non-current finance leasing liabilities of € 000s 2,125 (2012 € 000s 43). In the business year 2014, an amount of € 40 million from a US private placement was due for repayment.

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

[€ 000s]	2012	**2013**
Leasing payments to be made in the future		
in less than one year	47	3,696
between one year and five years	203	14,020
after more than five years	0	22,829
Interest share		
in less than one year	-4	-1,571
between one year and five years	-11	-5,200
after more than five years	0	-2,260
Present value		
in less than one year	43	2,125
between one year and five years	192	8,820
after more than five years	0	20,569
	235	**31,514**

(26) PENSIONS AND OTHER PERSONNEL-RELATED OBLIGATIONS

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

The pension commitments in Germany are subject to the German Company Pensions Act.

The financing of the projected benefit obligation arising from pension obligations amounts to € 000s 9,692 internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 192, which secures the obligations partly or fully congruently.

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

[€ 000s]	2012			2013		
	Present value of obligation	**Fair value of plan assets**	**Provision**	**Present value of obligation**	**Fair value of plan assets**	**Provision**
1/1/	**8,574**	**-178**	**8,396**	**9,881**	**-185**	**9,696**
Pension payments on account	-418	-	-418	-415	-	-415
Payments from plan settlements	-500	-	-500	0	-	0
Current service expense	166	-	166	35	-	35
Interest income	0	-8	-8	0	-9	-9
Interest expense	375	-	375	353	-	353
Remeasurements						
Actuarial gains/losses						
- from changes in demographic parameters	0	-	0	0	-	0
- from experience adjustments	92	-	92	-246	-	-246
- from changes in financial parameters	1,592	1	1,593	140	-	140
- Other	-	-	-	-	2	2
	1,684	1	1,685	-106	2	-104
Addition of consolidated companies	0	0	0	353	-353	0
Release	0	0	0	-409	-	-409
31/12/	**9,881**	**-185**	**9,696**	**9,692**	**-545**	**9,147**

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

The Group recognises remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2013 before deferred taxes amounts to € 000s 39 (2012: € 000s 1,684). Up to now, a total of € 000s 724 has been recognized in shareholders' equity.

The annual payments by the employer over the coming years are expected to be in the same order of range as the payments for previous years at € 000s 398.

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

[€ 000s]	Change in present value of pension obligation	
	Increase	Decrease
Increase in the interest rate by 0.25%		269
Decrease in the interest rate by 0.25%	245	
Increase in future pension rises by 0.25%	234	
Reduction in future pension rises by 0.25%		226

When determining the sensitivities, a similar approach to determining the scope of obligation is adopted. If several assumptions are changed at the same time, the overall effect does not necessarily have to correspond to the sum of the individual effects due to the changes in the assumptions. Furthermore, the effects are not linear.

The weighted average residual term of the benefit obligations is 12.8 years to 31 December 2013.

The additional personnel-related obligations are comprised of phased-retirement and long-service agreements. The phased retirement obligations amount to € 000s 155 (2012: € 000s 290) on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 63 (2012: € 000s 268) on account of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 1,727 on the balance sheet date (2012: € 000s 1,421).

Non-current obligations arising from phased retirement regulations are due in 2014 with € 000s 97 (2012: € 000s 191).

(27) SHAREHOLDERS' EQUITY

The subscribed capital (capital stock) of SURTECO SE is € 15,505,731.00 and is fully paid in. It is divided into 15,505,731 no-par-value bearer shares (ordinary shares) corresponding to a proportion of the capital stock of € 1.00 each.

Following the resolution passed by the Board of Management and the Supervisory Board on 31 October 2013 on the basis of the authorizations granted by the Annual General Meeting on 24 June 2010 (Authorized Capital 2010/I and Authorized Capital 2010/II), the capital stock of the company was increased from € 11,075,522,00 by a total of € 4,430,209.00 to € 15,505,731.00. This was entered in the Commercial Register on 4 November.

The Authorized Capital from 24 June 2010 (Authorized Capital 2010/I) amounts to € 1,069,791.00 after having been partially used up. The other Authorized Capital from 24 June 2010 (Authorized Capital 2010/II) has been used up.

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 € 1,069,791.00, 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 € 1,069,791.00, 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.

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.
The capital reserve went up compared with the previous year by € 000s 72,382 and amounts to € 000s 122,798 on account of the capital increase carried out in the business year 2013.
The transaction costs attributable to the capital increase amounting to € 000s 4,199 are offset with the capital reserve. The tax effect relating to the capital increase results from the tax deductibility of the costs of the capital increase which can be transferred to the capital reserve with no effect on income in accordance with IFRS. The tax relief amounts to € 000s 1,267.

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 incomen
- 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 10,079 (2012: € 000s 5,049). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.65 (2012: € 0.45) per share, amounting to € 000s 10,079 (2012: € 000s 4,984) be paid out. The new shares will participate in the profit in the year in which they are created.

(28) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS
Contingent liabilities were recognized on 31 December 2013 in the amount of € 000s 242 (2012: € 000s 285) 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]	2012	**2013**
Rental and operate leasing obligations, due		
in less than one year	1,336	1,861
between one year and five years	1,697	2,494
after more than five years	319	325
	3,352	**4,680**

Payments from operate leasing contracts in the period are recorded in the amount of € 000s 2,135 (2012: € 000s 1,994).

Commitments amounting to € 000s 573 (2012: € 000s 1,350) 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 2014.

(29) 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 payout for the business year 2013 remained unchanged compared with the previous year at € 000s 4,984. 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 7.0 (2012: 6.2) in 2013. The debt-service coverage ratio was 29.5 % (2012: 36.4 %) in 2013. The net debt amounted to € 000s 151,144 (2012: € 000s 101,835) on 31 December 2013 and the equity ratio was 49.7 % (2012: 47.8 %). 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.

(30) 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 the gross burden (EBT) and the likelihood of occurrence.
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 30.3 in the Notes). An amount of € 40 million from a US private placement is due in the business year 2014. Further repayments of significant long-term loans is not necessary in the business year 2014. 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. The core figures are continuously monitored by the board of management and the supervisory board. If there is impending breach of any indicators, consultations on individual measures take place as necessary. 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 2013.

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 factoring agreements.
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. If the maturity date is not fixed, the liability relates to the earliest liability date.

2013 [€ 000s]	Book value	2014		2015 - 2018		2019 ff.	
	31/12/2013	Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial liabilities to banks	154,069	8,332	40,887	22,730	53,182	2,147	60,000
Payments from derivatives							
Cash outflow		2,913	-	7,656	50,604	-	-
Cash inflow		-3,406	-	-8,949	-51,790	-	-
Subtotal		7,839	40,887	21,437	51,996	2,147	60,000
Financial liabilities from finance leasing	36,183	1,772	2,625	5,735	10,894	2,427	22,664
Financial liabilities	190,252	9,611	43,512	27,172	62,890	4,574	82,664
Trade accounts payable	37,518	-	37,518	-	-	-	-
Other financial liabilities	22,014	-	22,014	-	-	-	-

2012 [€ 000s]	Book value	2013		2014 - 2017		2018 ff.	
	31/12/2012	Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial liabilities to banks	163,221	9,289	1,454	28,044	96,378	5,570	60,000
Payments from derivatives							
Cash outflow		2,913	-	10,569	50,604	-	-
Cash inflow		-3,519	-	-12,766	-53,088	-	-
Subtotal		8,683	1,454	25,847	93,894	5,570	60,000
Financial liabilities from finance leasing	5,389	223	521	655	2,338	258	2,530
Financial liabilities	168,610	8,906	1,975	26,502	96,232	5,828	62,530
Trade accounts payable	26,483	-	26,483	-	-	-	-
Other financial liabilities	14,377	-	14,377	-	-	-	-

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		Equity / Other comprehensive income	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2013				
Variable-interest instruments	305	-305	0	0
Derivates	0	0	1,988	-2,080
	305	**-305**	**1,988**	**-2,080**
31/12/2012				
Variable-interest instruments	448	-448	0	0
Derivates	-3	3	2,645	-2,795
	445	**-445**	**2,645**	**-2,795**

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
31/12/2013				
Financial instruments	5,846	-4,783	2,845	-2,328
Derivates	-182	149	1,047	-857
	5,664	**-4,634**	**3,892**	**-3,185**
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**

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

5. Valuations of financial instruments

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

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities, where the entity drawing up the financial statements must have access to these active markets on the valuation date.

Level 2 – Directly or indirectly observable input factors which cannot be classified under Level 1.

Level 3 – Unobservable input factors.

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

31/12/2013 [€ 000s]	Category acc. IAS 39	Book value	of which not in scope of IFRS 7	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets									
Cash and cash equivalents	LaR	51,196		51,196				51,196	n.a.
Trade accounts receivable	LaR	55,001		55,001				55,001	n.a.
Other current assets									
- Current financial receivables	LaR	4,145		4,145				4,145	n.a.
- Not financial instruments acc. IFRS 7	n.a.	5,487	5,487	0					n.a.
Financial assets									
- Investments in affiliated enterprises	AfS	22	0	22				22	n.a.
- Other loans	LaR	978		978				978	2
Other non-current financial assets									
- Financial derivates (with hedging)	n.a.	0	0	0				0	
- Financial derivatives (without hedging)	FAaFV	14		14	14			14	2
Liabilities									
Current financial liabilities	FLAC	55,600	2,625	52,975	53,501		2,625	56,126	2
Non-current financial liabilities	FLAC	146,740	33,558	113,182	120,637		33,558	153,761	2
Trade accounts payable	FLAC	37,518		37,518				37,518	
Other current liabilities									
- Other financial liabilities	FLAC	22,014		22,014				22,014	n.a.
- Not financial instruments acc. IFRS 7	n.a.	7,910	7,910	0					n.a.
- Financial derivatives (with hedging)	n.a.	561				561		561	2
- Financial derivatives (without hedging)	FLaFV	0	0	0		0		0	
Of which aggregated according to valuation categories in accordance with IAS 39									
Loans and Receivables	LaR	111,320	0	111,320	0	0	0	111,320	
Available for Sale Financial Assets	AfS	22	0	22	0	0	0	22	
Financial Assets at Fair Value through profit/loss	FAaFV	14	0	14	14	0	0	14	
Financial Liabilities Measured at Amortised Cost	FLAC	261,872	36,183	225,689	174,138	0	36,183	269,419	
Financial Liabilities at Fair Value through profit/loss	FLaFV	0	0	0	0	0	0	0	

31/12/2012 [€ 000s]	Category acc. IAS 39	Book value	of which not in scope of IFRS 7	(amortized) Acquisition costs	Fair value not affecting income	Fair value affecting income	Carrying amount acc. IAS 17	Fair value (IFRS 13)	Level
Assets									
Cash and cash equivalents	LaR	61,386		61,386				61,386	n.a.
Trade accounts receivable	LaR	41,745		41,745				41,745	n.a.
Other current assets									
- Current financial receivables	LaR	2,908		2,908				2,908	n.a.
- Not financial instruments acc. IFRS 7	n.a.	5,868	5,868	0					n.a.
Financial assets									
- Investments in affiliated enterprises	AfS	187	187	0				0	n.a.
- Other loans	LaR	381		381				381	2
Other non-current financial assets									
- Financial derivatives (with hedging)	n.a.	2,150		2,150	2,150			2,150	2
- Financial derivatives (without hedging)	FAaFV	0						0	
Liabilities									
Current financial liabilities	FLAC	1,975	521	1,454			521	1,975	2
Non-current financial liabilities	FLAC	161,246	4,868	156,378			4,868	175,102	2
Trade accounts payable	FLAC	26,483		26,483				26,483	
Other current liabilities									
- Other financial liabilities	FLAC	14,377		14,377				14,377	n.a.
- Not financial liabilities acc. IFRS	n.a.	5,369	5,369	0					n.a.
- Financial derivatives (with hedging)	n.a.	0	0	0				0	
- Financial derivatives (without hedging)	FLaFV	21	0	21		21		21	2
Of which aggregated according to valuation categories in accordance with IAS 39									
Loans and Receivables	LaR	106,420	0	106,420	0	0	0	106,420	
Available for Sale Financial Assets	AfS	187	187	0	0	0	0	0	
Financial Liabilities Measured at Amortised Cost	FLAC	204,081	5,389	198,692	0	0	5,389	217,937	
Financial Liabilities at Fair Value through profit/loss	FLaFV	21	0	21	0	21	0	21	

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

Cash and cash equivalents, trade accounts receivable, other financial assets in the category "Loans and Receivables" and current financial liabilities, trade payables and other financial liabilities mostly have short residual terms. The values reported therefore approximately to the fair value on the balance sheet date.

The investments in affiliated enterprises which are classified as "Available for Sale" are investments in capital companies. There is no active market for these instruments and the fair value cannot be reliably determined in any other way. The investments in these companies are valued at acquisition costs. It is not planned to dispose of significant shareholdings in these companies in the near future. During the course of the business year, no significant investments valued at acquisition costs were disposed of during the course of the business year.

The fair value of other non-current receivables and other loans correspond to the present values of the payments associated with assets taking account of interest parameters in each case which reflect market and partner related changes in conditions and expectations.

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

The measurement of financial derivatives is based on the valuations of the banking partners. The bankers determine the fair values on the basis of specific assumptions and valuation methods which can take account of the influence of market, liquidity, credit and operational risks and can be derived entirely or partly from external sources (which are regarded as reliable) and market prices.

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

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

[€ 000s]	2012	**2013**
Loans and Receivables	-710	-1,285
Available for Sale Financial Assets	-451	0
Financial Assets and Liabilities at Fair Value through profit/loss	72	-134
Financial Liabilities Measured at Amortised Cost	-35	-655

The net gains and losses from Loans and Receivables essentially related to changes in allowances, as well as currency translations and allowance reversals.
Net losses from Available for Sale Financial Assets in the previous year show the cash-effective allowance 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.

The Board of Management anticipates that the engagement in **derivative financial instruments** has not exerted any significant effects on the financial situation. On the closing date, the scope of the engagement in derivative financial instruments corresponds to the following nominal and market values:

[€ 000s]	2012		**2013**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Currency-related transactions	3,082	-21	3,549	14
Interest and currency-related transactions	53,091	2,150	50,846	-561
	56,173	**2,129**	**54,395**	**-547**

6. Offsetting of financial assets and financial liabilities

The **financial assets** shown in the following table are subject to offsetting, implementable global netting agreements or similar agreements.

[€ 000s]	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
31/12/2013						
Derivative financial instruments	14	-	14	14	-	0
Trade accounts receivable	60,502	-5,501	55,001	-	-	55,001
	60,516	**-5,501**	**55,015**	**14**	**-**	**55,001**
31/12/2012						
Derivative financial instruments	2,150	-	2,150	21	-	2,129
Trade accounts receivable	45,582	-3,837	41,745	-	-	41,745
	47,732	**-3,837**	**43,895**	**21**	**-**	**43,874**

The **financial liabilities** shown in the following tables are subject to offsetting, implementable global netting agreements or similar agreements.

[€ 000s]	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral provided	
31/12/2013						
Derivative financial liabilities	561	-	561	14	-	547
Trade accounts payable	43,019	-5,501	37,518	-	-	37,518
	43,580	**-5,501**	**38,079**	**14**	**-**	**38,065**
31/12/2012						
Derivative financial liabilities	21	-	21	21	-	0
Trade accounts payable	30,320	-3,837	26,483	-	-	26,483
	30,341	**-3,837**	**26,504**	**21**	**-**	**26,483**

For the financial assets and liabilities shown above, which are subject to implementable global netting agreements or similar agreements, any agreement between the Group and the counterparty enables the recognition of the net amount of the financial assets and liabilities, if both parties elect to settle on a net basis. If this choice is not adopted, the financial assets and liabilities are offset on a gross basis. However, each party to the global agreement or similar agreement will have the option to settle all such amounts on a net basis, if the counterparty is in default. In accordance with the conditions of each agreement a default is deemed to exist if one party fails to make the payment on the due date, the failure of a party to fulfil another obligation agreed in the contract, if this failure is not remedied within a period of 30 to 60 days after the notification of the failure or in case of insolvency.

XI. SUPPLEMENTARY INFORMATION

(31) 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.

(32) 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 impregnates and release papers, and the printing of specialist technical papers for use in the international furnishing industry. The production of laminates was discontinued at the end of 2012. When the Süddekor companies were acquired in December 2013, the product portfolio of the SBU Papers was expanded by impregnates and release papers. The Süddekor companies also produce finish foils and decorative prints which overlap with the existing product range of the SBU Paper.

• 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 (the business with cladding systems was sold in December 2013) 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**
2013				
External sales	174,688	229,371	0	404,059
Internal sales in the Group	931	1,142	-2,073	0
Total sales	175,619	230,513	-2,073	404,059
Interest income	1,284	919	-1,440	763
Interest expenses	-828	-2,620	-5,877	-9,325
Depreciation and amortization	-10,873	-11,364	-399	-22,636
Segment earnings (EBT)	25,069	15,041	-11,979	28,131
Income from associated enterprises	120	0	0	120
Segment assets	327,001	248,642	-18,070	557,573
Segment liabilities	177,002	72,031	-178,264	70,769
Net segment assets	149,999	176,611	160,194	486,804
Book value of participations recorded at equity	1,780	0	0	1,780
Investments in property, plant and equipment and intangible assets	17,661	12,907	264	30,832
Employees	851	1,287	16	2,154
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

SEGMENT INFORMATION BY REGIONAL MARKETS						
[€ 000s]	2012			**2013**		
	Sales revenues	Non-current assets	Investments	**Sales revenues**	**Non-current assets**	**Investments**
Germany	128,426	176,502	13,752	120,961	261,093	18,883
Rest of Europe	176,440	43,869	4,840	181,453	42,096	2,712
America	56,651	32,403	1,661	60,818	54,694	8,577
Asia/Australia	43,197	31,122	748	37,383	28,118	660
Other	3,006	0	0	3,444	0	0
	407,720	**283,896**	**21,001**	**404,059**	**386,001**	**30,832**

Sales revenues were allocated according to the destination of goods delivery. Non-current assets were recorded in accordance with the location of the relevant asset.
Non-current assets include property, plant and equipment, intangible assets and goodwill.
The non-current assets from the year 2012 and 2013 were allocated to goodwill by regions.

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2012	**2013**
Balance sheet total	**467,250**	**626,467**
Less financial assts		
- Cash and cash equivalents	61,386	51,196
- Other financial assets	2,564	3,131
- Tax credits/deferred taxes	6,015	14,567
- Financial derivatives	2,150	0
Segment assets	**395,135**	**557,573**
Current and non-current liabilities	**244,072**	**315,420**
Less financial liabilities		
- Short-term and long-term financial liabilities	163,221	202,340
- Financial derivatives	21	561
- Tax liabilities/deferred taxes	21,134	30,780
- Pensions and other personnel-related obligations	11,139	10,970
Segment liabilities	**48,557**	**70,769**
Net segment assets	**346,578**	**486,804**

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

Supervisory Board

Total compensation of the Supervisory Board for the business year 2013 amounted to € 000s 344 (2012: € 000s 254). It includes fixed remuneration of € 000s 33 (2012: € 000s 33) and a variable component of € 000s 277 (2012: € 000s 189) and compensation for the audit-committee activities of € 000s 34 (2012: € 000s 32).

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 2,370 (2012: € 000s 1,826) for the business year 2013. Out of this amount, € 000s 504 (2012: € 000s 504) were attributable to the fixed compensation, € 000s 1,600 (2012: € 000s 1,116) were accounted for by performance-based compensation and € 000s 266 (2012: € 000s 206) 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.

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

On the balance sheet date, 83,413 shares (2012: 10,230) of the company were held directly and indirectly by the members of the Board of Management and 243,277 shares (2012: 202,255) were held directly or indirectly by the Members of the Supervisory Board. No Member of the Board of Management or the Supervisory Board held stake in excess of 1 % in the company either directly or indirectly on the balance sheet date.

(35) AUDITOR’S FEE

At the Annual General Meeting on 28 June 2013, auditing firm PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor of the financial statements and auditor to carry out the audit inspection of the interim financial reports for the business year 2013.

The total fee determined for the business year amounts to € 000s 1,362. Out of this € 000s 618 was attributed to services for auditing the financial statements, € 000s 511 for other confirmation services, € 000s 184 for tax consultancy services and € 000s 49 for miscellaneous services.

(36) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 14 April 2014 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2013.

XII. EXECUTIVE OFFICERS OF THE COMPANY
(at 31/12/2013)

BOARD OF MANAGEMENT

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Friedhelm Päfgen Businessman, Unterwössen	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 Deutsche 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, 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 (until 6 December 2013, the company was merged with the parent company in Italy) • Member of the Supervisory Board of ERGO Versicherungsgruppe AG, Düsseldorf
Josef Aumiller* Industrial clerk, Unterthürheim	Chairman of the Works Council of Bausch Decor / BauschLinnemann 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 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	Chairman of the Executive Management 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 (Chairman)
Björn Ahrenkiel
Markus Kloepfer
Dr. Markus Miele

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

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

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

The Board of Management and the Supervisory Board of SURTECO SE have submitted Declarations of Compliance pursuant to § 161 sentence 1 of the Stock Corporation Act (AktG) on 23 October 2013 and 18 December 2013 and made these declarations available to shareholders on the website of the company: www.surteco.com. These declarations are intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

SURTECO HOLDINGS (at 31/12/2013)

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

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PAPER				
210	Bausch (U.K.) Limited, Burnley	United Kingdom	F	100.00	100
220	SURTECO Decorative Surfaces GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
300	Bausch Decor GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
310	Saueressig Design Studio GmbH, Mönchengladbach	Germany	E	30.00	300
320	SÜDDEKOR GmbH, Laichingen	Germany	F	100.00	220
321	SÜDDEKOR Art Design + Engraving GmbH, Willich	Germany	F	100.00	320
330	Dakor Melamin Imprägnierungen GmbH, Heroldstatt	Germany	F	100.00	220
340	SUDDEKOR Management, Inc., Agawam	USA	F	100.00	320
341	SUDDEKOR LLC, Agawam	USA	F	99.00	320
			F	1.00	340
350	Sueddekor OOO, Moscow	Russia	NC	100.00	220
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100.00	100
405	SURTECO UK Ltd., Burnley	United Kingdom	F	70.00 30.00	210 401
410	Kröning GmbH, Hüllhorst	Germany	F	100.00	401
441	BauschLinnemann North America, Inc., Greensboro	USA	F	100.00	401
443	SURTECO North America, Inc., Myrtle Beach	USA	NC	100.00	220
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

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
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., Katowice	Poland	F	100.00	520
532	Döllken CZ s.r.o., Prague	Czech Republic	F	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)

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, which is combined with the management report, for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined 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 provisions. The combined 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, April 14, 2014
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Jürgen Schumann
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, 14 April 2014

The Board of Management

Friedhelm Päfgen

Dr.-Ing. Herbert Müller

BALANCE SHEET (HGB)

(SHORT VERSION)

€ 000s	31/12/2012	31/12/2013
ASSETS		
Intangible assets	250	264
Tangible assets	286	213
Investments		
- Interest in affiliated enterprises	276,484	286,484
- Notes receivable to affiliated enterprises	24,405	24,405
- Participations	1	1
Fixed assets	**301,426**	**311,367**
Receivables and other assets		
- Receivables from affiliated enterprises	71,450	176,722
- Other assets	4,053	9,703
Cash in hand, bank balances	46,818	34,559
Current assets	**122,321**	**221,034**
Prepaid expenses	**17**	**20**
	423,764	**532,421**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	11,076	15,506
Additional paid-in capital	94,864	170,177
Retained earnings	104,183	101,327
Net profit	5,049	10,079
Equity	**215,172**	**297,089**
Tax accruals	631	631
Other accruals	1,720	2,212
Accrued expenses	**2,351**	**2,843**
Liabilities to banks	151,806	152,084
Trade accounts payable	241	735
Liabilities to affiliated enterprises	49,731	73,692
Other liabilities	4,463	5,978
Liabilities	**206,241**	**232,489**
	423,764	**532,421**

INCOME STATEMENT (HGB)

(SHORT VERSION)

€ 000s	1/1/-31/12/ 2012	1/1/-31/12/ 2013
Earnings from profit and los transfer agreements	18,038	23,652
Other operating income	1,766	1,938
Personnel expenses	-3,314	-3,609
Amortization and depreciation on intangible assets and property, plant and equipment	-140	-166
Other operating expenses	-2,104	-6,738
Investment income	734	141
Income from loans from financial assets	1,569	1,583
Interest income	-7,677	-9,175
Write-downs on investments	-451	0
Result from ordinary activities	**8,421**	**7,626**
Income taxes	-3,093	-466
Other taxes	-78	-3
Net income	**5,250**	**7,157**
Profit carried forward from the previous year	99	66
Transfer to / from retained earnings	-300	2,856
Net profit	**5,049**	**10,079**

The Annual Financial Statements of SURTECO SE have been published in the Federal Gazette (Bundesanzeiger) and filed 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 published here.

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

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 represented 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).

HYBRID PRODUCTS
This product group covers the finish foils and melamine edgings produced by the Strategic Business Unit Paper. Their applications include those for true metals, combining the technical and optical advantages of metal with the proven processing attributes of paper-based finish foils and edgings.

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.

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

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.

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

SBU
Strategic Business Unit

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

FINANCIAL CALENDAR

2014

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

2015

30 April	Annual Report 2014
15 May	Three-month report January – March 2015
26 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
29 June	Dividend payout
14 August	Six-month report January – June 2015
13 November	Nine-month report January – September 2015

PUBLICATION DETAILS

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Concept and Design	DesignKonzept, Mertingen
Photos	Ebbing + Partner, Iserlohn
	Kaloo Images, Hirschbach
	Z-Studio, Wertingen
Printing	Merkle, Donauwörth

	2004	2005	2006	2007
Sales revenues in € 000s	380,428	396,372	403,156	414,519
Foreign sales in %	61	64	64	65
Restructuring expenses in € 000s	1,329	3,871	0	0
EBITDA in € 000s	70,346	65,211	71,698	74,358
Depreciation and amortization in € 000s	-25,912	-17,765	-17,612	-19,060
EBIT in € 000s	44,434	47,446	54,086	55,298
Financial result in € 000s	-9,686	-9,890	-8,060	-8,371
EBT in € 000s	34,748	37,556	46,026	46,927
Consolidated net profit in € 000s	18,205	21,987	28,761	31,837
Balance sheet total in € 000s	362,130	370,121	373,198	516,728
Equity in € 000s	116,609	148,967	165,678	189,506
Equity ratio in %	32	40	44	37
Average number of employees for the year	1,998	2,132	2,059	2,121
Number of employees at 31/12	2,192	2,109	2,051	2,181
Capital stock in €	10,575,522	11,075,522	11,075,522	11,075,522
Number of shares at 31/12	10,575,522	11,075,522	11,075,522	11,075,522
Earnings per share in € (by weighted average of shares issued)	1.72	1.97	2.60	2.87
Dividend per share in €	0.80	0.80	1.00	1.10
Dividend payout in € 000s	8,860	8,860	11,076	12,183
PROFITABILITY INDICATORS				
Return on sales in %	9.1	9.4	11.4	11.3
Return on equity in %	17.0	15.6	18.4	15.8
Total return on total equity in %	12.3	12.8	14.7	11.1

2008	2009	2010	2011	2012	2013
402,984	341,145	388,793	408,809	407,720	404,059
66	64	67	67	69	70
7,297	0	0	0	0	0
56,828	54,317	62,547	56,116	51,699	59,942
-19,731	-19,892	-20,934	-21,099	-22,045	-22,636
37,097	34,425	41,613	35,017	29,654	37,306
-21,320	-16,860	-9,520	-12,089	-8,463	-9,175
15,777	17,565	32,093	22,928	21,191	28,131
6,754	9,239	21,754	12,484	15,028	21,899
490,073	481,676	480,996	482,135	467,250	626,467
180,516	191,815	212,969	216,504	223,178	311,047
37	40	44	45	48	50
2,194	1,979	1,990	2,050	1,994	2,154
2,137	1,903	2,003	2,005	1,967	2,702
11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	15,505,731
11,075,522	11,075,522	11,075,522	11,075,522	11,075,522	15,505,731
0.61	0.83	1.96	1.13	1.36	1.86
0.35	0.40	0.90	0.45	0.45	0.65*
3,876	4,430	9,968	4,984	4,984	10,079
3.9	5.1	8.2	5.6	5.3	6.9
3.8	4.9	10.8	5.9	6.9	7.3
6.0	6.2	8.9	6.8	6.6	6.0

* Proposal by the Board of Management and Supervisory Board

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