SURTECO

SOCIETAS EUROPAEA

15

ANNUAL REPORT 2015

AMERICA

Agawam
Brampton
Chihuahua
East Longmeadow
Greensboro
Myrtle Beach
Santiago

EUROPE

Angers
Burnley
Gislaved
Istanbul
Madrid
Moscow
Prague
Sosnowiec
Venice

ASIA / OCEANIA

Batam
Brisbane
Melbourne
Perth
Singapore
Sydney
Tokyo

SURTECO WORLDWIDE

- 20 production and sales locations
- 15 additional sales locations

GERMANY

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

AT A GLANCE
SURTECO SE

[€ million]	2014	2015	Δ %
Sales revenues	618.5	**638.4**	+3
Foreign sales in %	72	**72**	
EBITDA	62.8	**65.0**	+3
EBITDA margin in %	10.2	**10.2**	
Depreciation and amortization	-35.2	**-33.8**	
EBIT	27.6	**31.1**	+13
EBIT margin in %	4.5	**4.9**	
Financial result	-5.3	**-4.3**	
EBT	22.3	**26.8**	+20
Consolidated net profit	18.5	**17.7**	-4
Earnings per share in €	1.19	**1.14**	-4
Number of shares	15,505,731	**15,505,731**	
Additions to fixed assets	29.2	**31.6**	
Balance sheet total	636.7	**656.1**	+3
Equity	321.1	**334.9**	+4
Equity ratio in %	50.4	**51.0**	+0.6 pts.
Net financial debt at 31 December	145.8	**126.6**	-13
Level of debt at 31 December in %	45	**38**	-7 pts.
Average number of employees for the year	2,682	**2,727**	+2
Number of employees at 31 December	2,705	**2,695**	-

PROFITABILITY INDICATORS IN %

Return on sales	3.6	**4.2**
Return on equity	6.0	**5.5**
Total return on total equity	5.1	**5.5**

SALES DISTRIBUTION

2015 IN %

SURTECO GROUP

Germany	28
Rest of Europe	44
America	20
Australia	4
Asia	3
Other	1

Edgebandings	30
Foils	23
Decorative printing	16
Impregnated products/ Release papers	17
Skirtings	7
Technical extrusions	3
Other	4

STRATEGIC BUSINESS UNIT PAPER

Germany	27
Rest of Europe	48
America	22
Asia	2
Other	1

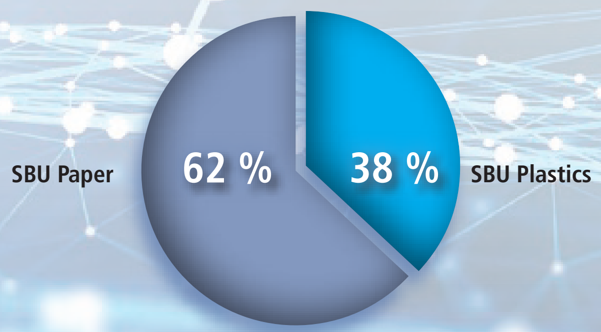
Decorative printing	27
Foils	31
Impregnated products/ Release papers	27
Edgebandings	13
Other	2

STRATEGIC BUSINESS UNIT PLASTICS

Germany	30
Rest of Europe	37
America	18
Australia	10
Asia	5

Edgebandings	59
Skirtings	19
Foils	10
Technical extrusions	7
Other	5

PERCENTAGE OF TOTAL SALES



VISION

SURTECO was created from a merger of complementary German companies with an aggregated total of EXPERIENCE in the manufacture of decorative furniture surfaces and related products spanning MORE THAN 400 YEARS. The SURTECO Group went on to develop as an international group through the foundation and acquisition of companies in Germany and other countries with the objective of meeting the needs of customers throughout the world. People come into contact with our products on a daily basis.

Our vision is TO ENRICH THE LIVES OF PEOPLE THROUGH DESIGN AND FUNCTIONALITY. We achieve this as a leading company for INTERDISCIPLINARY SYSTEM SOLUTIONS AND SERVICE PACKAGES. This aspiration combined with the passion of our workforce is empowering us to expand our service offerings and ideas in existing and new markets on the basis of sustainable profitability.

SURTECO SE
ISIN: DE0005176903
Ticker symbol: SUR

PRODUCT *RANGE*

Skirtings

Finish foils based on paper and plastics

Decorative printing

Technical extrusions for industry

Impregnated products

Release papers

Skirtings

Release papers

Impregnated products

Finish foils based on paper and plastics

Technical extrusions for industry

Decorative printing

Roller shutter systems

Edgebandings based on paper and plastics

CROSS CULTURE

DESIGN*VISION*

One-stop shop for design expertise. This is the hallmark of SURTECO. Perfectly matched DECORATIVE DESIGNS TO THE MOST EXACTING STANDARDS OF QUALITY PROVIDE AESTHETIC APPEAL IN ALL AREAS OF DAILY LIVING. These environments range from surfaces to edgings and from floor to ceiling.

VISUAL APPEAL AND ACCOMPANIED BY OUTSTANDING TECHNICAL CHARACTERISTICS.

This is the way to create a surface in a living area. SURTECO defines benchmarks for refinement of decorative surfaces based on experience and highly innovative approaches.

FUNCTIONALITY

Functional

Edgebandings
based on plastics

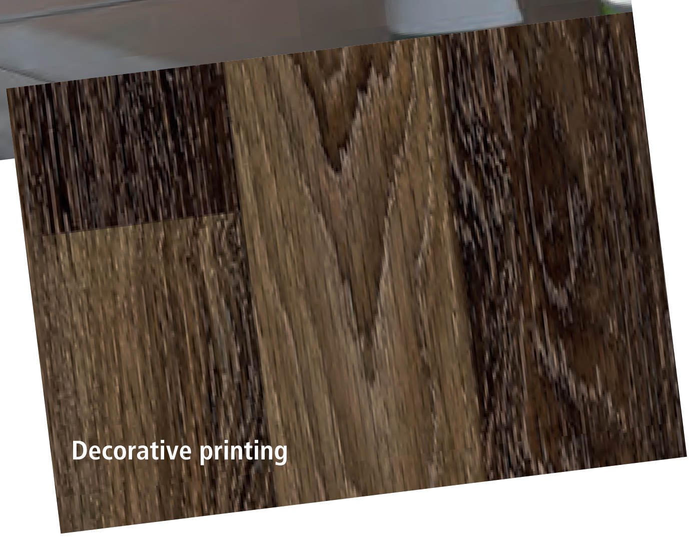
Finish foils
based on plastics

SURTECO supplies products that are used in all areas of life including living spaces, bathrooms and bedrooms, in the workplace and in dining areas. This unique product diversity creates the foundation stone FOR THE EXPERTISE OF A COMPREHENSIVE SYSTEM PROVIDER.

SYSTEM*SOLUTION*

Edgebandings based on paper

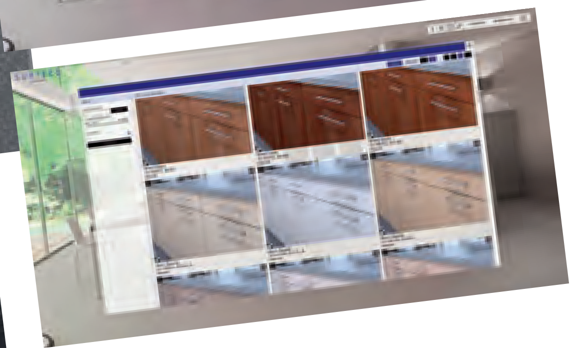
Finish foils



Decorative printing

INTERNATIONAL

SURTECO has a GLOBAL PRESENCE AND EXPERIENCE OVER MANY DECADES to provide an expert partner in the sector. The group of companies is building on this foundation and intends to consistently expand the service offerings for HOLISTIC CUSTOMER SUPPORT.



SERVICE OFFERINGS

The key to the success of our vision lies in the expertise and passion of the people working in our companies. SURTECO creates the platform for our future with well-designed VOCATIONAL TRAINING, PROJECTS ON STAFF SATISFACTION AND HEALTH, and attractive packages for CAREER TRAINING.

PEOPLE

SOCIAL COMMITMENT

COMPANY MANAGEMENT

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

Dr.-Ing. Jürgen Großmann
Chairman
Shareholder of the GMH Group, Hamburg

Björn Ahrenkiel
Vice Chairman
Lawyer, Hürtgenwald

Dr. Markus Miele
Deputy Chairman
Industrial engineer, Gütersloh

Dr. Matthias Bruse
Lawyer, Munich (until 26 June 2015)

Horst-Jürgen Dietzel
Employee Representative
Vice Chairman of the Works Council, Laichingen (until 29 February 2016)

Markus Kloepfer
Managing Director of alpha logs GmbH, Essen

Jens Krazeisen
Employee Representative
Chairman of the Works Council, Buttenwiesen-Pfaffenhofen (since 1 March 2016)

Christa Linnemann
Honorary Chairwoman
Businesswoman, Gütersloh

Wolfgang Moyses
Chairman of the Board of Management of SIMONA AG, Munich (since 26 June 2015)

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 (until 30 June 2015)

Dr.-Ing. Herbert Müller
Chairman, since 1 July 2015
SBU Plastics
Engineer, Heiligenhaus

Dr.-Ing. Gereon Schäfer
SBU Paper
Engineer, Kempen (since 1 April 2015)

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

SBU 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 Wolfgang Breuning
DÖLLKEN SP. Z O.O. Sosnowiec, Poland	Rafael Pospiech
DÖLLKEN CZ S.R.O Prague, Czech Republic	Jan Vitu
SURTECO USA INC. Greensboro	Tim Valters
SURTECO CANADA LTD. Brampton/Ontario	Tim Valters
CANPLAST SUD S.A. Santiago de Chile	Raimundo Undurraga
GISLAVED FOLIE AB Gislaved, Sweden	Per Gustafsson
SURTECO OOO Moscow, Russia	Rashid Ibragimov

SBU PAPER

SURTECO DECOR GMBH Buttenwiesen-Pfaffenhofen	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns Ralf Schuler
BAUSCHLINNEMANN GMBH Sassenberg	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns Ralf Schuler
KRÖNING GMBH Hüllhorst	Wolfgang Gorißen
SURTECO UK LTD. Burnley	David Flemming Kim Hughes
BAUSCHLINNEMANN NORTH AMERICA INC. Myrtle Beach, USA	Mike Phillips Bernhard Düpmeier
SURTECO ITALIA S.R.L. Martellago	Marco Francescon
DAKOR MELAMIN IMPRÄGNIERUNGEN GMBH Heroldstatt	Dr.-Ing. Gereon Schäfer Reinhold Affhüppe Dieter Baumanns Ralf Schuler
SÜDDEKOR ART DESIGN + ENGRAVING GMBH Willich	Bernd Poliwoda Dieter Baumanns
SÜDDEKOR LLC Agawam, USA	Mike Phillips Bernhard Düpmeier

THE BRANDS OF SURTECO GROUP

SURTECO DECOR

DÖLLKEN

BauschLinnemann

CANPLAST

GISLAVED FOLIE AB

Kröning

Praktikus

SÜDDEKOR

DAKOR

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FOREWORD BY THE BOARD OF MANAGEMENT

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

Dr.-Ing. Gereon Schäfer
Member of the Board of Management
Strategic Business Unit Paper

DEAR SHAREHOLDERS AND FRIENDS OF SURTECO SE

In 2015, we experienced an eventful year, and the second half of the business year was particularly turbulent. However, at the close of the year, we had achieved an increase in our sales revenues of around € 20 million and a significant increase in the pretax result compared with the previous year. Yet at the beginning of the year, we had set our sights on much more ambitious targets for earnings performance.

We devoted significant resources to the project involving the merger of our decorative printing activities and their concentration at our Buttenwiesen site. The negotiations with representatives of the workforce and unions relating to the framework conditions extended over a longer period than originally anticipated. In the course of these discussions, we were able to start relocating the plant and equipment in April. The relocation of the technical facilities proceeded according to plan, although the need for additional unplanned refurbishment measures emerged. Furthermore, far fewer employees than originally anticipated were prepared to accept our offer of a relocation package. These circumstances compelled us to correct our ambitious earnings targets in the middle of the year.

However, the original targets and expectations we are continuing to pursue through this project have not changed at all. When we took over the Süddekor companies, we were immediately able to expand and consolidate our market position in decorative printing as we advanced from being a niche manufacturer to becoming a leading global provider. Initial synergies in joint procurement have already been realized, even though they have been effectively neutralized as a result of the steep increases in prices for raw materials. Further potential for synergies will be exploited on the basis of efficiency enhancement and gradual reduction of the surplus personnel in the decorative printing segment owing to integration in the second half of 2016.

Moreover, we have now defined the trajectory for the sustainable growth of our company beyond the confines of the integration project. As a result, the organizational structure of the Group has been streamlined. Expansion of the plant capacity in East Longmeadow/USA has enabled us to sell the location in Biscoe/USA. The production facilities benefited from investments.

The measures we have taken already started to reap successes in operating business during the business year under review. It is particularly gratifying that organic growth in the plastics line, alongside foreign business with plastic edgebandings, was largely driven by new products which were developed over the past two years in the skirting sector. The Strategic Business Unit Plastics therefore succeeded in outperforming its sales and earnings forecasts from the previous year.

A frequently asked question is whether conventional print production is still to be considered contemporary in times of digitisation, and we are able to proudly answer that alongside analogue machines, we have been using digital production for many years in both business units. This operates in shifts and demonstrates its exceptional versatility with small-batch orders. Furthermore, we have already initiated appropriate investments for large-scale digital production in the paper segment, and this places us in the position of being able to identify the optimum solution for us and our customers from the range of production options available.

At the year-end, the SURTECO Group had generated a sales increase of 3 % to € 638.4 million in the business year 2015. EBIT amounted to € 31.1 million, after a year-earlier result of € 27.6 million and a rise in pretax earnings by 20 % to € 26.8 million. The shareholders of the company are entitled to participate appropriately in this positive development. In conjunction with the Supervisory Board, we are therefore going to submit a proposal to the Annual General meeting to be held in Munich on 30 July 2016 that a resolution should be passed to approve a further dividend increase of € 0.10 to € 0.80 per share. This corresponds to an increase in dividend by 14 %.

We would like to take this opportunity to thank all our shareholders, customers and business partners for the trust they have placed in us. However, most importantly, our very special thanks are extended to our employees for their tireless commitment and the high level of their dedication to SURTECO.

REPORT OF THE SUPERVISORY BOARD

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

DEAR SHAREHOLDERS,

In the business year 2015, 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 risk management. The economic situation presented in the reports by the Board of Management and the development perspectives of the Group, the individual business areas and the important participations in Germany and abroad, as well as the general economic environment were the subject of careful and detailed discussion in the Supervisory Board. Resolutions were adopted as far as this was necessary in compliance with statutory regulations or the Articles of Association.

The Supervisory Board convened for a total of four meetings during the course of the business year 2015. 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 2015, the Supervisory Board 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 and raw material prices, as well as 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.

In 2015, the Supervisory Board also engaged with integration of the Süddekor companies acquired in 2013 and addressed overall the future direction of the decorative printing business. The issues under discussion included in particular the relocation of printing activities from Laichingen to Buttenwiesen-Pfaffenhofen, the order backlog and the associated business administration measures, including their impacts on planned budget calculations for the upcoming business years. In this connection, a report was provided on the conclusion of the social compensation package and a reconciliation of interests with the employee representatives and unions of the former Süddekor GmbH. The Chairman of the Supervisory Board was also in continuous contact with the Board of Management and was informed on an ongoing basis about progress of the integration and the merger process. As far as necessary, the Supervisory Board approved the necessary measures relating to this issue.

The Supervisory Board also addressed the reports provided by the Board of Management on investments in the Group companies in particular to comply with environmental regulations.

During the reporting year 2015, the Supervisory Board once again discussed 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 2015.

The plans (budget and investment plan) submitted by the Board of Management for the business year 2016 were discussed, reviewed and adopted by the Supervisory Board at its meeting held on 22 December 2015.

At its meeting held on 22 October 2015, the Supervisory Board also amended the Rules of Procedure for the Board of Management dealing with the business allocation plan following the personnel changes on the Boards of Management and passed a resolution adopting the amended rules.

The medium and long-term 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 2015, the Supervisory Board adopted the proposals for the agenda of the Ordinary General Meeting 2015.

At its meeting held on 26 June 2015, the Supervisory Board defined target parameters for the proportion of women on the Supervisory Board and on the Board of Management pursuant to § 115 Section 5 of the Stock Corporation Act in the version of the Act for Equal Participation of Women and Men in Management Positions in Private Enterprise and Public Service dated 24 April 2015 (Federal Law Gazette (BGBl) 2015 I, pp. 642 ff.). At the same time, the Supervisory Board established the period up until 30 June 2017 for the attainment of these targets. The Board of Management defined corresponding target parameters for the subordinate management tiers of the company, and reported on this to the Personnel Committee of the Supervisory Board.

COMPENSATION FOR THE BOARD OF MANAGEMENT

At the meeting of the Supervisory Board held on 23 April 2015, the variable compensation elements of the Members of the Board of Management for the business year 2014 were agreed. Moreover, the pro rata bonuses for the business year 2015 of the Chairman of the Board of Management Friedhelm Päfgen, who stepped down in the middle of the year, were defined during the meeting of the Supervisory Board held on 26 June 2015. This enabled all the claims arising from his contract of service to be calculated promptly when his employment came to an end.

PERSONNEL DECISIONS BY THE SUPERVISORY BOARD

At the end of 2014, the Supervisory Board reappointed Dr.-Ing. Herbert Müller, and appointed Dr.-Ing. Gereon Schäfer with effect from 1 April 2015 as Members of the Board of Management. At the same time, Dr.-Ing. Herbert Müller was appointed as Chairman of the Board of Management with effect from 1 July 2015. At its meeting on 23 April 2015, the Supervisory Board approved the conclusion of the contracts of service for the two Members of the Board of Management and authorized the Chairman of the Supervisory Board to sign the contracts accordingly.

ESTABLISHMENT OF THE COMPENSATION FOR THE AUDIT COMMITTEE

At its meeting on 22 December 2015, the Supervisory Board defined the compensation for the members of its Audit Committee pursuant to § 12 Section 3 of the Articles of Association at a total amount of € 32,000.00 plus sales tax, which does not breach the upper limit of € 40,000.00 defined in the Articles of Association. The amount of € 32,000.00 was allocated to the individual members of the Audit Committee on the basis of their respective time commitment.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

The periods of office of the Members of the Supervisory Board Dr.-Ing. Jürgen Großmann, Dr. Markus Miele and Dr. Matthias Bruse in each case ended with the conclusion of the ordinary Annual General Meeting for the year 2015. The Annual General meeting held on 26 June 2015 confirmed Dr.-Ing. Jürgen Großmann and Dr. Markus Miele in their positions and elected Mr. Wolfgang Moyses as a Member of the Supervisory Board to succeed Dr. Matthias Bruse.

At its meeting held on 26 June 2015, the Supervisory Board re-elected Member of the Supervisory Board Dr.-Ing. Jürgen Großmann as the Chairman of the Supervisory Board, and Dr. Markus Miele as the Deputy Chairman. Furthermore, Member of the Supervisory Board Dr. Miele was appointed to the Personnel Committee as the replacement for Dr. Matthias Bruse, who had stepped down. Dr. Bruse had also been a member of the Audit Committee until 26 June 2015, but no replacement for him was appointed since according to the Rules of Procedure for the Supervisory Board, the Audit Committee must be comprised of at least three members, and the Audit Committee has a full complement of members with Mr. Björn Ahrenkiel (Chairman), Dr.-Ing. Jürgen Großmann and Dr.-Ing. Walter Schlebusch. The addition of a fourth member is currently not necessary for the effective fulfilment of the committee's functions.

There were no other changes of personnel in the Supervisory Board during the year under review.

WORK OF THE COMMITTEES

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

The Presiding Board of the Supervisory Board prepares the resolutions of the Supervisory Board if they relate to measures requiring the consent of the Supervisory Board. In urgent cases, the Rules of Procedure permit the Presiding Board to take the place of the Supervisory Board and grant consent to specific measures or transactions requiring approval. The Presiding Board did not need to meet during the period under review.

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 and from time to time the other members of the committee were in regular contact with the Board of Management and the auditors. The Chairman of the Audit Committee kept the other Members of the Audit Committee informed about individual issues in writing. The Audit Committee was convened twice during the course of the business year and held one meeting 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 three meetings 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 2014 (and for Mr. Friedhelm Päfgen on account of his stepping down in the middle of the year also pro rata for the business year 2015) and drew up appropriate proposals for resolutions, and resolutions were passed by the plenary Supervisory Board at the meetings of the Supervisory Board.

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 2015 and also took account of the amendments to the German Corporate Governance Code made on 5 May 2015. 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 be carried out in a two-year cycle, i.e. for the business years 2014 and 2015 at the end of 2015, and for the business years 2016 and 2017 at the end of 2017.

On 22 December 2015, 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 2015 were prepared on the basis of the International Financial Reporting Standards (IFRS). The Board of Management submitted to the Supervisory Board the Annual Financial Statements, and the Consolidated Financial Statements and the Management Report and the Consolidated Management Report with its recommendation for the appropriation of the net profit to be submitted to the Annual General Meeting. The auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO SE, as well as the Management Report and the Consolidated Management Report and granted each of the documents an unqualified audit opinion. The Annual Financial Statements and Management Report, and the Consolidated Financial Statements and the Consolidated Management Report, and the audit reports of the auditor, and the recommendation for the appropriation of the net profit were submitted punctually to all the Members of the Supervisory Board. Intensive discussions were carried out in the Audit Committee meeting and at the Balance Sheet Meeting of the Supervisory Board held on 28 April 2016 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 € 0.80 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 2016 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 2015.

Buttenwiesen-Pfaffenhofen, in April 2016.

The Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman

SUMMARY MANAGEMENT REPORT 2015

SURTECO GROUP AND SURTECO SE

BASIC PRINCIPLES OF THE GROUP

OVERVIEW

The SURTECO Group (hereinafter also referred to as SURTECO) comprises a Grope of mutually complementary companies which have primarily specialized in the manufacture of decorative surface coatings. SURTECO SE serves within this structure as the controlling holding company. The manufactured products of the SURTECO Group are mainly used in the international flooring, wood-based and furniture industry, as well as by carpenters and artisan businesses. The products are generally used to coat wood-based materials such as chipboard and fibreboard. These materials thereby gain their final surface with an appealing visual profile and the desired technical properties such as chemical resistances or haptic textures. SURTECO also offers an appropriate supplement for flooring requirements, with skirtings for professional floorlayers, and for the retail and professional sectors of the interior-design industry. However, technical extrusions (profiles) made of plastic are also supplied for all industrial sectors, roller-shutter systems for furniture and retail product groups related to all aspects of flooring are included in the product range of the SURTECO Group.

Paper and plastics-based edgebandings are the product generating the strongest sales in the group of companies, and SURTECO enjoys the status of leading supplier worldwide in this segment. This manufactured product is used to refine the narrow edges and the cut edges of wood-based boards. The offering ranges from paper-based edgebandings – also known as melamine edgebandings – in different versions for straight and profiled narrow edges and door rebates, through to thermoplastic edgebandings which are manufactured from a range of different plastics tailored to the area of application. Since SURTECO manufactures edgebandings from plastics 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.

SURTECO also ranks as one of the world's leading suppliers in the product area of finish foils. These are used for coating large areas of wood-based materials and therefore play a major role in the visual and haptic appraisal of the finished products, such as items of furniture or panelling. Just as in the case of edgebandings, SURTECO's offering includes finish foils based on specialist technical papers and formed with plastics. Finish foils based on paper are supplied in two different versions with fully impregnated and pre-impregnated materials. Fully impregnated finish foils are saturated in a resin bath within the Group and subsequently dried, whereas the raw paper for pre-impregnates has already been impregnated at the paper manufacturer. SURTECO seals both versions with a layer of lacquer and if it is required refines the surface with haptic textures depending on the design version. Finish foils based on paper are typically used to manufacture furniture for living areas, bedrooms and teenage settings. They are also used for profile wrappings and for the manufacture of panellings. Plastic foils from SURTECO are also used to cater for special applications, such as interior design for ships, or for furniture surfaces requiring particularly hard-wearing properties.

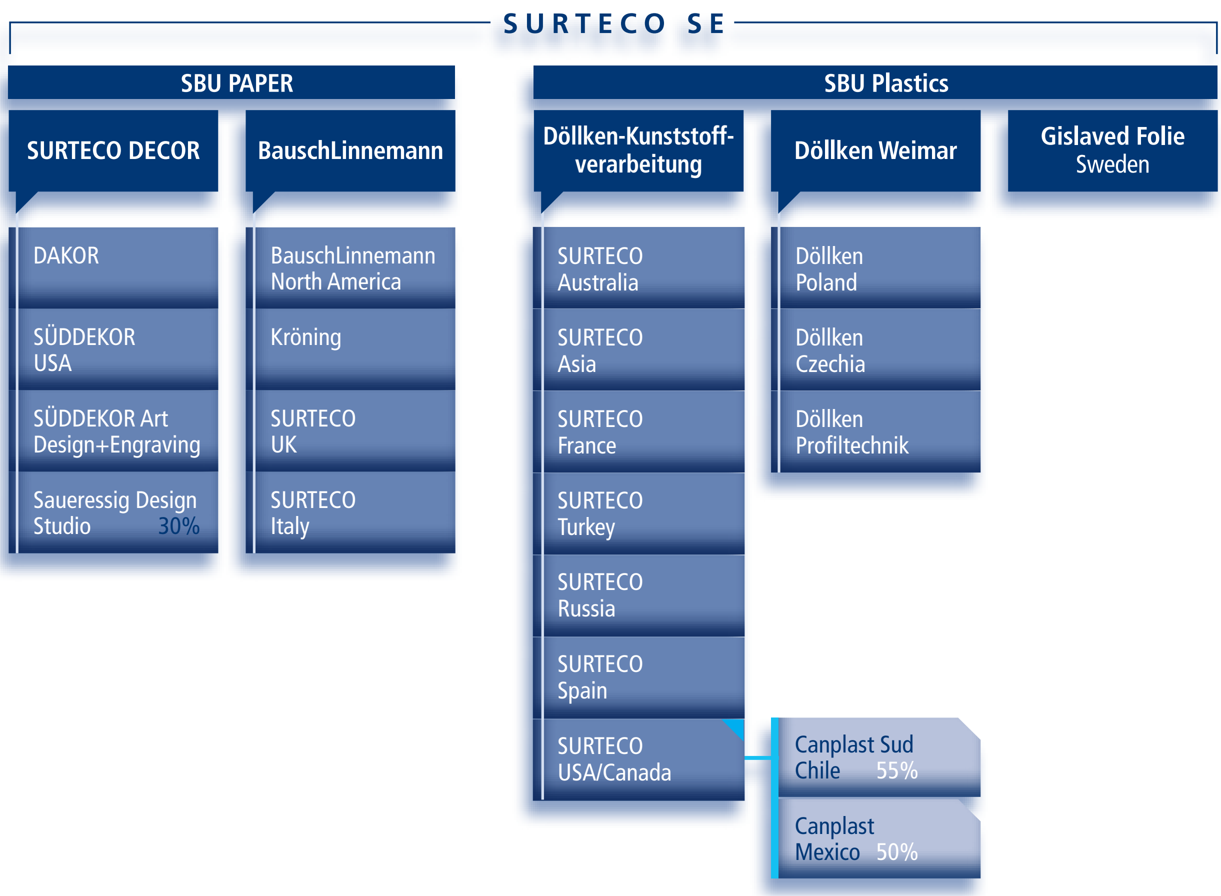
SURTECO also ranks among the biggest international suppliers in the product segment decorative papers. These specialist papers are printed with decorative designs and they are used as a material for providing a decorative finish. These papers are used within the Group for the manufacture of finish foils and impregnates. These products are also supplied directly to customers from the flooring, furniture and wood-based materials industry. New decorative textures are created every year in collaboration with the Group's in-house design studio. This steady stream of new designs complements the Group's existing very comprehensive collection of wood, stone and creative decor designs. The

company produces the printing cylinders necessary for production in-house, and also some of the printing inks and lacquers.
Impregnates from SURTECO are used alongside the finish foils to put coatings on large areas of wood-based materials, although they only receive their final surface in the compression stage at the manufacturer of the refined product. The base is formed by the printed decor paper which is impregnated, dried and cut to different formats. The product range is mainly used for surfaces subject to particularly heavy-duty usage, such as laminate flooring or worktops. SURTECO's product portfolio also includes release papers, which are required for the compression of impregnates. This product forms a protective layer between the impregnate and the hot pressed board. It can additionally be used to give the melamine surface the desired texture.
SURTECO manufactures high-quality floor-edgings and skirtings for the specialist flooring and wholesale trade. These are either made entirely of plastics or they are wrapped with a wood-fibre core in a special three-part extrusion process. These products are mainly used by professional floorlayers. SURTECO also produces plastic skirtings especially for trade and industry in the interior design sector. They are then marketed together with commercial products as a complete product range. SURTECO also has a long track record in the manufacture of a wide range of extrusion products for interior design, for roller-shutter systems for furniture, and for a wide range of different industrial applications.
The Group markets its products by direct sales or through the Group's own sales locations, and it also has a dense network of dealers and agents on all continents of the world. The Group is increasingly using e-commerce as a sales channel. The most important sales markets for the SURTECO Group include Germany, Europe and North America. Production and sales facilities in Europe, North and South America, Australia and Asia ensure reliable and fast production tailored to the target market.

INTERNAL CORPORATE CONTROLLING SYSTEM

Central controlling for the Group is carried out by the holding company SURTECO SE with registered office in Buttenwiesen-Pfaffenhofen near Augsburg, Germany. The holding company implements strategic planning and controlling, group-wide finance, investment and risk management, human resources strategy, Group accounting and investor relations activities. The individual subsidiary companies of the Group manage their business independently on the basis of group-wide parameters. The subsidiaries are organized in the Strategic Business Units (SBU) Paper and Plastics in line with the base materials used. The companies of the SBU Paper manufacture products based on specialist technical papers for the furniture and flooring industries, and for interior design. These include finish foils, decorative papers, edgebandings, impregnates and release papers. The companies of the SBU Plastics manufacture the majority of their products by extruding and calendaring plastics. The product range of this business unit includes plastic edgebandings, skirtings, technical extrusions (profiles) and roller-shutter systems, plastic foils and many other products made of plastic for interior design, and for artisan and trade applications.
The corporate structure within SBU Plastics was simplified during the year under review. Döllken-Kunststoffverarbeitung GmbH, Gladbeck, was merged with W. Döllken & Co. GmbH, Gladbeck, and this change was entered in the commercial register on 25 June 2015. The entry in the commercial register on 26 May 2015 merged Döllken-Weimar GmbH, Nohra, with W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Gladbeck. Since then, Döllken-Kunststoffverarbeitung GmbH and Döllken-Weimar GmbH have been wholly owned subsidiary companies of SURTECO SE (-> Operating Group Structure).
Sales revenues and earnings before financial result and income tax (EBIT) are the most important financial controlling parameters for the SURTECO Group and the Strategic Business Units. In the business year 2015, the pre-tax result (EBT) was still used as the financial controlling parameter. However, the Group management decided to use EBIT as the financial controlling parameter in future instead of EBT, on account of the volatility of exchange rates and the resulting unforeseen fluctuations in the financial result. The year-on-year comparison is still carried out in this Annual Report on the basis of EBT. At Group level alone, the 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 define threshold values which the Group does not intend to exceed or fall short of. Compliance or non-compliance with these "covenants" is monitored, and reports are regularly submitted. Non-financial controlling parameters are not used as key controlling parameters at Group level or within the Strategic Business units.
Financial and non-financial performance indicators play a subordinate role for SURTECO SE as an individual company. Compliance with statutory requirements is not affected.

OPERATING GROUP STRUCTURE



STRATEGIC BUSINESS UNIT PAPER

The SBU Paper comprises SURTECO DECOR GmbH and BauschLinnemann 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 facility in Buttenwiesen has focused entirely on the manufacture 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 North America, Inc., Myrtle Beach, produces and sells products specially tailored to the North American market. Semi-finished products are delivered to the sales companies located in the United Kingdom, SURTECO UK Ltd., Burnley, and in co-operation with the SBU Plastics in Italy (SURTECO Italia s.r.l., Martellago) and Russia (SURTECO OOO, Moscow). They are then finished to customers' specific orders and supplied there.

SURTECO DECOR GmbH will take over the manufacture of decor papers in Germany at its main site in Buttenwiesen and by the end of 2015 at the facility in Laichingen. Finish foils and release papers are also produced here. The subsidiary company SUDDEKOR LLC, Agawam, carries out production of decor papers in the USA and also maintains one production site there for impregnates in East Longmeadow. Another production site for impregnates in Biscoe was sold on 26 January 2015. Dakor Melamin Imprägnierungen GmbH based in Heroldstatt carries out the manufacture and sale 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, and for in-house production of printing inks. The expertise of Saueressig Design Studio GmbH, Mönchengladbach, is also available and SURTECO DECOR has a 30 % shareholding in this company.

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

STRATEGIC BUSINESS UNIT PLASTICS

The SBU Plastics includes Döllken-Kunststoffverarbeitung GmbH, Döllken-Weimar GmbH, each with their subsidiary companies,* and Gislaved Folie AB in Sweden.

Döllken-Kunststoffverarbeitung GmbH and its subsidiary companies have specialized in the production and marketing of plastic edgebandings. Manufacture is carried out at the main production facility in Gladbeck, as well as in the USA (SURTECO USA Inc., Greensboro), in Canada (SURTECO Canada Ltd., Brampton), in Australia (SURTECO Australia Pty Limited, Sydney) and Indonesia (PT Doellken Bintan Edgings & Profiles, Batam). The subsidiary company of SURTECO Canada Ltd. in Santiago, Chile (Canplast SUD S.A.), is responsible for the production and sale of plastic edgebandings in South and Central America. Another sales location of SURTECO Canada Ltd. in Mexico (Canplast Mexico S.A. de C.V., Chihuahua) operates as a joint venture to provide comprehensive support for the markets on the American continent. The subsidiary companies of Döllken-Kunststoffverarbeitung GmbH also act as sales companies in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S., Beaucouzé), Spain (SURTECO Iberia S.L., Madrid), Turkey (SURTECO DEKOR A. Ş., Istanbul) and – in cooperation with the SBU Paper – in Italy (SURTECO Italia s.r.l., Martellago) and Russia (SURTECO OOO, Moscow) for global delivery.

Döllken-Weimar GmbH based in Nohra and its subsidiary in Bönen manufacture floor strips and skirtings as well as wall edging systems for professional floorlayers, and for trade and industry in the interior design sector. The accessories and other products required for laying the products relating to all aspects of flooring are also supplied as product ranges for resale. The company maintains sales locations in Poland (Döllken Sp. z o.o., Sosnowiec) and the Czech Republic (Döllken CZ s.r.o., Prague). The subsidiary company Döllken-Profiltechnik GmbH in Dunningen manufactures technical extrusions (profiles) for a wide range of industrial applications and for furniture roller-shutter systems.

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 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

Robust global Growth

In 2015, the global economy grew by 3.1 % according to reports from the International Monetary Fund (IMF). In its forecast issues in January 2015, the IMF still assumed growth of 3.5 %, but corrected the expectations downwards a number of times. The reasons for this were uncertainties about the deteriorating economy in China, the burdens placed on a number of world regions on account of the sharp fall in the prices for raw materials, and the possible end to further quantitative easing measures put in place by the central banks. According to the latest forecast, the developed economies succeeded in posting a slight increase in development compared with 2014 from +1.8 % to +1.9 %. By contrast, the expansion in the emerging economies and developing countries experienced a significant drop from +4.6 % to just +4.0 %.

If we take a look at the most important economic regions, the US economy has been posting robust growth of 2.5 %. The eurozone has been benefiting from the weakness of the euro and the low price of oil, and generated an increase of 1.5 %. At the same time, development of the most important EU nations uniformly presented some upside:

ECONOMIC GROWTH FOR 2015 IN %

World	+3.1
Germany	+1.5
Eurozone	+1.5
Central and Eastern Europe	+3.4
USA	+2.5
Latin America	-0.3
Asia	+6.6

Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2016.

Germany (+1.5 %), France (+1.1 %), Italy (+0.8 %) and Spain (+3.2 %). Although China's economy still demonstrated comparatively high growth of 6.9 %, the growth dynamic was again substantially below the year-earlier figure of 7.3 %. The other BRIC states recorded varying development. Brazil's economy is lingering in a deep recession with -3.8 %, in common with the Russian economy (-3.7 %). By contrast, the economic output of India again underwent significant expansion by 7.3 % in 2015.

Furniture industry benefited from a good climate of consumption and a favourable euro in 2015

Companies in the furniture and wood-based industries are the most important customers for the SURTECO Group. The associations of the German wood and furniture industries (HDH and VDM) declared themselves very satisfied in view of an estimated increase in total annual sales amounting to 5 % for the German furniture industry in 2015. These values were significantly up on the values forecast at the beginning of 2015.

This positive trend was propelled by good development of domestic demand and by the fact that exports continued to gather pace. According to the figures available at the beginning of 2016 for the last ten months of the previous year, sales revenues for manufacturing operations were markedly about the year-earlier level with an increase of 5.4 % to € 14.4 billion, and significantly in excess of the expectations of the industry even still at the beginning of 2015. The figures demonstrated that the kitchen furniture industry had experienced above-average sales growth of 6.1 %, while office furniture had only succeeded in achieving a modest increase of 1.6 %. Robust domestic growth in the construction sector was a particularly positive feature of this development. Sales with home and other furniture increased by 4.3 %, although growth for the classic home furniture relevant for SURTECO lagged significantly behind.

Exports benefited primarily from the weakness of the euro and were 5.6 % above the comparable year-earlier values. Demand was particularly high in the non-euro countries of the USA (+23.9 %), Switzerland (+8.7 %) and the United Kingdom (+9.2 %).

SALES AND BUSINESS PERFORMANCE

Sales slightly above previous year Relocation project puts brake on decor paper business

The development of sales for the SURTECO Group in 2015 was significantly impacted by the concentration of decorative printing activities in Germany. In 2015, this relocation project resulted in extended delivery times for decorative prints, and as a consequence sales of decor papers eased significantly compared with the previous year. Against the background of stable demand across virtually all other product groups, and robust framework conditions in the most important sales markets, the Group companies succeeded in overcompensating for the reduced sales generated by decorative printing and increased sales revenues overall by € 19.9 million compared with the previous year. Group-wide domestic business consequently increased slightly by 1 % to € 177.8 million compared to the previous year. Conversely, sales in Europe (not including Germany) eased by 3 % owing to the difficult political and economic conditions, particularly in Russia and Turkey. Business in North America underwent very gratifying development with an increase of 26 % in sales compared with the previous year. Although this strong rise was supported by positive currency effects, a significant increase in business was also recorded in local currency. In Australia, increased sales activities and robust demand led to organic growth in sales of 10 % on this continent, whereas the market in

Asia fell back by 8 %. Although direct business in China only plays a subordinate role for SURTECO, the significant weakening of dynamic business growth in China impacted on the entire Asian region during the year under review. Overall, the SURTECO Group generated a slight increase in sales of 3 % to € 638.4 million (2014: € 618.5 million) during the business year 2015, in line with the forecast from the previous year. The foreign sales ratio remained unchanged at 72 % compared with the previous year.

STRATEGIC BUSINESS UNIT PAPER:

Focus on merger of the German decorative printing activities

In the business year 2015, the strategic focus of the paper segment was on the concentration of decorative printing activities at the Buttenwiesen location in the course of integrating the Süddekor companies acquired at the end of 2013. Although this concentration was already agreed in 2014, the implementation could not be started until after agreement had been reached with the representatives of the employees concerning the framework conditions for the relocation. The integration process involved the printing machines based at the location in Laichingen gradually being relocated and re-established at the Buttenwiesen site, starting in April 2015. By the end of the business year 2015, all five of the planned printing machines had been successfully relocated. Four of these machines had started up production again at the new site by 31 December 2015. The last machine restarted production at the end of January 2016. Although the technical aspects of this relocation went according to plan, the ramp-up of production experienced unforeseen difficulties since fewer employees than expected were prepared to move their workplace from Laichingen to the plant in Buttenwiesen located approximately 100 kilometres away. This led to an increase in personnel of 49 employees in the business year 2014 and to a further increase of 169 employees in 2015. Overall, it entailed the core workforce at the Buttenwiesen location increasing by more than double. Although significant measures were undertaken to give the workforce the necessary training, capacity bottlenecks could not be avoided and this led to a fall in sales revenues for decorative printing of 11 % compared with the previous year. Sales of paper-based edgebandings (-4 %) were also below the value for the previous year.

Conversely, the business performance developed positively for preimpregnates and fully impregnated finish foils (a total of +12 %). Here, the business unit benefited from an increasing volume of decor placements within the marketplace in conjunction with Design Match across all the product offerings. The caravan market, which is mainly supplied with fully impregnated finish foils, also enjoyed a positive development in the business year under review. Digital printing production also became established as a fixed parameter in the Strategic Business Unit. The Digital Printing Department already has a considerable track record of producing orders involving small batches of paper edgings and finish foils in three-shift operation.

As early as January 2015, the paper segment sold a production facility for impregnates in Biscoe, USA, in order to optimize the production network. The location based in East Longmeadow, also in the USA, took over the production volume of this plant. Manufacturing capacity there had already been increased in advance with a new production line. Although the production of impregnates in Germany was also negatively impacted by the supply situation for decorative papers, sales of impregnates increased slightly by 1 % in the Strategic Business Unit Paper. Sales of release papers, which are used for a number of applications including the compression of impregnates, posted growth of 10 % in the business year 2015.

Overall, the paper segment generated sales amounting to € 394.7 million following € 391.2 million in the previous year. This was in line with the forecast in the Annual Report for the previous year, which projected a slight increase in sales. Domestic business in Germany fell back by 3 % compared with the previous year, primarily due to the situation described for decorative printing activities, although in the year under review the framework conditions in Germany were significantly better than the business environment prevailing in the rest of Europe. Here, a decline in business transactions of 5 % had to be accommodated. A good performance in Italy contrasted with the economic difficulties that especially beset Russia and Turkey. The year 2015 unfolded with very successful performance for the paper segment in Northern America, with growth of 25 %. This was supported by a positive business environment and favourable exchange rates. Owing to delivery times for decorative papers, sales declined in Asia (-9 %) and in Australia (-4 %). The foreign sales ratio rose by one percentage point to 73 %.

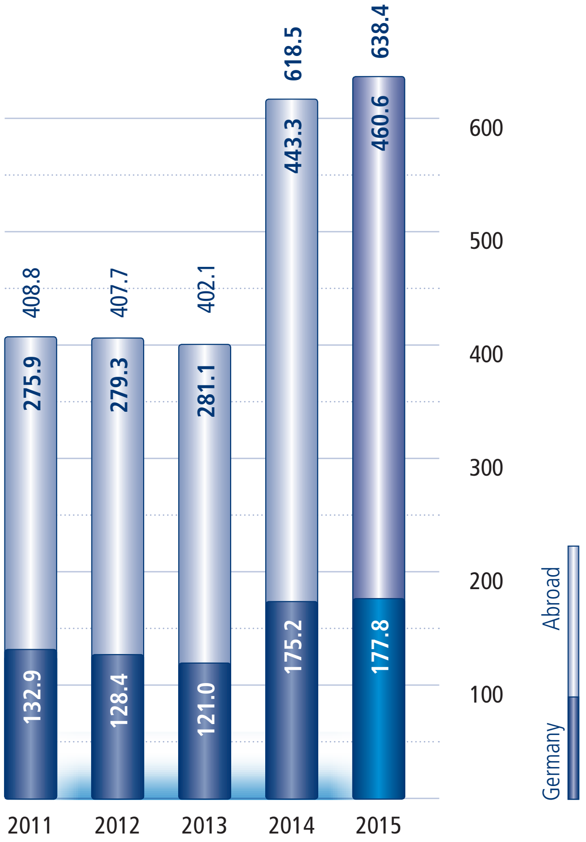
STRATEGIC BUSINESS UNIT PLASTICS:

Additional significant organic growth

In the context of a positive business environment, the Strategic Business Unit Plastics more than succeeded in achieving the modest increase in sales revenues that had been predicted with a rise of 7 % through expanded service offerings alongside new products and product versions. During the business year 2015, the plastics segment generated sales

SALES REVENUES IN € MILLION

SURTECO GROUP



amounting to € 243.7 million following € 227.2 million in the previous year. This result included an increase in domestic business by 8 %, whereas business in Europe (without Germany) was only slightly above the level of the previous year (+1 %), primarily due to difficult framework conditions in Eastern Europe. In Asia, the declining dynamic momentum of the Chinese economy exerted negative pressure on the consumption climate in the region and this was reflected in a drop of 8 %. Conversely, the market in North America developed significantly more positively. Here, business generated by the Strategic Business Unit Plastics underwent organic growth and grew on the back of exchange rates, posting an overall increase of 28 %. Equally gratifying was the burgeoning demand in Australia with growth of 11 %. Foreign sales rose by a total of 7 %, although the foreign sales ratio of 70 % remained at the level of the year 2014.
The highest proportion of sales within the Strategic Business Unit Plastics was generated by thermoplastic edgebandings. The sales revenues for this product segment rose by 6 % compared with the previous year. Although demand in Russia and Turkey continued to be depressed as a result of the fraught political and economic situation in this region, good development in Germany, the Eurozone, Australia and in particular North America were able to more than compensate for this negative development. This success was achieved with significantly expanded service offerings and accelerated advancement for the continually developed premium products.
Business with skirtings and related products was 12 % above the previous year in 2015. The double-digit sales growth posted now for the second year in succession was essentially generated with newly developed products and expansion of the sales activities in additional regional markets.
Business performance with plastic foils proved to be equally positive. Although the market for cruise ships, whose cabins are mainly clad with plastic foils, eased back slightly in 2015 on account of the cooling of the economy in Asia, sales rose by 5 % in a year-on-year comparison. Intensification of sales activities for plastic-based furniture foils in combination with peer companies within the SURTECO Group resulted in this success. Growth of 3 % meant that business with roller-shutter systems was slightly above the previous year and sales with technical extrusions (profiles) remained at the level of the previous year.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

VALUE ADDED

The value added ratio of the SURTECO Group remained at 30.2 % in the business year 2015, and consequently at the same value as in the previous year. Corporate performance increased from € 637.8 million in the previous year to € 655.8 million essentially due to the increased sales revenues. The costs of materials and depreciation and amortization were slightly below the values for the previous year in proportionate terms, whereas other expenses increased significantly on account of the additional expenses incurred for the relocation project and the changes in inventories of € -1.0 million. A net accumulated value added of € 198.0 million (2014: € 192.5 million) emerged over the reporting period.
The distribution of net value added involved a slight increase in the payment for dividends at € 10.9 million compared with the previous year (€ 10.1 million) and personnel expenses rose from

VALUE ADDED CALCULATION

€ million	2014	in %	2015	in %
Sales revenues	618.5		638.4	
Other income	19.3		17.4	
Corporate performance	**637.8**	**100.0**	**655.8**	**100.0**
Cost of materials	-317.2	-49.7	-322.7	-49.2
Depreciation and amortization	-35.2	-5.5	-33.8	-5.2
Other expenses	-92.9	-14.6	-101.3	-15.4
Creation of value added (net)	**192.5**	**30.2**	**198.0**	**30.2**
Shareholders (dividends)	10.1	5.2	10.9	5.5
Employees (personnel expenses)	159.8	83.0	161.9	81.8
Government (taxes)	3.8	2.0	9.2	4.6
Lenders (interest)	10.4	5.4	9.2	4.6
Distribution of value added	**184.1**	**95.6**	**191.2**	**96.6**
Remaining in the company (value added)	**8.4**	**4.4**	**6.8**	**3.4**

€ 159.8 million in 2014 to € 161.9 million during the year under review. Tax payments at € 9.2 million were also above the value for the previous year at € 3.8 million. Conversely, cash outflows for interest payments in the year under review at € 9.2 million were less than in the previous year (€ 10.4 million). Overall, the distribution of value added rose from € 184.1 million to € 191.2 million. In 2015, € 6.8 million therefore remained in the company (2014: € 8.4 million).

CASH FLOW STATEMENT

The cash flow from current business operations at € 69.2 million rose significantly in the business year 2015 by € 14.9 million compared with the value of € 54.3 million for the previous year. The biggest proportion of this alongside the pre-tax result, increased by € 4.5 million, was constituted by the change in assets and liabilities (net). The net assets and liabilities went up from € 0.9 million in 2014 to € 13.6 million during the year under review. The changes in other liabilities amounted to € 6.1 million above the values for the previous year, trade accounts receivable were € 9.1 million above the values for the previous year, and other assets € 9.5 million above the values for the previous year. Conversely, provisions changed negatively compared with 2014 by € -12.5 million. Internal financing at € 55.6 million rose slightly in 2015 compared with the previous year (€ 53.4 million). Cash flow from investment activities at € -28.5 million was slightly above the level of the previous year amounting to € -27.4 million. By comparison with 2014, increases from the acquisition of property, plant and equipment (€ -2.9 million), are offset with increased gains from the disposal of property, plant and equipment (€ 1.4 million) and a decrease in the acquisition of intangible assets amounting to € 0.5 million. The cash flow from financial activities fell significantly in the business year 2015 compared with the previous year by € 17.8 million to € -17.7 million. In 2014, financial activity was significantly affected by taking out long-term financial liabilities (€ 33.0 million) with simultaneous repayment of short-term financial liabilities (€ 50.1 million), whereas in 2015 the issue of long-term financial liabilities of € 2.0 million was recorded alongside repayment of long-term financial liabilities amounting to € 1.6 million. Refinancing in 2014 led to interest payments during the period under review of € -7.6 million after € -8.6 million in the previous year. Overall, the change in cash and cash equivalents was € 23.0 million during the year under review, after € -8.6 million in 2014.

Balance sheet indicators further improved

The balance sheet total of the SURTECO Group as at 31 December 2015 increased by 3 % to € 656.1 million compared with 31 December 2014. On the assets side of the balance sheet, current assets and non-current assets increased. In particular, cash and cash equivalents went up by € 22.6 million to € 65.7 million. Alongside cash inflow from current business activities, a number of factors including the sale of the Biscoe location, USA, and a parcel of land in Germany resulted in this increase. Inventories also rose slightly by 2 % to € 113.3 million. This was set against the derecognition of € 7.3 million from the assets held for sale on account of the sale of the Biscoe location, USA, in the first quarter of 2015, and the reduction of trade accounts receivable (€ -4.8 million). The current income tax assets (€ -1.8 million) and other current non-financial assets (€ -3.6 million) were also reduced. Overall, the current assets increased by 4 % to € 251.2 million on the balance sheet date for 2015. The non-current assets rose by 3 % to € 404.9 million at year-end 2015 compared with 31 December 2014. This reflects the increase in property, plant and equipment by € 7.7 million (31/12/2015: € 244.9 million) which is essentially due to investments in technical facilities by the two Strategic Business Units. Other non-current financial assets also increased by € 6.1 million to € 14.3 million, and deferred tax assets went up by € 0.3 million to € 8.2 million. On the liabilities side of the balance sheet, the increase in current liabilities from € 91.6 million at year-end 2014 to € 92.4 million was essentially due to the increase in trade liabilities by € 3.4 million and the rise in other current financial liabilities by € 2.1 million. Short-term provisions fell back by € 3.8 million and other current non-financial liabilities came down by € 0.7 million. Primarily on account of the increase in long-term financial liabilities by € 3.9 million to € 187.3 million, non-current liabilities rose by 2 % to € 228.8 million as at 31 December 2015.

On the balance sheet date, equity rose by 4 % to € 334.9 million compared with the equivalent year-earlier value, which in conjunction with the 3 % increase in the balance sheet sum led to a slight increase in the equity capital ratio by 0.6 percentage points to 51.0 %. The increased equity and the higher level of liquid funds yielded a level of debt of 38 % after 45 % in the previous year with only slightly higher financial liabilities. Net financial debt also eased back significantly and amounted to € 126.6 million on 31 December after € 145.8 million in the previous year. The covenants (-> Internal corporate controlling system) were maintained during the business year 2015 as in the previous year.

On 31 December 2015, the SURTECO Group had external credit lines in the amount of € 45.5 million. At this point, € 4.8 million has been drawn on these lines.

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER

CALCULATION OF FREE CASH FLOW

€ million	1/1/-31/12/2014	1/1/-31/12/2015
Cash flow from current business operations	**54.3**	**69.2**
Purchase of property, plant and equipment	-26.7	-29.7
Purchase of intangible assets	-2.5	-2.0
Proceeds from disposal of property, plant and equipment	1.7	3.1
Share of profit of companies accounted for using the equity method	0.1	0.1
Cash flow from investment activities	**-27.4**	**-28.5**
Free cash flow	**26.9**	**40.7**

EXPENSES

In the business year 2015, the expenses of the SURTECO Group did not develop uniformly. Consequently, the cost of materials ratio (cost of materials/ total output) at 50.2 % was slightly below the value of 50.6 % for the previous year. This was achieved for a number of reasons including synergy effects which were generated from the higher quantity of raw papers purchased by the Strategic Business Unit Paper after the integration of the Süddekor companies. This contrasted with price increases for this raw material, which were in some cases substantial, since framework contracts agreed over the long term meant that the costs for the intermediate products formed part of the pricing structure and the price of the cellulose climbed to a historic high in the business year 2015. Since this intermediate product is purchased in USD, the development of exchange rates during the year 2015 further fuelled the increase in prices. Falling prices in the equally important intermediate product titanium dioxide were not sufficient to compensate for this development. However, it proved possible to generate additional synergies in the paper segment arising from the increasing use of printing inks and lacquers produced in house (-> Research and development). The most important raw materials of the Strategic Business Unit Plastics PVC (polyvinyl chloride), ABS (acrylonitrile butadiene styrene) and PP (polypropylene) were subject to price increases over the course of the year which were in some cases exorbitant. If the situation is analysed in light of average annual figures, prices overall were at the level of the previous year, although in a historical comparison covering recent years they were at a high level. In both Strategic Business Units, energy costs were at the level of the previous year, and the costs for chemical additives eased slightly. Overall, the cost of materials for the SURTECO Group in 2015 amounted to € 322.7 million, after € 317.2 million in the previous year.

In 2015, the proportion of personnel expenses to total output (personnel expense ratio) was also below the value for the previous year, although it should be noted that in the year 2014, a provision of € 9.4 million was included for the costs arising from the social compensation plan and the reconciliation of interests for the relocation project in the Strategic Business Unit Paper. This provision was formed on the assumption that around 75 employees out of the total of 285 employees affected would take up the offer of moving their workplace from Laichingen to

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

€ million	31/12/2014	Percentage in the balance sheet total in %	31/12/2015	Percentage in the balance sheet total in %
ASSETS				
Current assets	242.4	38.1	251.2	38.3
Non-current assets	394.3	61.9	404.9	61.7
Balance sheet total	**636.7**	**100.0**	**656.1**	**100.0**
LIABILITIES				
Current liabilities	91.6	14.4	92.4	14.1
Non-current liabilities	224.0	35.2	228.8	34.9
Equity	321.1	50.4	334.9	51.0
Balance sheet total	**636.7**	**100.0**	**656.1**	**100.0**

BALANCE SHEET INDICATORS OF THE SURTECO GROUP

	2014	2015
Equity ratio in %	50.4	51.0
Level of debt in %	45	38
Working capital in € million	126.9	121.4
Interest cover factor	6.5	7.8
Debt-service coverage ratio in %	36.8	40.7

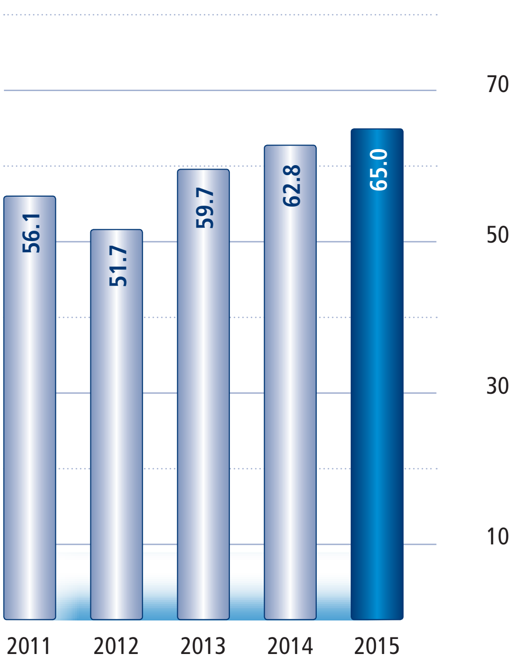
Buttenwiesen-Pfaffenhofen located some 100 km away. However, only around 50 employees ultimately took up this offer, and this was finally established in the third quarter of 2015. An amount of € 3.2 million was then set aside for redundancy payments. In order to safeguard the personnel requirement in Buttenwiesen-Pfaffenhofen, the core workforce at this location was pre-emptively bolstered and the new employees were trained to the necessary level of qualification. In the business year 2015, this resulted in a temporary surplus of personnel, but this has been gradually reduced since the fourth quarter of 2015. The Strategic Business Unit Plastics slightly increased its core workforce in 2015 in order to be in a position to meet the increased order volume and at the same time increase the service quality for customers – for example short delivery times. In 2015, the personnel expenses of the SURTECO Group therefore amounted to € 161.9 million (2014: € 159.8 million). This yields a ratio of personnel expenses to total output of 25.2 % by comparison with 25.5 % in the previous year.
Conversely, other operating expenses in the Group underwent a significant increase to € 100.2 million, after € 92.9 million in the previous year. This essentially reflects the relocation project in the paper line of business with a cost component of € 8.2 million.
Overall, the expense items of the SURTECO group rose to € 584.8 million after € 570.0 million in the previous year.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

After € 29.2 million in 2014, fixed assets at the SURTECO Group recorded growth of € 31.6 million during the year under review. € 29.7 million (2014: € 26.7 million) of this amount were invested in property, plant and equipment while € 2.0 million (2014: € 2.5 million) were invested in intangible assets. Investments in property, plant and equipment essentially include expansion of the existing manufacturing installations, new production facilities and construction work carried out on existing buildings. The intangible investments essentially reflect licences and implementation costs for applications programs. In the Strategic Business Unit Paper, investments (property, plant and equipment, and intangible assets) amounted to € 15.9 million in the business year after € 13.2 million in the previous year. The focus here was on expansion of the machinery assets, a new digital printing line and construction activities in conjunction with the concentration of decorative printing activities in Germany. The Strategic Business Unit Plastics essentially invested in the expansion and modernization of its machinery assets. The growth

EBITDA IN € MILLION

SURTECO GROUP



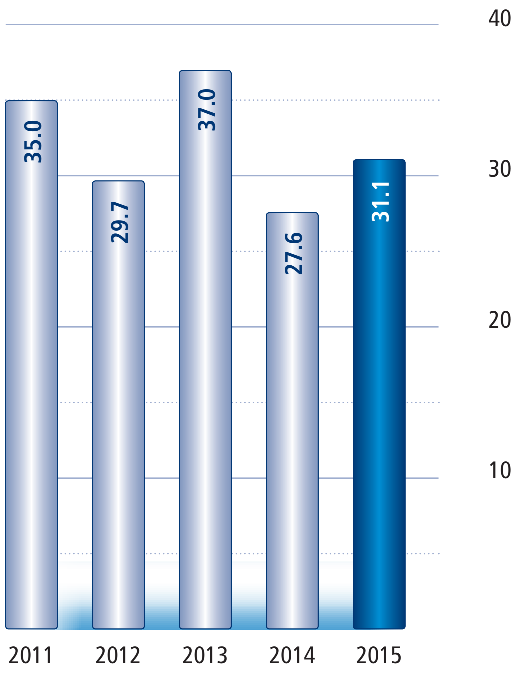
in property, plant and equipment and in intangible assets for this Strategic Business Unit amounted to € 15.4 million after € 15.8 million in 2014.

GROUP RESULTS

A number of partly countervailing one-off effects exerted an impact on the consolidated result in the business year 2015. Accordingly, an additional amount for redundancy payments (€ 3.2 million) had to be set aside as a provision on account of the relocation project. Furthermore, other operating expenses were impacted negatively with a total of € 8.2 million. Conversely, the sale of the impregnating location at Biscoe, USA, and a parcel of land in Germany not required for operations ensured an increase in other operating income by € 2.1 million to € 7.5 million in 2015 by comparison with the previous year. In conjunction with the expense items described, the operating result (EBITDA) of the Group rose by 3 % to € 65.0 million (2014: € 62.8 million), although provisions in the previous year amounting to € 9.4 million have to be taken into account. The EBITDA margin remained at the level of the previous year, amounting to 10.2 %. Depreciation and amortization at € 33.8 million in 2015 was € 1.4 million below the value for the previous year so that earnings before the financial

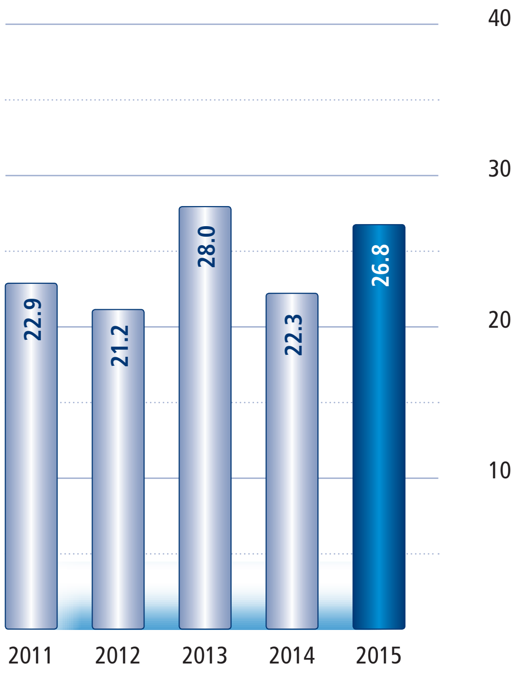
EBIT IN € MILLION

SURTECO GROUP



EBT IN € MILLION

SURTECO GROUP



result and income tax (EBIT) at € 31.1 million were 13 % above EBIT for 2014 (€ 27.6 million). The financial result at € -4.3 million also remained below the comparative value for the previous year (€ -5.3 million), primarily on account of the lower interest expenses arising from more favourable refinancing of the first repaid tranche from the US private placement in 2014. This leads to a pre-tax result (EBT) of € 26.8 million after € 22.3 million in the previous year. On account of the one-off effects described, arising from the concentration of decorative printing activities in Germany, which were aggregated in the sum of € 11.4 million for the business year 2015, the forecast published in the last Annual Report (pre-tax result above € 32 million) was already corrected after six months in 2015. The forecast provided there for EBT, which was predicted to be significantly above the value for the previous year of € 22.3 million, was achieved with an increase of 20 %. Income tax underwent a significant increase from € 3.8 million in the previous year to € 9.2 million during the year under review. Consequently, net profit came down by 5 % to € 17.7 million (2014: € 18.5 million). During the year under review, earnings per share were based on an unchanged number of 15,505,731 no-par-value shares, and this yields earnings per share of € 1.14 after € 1.19 in the previous year.

RESULT OF THE STRATEGIC BUSINESS UNITS

The one-off effects described arising from the concentration of the decorative printing activities relate exclusively to the Strategic Business Unit Paper. Owing to these one-off effects, the forecast of the last Annual Report was not achieved after a slightly increased EBT adjusted by restructuring provisions. The company therefore already corrected the forecast after the first six months of 2015. The EBT of the paper segment ultimately amounted to € 15.8 million, equal to the pre-tax result for the previous year. The EBIT achieved a value of € 17.1 million as a new financial controlling parameter, after € 16.0 million in the previous year.

The Strategic Business Unit Plastics was able to transfer the increased business volume to the earnings development and generated an EBT of € 18.5 million in 2015, after € 15.1 million in the previous year. As in the case of sales, the plastics line of business exceeded the forecast from the previous year with an increase in earnings of 23 %. The future financial controlling parameter EBIT amounted to € 18.5 million and an increase of 12 %, and was consequently above the previous year's value of € 16.5 million.

HGB (GERMAN COMMERCIAL CODE) FINANCIAL STATEMENTS FOR SURTECO SE

The financial statements of the holding company SURTECO SE were prepared on the basis of the accounting principles in accordance with the Third Book of the German Commercial Code (§§ 242 ff. and §§ 264 ff. German Commercial Code, HGB) in the version of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) for large joint-stock companies and the Stock Corporation Act (Aktiengesetz, AktG). As a result, the balance sheet total was reduced by € 35.0 million to € 507.2 million compared with the previous year on the balance sheet date 31 December 2015. On the assets side of the balance sheet, fixed assets of € 316.6 million remained at the level of the previous year (€ 316.2 million). On the other hand, in spite of the higher cash in hand of € 52.3 million, after € 26.6 million in the previous year, the current assets fell to € 190.3 million (31 December 2014: € 225.7 million). This essentially reflects receivables from affiliated enterprises, which came down from € 186.8 million in the previous year to € 128.5 million at year-end 2015. On the liabilities side of the balance sheet, liabilities to affiliated enterprises came down from € 70.9 million to € 44.0 million in the business year 2015 essentially due to the merger of W. Döllken & Co. GmbH with Döllken-Kunstoffverarbeitung GmbH. The equity fell from € 320.7 million in the previous year to € 309.8 million. The equity ratio rose from 59.2 % in 2014 to the current figure of 61.1 % due to the reduction in the balance sheet.
The income statement of SURTECO SE was impacted by one-off effects in the previous year and in 2015. Hence, in the previous year a positive one-off effect amounting to € 25.3 million from book profits arising from the merger of SURTECO DECOR GmbH with Süddekor GmbH was included in income from profit-transfer agreements. Conversely, during the business year 2015, the income was reduced by integration expenses arising from the relocation of decorative printing activities in Germany. Earnings from the profit transfer agreements decreased as a result of these expenses from € 43.2 million in 2014 to € 7.1 million during the period under review. Personnel expenses amounting to € 3.9 million were at the level of the previous year. Other operating expenses fell by € 1.0 million to € 2.4 million, while interest and other expenses came down by € 1.4 million to € 7.8 million. Overall, income taxes amounted to € 0.2 million and net income fell from € 33.7 million in 2014 to € -0.1 million in the business year 2015.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The positive development of the equity ratio, the level of dept and the net debt of the SURTECO Group in the business year 2015 also confirmed the very solid financial conditions and net assets for the company. The performance of operating business was satisfactory, but this would have been significantly better without the delay in the relocation of decorative printing activities. A large number of personnel appointments unexpectedly had to be made in the course of the relocation project along with the necessary training to meet the level of qualification required, and this entailed higher costs and involved delays in the processing of orders. The original earnings forecast would have been achieved without these unscheduled one-off effects.

RESEARCH AND DEVELOPMENT

During the business year 2015, an average of 155 (2014: 150) employees were working on research and development in the companies of the SURTECO Group. Non-personnel costs and personnel costs are included in expenses totalling € 2.6 million, after € 3.8 million in the previous year. The personnel costs are also included in the item personnel expenses in the consolidated income statement.
In the business year 2015, research and development work in the paper segment resulted, for example, in a foil with the brand name "Polytop" being taken to series readiness with reliable production flow. A special feature of this foil is provided by a micro-textured surface based on acrylate. This is a thermoplastic foil coated with a special lacquer which can be manufactured using the existing machines. Workpieces coated with this product have a particularly warm and pleasant haptic touch compared with the melamine surface which tends to have a cool feel. Moreover, the trend for equivalent high-gloss or super-matt surfaces can also be achieved with this foil. The developers also succeeded in solving the problem of marking sensitivity with finger prints as an additional attribute with the supermatt version. Furthermore, the paper segment developed a release foil so that supermatt surfaces of this nature could also be transferred to other coatings, e.g. the melamine surface.
After the replacement of purchased printing inks by alternatives produced in the company, the development department succeeded in converting virtually all lacquers for manufacture with EBC facilities (Electron Beam Curing) to in-house production during the business year 2015 at all the locations in Germany.

EMPLOYEES BY REGIONS

Location	Employees 31/12/2014	Employees 31/12/2015	Change
Germany	1,849	1,836	-13
USA	262	251	-11
Canada	123	136	+13
Sweden	116	113	-3
Asia	76	85	+9
Australia	76	84	+8
South and Central America	53	39	-14
Poland	33	34	+1
United Kingdom	36	33	-3
Italy	23	24	+1
France	20	21	+1
Turkey	17	14	-3
Russia	11	14	+3
Czech Republic	5	6	+1
Romania	5	5	-
	2,705	**2,695**	**-10**

In 2015, the plastics segment invested substantial resources into the optimization of refinement technology and production processes. A new production manufacturing procedure could therefore be brought to series readiness for edging production. This facilitated an increase in production efficiency and raised the standard of quality at the same time. In addition, the development departments continued to focus on expanding the product range by developing new colour schemes and creative ideas, which were then implemented on the technical side. The result of this work saw many new versions of plastic edgings with innovative 3 D effects being presented in public forums. For example, the "3D Space" edge appeals with an impressive visual effect, which is achieved through coloured lamellas. They are integrated using a special procedure in the extrusion process.
Progress was also made in advanced development of the LED bands wrapped in a continuous procedure. In contrast to simple lighting strips, these are highly resistant to external influences and they are also capable of withstanding even very adverse conditions in outside environments, for example on ships. Apart from technical characteristics, the advanced modification of these LED bands offers visual value added through a linear light field. During the business year 2015, a number of projects were successfully implemented with this product.
During the business year 2015, a focus of both Strategic Business Units was also on continuous research into alternative raw materials and process materials for improving quality and to safeguard availability.

PEOPLE AND TRAINING

On the balance sheet date for 2015, 2,695 employees (2014: 2,705) were in the workforce of the SURTECO Group. However, the average number of employees of 2,727 was above the value for 2014 (2,682). On the one hand, this is explained by the Strategic Business Unit Plastics which expanded the core workforce from an average of 1,244 employees in 2014 to 1,299 in the business year 2015 in line with the increase in business volume. On the other hand, the development of personnel in the paper segment was influenced by the concentration of decorative printing activities in Germany. Since only approximately 50 employees accepted the offer of moving their workplace from Laichingen to Buttenwiesen and the relocation of the production volume therefore required additional personnel capacities, the workforce was increased in the first half of 2015. The gradual reduction of the surplus personnel commenced roughly from the middle of the year within the framework of the reconciliation of interests and social compensation plan negotiated with the representatives of the employees. During the year under review, an average of 1,412 employees were working in the Strategic Business Unit Paper, after 1,425 employees in the equivalent year-earlier period. The number of employees working in the holding company SURTECO SE went up, essentially due to the liquidation of the intermediate

holding company W. Döllken, from an average of 13 in the previous year to 16 in 2015.
At Group level, the average age of the workforce increased slightly from 43.0 to 43.5 years. The strong increase in fluctuation from 4.1 % in the previous year to 10.4 % in 2015, similar to the increase in the sickness ratio of 4.7 % after 3.7 % in 2014, was exclusively due to the relocation of decorative printing activities in Germany. The relocation project also exerted a modest influence on the training ratio, which decreased minimally from 5.2 % in 2014 to 4.9 % in the business year 2015. Overall, the German businesses employed an average of 92 apprentices in 2015.
During the business year 2015, the two Strategic Business Units intensified their programme for increasing the level of qualification and career training for employees. In this context, Döllken-Kunststoffverarbeitung GmbH carried out a programme involving a Continuous Improvement Process (CIP) at the head office in Gladbeck and at all the subsidiary companies worldwide. This optimised the company processes and drove forward an improvement in the business climate. The two Strategic Business Units in Germany also implemented a Company Healthcare Management (CHM) programme. The benefits included nutritional advice, preventive medical screening and fitness packages and these offers were eagerly taken up by the members of the workforce.

FOLLOW-UP REPORT

Up to 22 April 2016, 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

The SURTECO Group with its individual subsidiary companies is exposed to a large number of risks on account of global activities and intense competition. A risk is deemed to be any event or circumstance that can lead to a negative deviation for the SURTECO Group now and/or in future from the planned corporate goals. The Group deliberately enters into risks with the aim of ensuring sustainable growth and increasing the corporate value, but avoids unreasonable risks. The remaining risks are reduced and managed by taking adequate measures. Foreseeable risks are covered by taking out insurance policies 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 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 management of 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 Risk Management Department 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 individual risks are classified into damage and probability classes on the basis of their anticipated gross financial burden on the 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. The identified individual risks are also allocated to risk categories to which the SURTECO Group is fundamentally exposed. The following risk and opportunities report explains these risk categories in general terms and provides information about the recorded individual risks in each category.
Appropriate measures for reducing and overcoming the risks are defined and implemented with minimum costs for purposes of risk control and risk management. This may involve, for example, the tools of risk avoidance, risk limitation, risk transfer and the creation of adequate potential coverage. Since risks are continuously changing, 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 man-

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

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

agement and the controlling systems are monitored at regular intervals by the Board of Management and the management 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.
Opportunities essentially arise on account of positive developments from outside influences of the kind that are described in the risk categories. Any opportunities identified are also recorded and documented, although they are not generally allocated to classes.

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 accounting-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 business development of the SURTECO Group depends significantly on macro-economic conditions due to the Group's global activities and the high proportion of foreign sales. The economic development of the countries is therefore analysed as an indicator for the business performance since the manufactured products of SURTECO are primarily processed to create durable goods, such as furniture and flooring. Experience tells us that the inclination of consumers to purchase these goods increases when there is an economic upswing. Furthermore, the performance of the flooring, furniture and wood-based industry, and construction activity in the individual countries and markets is important for the business development of the Group. Both 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 20 production locations and 15 additional sales locations on four continents, and this places the Group in the position of being able to supply its customers worldwide quickly as well as being able to identify trends in regional markets at an early stage. This gives SURTECO the opportunity to gain first-mover advantage when participating in trends.
The qualitative and quantitative data from the markets and the subsidiary companies are recorded and evaluated in a differentiated system of internal reporting. This highlights and analyses any deviations from budgets, compliance with plans and the emergence of new monetary and non-monetary risks. The business is then managed on the basis of the information gathered. The most relevant geographical markets for SURTECO are located in Germany, Europe and in North America. According to reports by the IMF, markets in Germany and Europe developed more positively during the business year 2015 than had been expected at the beginning of the year, while the actual development that emerged in North America (USA and Canada) lagged behind the forecasts that had been made. SURTECO may be able to benefit from an economic upswing in individual markets that stimulates demand for furniture. This would enable the company to participate indirectly in the upturn as a supplier. On the other hand, a global or local recession could result in consumers refraining from making investments in durable goods such as furniture, which could entail a drop in orders at SURTECO.
Similar to the development of geographical markets, the Group also monitors the dynamic performance of sectors relevant for SURTECO. The focus of this analysis is essentially on the German flooring, furniture and wood-based industry. According to the associations of the German wood and furniture industries (HDH and VDM), the German furniture industry underwent significantly stronger growth than originally expected during the course of 2015. The sector associations attributed this primarily to favourable framework conditions and to growth stimuli originating from foreign markets. SURTECO will also be able to benefit from an upswing in sector development but equally will also be affected by an adverse development.
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 1 and probability class 3 for the Strategic Business Unit Plastics was identified and for the Strategic Business Unit Paper a risk of damage class 4 and probability class 2 was recorded.
Further information on the likely development of the global economy and the furniture sector is given in the outlook report.

COMPETITIVE RISKS AND OPPORTUNITIES

An increased production depth has been observed among some competitors in the paper sector over recent years. This may lead to excess capacities and tougher competition. New local competitors may also enter the market at any time, particularly in the plastics sector. Conversely, the barriers to entry in the paper segment are relatively high on account of the investment sums required and the need for technical know-how. SURTECO is countering the high level of competitive pressure by expansion and reinforcement of existing business, innovative products, and not least a further increase in efficiency and productivity.
Since SURTECO is represented worldwide through its network of sales companies and already holds a strong market position in its most important divisions, there is an opportunity to achieve further market penetration, for example on the back of enhanced integration of sales and marketing activities of the two Strategic Business Units. There is also an opportunity for SURTECO to play a proactive role in future consolidation within the sector.
No individual risks were identified in this risk class at Group level.

RISKS AND OPPORTUNITIES ARISING FROM THE CONCENTRATION OF DECORATIVE PRINTING ACTIVITIES

In the business year 2014, a decision was taken to concentrate decorative printing activities in Germany and a start was made on this process of concentration in April of 2015. By 31 December 2015, all the planned printing machines had been installed at the new facility in Buttenwiesen and production in Laichingen had been shut down. However, the risk described in the previous year relating to the disruption of operational processes in administration and production was indeed experienced contrary to expectations and to an extent not anticipated. In the business year 2015, this resulted in an additional provision being set aside for redundancy payments (€ 3.2 million) and for relocation costs amounting to a total of € 8.2 million.
No significant individual risks were identified in this category for the business year 2016.
Furthermore, this measure provides an opportunity to reduce the complexity of administration and increase manufacturing productivity, thereby leveraging potential synergies.

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, for example 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. In the business year 2015, raw papers for technical applications required by the Strategic Business Unit Paper were impacted by an unexpected rise in prices for the intermediate product cellulose to a historic high. This increase was additionally fuelled by negative currency influences. A modest relaxation in prices for chemical additives and for energy was unable to compensate for this development. Only synergy effects arising from the merger of decorative printing activities prevented a huge rise for the costs of raw materials in the paper segment. The cost for plastics in the Strategic Business Unit Plastics was equally unexpected. This increase was particularly in the first half of the business year. During the second half of the year, the situation relaxed somewhat and averaged out at the level of the previous year.
A risk was identified for the Strategic Business Unit Plastics in the category of procurement risks in damage class 3 and probability class 3, as was a risk in damage class 1 and probability class 4. No significant procurement risk was identified for the Strategic Business Unit Paper.
The company will be presented with opportunities if there is an unexpected reduction in the price of raw materials since this would exert a significantly positive impact on the earnings situation. However, 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 or higher quality substitute products.

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 and as appropriate by commissioning specialist companies. The Group reacts selectively to increased demands placed on the security of our systems within the scope of comprehensive security management. These include, for example, investment in current firewall, antivirus and high-availability systems. Potential risks can also be avoided through implementation of uniform software systems where all aspects relating to production and business administration are integrated and efficiently processed.
An individual risk was recorded below the threshold of € 000s 500 for information technologies in the Strategic Business Unit Plastics.

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. Since in the course of the merger of decorative printing activities, only approximately 50 employees changed their workplace from Laichingen to Buttenwiesen, and this was less than originally anticipated, additional costs were incurred in the business year 2015 for supplementary measures relating to personnel recruitment and training to the appropriate level of qualification.
No individual personnel risks were identified in the SURTECO Group.

PRODUCTION RISKS / TECHNOLOGY OPPORTUNITIES

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 effectively minimize the risk of downtime. Production processes that cannot be distributed, or only with difficulty, are protected against production outage with standard measures such as subdivision into different fire zones. 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 apply defined standards and regulations to monitor the environmental safety of products and production.
A risk was recorded for the Strategic Business Unit Plastics in damage class 2 and the probability class 4 in this risk category and an individual risk below the threshold of € 000s 500 was identified in the Strategic Business Unit Paper.
The production area also offers opportunities. A continuous improvement process was therefore implemented to identify and continuously realise any established potential for efficiency increases. The development of new production techniques and improvements in the existing processes also offer the opportunity of further improving the profitability of the company.

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 individual risk was identified for interest and currency risks in the SURTECO Group.

LIQUIDITY RISKS

The Corporate Treasury Department in the holding company SURTECO SE is responsible for monitoring and controlling the liquidity of the Group and the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The 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 and on factoring agreements.
Nevertheless, there is a risk that earnings and liquidity can be compromised by default on accounts receivable and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit ratings of contracting parties and carefully monitoring default with customers. The 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 individual risks were identified in this category in the SURTECO Group.

FINANCING RISKS AND 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 item 30.3 of the Notes to the Consolidated Financial Statements) and have fixed 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, for example the ratio of EBITDA to interest income, 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 during the business year 2015. The current view is it will be possible to comply with the financial indicators in the business year 2016.
No individual risks were identified for financing risks in the SURTECO Group.

FLUCTUATIONS IN VALUE FOR DERIVATIVES AND PARTICIPATIONS

The SURTECO Group recognizes goodwill in the balance sheet. The values in use for the cash generating units of the Group were assessed as being higher than the book values within the scope of the impairment test for the business year 2015. As a consequence, no impairments were carried out. There was also no requirement for adjustments in any of the participations of SURTECO SE. 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 individual risks were identified from fluctuations in derivatives and participations in the SURTECO Group.

LEGAL AND REGULATORY RISKS / OPPORTUNITIES

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on the sales and the profitability. The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the 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 negative influence on the commercial situation of the Group. Conversely, SURTECO filed an arbitration claim against a company, the subject of which related to infringement of warranties in respect of environmental issues. The arbitration claim is intended to obtain compensation for the losses that were incurred and are still being incurred as a result of the warranty infringement and breach of the disclosure obligation. The claims already quantifiable amount to around € 2.3 million. In addition, a declaratory action was brought relating to future losses that have not yet been established. Although SURTECO and its advisors believe that the claim is well-founded, the legal dispute is naturally subject to the usual uncertainties which are associated with a proceeding of this nature. This applies in particular to the outcome of any taking of evidence. The statement of defence has not yet been submitted. Oral proceedings have not yet been heard before the court of arbitration.
When business activities are carried out in third-party countries and at foreign locations of the Group, there are risks of social unrest, and economic and political instability. This may also involve nationalization proceedings relating to private assets.
A risk below the materiality threshold of € 000s 500 and a risk in the damage class 1 and probability class 2 was identified in the risk category for the Strategic Business Unit Plastics and a risk with damage class 2 and probability class 3 was also identified. The Strategic Business Unit Paper recorded a risk in the damage class 4 and the probability class 1 and a risk in the damage class 1 and the probability class 4.

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 pursuant to § 317 (4) HGB by audit company PricewaterhouseCoopers 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 as in the previous year 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 for risk relates to a recession in the global economy or in individual markets relevant for SURTECO and an ensuing collapse in the relevant sectors. By the same token, a global or regional economic upswing also offers the most significant opportunities for more positive business development at the SURTECO Group.
Compared with the previous year, the significance of risks arising from corporate governance/compliance rose slightly, although by contrast with the previous year an opportunity was identified in this category. Overall, the weighted damage potential of all identified individual risks went up slightly compared with the previous year.
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.

OUTLOOK REPORT

Hope of modest impetus to global economic growth in 2016

The latest forecast by the International Monetary Fund (IMF) in January 2016 predicts global economic growth of 3.4 % and hence a slight increase in economic performance by comparison with the previous year (3.1 %). This forecast suggests that the developed economies (+2.1 % after +1.9 %), and the emerging markets and developing countries (+4.3 % after +4.0 %) can hope for a slight upswing compared with 2015. The IMF attributes a further improvement for the eurozone albeit at a low level and growth of 1.7 % after 1.5 % in 2015 due to the anticipated sustained weakness of the euro, which also corresponds to the projection for the German economy. The experts perceive potential growth of 2.6 % for the USA, which is once again likely to be primarily powered by domestic demand. In Asia, predictions indicate that dynamic growth there will ease to 6.3 %. The reason for this is the renewed slow-down in economic development for China, down from +6.9 % in 2015 to +6.3 %.

Furniture industry moderately confident for 2016

Against the background of robust economic growth in Germany, the sector association for the German furniture industry (VDM) expects a further slight increase in sales for the German furniture industry in the year 2016. Once again, this optimism is driven by positive stimuli emanating from Germany and the ongoing weakness of the euro, as well as increasing demand from abroad. Domestic demand will again be driven by an increase in construction activity and a higher level of disposable income accompanied by ongoing historic low interest rates. At the beginning of 2016, it is difficult to provide any assessment of the impact brought about by the influx of refugees to Germany on construction activity and sales in the furniture industry. However, according to sector association VDM, the global uncertainties do not provide any grounds for euphoria because the imponderables relating to a weakening Chinese economy and the global crisis flashpoints in Eastern Europe and the Middle East could quickly be reflected in Germany in a reluctance to undertake purchases.

FRAMEWORK CONDITIONS FOR THE SURTECO GROUP

The key influencing factors for the SURTECO Group result from the development of global economic output, which from our experience exerts a direct impact on the business activity of the relevant sectors, and from the cost structure relating to the most important raw materials paper and plastic. On the basis of a predicted slight increase in global economic activity, the company expects the sector to generate a modest increase in demand for products from the SURTECO Group for the business year 2016, although uncertainties are being created by the tangible easing of dynamic activity in the Asian region. The situation in the procurement markets is equally uncertain, since prices are also being increasingly influenced by unpredictable currency fluctuations. The business activity of the Strategic Business Unit Paper is also dependent on a streamlined production process following completion of the relocation project.

SALES FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

The SURTECO Group is anticipating a further modest increase in sales revenues for the business year 2016 compared with the value for the previous year. Stable sales at the level of the previous year are anticipated for the Strategic Business Unit Paper and a slight increase is anticipated in the Strategic Business Unit Plastics.

IMF GROWTH FORECASTS FOR 2016 IN %

World	+3.4
Germany	+1.7
Eurozone	+1.7
Central and Eastern Europe	+3.1
USA	+2.6
Latin America	-0.3
Asia	+6.3

Source: International Monetary Fund (IMF), World Economic Outlook, Update January 2016.

EARNINGS FOR THE GROUP AND THE STRATEGIC BUSINESS UNITS

In view of the likely integration costs amounting to approximately € 3 million for the business year 2016 with increasing synergy effects, a substantial increase in earnings before financial result and income tax (EBIT) should be anticipated for the Strategic Business Unit Paper in 2016. EBIT for the Strategic Business Unit Plastics should also be significantly above the value of € 18.5 million for 2015. The consolidated result for the SURTECO Group in the business year 2016 is projected to have a substantial increase in EBIT to the range between € 38 million to € 42 million.

COVENANTS

SURTECO assumes that the covenants will be complied with for the year 2016.

OVERALL STATEMENT ON EXPECTED PERFORMANCE

Provided that there is no unexpected turbulence in the global economy, the management expects a positive development for the SURTECO Group. If this is indeed the case, it is likely that the balance sheet indicators will continue to remain at a high level and that organic growth will also be generated with sales and earnings.

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 with the exception of the deviations published in the Declaration of Compliance and observes the requirements of the German Commercial Code (HGB) in the version of the Act on the Disclosure of Management Board Compensation, (VorstOG), and the Stock Corporation Act (AktG) in the version of the Act on the Appropriateness of Executive Compensation (VorstAG).

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 guarantees 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 commensurate nature of the compensation in view of the comparative environment and the compensation structure otherwise applicable within the SURTECO Group. At the proposal of the Personnel Committee, the Supervisory Board adopted a resolution on 23 April 2015 for a new compensation structure for the existing Board Member Dr.-Ing. Herbert Müller and for the new Board Member Dr.-Ing. Gereon Schäfer. This new structure came into effect for Dr.-Ing. Herbert Müller with effect from 1 January 2015 and for Dr.-Ing. Gereon Schäfer with effect from the day of his appointment as a Board Member (1 April 2015). The Supervisory Board also defined the bonuses for Mr. Päfgen for the business year 2015 (first half year) based on the step down as Chairman of the Board of Management on 26 June 2015, and resolved to pay out these bonuses when he left the company on 30 June 2015.

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 reviewed the compensation system modified and changed in 2015 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 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 Mr. Friedhelm Päfgen until he stepped down on 30 June 2015 amounted to € 252,000 p.a. and for Dr.-Ing. Herbert Müller and Dr.-Ing. Gereon Schäfer (from 1 April 2015) amounts to € 360,000 p.a. The sums for Mr. Päfgen and Dr. Schäfer in 2015 were in each case paid out pro rata up to the date of Mr. Päfgen leaving the company and from the appointment of Dr. Schäfer to the Board of Management respectively.

Dr.-Ing. Gereon Schäfer was appointed as Member of the Board of Management of the company with effect from 1 April 2015. Previously, there was a contract of service as a Managing Director between him and BauschLinnemann GmbH, which was terminated by mutual agreement with effect from midnight on 31 March 2015. The basic salary for Dr. Ing. Gereon Schäfer as Managing Director of BauschLinnemann GmbH was paid to Dr. Schäfer for the months January to March 2015 totalling € 50,000 plus a variable compensation for this period of € 21,000.00 in accordance with the agreement pursuant to this contract of service as a Managing Director.

Furthermore, none 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 currently applicable for the reporting period up to 31 December 2014 (for Mr. Friedhelm Päfgen up to 30 June 2015) provided for a variable bonus which the Supervisory Board defined 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 was already at the time directed towards the long term and sustainability. This was 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 was settled. The bonus assessment was therefore based on a reference period of several years.

The compensation system applicable to Dr.-Ing. Herbert Müller from 1 January 2015 and Dr.-Ing. Gereon Schäfer from 1 April 2015 also provides for variable bonuses, which the Supervisory Board defines at its discretion on the basis of the consolidated result before tax (EBT) – adjusted by additions/curtailments to be carried out as appropriate – in accordance with IFRS taking account of the return on sales. The correlation with a sustainable company performance and a basis of assessment over several years pursuant to § 87 (1) sentences 2 and 3 Stock Corporation Act (AktG) are guaranteed by the fact that 75 % of the bonus for the affected business year are paid in the following year and 25 % are retained without payment of interest. The retained 25 % are paid out after three years, and they are decreased or increased proportionately as a percentage if the average bonuses of the last three business years fall short of, or exceed, the bonuses of the third last business year. The retention cannot be a negative value. If a loss in the previous year has already reduced the ceiling of assessment, no retention is made. If a Board Member steps down from their office, the contracts of service make provision that the Board Member either (i) waits for the regular calculation of the retention after expiry of the reference period or (ii) the retention can be paid out with a flat-rate deduction of 10 % - the latter with the provision that the amount paid out may not be higher than the amount which was calculated for the last reference period.

Non-cash benefits and other payments

The Members of the Board of Management receive 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 and in the case of Dr. Müller for a limited supplement in relation to accommodation in Buttenwiesen (at € 1,500 a month) and reimbursement for the costs of a weekly journey home. The Members of the Board of Management Mr. Friedhelm Päfgen (up to 30 June 2015) and Dr.-Ing. Herbert Müller additionally each received respectively an allowance amounting to € 000s 100 p.a. for their private retirement provision.

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.

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 following tables show compensation for the Members of the Board of Management in accordance with the recommendations of the German Corporate Governance Code:

Awarded allowances	**Friedhelm Päfgen**				**Dr.-Ing. Herbert Müller**				**Dr.-Ing. Gereon Schäfer**			
	Chairman, Group Strategy, Strategic Business Unit Paper				Chairman, Group Strategy, Strategic Business Unit Plastics				Strategic Business Unit Paper			
	until 30 June 2015								since 1 April 2015			
€ 000s	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**
Fixed compensation	252	126	126	126	252	360	360	360	-	270	270	270
Fringe benefits	25	32	0	[1]	34	52	0	[1]	-	24	0	[1]
Total	**277**	**158**	**126**	[1]	**286**	**412**	**360**	[1]	**-**	**294**	**270**	[1]
Variable compensation for one year	1,001	800	800	[1]	845	292	0	[1]	-	191	[1]	[1]
Variable compensation over several years (target attainment dependent on the average bonuses of the past three years)	[2]	[2]	[2]	[2]	[2]	98	0	[1]	-	64	[1]	[1]
Total	**1,278**	**958**	**926**	[1]	**1,131**	**802**	**360**	[1]	**-**	**549**	**270**	[1]
Pension expenses	100	50	50	50	100	100	100	100	-	0	0	0
Total compensation	**1,378**	**1,008**	**976**	[1]	**1,231**	**902**	**460**	[1]	**-**	**549**	**270**	[1]

[1] The fringe benefits as well as the variable compensation for the year and for several years, and consequently the overall compensation do not have an upper limit for the amount.
[2] In previous years, there was no loss arising from ordinary activities which could have been taken into account when measuring the variable compensation. See the section on "Bonuses" in this compensation report for more information on this.

The following table shows the inflow (amount paid out) for the business years 2014 and 2015 from fixed remuneration, fringe benefits, variable compensation for the year and pension expenses.

Cash inflow	**Friedhelm Päfgen**		**Dr.-Ing. Herbert Müller**		**Dr.-Ing. Gereon Schäfer**	
	Chairman Group Strategy, Strategic Business Unit Paper		Chairman, Group Strategy, Strategic Business Unit Plastics		Strategic Business Unit Paper	
	until 30 June 2015				since 1 April 2015	
€ 000s	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed compensation	126	252	360	252	270	-
Fringe benefits	32	25	52	34	24	-
Total	**158**	**277**	**412**	**286**	**294**	**-**
Variable compensation for one year	1,801	871	845	729	-	-
Variable compensation over several years (target attainment dependent on the average bonuses of the past three years)	[1]	[1]	[1]	[1]	[1]	-
Miscellaneous	-	-	-	-	-	-
Total	**1,959**	**1,148**	**1,257**	**1,015**	**294**	**-**
Pension expenses	50	100	100	100	-	-
Total compensation	**2,009**	**1,248**	**1,357**	**1,115**	**294**	**-**

[1] In previous years, there was no loss arising from ordinary activities which could have been taken into account when measuring the variable compensation. See the section "Bonuses" in this compensation report for more information on this.

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 in the case of Dr. Müller for a period of up to 12 months and in the case of Dr. Schäfer up to six 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 Board Member Dr.-Ing. Herbert has the right within the space of 12 months to serve notice on his contract of service to the end of the month specified following the month of his submitting the notice of termination. He is 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. A change of control clause of this nature was also included in the contract of service of Mr. Päfgen (up to 30 June 2015). There is no change of control clause for the Board Member Dr.-Ing. Gereon Schäfer.

COMPENSATION FOR THE SUPERVISORY BOARD

Compensation elements

The compensation for Members of the Supervisory Board is regulated in § 12 of the Articles of Association. Accordingly, the Members of the Supervisory Board receive, apart from reimbursement of their expenses, compensation payable after the business year has come to an end and after the resolution on the appropriation of the profit has been passed by the Annual General Meeting. The compensation is € 400.00 per eurocent dividend per share for the year for which compensation is paid, but

Compensation for the Supervisory Board 2015:

€	Total compensation 2014	Total compensation 2015	Basic salary	Compensation for work carried out on the Audit Committee
Dr.-Ing. Jürgen Großmann, Chairman	62,100	71,000	64,000	7,000
Björn Ahrenkiel, Vice Chairman	53,700	62,000	48,000	14,000
Dr. Markus Miele, Deputy Chairman	42,000	48,000	48,000	-
Dr. Matthias Bruse until 26 June 2015	34,100	19,500	15,500	4,000
Horst-Jürgen Dietzel	14,300	32,000	32,000	-
Markus Kloepfer	28,000	32,000	32,000	-
Wolfgang Moyses since 26 June 2015	-	16,500	16,500	-
Udo Sadlowski	28,000	32,000	32,000	-
Dr.-Ing. Walter Schlebusch	34,100	39,000	32,000	7,000
Thomas Stockhausen	28,000	32,000	32,000	-
Total	**338,000**	**384,000**	**352,000**	**32,000**

a minimum of € 18,000.00. If the dividend exceeds 90 eurocents per share, the compensation per eurocent shall only be € 200.00 for the part of the dividend which exceeds 90 eurocents. 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 each deputy chairman. The members of the Audit Committee also receive a further remuneration amounting to a total of up to € 40,000 annually. The Supervisory Board decides on the amount and 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' liability insurance for purely financial losses ("D&O" insurance) 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. 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 up to € 1,500,000.00 overall with the consent of the Supervisory Board through the issue of no-par-value bearer shares, for a cash consideration (Authorized Capital I) and once or in partial amounts by up to € 6,200,000.00 overall through the issue of no-par-value bearer shares, for a cash consideration or non-cash contributions (Authorized Capital II). 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 SE". 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 2015). Dispositions over shares in SURTECO SE in the share pool 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).

DECLARATION ON CORPORATE MANAGEMENT

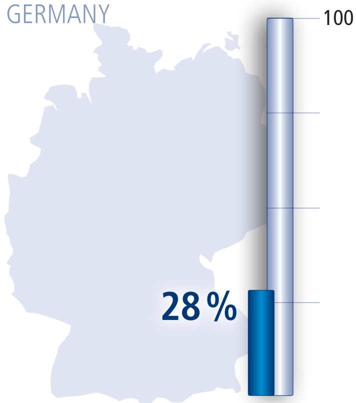
The Declaration on Corporate Management pursuant to § 289a German Commercial Code (HGB) in the form of the Corporate Governance Report including details on defining the promotion of women in management positions in accordance with § 76 (4) and § 111 (5) Stock Corporation Act, the Declaration of Compliance 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, and the auditor for 2015, 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

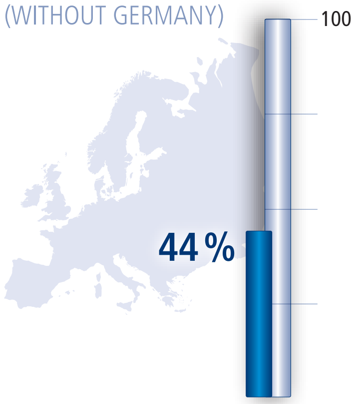
The Board of Management and Supervisory Board of SURTECO SE will recommend that the Annual General Meeting of the company to be held on 30 June 2016 in Munich adopt a resolution that the net profit of SURTECO SE amounting to € 12,404,584.80 should be distributed as follows: payment of a dividend per share amounting to € 0.80 (2014: € 0.70). This corresponds to a total amount distributed as dividend of € 12,404,584.80 for 15,505,731 shares.

PERCENTAGE OF TOTAL SALES

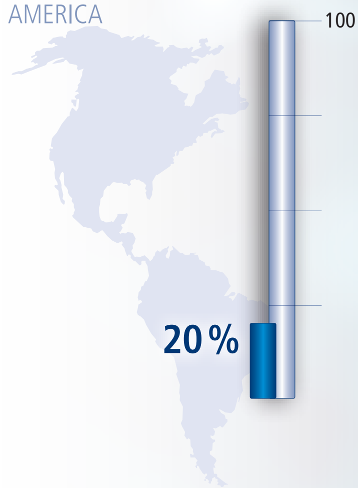
SALES REVENUES
GERMANY



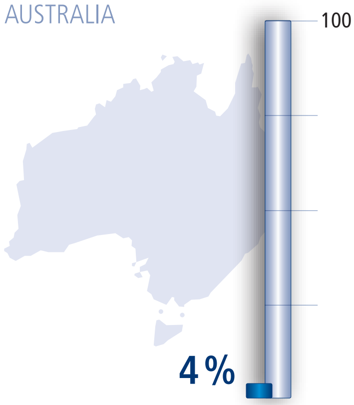
SALES REVENUES EUROPE
(WITHOUT GERMANY)



SALES REVENUES
AMERICA



SALES REVENUES
AUSTRALIA



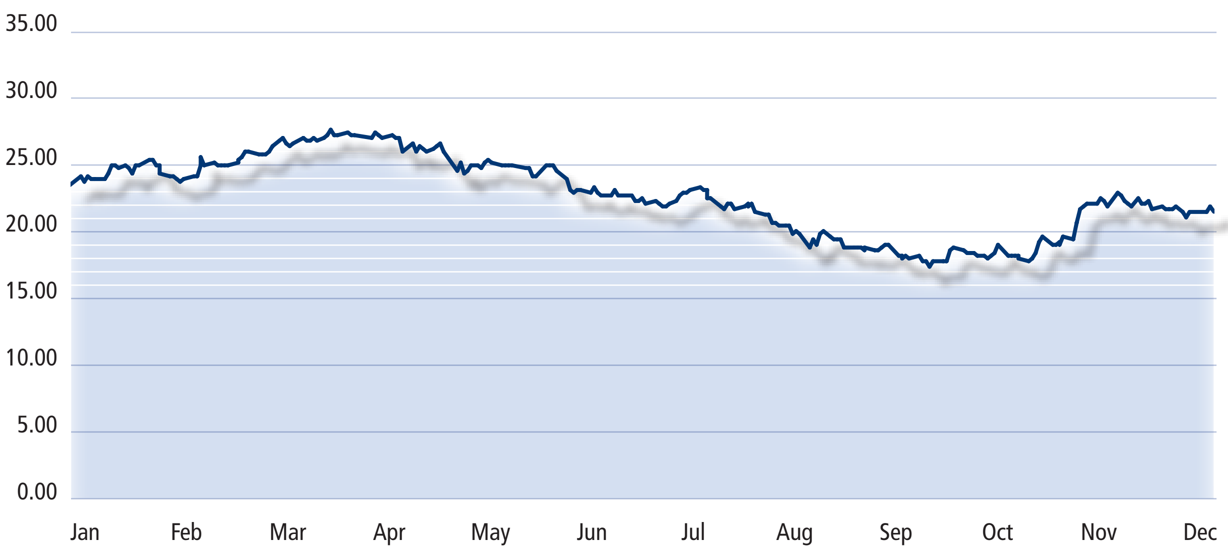
SALES REVENUES
ASIA

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)
Interest cover factor	EBITDA/(Interest income – Interest expenses)
Level of debt in %	Net debt/Equity
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term financial liabilities 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 2015 IN €



STOCK EXCHANGE YEAR 2015 AGAIN DEFINED BY HIGH PRICE FLUCTUATIONS

Throughout 2015, the stock exchange once again experienced high levels of volatility. It continued to be defined by base rates remaining stubbornly at historic lows, accompanied by increasing uncertainties about economic developments, particularly emanating from the emerging economies. The expansive monetary policy of the central banks bolstered the demand for shares especially during the first half of the year so that a number of stock-market indexes achieved a new all-time high. However, negative news about the economic development in China towards the end of the year acted as a sobering influence so that world stock markets were presenting rather a mixed picture at the end of 2015. In May, the leading US Dow Jones index had reached an all-time high significantly in excess of 18,000 points but it fell back and was trading in negative territory at minus 2 % by the end of December. European stock exchanges benefited uniformly from rising company profits and the weak euro in 2015 so that the EURO STOXX 50 went up by around 5 % and the DAX rose by nearly 10 %. In April, the DAX had reached the highest level ever with more than 12,375 points (year-end: 10,743 points). The SDAX Small Cap Index also went through a turbulent year. The index started at below 7,200, reached a record high of 9,156 points in August, and ended the stock-exchange year at just below 9,100 points on 30 December. This corresponded to an annual performance of almost 27 %.

SURTECO SHARE VOLATILE IN 2015

Buoyed by the hope of a continuing very gratifying price trend after the positive performance in 2014, the share price of SURTECO continued on a strong upward trajectory until the end of March. During the first quarter, the price increased by almost 15 % and on 25 March reached the high for the year at € 27.77. After it emerged that the one-off effects from the Süddekor takeover would exert a significantly greater negative impact on the business year 2015, prices fell back significantly over subsequent months. This factor and in particular the necessary adjustment of the earnings forecast for this business year at the beginning of August led equity analysts to reduce their price targets. The exit from the SDAX Small Cap Index in the summer and the generally weaker stock-exchange environment also held back the development of the share price. The SURTECO share therefore recorded a significantly negative performance up until the beginning of October. After a low for the year of € 17.04 on 1 October, the share sell-off came to an end, helped by robust figures for the first nine months. The SURTECO share price went on to gradually gain traction and finished the year at € 21.67. Nevertheless, the share sustained an overall fall of around 10 % during the year under review 2015. This was relieved somewhat by the dividend payout of € 0.70.

MARKET CAPITALIZATION OF AROUND € 336 MILLION AT YEAR-END 2015

Owing to the downward trend in price development, the market capitalization of the company went down from around € 372 million at year-end 2014 to around € 336 million at the end of December 2015. The free float remained constant at 45.4 %, as did the number of shares at 15,505,731. 54.6 % of the shares continue to be in the hands of the founding shareholders of SURTECO.

DIVIDEND PAYOUT RAISED FOR THE THIRD CONSECUTIVE YEAR

SURTECO has traditionally been a dividend share which enables its shareholders to participate appropriately in the success of the company. The Board of Management and the Supervisory Board intend to submit a proposal at the Annual General Meeting for the business year 2015 on 30 June 2016 for a further increase in the dividend from € 0.70 to € 0.80 on the basis of the robust operating development. This will be the third consecutive increase. Based on the closing price for the share at the end of 2015, this represents a dividend yield of around 3.7 %.

BOARD OF MANAGEMENT FOCUSES ON INVESTOR RELATIONS WORK

Intensive dialogue with the shareholders is the strategic focus for the Board of Management of SURTECO SE. Accordingly Dr. Herbert Müller, the new Chairman of the Board of Management of the company, participated in numerous roadshows and investor meetings in the run-up to taking up the chairmanship on 1 July 2015 and afterwards. The objective was to present the company to the investors and introduce himself. The previous Chairman of the Board of Management, Friedhelm Päfgen, said goodbye to shareholders at the Annual General Meeting on 26 June 2015 after more than 20 years with the company.
SURTECO is currently being tracked and evaluated by three equity research analysts. All information on the company can be found on the Internet pages of SURTECO SE (www.surteco.com). The Investor Relations Department of the company can be contacted directly at any time and will be pleased to address any questions you may have or matters you wish to discuss:

Investor Relations and Press Office
Johan-Viktor-Bausch-Str. 2
86647 Buttenwiesen-Pfaffenhofen

Phone: +49 82 74/99 88-508
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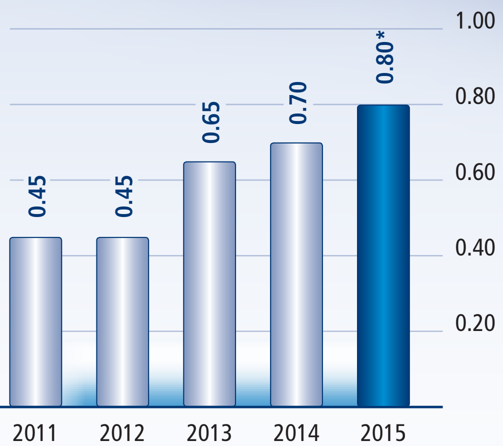
Email: ir@SURTECO.com

DEVELOPMENT OF THE DIVIDEND 2011-2015 IN €



* (Proposal by the Board of Management and the Supervisory Board)

SURTECO SHARES (CLOSE PRICE XETRA)

€	2014	2015
Number of shares at 31 December	15,505,731	15,505,731
Price at start of year	22.70	23.81
Year-end price	24.00	21.67
Price per share (high)	31.45	27.77
Price per share (low)	22.27	17.04
Stock-market turnover in shares per month	161,529	372,534
Market capitalization at year-end in € million	372.1	335.9
Free float in %	45.4	45.4

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

€ million	2014	2015
Sales	618.5	638.4
EBITDA	62.8	65.0
EBIT	27.6	31.1
EBT	22.3	26.8
Consolidated net profit	18.5	17.7

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2014	2015
Earnings (by weighted average of shares issued)	1.19	1.14
Dividend	0.70	(Proposal by the Board of Management and Supervisory Board) 0.80
Dividend yield at year-end in %	2.9	3.7

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

CONSOLIDATED FINANCIAL STATEMENTS 2015

CONSOLIDATED INCOME STATEMENT

€ 000s	Notes	1/1/-31/12/ 2014	1/1/-31/12/ 2015
Sales revenues	(1)	**618,469**	**638,394**
Changes in inventories	(2)	3,803	-1,027
Other own work capitalized	(3)	5,209	4,987
Total output		**627,481**	**642,354**
Cost of materials	(4)	-317,212	-322,673
Personnel expenses	(5)	-159,841	-161,949
Other operating expenses	(6)	-92,914	-100,238
Other operating income	(7)	5,328	7,463
EBITDA		**62,842**	**64,957**
Depreciation and amortization	(17)	-35,235	-33,847
EBIT		**27,607**	**31,110**
Interest income		707	905
Interest expenses		-10,360	-9,201
Other financial expenses and income		4,124	3,610
Share of profit of investments accounted for using the equity method		185	393
Financial result	(8)	-5,344	-4,293
EBT		**22,263**	**26,817**
Income tax	(9)	-3,765	-9,249
Net income		**18,498**	**17,568**
Of which:			
Owners of the parent (consolidated net profit)		18,464	17,695
Non-controlling interests		34	-127
Basic and diluted earnings per share (€)	(10)	1.19	1.14
Number of shares at 31 December		15,505,731	15,505,731

STATEMENT OF COMPREHENSIVE INCOME

€ 000s			1/1/-31/12/2014			1/1/-31/12/2015
Net income			**18,498**			**17,568**
Components of other omprehensive income not to be reclassified to the income statement						
Remeasurements of defined benefit obligations	-1,342			-126		
of which included deferred tax	387			37		
		-955			**-89**	
Components of other comprehensive income that may be reclassified to the income statement						
Net gains/losses from hedging of net investment in a foreign operation	-1,469			421		
of which included deferred tax	444			-124		
Exchange differences translation of foreign operations	3,952			6,891		
Financial instruments available-for-sale						
Fair valuation of cash flow hedges	-136			148		
of which including deferred tax	43			-43		
Reclassification amounts in the income statement	-253			-169		
of which included deferred tax	74			50		
		2,655			**7,174**	
Other comprehensive income for the year			**1,700**			**7,085**
Comprehensive income			**20,198**			**24,653**
Owners of the parent (consolidated net profit)			20,182			24,689
Non-controlling interests			16			-36

CONSOLIDATED BALANCE SHEET

€ 000s	Notes	31/12/2014	31/12/2015
ASSETS			
Cash and cash equivalents	(11)	43,060	65,654
Trade accounts receivable	(12)	61,670	56,861
Inventories	(13)	110,638	113,252
Current income tax assets	(14)	8,025	6,247
Other current non-financial assets	(15)	9,171	5,600
Other current financial assets	(15)	2,524	3,632
Assets held for sale	(16)	7,329	0
Current assets		**242,417**	**251,246**
Property, plant and equipment	(18)	237,198	244,933
Intangible assets	(19)	26,266	22,228
Goodwill	(20)	110,808	111,359
Investments accounted for using the equity method	(21)	3,545	3,681
Financial assets	(21)	21	21
Non-current income tax assets	(14)	282	154
Other non-current financial assets	(25)	8,182	14,269
Deferred taxes	(9)	7,950	8,236
Non-current assets		**394,252**	**404,881**
		636,669	**656,127**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(25)	5,563	4,970
Trade accounts payable		45,359	48,728
Income tax liabilities	(22)	2,968	3,511
Short-term provisions	(23)	12,052	8,205
Other current non-financial liabilities	(24)	3,220	2,507
Other current financial liabilities	(24)	22,383	24,506
Current liabilities		**91,545**	**92,427**
Long-term financial liabilities	(25)	183,336	187,272
Pensions and other personnel-related obligations	(26)	12,738	12,750
Deferred taxes	(9)	27,949	28,778
Non-current liabilities		**224,023**	**228,800**
Capital stock		15,506	15,506
Capital reserve		122,755	122,755
Retained earnings		164,050	178,709
Consolidated net profit		18,464	17,695
Capital attributable to owners of the parent		**320,775**	**334,665**
Non-controlling interests		326	235
Equity	(27)	**321,101**	**334,900**
		636,669	**656,127**

CONSOLIDATED CASH FLOW STATEMENT

€ 000s	Notes	1/1/-31/12/ 2014	1/1/-31/12/ 2015
Earnings before income tax		**22,263**	**26,817**
Payments for income tax		-7,435	-6,256
Reconciliation to cash flow from current business operations:			
- Depreciation and amortization on property, plant and equipment	(17)	35,235	33,847
- Interest income and result for investments	(8)	5,540	8,297
- Gains/losses from the disposal of fixed assets		-594	-2,207
- Change in long-term provisions		1,755	7
- Other expenses/income with no effect on liquidity		-3,374	-4,924
Internal financing		**53,390**	**55,581**
Increase/decrease in			
- Trade accounts receivable	(12)	-5,498	3,634
- Other assets		1,090	10,617
- Inventories	(13)	-5,156	-5,442
- Accrued expenses		8,708	-3,818
- Trade accounts payable		6,149	6,895
- Other liabilities		-4,411	1,707
Change in assets and liabilities (net)		**882**	**13,593**
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	(31)	**54,272**	**69,174**
Purchase of property, plant and equipment	(18)	-26,731	-29,676
Purchase of intangible assets	(19)	-2,466	-1,952
Proceeds from the disposal of property, plant and equipment		1,680	3,080
Dividends received		120	86
CASH FLOW FROM INVESTMENT ACTIVITIES	(31)	**-27,397**	**-28,462**
Dividend paid to shareholders	(27)	-10,079	-10,854
Proceed of long-term financial liabilities	(30)	33,000	2,000
Repayment of long-term financial liabilities	(30)	-437	-1,598
Changes in short-term financial liabilities	(30)	-50,068	-559
Interest received	(8)	707	905
Interest paid	(8)	-8,596	-7,562
CASH FLOW FROM FINANCIAL ACTIVITIES	(31)	**-35,473**	**-17,668**
Change in cash and cash equivalents		**-8,598**	**23,044**
Cash and cash equivalents			
1 January		51,052	43,060
Effect of changes in exchange rate on cash and cash equivalents		606	-450
31 December	(11)	**43,060**	**65,654**

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 2014	**15,506**	**122,798**	**767**	**-726**	**-9,307**	**159,769**	**21,876**	**342**	**311,025**
Net income	0	0	0	0	0	0	18,464	34	18,498
Other comprehensive income	0	0	-272	-955	2,977	0	0	-50	1,700
Comprehensive income	**0**	**0**	**-272**	**-955**	**2,977**	**0**	**18,464**	**-16**	**20,198**
Dividend payout SURTECO SE	0	0	0	0	0	0	-10,079	0	-10,079
Issue of ordinary shares	0	-43	0	0	0	0	0	0	-43
Allocation to retained earnings	0	0	0	0	0	11,797	-11,797	0	0
Changes in equity	**0**	**-43**	**0**	**0**	**0**	**11,797**	**-21,876**	**0**	**-10,122**
31 December 2014	**15,506**	**122,755**	**495**	**-1,681**	**-6,330**	**171,566**	**18,464**	**326**	**321,101**
1 January 2015	**15,506**	**122,755**	**495**	**-1,681**	**-6,330**	**171,566**	**18,464**	**326**	**321,101**
Net income	0	0	0	0	0	0	17,695	-127	17,568
Other comprehensive income	0	0	-14	-89	7,152	0	0	36	7,085
Comprehensive income	**0**	**0**	**-14**	**-89**	**7,152**	**0**	**17,695**	**-91**	**24,653**
Dividend payout SURTECO SE	0	0	0	0	0	0	-10,854	0	-10,854
Allocation to retained earnings	0	0	0	0	0	7,610	-7,610	0	0
Changes in equity	**0**	**0**	**0**	**0**	**0**	**7,610**	**-18,464**	**0**	**-10,854**
31 December 2015	**15,506**	**122,755**	**481**	**-1,770**	**822**	**179,176**	**17,695**	**235**	**334,900**

SURTECO SE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE BUSINESS YEAR 2015

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 Augsburg Court (Amtsgericht Augsburg) under HRB 23000. The purpose of the companies consolidated in the SURTECO Group is the development, production and sale of coated surface materials based on paper and plastic.

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2015 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, and were 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 2015.

The consolidated financial statements and the consolidated management report for 2015 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 13 April 2016, 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. Individual standards were changed in the course of the Annual Improvement Procedure (AIP 2011-2013). No important effects result from the application of these changes in the SURTECO Group.

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Effects on SURTECO
IFRIC 21	Recognition of a liability for a levy imposed by a government	17/6/2014	yes	none
Changes due to the Annual Improvement Projects (AIP 2011-2013)				
IAS 40	Investment property: Clarification of the interrelationship between IFRS 3 and IAS 40 in classification of a property as an investment property or owner-occupied property	1/1/2015	yes	none
IFRS 3	Business combinations: Scope of exception for joint ventures	1/1/2015	yes	none
IFRS 13	Fair-value measurement: Scope of exception for measuring the fair value of a portfolio	1/1/2015	yes	none
(A) Amended				
(R) Revised				

The following new and revised standards and interpretations, which were not yet mandatory during the reporting period or had not yet been adopted by the European Union, are not being applied in advance. Individual standards were changed in the framework of Annual Improvement Projects (AIP 2010-2012 and AIP 2012-2014).

SURTECO SE is investigating the resulting effects on the consolidated financial statements.

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
IAS 1(A)	Initiative to improve disclosure requirements (Disclosure Initiative)	1/1/2016*	yes	yes
IAS 7(A)	Disclosure Initiative	1/1/2017*	no	yes
IAS 12(A)	Recognition of deferred tax assets for unrealized losses	1/1/2017*	no	yes
IAS 16 (A)/ IAS 38 (A)	Clarification of acceptable methods of depreciation and amortization for property, plant and equipment and intangible assets	1/1/2016*	yes	none
IAS 16 (A)/ IAS 41 (A)	Agriculture: Bearer plants	1/1/2016*	yes	none
IAS 19 (A)	Clarification on account requirements of employees' contributions for defined benefit plans	1/2/2015	yes	none
IAS 27 (A)	Separate financial statements (equity method)	1/1/2016*	no	none
IFRS 9	Financial instruments: Classification and measurement	1/1/2018*	no	yes
IFRS 10(A)/ IAS 28 (A)	Disposal of the assets of an investor in, or contribution to its associated company or joint venture	still under consideration (originally 1/1/2016)*	no	none
IFRS 10(A)/ IFRS 12(A)/ IAS 28 (A)	Investment entities – Applying the consolidation exception	1/1/2016*	no	none
IFRS 11(A)	Purchase of shares in joint operations	1/1/2016*	yes	none
IFRS 14	Regulatory deferral accounts	1/1/2016*	no	none
IFRS 15	Revenue from contracts with customers	1/1/2018*	no	yes
IFRS 16	Leases	1/1/2019*	no	yes
Changes due to the Annual Improvement Projects (AIP 2010-2012)				
IAS 16	Property, plant and equipment: Revaluation method	1/2/2015	yes	none
IAS 24	Related party disclosures: Key management personnel	1/2/2015	yes	none
IAS 37	Provisions, contingent liabilities and contingent assets	1/2/2015	yes	none
IAS 38	Intangible assets: Revaluation method	1/2/2015	yes	none
IAS 39	Financial instruments: Recognition and measurement	1/2/2015	yes	none
IFRS 2	Share-based payment: Definition of "vesting conditions"	1/2/2015	yes	none
IFRS 3	Business combinations: Accounting of contingent consideration regarding a business combination	1/2/2015	yes	none
IFRS 8	Operating segments: Aggregation of operating segments and reconciliation of the total assets of the operating segment being reported to the assets of the entity	1/2/2015	yes	none

Standard/Interpretation		Application, obligation to apply for the business years on or from	Adoption by the EU Commission	Expected effects on SURTECO
Changes due to the Annual Improvement Projects (AIP 2012-2014)				
IAS 19	Employee benefits: Outlines the accounting requirements in an international currency area	1/1/2016	yes	none
IAS 34	Interim reporting: Meaning of "statement at another place in the interim report"	1/1/2016	yes	none
IFRS 5	Non-current assets held for sale and discontinued operations: Changes in methods of disposal	1/1/2016	yes	none
IFRS 7	Financial instruments: Disclosure requirements in connection with contracts for managing financial assets and applicability of changes in IFRS 7 to condensed interim financial statements	1/1/2016	yes	none

(A) Amended

(R) Revised

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

III. CONSOLIDATED COMPANIES

SURTECO 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 2015. Control exists if SURTECO SE is exposed to variable returns from the relationship with a company and has power over the company. Power means that SURTECO SE has existing rights that give it the current ability to direct the relevant activities of the company and thus exert a significant influence over the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. In the case of structured entities, control normally derives from contractual agreements. 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.

Investment in associates in which the SURTECO Group exerts a significant influence – generally through a shareholding of 20 % to 50 % – and investment in joint ventures are accounted for using the equity method.

Three companies are not included in the consolidated financial statements for 2015 (2014: four 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.

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

	31/12/2014	Additions	Disposals	31/12/2015
Consolidated subsidiaries				
- of which in Germany	12*	0	-2	10*
- of which abroad	21	0	-1	20
Subsidiaries reported at acquisition costs				
- of which abroad	4	0	-1	3
Companies accounted for using the equity method				
- of which in Germany	1	0	0	1
- of which abroad	2	0	0	2
	40	**0**	**-4**	**36**

* of which 2 special-purpose entities

The companies included in the consolidated financial statements at 31 December 2015 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 2015 are submitted to the Federal Gazette (Bundesanzeiger) and published there.

W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Gladbeck was merged with Döllken-Weimar GmbH, Nohra with the entry made in the Company Register on 26 May 2015. Furthermore, W. Döllken & Co. GmbH, Gladbeck was merged with Döllken-Kunststoffverarbeitung GmbH, Gladbeck with the entry made in the Company Register on 25 June 2015.

During the business year 2015, 1784824 Ontario Inc., Brampton, Canada was merged with Doellken-Canada Ltd., Brampton, Canada.

Sueddekor OOO, Moscow, Russia was taken over in the course of the acquisition of the Süddekor Group at the end of 2013 and was not consolidated due to the insignificant nature of its business activity. This company was liquidated on 30 September 2015.

This exerted no significant influences on the net assets, financial position and results of operations of the SURTECO Group.

IV. 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
SURTECO DECOR GmbH	Buttenwiesen-Pfaffenhofen
SÜDDEKOR Art Design + Engraving GmbH	Willich
Dakor Melamin Imprägnierungen GmbH	Heroldstatt
BauschLinnemann GmbH	Sassenberg
Kröning GmbH	Hüllhorst
Döllken-Kunststoffverarbeitung GmbH	Gladbeck
Döllken-Profiltechnik GmbH	Dunningen
Döllken-Weimar GmbH	Nohra

V. CONSOLIDATION PRINCIPLES

The financial statements 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.

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 (31/12/2015).

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 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". Currently existing non-controlling interests were valued on the basis of the proportionate net assets.

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.

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. Investments in associated enterprises are valued in accordance with the equity method.

The business year of an associated company ends on a different balance sheet date (30/9/).

The Group has investments in companies under jointly managed agreements. In accordance with IFRS 11, there are two forms of joint agreements, depending on the arrangement of the contractual rights and obligations of the individual investments: joint operations and joint ventures.

A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The assets, liabilities, income and expenses are recognized proportionately.

A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for in accordance with the equity method.
The SURTECO Group only has joint agreements in the form of joint ventures.

Investments in associated companies and joint-venture companies are accounted for with their acquisition costs by the **equity method** and they are increased or decreased by the proportionate changes in equity. If impairments occur, which exceed the value of the individual participation, any available non-current assets, which are associated with the participation, are written down. If the book value of the participation and these assets is reduced to zero, additional losses are accounted for in the appropriate scope and recognized as a liability, if the Group has entered into legal or de facto obligations for taking over loss, or makes payments instead of the associated company or joint venture.

If a Group company carries out significant transactions with an associated company or joint venture, any resulting unrealized gains or losses are eliminated in accordance with the share of the Group in the associated company or joint venture.
Adjustments to uniform consolidated accounting and valuation methods are carried out as necessary.

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

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”.

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

VI. CURRENCY TRANSLATION

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).

The earnings and the balance sheet items of the foreign subsidiary companies included in the consolidated financial statements which have a different functional currency to the euro are converted into euros as follows. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the 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). Since all consolidated companies operate their financial, business and organizational transactions independently, the relevant national currency is the functional currency.

Translation was based on the following currency exchange rates:

Exchange rates in euros		**Rate on the balance sheet date**		**Average rate**	
		31/12/2014	**31/12/2015**	2014	**2015**
US dollar	USD	0.8227	0.9181	0.7536	0.9015
Canadian dollar	CAD	0.7105	0.6610	0.6822	0.7063
Australian dollar	AUD	0.6753	0.6713	0.6796	0.6783
Singapore dollar	SGD	0.6227	0.6495	0.5946	0.6559
Swedish krona	SEK	0.1064	0.1089	0.1100	0.1069
Sterling	GBP	1.2840	1.3605	1.2405	1.3780
Turkish lira	TRY	0.3535	0.3143	0.3443	0.3323
Polish zloty	PLN	0.2336	0.2345	0.2390	0.2391
Russian rouble	RUB	0.0139	0.0124	0.0199	0.0149
Czech koruna	CZK	0.0361	0.0370	0.0363	0.0367

VII. ACCOUNTING AND VALUATION PRINCIPLES

UNIFORM ACCOUNTING AND VALUATION METHODS

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

CONSISTENCY OF ACCOUNTING AND VALUATION 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.

INCOME AND EXPENSE REALIZATION

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

Sales originating from the sale of goods have been recorded if the following conditions are fulfilled:
- The Group has transferred the material risks and opportunities arising from ownership of the goods to the purchaser.
- The Group retains neither a right of disposal, of the kind that is normally associated with ownership, nor an effective power of disposal over the sold goods and manufactured products.
- The level of the sales revenues can be reliably determined.
- It is probable that the economic benefit arising from the business will accrue to the Group.
- The costs incurred or still to be incurred in connection with the sale can be reliably determined.

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

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

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

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

EBITDA

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

EBIT

EBIT is earnings before financial result and income tax.

EBT

EBT is earnings before income tax.

EARNINGS PER SHARE

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

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 particularly true for derivative financial instruments in the case of the SURTECO Group. The fair value of forward exchange contracts and cross-currency swaps of SURTECO SE is determined using the discounted cash flow method with recourse to current market parameters.

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 valuation, financial instruments are divided into categories:

IAS 39 categorizes financial assets as follows:
- Financial assets valued 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 valued at fair value through profit and loss
- Financial assets valued 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 qualify as hedges. SURTECO does not make use of the fair value option.
   Changes in fair value of "financial instruments valued 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, which 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 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 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 not reversed with effect on income. In the case of equity instruments, an increase in the fair value after a reduction in value is recorded under equity. If financial investments in equity instruments, for which no quoted price is available in an active market, and their fair values cannot be reliably determined, 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. Derecognition of the financial assets is carried out if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks, which are associated with the property, were essentially transferred, or otherwise if the power of disposal over assets was transferred.

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 2015 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 for the year). 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.

Hedges for net investments in foreign business operations are accounted similary to cash flow hedges. Loans in foreign currencies to subsidiary companies of the Group, which meet the prerequisites for a net investment in a foreign business operation, are accounted for as such in the SURTECO Group. The unrealized gains and losses from currency translation of loans within the Group should be recognized in equity with no effect on income until disposal of the net investment.

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.
The legal entitlement to offsetting must not depend on a future event and must be implementable in the course of normal business and in the case of a default, an insolvency or a bankruptcy.

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 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 and other financial assets are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred. 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 sale.

Development costs for intangible assets produced within the company have been capitalized under income at directly attributable acquisition or production cost, if the following criteria are complied with:
- The technical feasibility of completing the intangible asset so that it will be available for use.
- The management intends to complete the intangible asset and to use or sell it.
- There is an ability to use or to sell the intangible asset.
- The form and manner in which the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources are available in order to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

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

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 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 recognized 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 with unlimited useful life 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, 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 book 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 income taxes paid or owed on income and earnings in the individual countries and the deferred taxes are recognized as income taxes. The calculation is based on country-specific tax rates.
The income tax liabilities related to the relevant tax year and any obligations arising from the previous years. The valuations are subject to the applicable statutory regulations taking into account current legal precedents and the prevailing professional opinion.

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

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

- temporary differences from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period in accordance with IFRS nor taxable earnings, and
- taxable temporary differences which occur in conjunction with shareholdings in subsidiary companies, 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.

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

Income and expenses arising from actual and deferred income taxes that relate to the items that are reported directly under equity or in other comprehensive income for the year are not reported in the income statement but are also recorded directly under equity or in other comprehensive income for the year. Deferred tax assets and deferred tax liabilities are offset, if the Group has an enforceable legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.
In accordance with IAS 1.70, 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.
Obligations arising from regulations relating to company pension provision relate to defined benefit plans which essentially cover benefit recipients employed in Germany. The arrangement depends on the legal, tax and economic relations pertaining and is generally based on the period of service and pay of the employee. The majority of pension obligations in Germany based on contractual conditions relate to life-time pension benefits, which are paid out in case of invalidity, death and attaining the age of retirement.
The pension 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 commitments from the company.
Since no further obligations or risks are incurred by the company beyond the payment of the contributions, these were classified as defined contribution plans and are therefore not taken account in the determination of the provision.

The pension obligations of SURTECO are subject to various market risks. The risks essentially 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. 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 pension accruals, including the interest portion contained therein, is recognized under Personnel expenses. Remeasurements (actuarial gains or losses) arising from defined-benefit plans are recognized in equity (other comprehensive income for the year) with no effect on income. The standardized income on the plan assets is generated in the amount of the discounting rate of the pension obligations at the start of the reporting period. These returns are recognized with netting of the expenses arising from the pension obligations on the basis of a standardized return. Differences between the expected income and the actual income are to be recognized with no effect on income in equity (other comprehensive income for the year). Furthermore, the past service costs are to be recognized immediately at the point of arising with an effect on earnings.

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 2015, only phased retirement obligations arose in the release phase.

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

	2014	**2015**
Interest rate	2.3 %	2.3 %
Salary increases	2.0 %	2.0 %
Pension increases	2.0 %	2.0 %
Fluctuation rate	0.0 %	0.0 %
Biometric data	Heubeck 2005G	Heubeck 2005G

The interest rate for the pension obligation is currently a uniform 2.3 % (2014: 2.3 %). 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. A provision for restructuring measures is recognized as soon as the Group has approved a detailed and formal restructuring plan and the restructuring measures have either commenced or have been announced in the public domain. When a restructuring provision is measured, only the direct expenses for the restructuring are entered. This therefore only relates to amounts which have been caused by restructuring and are not related to the ongoing business operations of the Group.

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

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

Segment reporting
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 restructuring, for legal proceedings, pension benefits for employees and corresponding deductions, taxes, inventory valuations, price reductions, product liability and warranties.

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

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

VIII. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUES
The sales revenues are comprised as follows:

Business (product) [€ 000s]	2014	2015
Edgebandings	188,627	194,665
Foils	131,483	146,087
Impregnates / Release papers	104,434	106,882
Decorative printing	117,648	104,968
Skirtings and related products	40,966	45,838
Technical extrusions	15,922	15,985
Other	19,389	23,969
	618,469	**638,394**

(2) CHANGES IN INVENTORIES
The changes in inventories related to work in progress amounting to € 000s 346 (2014: € 000s -1,012) and finished products amounting to € 000s -1,358 (2014: € 000s 4,815).

(3) OTHER OWN WORK CAPITALIZED
Other own work capitalized principally relates to tools and printing cylinders manufactured in the company.

(4) COST OF MATERIALS
Composition of the cost of materials in the Group:

[€ 000s]	2014	2015
Cost of raw materials, consumables and supplies, and purchased merchandise	315,025	318,330
Cost of purchased services	2,187	4,343
	317,212	**322,673**

(5) PERSONNEL EXPENSES
The following table shows personnel expenses:

[€ 000s]	2014	2015
Wages and salaries	135,991	136,949
Social security contributions	14,411	18,349
Pension costs	9,439	6,651
	159,841	**161,949**

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 844 (2014: € 000s 802) are also paid to welfare funds and pension schemes. The pension costs also include payments of € 000s 5,268 (2014: € 000s 7,463) 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 2,727 (2014: 2,682).

The following table shows the employee structure:

	Industrial	Salaried	2014 Total	**Industrial**	**Salaried**	**2015 Total**
Production	1,357	227	1,584	1,395	216	1,611
Sales	19	329	348	34	330	364
Engineering	125	37	162	118	39	157
Research and development, quality assurance	62	88	150	65	90	155
Administration, materials management	113	325	438	113	327	440
	1,676	**1,006**	**2,682**	**1,725**	**1,002**	**2,727**

The number of employees by regions is as follows:

	2014	**2015**
Germany	1,835	1,876
European Union	225	231
Rest of Europe	38	37
Asia / Australia	152	159
America	432	424
	2,682	**2,727**

(6) OTHER OPERATING EXPENSES

The following table shows how operating expenses are structured:

[€ 000s]	2014	**2015**
Operating expenses	25,967	33,709
Sales expenses	43,520	43,708
Administrative expenses	22,289	21,607
Impairment losses on receivables	1,138	1,214
	92,914	**100,238**

Uncapitalized research and development costs (personnel and materials costs) in the Group amounted to € 000s 2,561 (2014: € 000s 3,813).

(7) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2014	**2015**
Income from fixed asset disposals	594	2,950
Claims for compensation	641	1,851
Release of unused amounts of provisions and obligations	1,449	258
Other operating income	2,644	2,404
	5,328	**7,463**

(8) FINANCIAL RESULT

[€ 000s]	2014	**2015**
Interest and similar income	707	905
Interest and similar expenses	-10,360	-9,201
Interest (net)	**-9,653**	**-8,296**
Income from market valuation for financial derivatives	32	6
Expenses from market valuation for financial derivatives	0	0
Currency gains / losses, net	4,082	3,603
Income from investments	10	1
Other financial expenses and income	**4,124**	**3,610**
Share of profit of investments accounted for using the equity method	**185**	**393**
Financial result	**-5,344**	**-4,293**

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 1,680 (2014: € 000s 1,741).

Interest expenses on financial liabilities that were not measured at fair value in the amount of € 000s 49 (2014: € 000s 66) were included in the financial result.

(9) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2014		**2015**
Current income taxes				
- Germany	1,287		-198	
- International	4,063		8,949	
		5,350		8,751
Deferred income taxes				
- from time differences	-1,585		563	
- on losses carried forward	0		-65	
		-1,585		498
		3,765		**9,249**

While in the previous year, currency effects which did not need to be taken into account outside Germany exerted a positive impact on the tax rate in the previous year, the tax burden in the business year under review increased on account of these circumstances no longer occurring and as a result of the increased domestic temporary differences.

An average overall tax burden of 29.4 % (2014: 29.4 %) therefore results for the German companies. The tax rate takes account of trade tax (13.6 %, 2014: 13.6 %), corporate income tax (15.0 % unchanged compared with the previous year) and the solidarity surcharge (5.5 % of corporate income tax unchanged compared with the previous year). The applicable local income tax rates for the foreign companies vary between 19 % and 40 % 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 tax assets were recognized on loss carry-forwards for foreign Group companies amounting to € 000s 7,197 (2014: € 000s 7,736) due to restricted utility.

Deferred tax liabilities amounting to € 000s 3,856 (2014: € 000s 3,336) were not recognised on temporary differences in connection with shares in subsidiaries, as the temporary differences are not expected to reserve in the foreseeable future.

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

[€ 000s]	Deferred tax assets			Deferred tax liabilities		
	2014	Change	**2015**	2014	Change	**2015**
Inventories	551	1,143	1,694	124	31	155
Receivables and other assets	868	-671	197	285	-138	147
Tax losses carried forward	0	99	99	0	0	0
Goodwill	3,523	-1,251	2,272	3,550	120	3,670
Property, plant and equipment	1,086	-101	985	26,555	-68	26,487
Intangible assets	1	96	97	4,865	-1,322	3,543
Other current assets	48	20	68	0	33	33
Other non-current assets	0	277	277	3,446	339	3,785
Financial liabilities	11,657	1,135	12,792	0	0	0
Pensions and other personnel-related obligations	1,694	-232	1,462	0	0	0
Trade accounts payable	0	0	0	0	2,293	2,293
Other liabilities	223	473	696	825	243	1,068
	19,651	**988**	**20,639**	**39,650**	**1,531**	**41,181**
Netting	-11,701	-702	-12,403	-11,701	-702	-12,403
	7,950	**286**	**8,236**	**27,949**	**829**	**28,778**

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

[€ 000s]	2014	**2015**
Earnings before Taxes (EBT)	**22,263**	**26,817**
Expected income tax (29.4 %; 2014: 29.4 %)	6,545	7,884
Reconciliation:		
Differences from foreign tax rates	109	762
Share of profit of investments accounted for using the equity method	-54	-115
Losses for which no deferred taxes were recorded	228	182
Expenses not deductible from taxes	958	577
Tax-free income	-2,884	-118
Tax expenses / income not related to the reporting period	-686	79
Temporary differences	23	0
Other effects	-474	-2
Income tax	**3,765**	**9,249**

The average tax rate amounted to 29.4 % (2014: 29.4 %).

Income taxes recorded directly in equity

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

[€ 000s]	2014	**2015**
Actuarial gains/losses	387	37
Fair value measurement of financial investments	43	-43
Net investment in a foreign operation	444	-124
Release to other comprehensive income	74	50
	948	**-80**

(10) EARNINGS PER SHARE

	2014	**2015**
Consolidated net profit in € 000s	18,464	17,695
Weighted average of no-par value shares issued	15,505,731	15,505,731
Basic and undiluted earnings per share in €	1.19	1.14

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.

IX. NOTES TO THE BALANCE SHEET

(11) CASH AND CASH EQUIVALENTS

[€ 000s]	2014	**2015**
Cash in hand and bank balances	39,950	38,310
Fixed-term deposits	3,110	27,344
	43,060	**65,654**

(12) TRADE ACCOUNTS RECEIVABLE

[€ 000s]		2014		**2015**
Trade accounts receivable	64,396		59,203	
Less allowances	-3,347		-2,842	
Trade accounts receivable, net		61,049		56,361
Accounts receivable from affiliated enterprises		621		500
Book value		**61,670**		**56,861**

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]	2014	**2015**
1/1/	**3,810**	**3,347**
Recourse	-658	-996
Release of unused amounts	-340	-126
Addition (effect on expenses)	535	617
31/12/	**3,347**	**2,842**

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]		2014	**2015**
Book value		**61,670**	**56,861**
of which: not impaired and not overdue		52,541	46,986
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	8,624	7,193
	3-6 months	152	676
	6-12 months	81	137
	more than 12 months	519	2,102
Less lump-sum allowances		-247	-233

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]	2014	**2015**
Raw materials, consumables and supplies	38,210	42,630
Work in progress	12,318	12,664
Finished products and goods	60,110	57,958
	110,638	**113,252**

Impairments of € 000s 2,623 (2014: € 000s 1,968) were reported on inventories.

Out of the inventories, € 000s 38,538 (2014: € 000s 36,797) were recognized under assets at the net disposal value.

(14) CURRENT AND NON-CURRENT INCOME TAX RECEIVABLES

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

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 291 (2014: € 000s 407), of which € 000s 138 are recognized under current income tax assets.

(15) OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

[€ 000s]		2014		2015
Other current non-financial assets				
Income tax assets (value added tax, wage tax)	3,686		3,423	
Prepaid expenses	1,515		1,413	
Land	1,423		0	
Other	2,547		764	
		9,171		5,600
Other current financial assets				
Receivable factoring	1,073		1,072	
Bonuses, receivables	1,167		799	
Other loans	0		600	
Security deposits	187		190	
Debit balances in accounts receivable	97		110	
Other	0		861	
		2,524		3,632
		11,695		**9,232**

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

Other current non-financial assets
The land recognized in the previous year relates to a former production site that is being sold in individual lots in parallel and is meantime being recognized in fixed assets.

Other current financial assets
The receivables recognized from factoring result from the sales of trade receivables of SURTECO to a factor. These receivable sales led to a continuing involvement. 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 2015 amounting to € 000s 11,573 (2014: € 000s 8,575) led to a partial disposal. A continuing involvement asset in the amount of € 000s 150 (2014: € 000s 166) was reported for this under the receivables from factoring. The associated liability in the amount of € 000s 150 (2014: € 000s 166) was reported under current liabilities. The maximum amount of the receivables sold amounts to € 000s 17,422 (2014: € 000s 11,671) in the business year.

The contract for the other receivable sales was ended in January 2015. In the previous year, the book value for the other receivable sales amounted to € 000s 2,390.

Obligations in respect of the factor amounting to € 000s 4,657 (2014: € 000s 2,468) are also recognized under other current financial liabilities for receivables settled by the balance sheet date.

The current other loans were recognized under other non-current financial assets in the previous year.

(16) ASSETS HELD FOR SALE

The impregnating plant of the SBU Paper in Biscoe, USA, recognized under the item assets held for sale in the previous year was sold in January 2015. The gain on disposal of € 1,464 was recognized under other operating income.

(17) FIXED ASSETS

[€ 000s]	Property, plant and equipment	Intangible assets	Goodwill	Total
Acquisition costs				
1/1/2014	**513,641**	**54,683**	**157,384**	**725,708**
Currency adjustment	6,725	-206	565	7,084
Additions	26,732	2,465	0	29,197
Disposals	-16,894	-233	0	-17,127
Transfers	-941	834	107	0
Reclassification to assets held for sale	-7,913	0	0	-7,913
31/12/2014	**521,350**	**57,543**	**158,056**	**736,949**
1/1/2015	**521,350**	**57,543**	**158,056**	**736,949**
Currency adjustment	12,437	660	59	13,156
Additions	29,676	1,952	0	31,628
Disposals	-15,351	-486	0	-15,837
Transfers	723	-723	0	0
31/12/2015	**548,835**	**58,946**	**158,115**	**765,896**
Depreciation and amortization				
1/1/2014	**268,848**	**24,949**	**46,667**	**340,464**
Currency adjustment	1,656	20	581	2,257
Additions	28,609	6,626	0	35,235
Disposals	-14,376	-318	0	-14,694
Reclassification to assets held for sale	-585	0	0	-585
31/12/2014	**284,152**	**31,277**	**47,248**	**362,677**
1/1/2015	**284,152**	**31,277**	**47,248**	**362,677**
Currency adjustment	5,792	303	-492	5,603
Additions	28,141	5,706	0	33,847
Disposals	-14,183	-568	0	-14,751
31/12/2015	**303,902**	**36,718**	**46,756**	**387,376**
Book value at 31/12/2015	**244,933**	**22,228**	**111,359**	**378,520**
Book value at 31/12/2014	**237,198**	**26,266**	**110,808**	**374,272**

(18) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised as follows:

[€ 000s]	Land and buildings	Financial leasing for land and buildings	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2014	**129,460**	**36,259**	**269,533**	**70,665**	**7,724**	**513,641**
Currency adjustment	2,109	0	4,395	79	142	6,725
Additions	2,207	0	12,298	5,749	6,478	26,732
Disposals	-1,458	0	-11,849	-3,586	-1	-16,894
Transfers	-3,262	2,941	5,715	901	-7,236	-941
Reclassification to assets held for sale	-2,619	0	-5,271	-23	0	-7,913
31/12/2014	**126,437**	**39,200**	**274,821**	**73,785**	**7,107**	**521,350**
1/1/2015	**126,437**	**39,200**	**274,821**	**73,785**	**7,107**	**521,350**
Currency adjustment	2,442	889	8,685	388	33	12,437
Additions	751	0	13,388	5,441	10,096	29,676
Disposals	-1,240	-546	-9,793	-3,750	-22	-15,351
Transfers	1,219	292	4,374	55	-5,217	723
31/12/2015	**129,609**	**39,835**	**291,475**	**75,919**	**11,997**	**548,835**
Depreciation and amortization						
1/1/2014	**46,909**	**3,448**	**166,763**	**51,728**	**0**	**268,848**
Currency adjustment	417	0	1,166	68	5	1,656
Additions	3,489	1,491	18,544	5,085	0	28,609
Disposals	107	0	-11,384	-3,099	0	-14,376
Transfers	-38	0	38	0	0	0
Reclassification to assets held for sale	-111	0	-469	-5	0	-585
31/12/2014	**50,773**	**4,939**	**174,658**	**53,777**	**5**	**284,152**
1/1/2015	**50,773**	**4,939**	**174,658**	**53,777**	**5**	**284,152**
Currency adjustment	583	66	4,901	242	0	5,792
Additions	3,336	1,355	18,002	5,448	0	28,141
Disposals	-90	-337	-10,467	-3,289	0	-14,183
Transfers	22	-22	0	0	0	0
31/12/2015	**54,624**	**6,001**	**187,094**	**56,178**	**5**	**303,902**
Book value at 31/12/2015	**74,985**	**33,834**	**104,381**	**19,741**	**11,992**	**244,933**
Book value at 31/12/2014	**75,664**	**34,261**	**100,163**	**20,008**	**7,102**	**237,198**

As at 31 December 2015, property, plant and equipment with a book value of € 000s 2,461 (2014: € 000s 2,976) was pledged as collateral for existing liabilities.

(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					
1/1/2014	**31,110**	**22,029**	**1,362**	**182**	**54,683**
Currency adjustment	284	-228	-262	0	-206
Additions	1,917	0	540	8	2,465
Disposals	-221	0	0	-12	-233
Transfers	894	0	-36	-24	834
31/12/2014	**33,984**	**21,801**	**1,604**	**154**	**57,543**
1/1/2015	**33,984**	**21,801**	**1,604**	**154**	**57,543**
Currency adjustment	337	458	-135	0	660
Additions	1,029	0	743	180	1,952
Disposals	-22	-464	0	0	-486
Transfers	-773	-396	463	-17	-723
31/12/2015	**34,555**	**21,399**	**2,675**	**317**	**58,946**
Depreciation and amortization					
1/1/2014	**15,513**	**8,528**	**908**	**0**	**24,949**
Currency adjustment	234	-116	-98	0	20
Additions	3,372	2,838	416	0	6,626
Disposals	-318	0	0	0	-318
Transfers	-64	64	0	0	0
31/12/2014	**18,737**	**11,314**	**1,226**	**0**	**31,277**
1/1/2015	**18,737**	**11,314**	**1,226**	**0**	**31,277**
Currency adjustment	50	196	57	0	303
Additions	2,708	2,384	614	0	5,706
Disposals	-240	-328	0	0	-568
Transfers	499	-499	0	0	0
31/12/2015	**21,754**	**13,067**	**1,897**	**0**	**36,718**
Book value at 31/12/2015	**12,801**	**8,332**	**778**	**317**	**22,228**
Book value at 31/12/2014	**15,247**	**10,487**	**378**	**154**	**26,266**

(20) GOODWILL

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

Goodwill developed as follows:

[€ 000s]	2014	**2015**
1/1/	**110,717**	**110,808**
Transfer	107	0
Currency adjustment	-16	551
31/12/	**110,808**	**111,359**

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]		2014		**2015**
CGU edgebandings	68,721		69,056	
CGU skirtings	25,746		26,438	
CGU technical foils	8,664		8,868	
CGU technical extrusions	692		0	
Strategic Business Unit Plastics		103,823		104,362
Strategic Business Unit Paper		6,985		6,997
		110,808		**111,359**

By comparison with the previous year, restructuring within the Group has resulting in a shift in values between the CGUs technical extrusions and skirtings.

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 4.0% for sales and 9.2 % for EBITDA. For the period after the fifth year, a growth rate of 1 % was used for sales and 0 % for EBITDA, 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 8.1 % (2014: 8.7 %) before taxes in December 2015.

On the basis of impairment tests carried out in the business year 2015, 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.

(21) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND FINANCIAL ASSETS

[€ 000s]	**Investments in associated companies**	**Investments in joint ventures**	**Investments accounted for using the equity method**
Acquisition costs			
1/1/2014	**1,780**	**1,531**	**3,311**
Currency adjustment	0	204	204
Proportionate earnings	85	99	184
Payout	-120	-34	-154
31/12/2014	**1,745**	**1,800**	**3,545**
Currency adjustment	0	-171	-171
Proportionate earnings	60	333	393
Payout	-86	0	-86
31/12/2015	**1,719**	**1,962**	**3,681**

SURTECO has invested in the following companies accounted for using the equity method. This relates to associated companies and joint ventures.

Name	Country of registration	Percentage of shares held	Type of business activity	Type of participation
Saueressig Design Studio GmbH	Germany	30%	Development of design and sale of printing forms	Associated company
Canplast Mexico S.A. de C.V.	Mexico	50%	Sale of edgebandings	Joint venture
Canplast Centro America S.A.	Guatemala	50%	dormant	Joint venture

The end of the business year for Saueressig Design Studio GmbH is 30 September. This balance sheet date was defined in the articles of association of the company. A change in the balance sheet date is not possible. The balance sheet date of 30 September 2015 is used for purposes of accounting by the equity method.

All companies accounted for using the equity method are not listed companies so that no quoted market prices are available for these investments.

The associated companies and the two joint ventures have not exerted a significant effect on the net assets, financial position and results of operations of SURTECO.

The following information presents the amounts in the financial statements of the companies accounted for using the equity method and not the corresponding shares of SURTECO SE in them. Adjustments on the basis of differences between the accounting and valuation methods with the companies accounted for using the equity method were not carried out in the Group for reasons of materiality.

[€ 000s]			**2014**			**2015**
	Associated companies	Joint ventures	**Total**	Associated companies	Joint ventures	**Total**
Current assets	358	2,437	**2,795**	1,305	3,159	**4,464**
Non-current assets	1,444	451	**1,895**	310	571	**881**
Current liabilities	-584	-760	**-1,344**	-482	-1,042	**-1,524**
Non-current liabilities	0	0	**0**	0	0	**0**
Net assets (100 %)	1,218	2,128	**3,346**	1,133	2,688	**3,821**
Share of the Group in the net assets (50 % or 30 %)	366	1,065	**1,431**	340	1,344	**1,684**
Book value of the share	1,800	1,745	**3,545**	1,719	1,962	**3,681**
Sales revenues	3,566	4,013	**7,579**	3,075	5,579	**8,654**
EBT	428	0	**428**	304	965	**1,269**
Profit after taxes	285	322	**607**	200	685	**885**
Other comprehensive income	-	-	**-**	-	-	**-**
Comprehensive income	285	322	**607**	200	685	**885**
Share of the Group in the comprehensive income	85	161	**246**	60	333	**393**
Payout received from associated companies	120	-	**120**	86	-	**86**
Payout received from joint ventures	-	124	**124**	-	0	**0**
Book value	**1,745**	**1,800**	**3,545**	**1,719**	**1,962**	**3,681**

The financial assets developed as follows:

[€ 000s]	2014	**2015**
1/1/	**22**	**21**
Currency adjustment	-1	0
31/12/	**21**	**21**

The financial assets are shares in affiliated non-consolidated companies.

(22) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2015 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]	1/1/2015	Expense	Release	Allocation	**31/12/2015**
Restructuring	9,400	-8,171	0	4,228	5,457
Warranty	1,745	-510	-101	343	1,477
Legal disputes	490	0	0	87	577
Impending losses	376	-144	-232	331	331
Other	41	-41	0	363	363
	12,052	**-8,866**	**-333**	**5,352**	**8,205**

The restructuring provision includes expenses which are used for a social compensation plant and reconciliation of interests for the employees of the printing facility in Laichingen which was relocated in 2015. This facility was integrated in the Buttenwiesen-Pfaffenhofen location in the course of concentration of decorative printing activities in Germany.

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.

(24) OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

[€ 000s]		2014		**2015**
Other current non-financial liabilities				
Social insurance against occupational accidents	826		843	
Supervisory Board remuneration	338		384	
Tax liabilities (value added tax)	1,270		363	
Other	786		917	
		3,220		2,507
Other current financial liabilities				
Liabilities from employment relationship*	14,193		14,796	
Other currently liabilities factoring	2,634		4,807	
Debit balances in accounts payable	2,153		2,253	
Bonuses and promotion costs	2,226		1,552	
Payments on account received	597		483	
Commission	580		437	
Other	0		178	
		22,383		24,506
		25,603		**27,013**
* of which social security		922		885

Other current financial liabilities:

The liabilities from employment relationships primarily include, apart from the wage and salary payments not yet paid on the balance sheet date, 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 our comments on receivables from factoring under item 15 “Other current assets” in the notes to the consolidated financial statements for further details.

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

Loans amounting to € 000s 799 (2014: € 000s 1,399) are included in other non-current financial assets, of which loans in the amount of € 000s 799 (2014: € 000s 800) are in respect of affiliated non-consolidated subsidiary companies.

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

Financial liabilities amounting to € 000s 2,461 (2014: € 000s 2,726) in the special-purpose entities are secured by charges on property and assignment of receivables of the special-purpose entities.

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US private placement. The US private placement currently comprises a tranche amounting to USD 70 million with an original term of 10 years and a tranche of € 60 million with an original term of 12 years. The loans are repayable on maturity. They are payable under fixed-interest agreements charged at 5.7% - 6.5% 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 179 (2014: € 000s 253), increase in equity capital (before deduction of deferred taxes) by € 000s 674 (2014: € 000s 709) through direct recording of the cash flow hedge under the item market valuation of financial instruments, increase in the USD liability by € 000s 12,471 (2014: increase by € 000s 5,796) on the basis of the valuation on the balance sheet and recording the

market value of the hedging transactions amounting to € 000s 12,884 with no effect on income in the other non-current financial assets (2014: other non-current financial assets € 000s 6,065). In addition, € 000s 12,471 from equity was transferred to the result for the accounting period (2014: € 000s 5,796). 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 is calculated using the dollar offset method based on 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 1.55 % and 4.20 %.

Short-term financial liabilities include 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 2,145 (2014: € 000s 2,168).

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

[€ 000s]	2014	**2015**
Leasing payments to be made in the future		
in less than one year	3,653	3,516
between one year and five years	14,480	14,282
after more than five years	19,350	15,928
Interest share		
in less than one year	-1,485	-1,371
between one year and five years	-4,776	-4,271
after more than five years	-1,256	-385
Present value		
in less than one year	2,168	2,145
between one year and five years	9,704	10,011
after more than five years	18,094	15,543
	29,966	**27,699**

(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 obligations arising from pension obligations amounts to € 000s 10,668 internally through the contribution to a pension provision and through pledged reinsurance amounting to € 000s 209, which secures the obligations partly or fully congruently.

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

[€ 000s]	2014			2015		
	Present value of obligation	Fair value of plan assets	Provision	Present value of obligation	Fair value of plan assets	Provision
1/1/	**9,692**	**-545**	**9,147**	**10,970**	**-198**	**10,772**
Pension payments on account	-407	-	-407	-454	-	-454
Payments from plan settlements	0	-	0	0	-	0
Current service expense	84	-	84	82	-	82
Interest income	0	14	14	0	-11	-11
Interest expense	312	-	312	229	-	229
Remeasurements						
Actuarial gains / losses						
- from changes in demographic parameters	0	-	0	0	-	0
- from experience adjustments	-86	-	-86	0	-	0
- from changes to financial parameters	1,441	-	1,441	126	-	126
- Other	-	333	333	-285	-	-285
	1,355	333	1,688	-159	0	-159
Release	-66	-	-66	-	-	-
31/12/	**10,970**	**-198**	**10,772**	**10,668**	**-209**	**10,459**

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

The Group recognizes remeasurements from defined-benefit plans in shareholder's equity (other comprehensive income). The amount included for 2015 before deferred taxes amounts to € 000s 126 (2014: € 000s 1,342). Up to now, a total of € 000s 1,770 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 471.

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			
	2014		2015	
	Increase	Decrease	Increase	Decrease
Increase in the interest rate by 0.25%		328		320
Decrease in the interest rate by 0.25%	345		337	
Increase in future pension rises by 0.25%	290		283	
Reduction in future pension rises by 0.25%		277		271

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 13.2 years to 31 December 2015.

The additional personnel-related obligations include phased-retirement and long-service agreements. The phased-retirement obligations amount to € 000s 125 (2014: € 000s 148) on the balance sheet date and these obligations are balanced by plan assets amounting to € 000s 102 (2014: € 000s 3) on account of the statutory requirement for insolvency protection. The long-service obligations amount to € 000s 1,901 on the balance sheet date (2014: € 000s 1,867).

Out of the non-current obligations arising from phased-in retirement arrangements € 000s 70 (previous year: € 000s 105) are due in 2016.

(27) SHAREHOLDERS' EQUITY

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 Board of Management is authorized to increase the capital stock of the company once or in partial amounts in the period to 27 June 2019 by overall up to € 1,500,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration (Authorized capital I). The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders up to a proportionate amount of the capital stock of € 1,500,000.00, if the new shares are issued at an issue amount, which is not significantly lower than the stock-market price. The Board of Management is further authorized to have the new shares taken over by a bank, a financial services institution or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. If the Board of Management does not make use of the above authorizations to exclude pre-emptive rights, the pre-emptive right of the shareholders may only be excluded for equalization of fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized to increase the capital stock of the company once or in partial amounts in the period to 27 June 2019 by overall up to € 6,200,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration or non-cash contributions (Authorized capital II). In the case of a capital increase for a cash consideration, the shareholders should be granted a pre-emptive right, although the Board of Management is authorized to exclude the fractions from shareholders' statutory pre-emptive right. The Board of Management is further authorized to have the new shares taken over by a bank, a financial services institution or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. In the case of a capital increase for a non-cash consideration, the Board of Management is entitled to exclude the statutory pre-emptive right of shareholders. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve

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

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

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

Retained earnings

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

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

Reconciliation of the equity components affected by comprehensive income:

[€ 000s]	31/12/2014 Reserve				31/12/2015 Reserve			
	Fair value measurement for financial instruments	Other comprehensive income for the year	Currency translation adjustments	**Total other comprehensive income**	Fair value measurement for financial instruments	Other comprehensive income for the year	Currency translation adjustments	**Total other comprehensive income**
Components of other comprehensive income not to be reclassified to the income statement								
Remeasurements of defined benefit obligations		-955				-89		
Components of other comprehensive income that may be reclassified to the income statement								
Net gains / losses from hedging of a net investment in a foreign operation			-1,025				297	
Exchange differences in translation of foreign operations			3,952				6,891	
Fair valuation of cash flow hedges	-93				105			
Reclassification amounts in the income statement	-179				-119			
Other comprehensive income	**-272**	**-955**	**2,927**	**1,700**	**-14**	**-89**	**7,188**	**7,085**

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 12,405 (2014: € 000s 16,898). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.80 (2014: € 0.70) per share, amounting to € 000s 12,405 (2014: € 000s 10,854) be paid out.

(28) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities were recognized on 31 December 2015 in the amount of € 000s 157 (2014: € 000s 199) 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]	2014	**2015**
Rental and operate leasing obligations, due		
in less than one year	1,940	1,850
between one year and five years	3,168	3,407
after more than five years	173	16
	5,281	**5,273**

Payments from operate leasing contracts in the period are recorded in the amount of € 000s 2,625 (2014: € 000s 2,808).

Commitments amounting to € 000s 3,334 (2014: € 000s 1,122) 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 2016.

(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 2015 amounted to € 000s 10,854.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 7.8 (2014: 6.5) in 2015. The debt-service coverage ratio was 40.7 % (2014: 36.8 %) in 2015. The net debt amounted to € 000s 126,588 (2014: € 000s 145,839) on 31 December 2015 and the equity ratio was 51.0 % (2014: 50.4 %). 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.
The Corporate Treasury Department of the SURTECO SE holding company 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 on 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. Financial 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). 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, for example the ratio of EBITDA to interest income (Interest Coverage Factor, see Notes to the Consolidated Financial Statements item 29) 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 an 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 2015.

3. Liquidity and credit risk

The Corporate Treasury Department of the SURTECO SE holding company 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 credit rating 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 and inflows from primary financial liabilities and derivative financial instruments with gross fulfilment. If the maturity date is not fixed, the liability relates to the earliest liability date.

2015 [€ 000s]	Book value 31/12/2015	2016 Interest	 Repay-ment	2017 - 2020 Interest	 Repay-ment	2021 ff. Interest	 Repay-ment
Financial liabilities to banks	160,540	8,360	2,722	14,318	133,199	1,249	25,000
Payments from derivatives							
Cash outflow		3,049	0	1,829	51,793	0	0
Cash inflow		-4,257	0	-2,560	-63,120	0	0
Subtotal		7,152	2,722	13,587	121,872	1,249	25,000
Financial liabilities from finance leasing	31,702	1,519	2,740	4,679	11,474	401	17,488
Financial liabilities	192,242	8,671	5,462	18,266	133,346	1,650	42,488
Trade accounts payable	48,728	-	48,728	-	-	-	-
Other financial liabilities	24,506	-	24,506	-	-	-	-

2014 [€ 000s]	Book value 31/12/2014	2015 Interest	 Repay-ment	2016 - 2019 Interest	 Repay-ment	2020 ff. Interest	 Repay-ment
Financial liabilities to banks	154,727	7,945	3,251	21,298	125,914	1,877	25,562
Payments from derivatives							
Cash outflow		2,913	0	4,742	51,793	0	0
Cash inflow		-3,714	0	-5,964	-56,314	0	0
Subtotal		7,144	3,251	20,076	121,393	1,877	25,562
Financial liabilities from finance leasing	34,172	1,658	2,693	5,218	11,528	1,343	19,951
Financial liabilities	188,899	8,802	5,944	25,294	132,921	3,220	45,513
Trade accounts payable	45,359	-	45,359	-	-	-	-
Other financial liabilities	22,383	-	22,383	-	-	-	-

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
31/12/2015				
Variable interest instruments	479	-479	0	0
Derivatives	0	0	0	0
	479	**-479**	**0**	**0**
31/12/2014				
Variable interest instruments	378	-378	0	0
Derivatives	0	0	0	0
	378	**-378**	**0**	**0**

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
31/12/2015				
Primary financial instruments				
in US dollars	2,952	-2,415	-7,140	5,842
in other currencies	507	-415	2,051	-1,678
Derivatives				
in US dollars	0	0	7,730	-6,324
in other currencies	-15	12	0	0
	3,444	**-2,818**	**2,641**	**-2,160**
31/12/2014				
Primary financial instruments				
in US dollars	1,626	-1,330	-6,399	5,235
in other currencies	2,678	-2,191	2,004	-1,640
Derivatives				
in US dollars	0	0	7,263	-5,943
in other currencies	0	0	0	0
	4,304	**-3,521**	**2,868**	**-2,348**

The analysis assumes that all other variables, in particular exchange 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 inputs.

The following table shows the **book values and fair values** of financial assets and financial liabilities including their level in the fair value hierarchy.
No fair value reporting is carried out in accordance with IFRS 7.29 for short-term financial instruments or financial instruments reported at acquisition cost.

31/12/2015 [€ 000s]	**Category acc. IAS 39**	**Book value**	**(amortized) Acquisition costs**	**Fair value**		**Carrying amount acc. IAS 17**	**Fair value (IFRS 13)**	**Level**
				not affecting income	**affecting income**			
Assets								
Cash and cash equivalents	LaR	65,654	65,654				n.a.	n.a.
Trade accounts receivable	LaR	56,861	56,861				n.a.	n.a.
Other current financial assets								
- Further other current financial assets	LaR	3,632	3,632				n.a.	n.a.
- Financial derivatives (without hedging)	FAaFV	0			0		0	2
Financial assets								
- Shares in affiliated companies	AfS	21	21				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	1,385	1,385				1,405	2
- Financial derivatives (with hedging)	n.a.	12,884		12,884			12,884	2
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	2,695				2,695	n.a.	n.a.
- Liabilities to banks	FLAC	2,275	2,275				n.a.	n.a.
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	29,007				29,007	n.a.	n.a.
- Liabilities to banks	FLAC	158,265	158,265				174,267	2
Trade accounts payable	FLAC	48,728	48,728				n.a.	n.a.
Other current financial liabilities	FLAC	24,506	24,506				n.a.	n.a.
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	127,532	127,532				1,405	
Available for Sale Financial Assets	AfS	21	21				0	
Financial Assets at Fair Value through profit/loss	FAaFV	0	0				0	
Financial Liabilities Measured at Amortised Cost	FLAC	233,774	233,774				174,267	
Financial Liabilities at Fair Value through profit/loss	FLaFV	0	0				0	

31/12/2014 [€ 000s]	Category acc. IAS 39	Book value	(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	43,060	43,060				n.a.	n.a.
Trade accounts receivable	LaR	61,670	61,670				n.a.	n.a.
Other current financial assets	LaR	2,524	2,524				n.a.	n.a.
Financial assets								
- Shares in affiliated companies	AfS	21	21				n.a.	n.a.
Other non-current financial assets								
- Other loans	LaR	2,117	2,117				2,211	2
- Financial derivaties (with hedging)	n.a.	6,065		6,065			6,065	2
Liabilities								
Current financial liabilities								
- Financial liabilities from finance lease	n.a.	2,584				2,584	2,584	n.a.
- Liabilities to banks	FLAC	2,979	2,979				3,015	2
Non-current financial liabilities								
- Financial liabilities from finance lease	n.a.	31,588				31,588	n.a.	n.a.
- Liabilities to banks	FLAC	151,748	151,748				173,679	2
Trade accounts payable	FLAC	45,359	45,359				n.a.	n.a.
Other current financial liabilities	FLAC	22,383	22,383				n.a.	n.a.
Aggregated according to valuation categories in accordance with IAS 39								
Loans and Receivables	LaR	109,370	109,370				2,211	
Available for Sale Financial Assets	AfS	21	21				0	
Financial Assets at Fair Value through profit/loss	FAaFV	0	0				0	
Financial Liabilities Measured at Amortised Cost	FLAC	222,469	222,469				176,694	
Financial Liabilities at Fair Value through profit/loss	FLaFV	0	0				0	

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 current financial assets in the category "Loans and Receivables" and current financial liabilities, trade payables and other financial liabilities have short residual terms. The values reported therefore correspond 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.

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

The fair value of forward exchange contracts and cross-currency swaps of SURTECO SE is determined using the discounted cash flow method with recourse to current market parameters. 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]	2014	**2015**
Loans and Receivables	1,136	-665
Available for Sale Financial Assets	1	0
Financial Assets and Liabilities at Fair Value through profit/loss	32	6
Financial Liabilities Measured at Amortised Cost	-4,343	-3,763

The net gains and losses from Loans and Receivables essentially related to changes in allowances, as well as currency translations, allowance reversals and interest income.
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 and from interest expenses are shown for Financial Liabilities Measured at Amortized 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]	2014		**2015**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Forward exchange contracts (without hedging)	0	0	136	0
Interest-currancy swaps (with hedging)	57,589	6,065	64,264	12,884
	57,589	**6,065**	**64,400**	**12,884**

6. Offsetting of financial assets and financial liabilities

a. Financial assets
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: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
31/12/2015						
Derivative financial instruments	12,884	-	12,884	0	-	12,884
Trade accounts receivable	62,237	-5,376	56,861	-	-	56,861
	75,121	**-5,376**	**69,745**	**0**	**-**	**69,745**
31/12/2014						
Derivative financial instruments	6,065	-	6,065	0	-	6,065
Trade accounts receivable	67,541	-5,871	61,670	-	-	61,670
	73,606	**-5,871**	**67,735**	**0**	**-**	**67,735**

b. Financial liabilities
The financial liabilities shown in the following table are subject to offsetting, implementable global netting agreements or similar agreements.

[€ 000s]	Gross amounts of recognized financial liabilities	Gross amounts of recognized 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: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral provided	Net amount
31/12/2015						
Derivative financial liabilities	0	-	0	0	-	0
Trade accounts payable	54,104	-5,376	48,728	-	-	48,728
	54,104	**-5,376**	**48,728**	**0**	**-**	**48,728**
31/12/2014						
Derivative financial liabilities	0	-	0	0	-	0
Trade accounts payable	51,230	-5,871	45,359	-	-	45,359
	51,230	**-5,871**	**45,359**	**0**	**-**	**45,359**

The amounts of financial assets and liabilities, which have led to no offsetting in the balance sheet, are subject to global netting agreements or similar agreements for which offsetting is only possible under specific prerequisites (e.g. insolvency).

(31) NOTES TO THE CASH FLOW STATEMENTS

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 paper-based edgebandings, finish foils, impregnates, release papers and decor papers.

- The SBU Plastics includes the production and sale of thermoplastic edgings, foils, roller shutter systems, technical extrusions (profiles), skirtings and extrusions for flooring wholesalers, 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
2015				
External sales	394,695	243,699	0	638,394
Internal sales in the Group	834	1,589	-2,423	0
Total sales	395,529	245,288	-2,423	638,394
Depreciation and amortization	-21,287	-12,377	-183	-33,847
Segment earnings (EBIT)	17,129	18,523	-4,542	31,110
Interest income	198	765	-58	905
Interest expenses	-2,953	-1,194	-5,054	-9,201
Segment earnings (EBT)	15,823	18,534	-7,541	26,816
Share of profit of investments accounted for using the equity method	60	333	0	393
Segment assets	328,781	232,586	10,767	572,134
Segment liabilities	179,189	51,341	-146,584	83,946
Net segment assets	149,592	181,245	157,351	488,188
Book value of investments accounted for using the equity method	1,719	1,962	0	3,681
Investments in property, plant and equipment and intangible assets	15,926	15,434	268	31,628
Employees	1,412	1,299	16	2,727
2014				
External sales	391,224	227,245	0	618,469
Internal sales in the Group	871	449	-1,320	0
Total sales	392,095	227,694	-1,320	618,469
Depreciation and amortization	-23,768	-11,302	-165	-35,235
Segment earnings (EBIT)	15,998	16,501	-4,892	27,607
Interest income	289	808	-390	707
Interest expenses	-3,507	-2,087	-4,766	-10,360
Segment earnings (EBT)	15,770	15,086	-8,593	22,263
Share of profit of investments accounted for using the equity method	85	100	0	185
Segment assets	339,958	259,479	-33,115	566,322
Segment liabilities	179,403	88,316	-184,705	83,014
Net segment assets	160,555	171,163	151,590	483,308
Book value of investments accounted for using the equity method	1,746	1,799	0	3,545
Investments in property, plant and equipment and intangible assets	13,165	15,791	241	29,197
Employees	1,425	1,244	13	2,682

SEGMENT INFORMATION BY REGIONAL MARKETS [€ 000s]	2014			**2015**		
	Sales Revenues	Non-current assets	Investments	**Sales Revenues**	**Non-current assets**	**Investments**
Germany	175,203	247,599	20,333	177,801	245,622	22,242
Rest of Europe	287,913	43,621	2,874	279,985	45,517	4,203
America	104,963	53,000	593	130,689	57,405	4,330
Asia/Australia	45,931	30,052	5,397	46,236	29,976	853
Other	4,459	0	0	3,683	0	0
	618,469	**374,272**	**29,197**	**638,394**	**378,520**	**31,628**

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 were allocated to goodwill by regions.

RECONCILIATION OF BALANCE SHEET TOTAL WITH NET SEGMENT ASSETS [€ 000s]	2014	**2015**
Balance sheet total	**636,669**	**656,127**
Less financial assets		
- Cash and cash equivalents	43,060	65,654
- Financial assets	4,965	3,702
- Tax assets / deferred tax assets	16,257	14,637
- Financial derivatives	6,065	0
Segment assets	**566,322**	**572,134**
Current and non-current liabilities	**315,568**	**321,227**
Less financial liabilities		
- Short-term and long-term financial liabilities	188,899	192,242
- Financial derivates	0	0
- Tax liabilities / deferred tax liabilities	30,917	32,289
- Pensions and other personnel-related obligations	12,738	12,750
Segment liabilities	**83,014**	**83,946**
Net segment assets	**483,308**	**488,188**

(33) TRANSACTIONS WITH NON-CONTROLLING INTERESTS AND RELATED COMPANIES AND PERSONS

The following table shows the scope of relationships between SURTECO SE and the companies accounted for using the equity method.

[€ 000s]	2014	**2015**
Services rendered (income)	370	1,156
Services received (expense)	0	0
Receivables (31/12/)	0	138
Liabilities (31/12/)	0	0

The following table shows the scope of relationships between SURTECO SE and the non-consolidated companies.

[€ 000s]	2014	**2015**
Services rendered (income)	854	968
Services received (expense)	1	326
Receivables (31/12/)	1,421	1,300
Liabilities (31/12/)	0	5

Outstanding items in respect of these companies are neither secured nor were allowances recognized as at the balance sheet date.

The exchange of services essentially comprises the delivery of inventories at market conditions.

(34) COMPENSATION FOR THE EXECUTIVE OFFICERS AND FORMER EXECUTIVE OFFICERS

Supervisory Board

Total compensation of the Supervisory Board for the business year 2015 amounted to € 000s 384 (2014: € 000s 338). It includes basic remuneration of € 000s 352 (2014: € 000s 308) and compensation for audit-committee activities of € 000s 32 (2014: € 000s 30).

Board of Management

Most of the remuneration for Members of the Board of Management is performance based. It includes a fixed element and a 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. It also includes a basis of assessment over several years. The total guaranteed remuneration of the active members of the Board of Management amounted to € 000s 2,459 (2014: € 000s 2,609) for the business year 2015. Out of this amount, € 000s 756 (2014: € 000s 504) were attributable to the fixed compensation, € 000s 1,445 (2014: € 000s 1,846) were accounted for by performance-based compensation and € 000s 108 (2014: € 000s 59) to fringe benefits and € 000s 150 (2014: € 000s 200) to pension expenses.

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

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

On the balance sheet date, 2,000 shares (2014: 14,282) of the company were held directly and indirectly by the members of the Board of Management and 238,577 shares (2014: 243,277) were held directly or indirectly by the Members of the Supervisory Board. No Member of the Board of Management or the Supervisory Board held a stake in excess of 1 % in the company either directly or indirectly on the balance sheet date.

(36) AUDITOR'S FEE

At the Annual General Meeting on 26 June 2015, 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 2015.

The total fee determined for the business year amounts to € 000s 888. Out of this € 000s 592 was attributed to services for auditing the financial statements, € 000s 0 for other confirmation services, € 000s 181 for tax consultancy services and € 000s 115 for miscellaneous services.

(37) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 22 April 2016 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2015.

XI. EXECUTIVE OFFICERS OF THE COMPANY

BOARD OF MANAGEMENT		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Friedhelm Päfgen Businessman, Unterwössen (until 30 June 2015)	Chairman of the Board of Management, Group Strategy, Strategic Business Unit Paper	-
Dr.-Ing. Herbert Müller Engineer, Heiligenhaus	Member of the Board of Management, Chairman since 1 July 2015, Strategic Business Unit Plastics	• Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke
Dr.-Ing. Gereon Schäfer Engineer, Kempen (since 1 April 2015)	Member of the Board of Management, Strategic Business Unit Paper	-

MEMBERS OF THE SUPERVISORY BOARD (at 31/12/2015)		
Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Dr.-Ing. Jürgen Großmann Engineer, Hamburg (Chairman)	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 ERGO Versicherungsgruppe AG, Düsseldorf
Dr. Matthias Bruse Lawyer, Munich (until 26 June 2015)	Partner, P+P Pöllath + Partners Rechtsanwälte Steuerberater mbB, Munich	-
Horst-Jürgen Dietzel* Laboratory supervisor Laichingen	Vice Chairman of the Works Council of SURTECO DECOR GmbH, Laichingen	-

MEMBERS OF THE SUPERVISORY BOARD
(at 31/12/2015)

Name	Main activity	Supervisory Board Memberships of other companies and other mandates
Markus Kloepfer Engineer, Essen	Managing Director of alpha logs GmbH, Essen	-
Wolfgang Moyses Master of Business Administration, Munich (since 26 June 2015)	Chairman of the Board of Management of SIMONA AG, Kirn	• Member of the Supervisory Board of Brabender Inc., South Hackensack • Member of the Customer Advisory Board of Landesbank Rheinland-Pfalz, Mainz
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. Markus Miele	

Audit Committee

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

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

The Board of Management and the Supervisory Board of SURTECO SE have submitted the Declaration of Compliance in respect of the Corporate Governance Code pursuant to § 161 Sentence 1 Stock Corporation Act (AktG) on 22 December 2015 and made this declaration 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 31/12/2015

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

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PAPER				
300	SURTECO DECOR GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100.00	100
310	Saueressig Design Studio GmbH, Mönchengladbach	Germany	E	30.00	300
321	SÜDDEKOR Art Design + Engraving GmbH, Willich	Germany	F	100.00	300
330	Dakor Melamin Imprägnierungen GmbH, Heroldstatt	Germany	F	100.00	300
341	SUDDEKOR LLC, Agawam	USA	F	100.00	300
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100.00	100
405	SURTECO UK Ltd., Burnley	United Kingdom	F	100.00	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	300
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	NC	100.00	401
470	SURTECO Italia s.r.l., Martellago	Italy	F	50.00	401
				50.00	510

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PLASTICS				
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	F	100.00	100
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	510
				1.00	513
515	Döllken-Profiltechnik GmbH, Dunningen	Germany	F	100.00	520
516	SURTECO France S.A.S., Beaucouzé	France	F	100.00	510
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş.,Istanbul	Turkey	F	99.69	510
				0.25	520
				0.03	300
				0.03	401
518	SURTECO OOO, Moskow	Russia	F	50.00	510
				50.00	401
519	SURTECO Iberia S.L., Madrid	Spain	NC	100.00	510
520	Döllken-Weimar GmbH, Nohra	Germany	F	100.00	100
531	Döllken Sp. z o.o., Sosnowiec	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	510
560	SURTECO Canada Ltd., Brampton	Canada	F	100.00	510
561	Doellken-Canada Ltd., Brampton	Canada	F	100.00	560
566	Canplast Centro America S.A., Guatemala	Guatemala	E	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	E	50.00	561
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 NC = Not Consolidated F* = Full Consolidation (special-purpose entity)

INDEPENDENT AUDIOTOR’S REPORT

We have audited the consolidated financial statements prepared by the SURTECO SE, Buttenwiesen-Pfaffenhofen, comprising the consolidated statement of financial position, consolidated income statement, the statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the SURTECO SE for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined 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 combined 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 combined 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 combined 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 22, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	ppa. Sonja Knösch
Wirtschaftsprüfer	Wirtschaftsprüferin
(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, April 22, 2016

The Board of Management

H. Müller

Dr.-Ing. Herbert Müller

Gereon Schäfer

Dr.-Ing. Gereon Schäfer

BALANCE SHEET (HGB)
(SHORT VERSION)

€ 000s	31/12/2014	31/12/2015
ASSETS		
Intangible assets	221	197
Tangible assets	243	349
Investments		
- Interest in affiliated enterprises	297,716	297,742
- Notes receivable to affiliated enterprises	18,035	18,304
- Participations	1	1
Fixed assets	**316,216**	**316,593**
Receivables and other assets		
- Receivables from affiliated enterprises	186,774	128,450
- Other assets	12,249	9,599
Cash in hand, bank balances	26,632	52,260
Current assets	**225,655**	**190,309**
Prepaid expenses	**323**	**303**
	542,194	**507,205**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	15,506	15,506
Additional paid-in capital	170,177	170,177
Retained earnings	118,127	111,671
Net profit	16,898	12,405
Equity	**320,708**	**309,759**
Other accruals	2,461	1,367
Accrued expenses	**2,461**	**1,367**
Liabilities to banks	144,800	146,806
Trade accounts payable	147	398
Liabilities to affiliated enterprises	70,930	43,993
Other liabilities	2,711	4,882
Liabilities	**218,588**	**196,079**
Deferred taxes	**437**	**0**
	542,194	**507,205**

INCOME STATEMENT (HGB) (SHORT VERSION)

€ 000s	1/1/-31/12/ 2014	1/1/-31/12/ 2015
Income from profit and loss transfer agreements	43,160	23,775
Losses from profit and loss transfer agreements	0	-16,699
Other operating income	3,867	4,405
Personnel expenses	-3,922	-3,876
Amortization and depreciation on intangible assets and property, plant and equipment	-170	-185
Other operating expenses	-3,484	-2,440
Investment income	920	0
Income from long-term securities and loans from financial assets	1,202	518
Interest income	-6,680	-5,800
Result from ordinary activities	**34,893**	**-302**
Income taxes	-1,267	210
Other taxes	72	-3
Net income / Net loss	**33,698**	**-95**
Profit carried forward from the previous year	0	44
Transfer to / from retained earnings	-16,800	12,456
Net profit	**16,898**	**12,405**

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 companies accounted for using the equity method.

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

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

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.

GLOSSARY

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)
The IFRIC is a committee in the International Accounting Standards Committee Foundation. The group has fourteen 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 PAPERS
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.

SBU
Strategic Business Unit

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

FINANCIAL CALENDAR

2016

13 May	Three-month report January – March 2016
30 June	Annual General Meeting at the Sheraton Munich Arabellapark Hotel
1 July	Dividend payout
12 August	Six-month report January – June 2016
14 November	Nine-month report January – September 2016

2017

28 April	Annual Report 2016
15 May	Three-month report January – March 2017
30 June	Annual General Meeting
5 July	Dividend payout
14 August	Six-month report January – June 2017
14 November	Nine-month report January – September 2017

PUBLICATION DETAILS

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TEN YEAR OVERVIEW

	2006	2007	2008	2009
Sales revenues in € 000s	403,156	414,519	402,984	341,145
Foreign sales in %	64	65	66	64
EBITDA in € 000s	71,698	74,358	56,828	54,317
Depreciation and amortization in € 000s	-17,612	-19,060	-19,731	-19,892
EBIT in € 000s	54,086	55,298	37,097	34,425
Financial result in € 000s	-8,060	-8,371	-21,320	-16,860
EBT in € 000s	46,026	46,927	15,777	17,565
Consolidated net profit in € 000s	28,761	31,837	6,754	9,239
Balance sheet total in € 000s	373,198	516,728	490,073	481,676
Equity in € 000s	165,678	189,506	180,516	191,815
Equity ratio in %	44	37	37	40
Average number of employees for the year	2,059	2,121	2,194	1,979
Number of employees at 31/12	2,051	2,181	2,137	1,903
Capital stock in €	11,075,522	11,075,522	11,075,522	11,075,522
Number of shares at 31/12	11,075,522	11,075,522	11,075,522	11,075,522
Earnings per share in € (by weighted average of shares issued)	2.60	2.87	0.61	0.83
Dividend per share in €	1.00	1.10	0.35	0.40
Dividend payout in € 000s	11,076	12,183	3,876	4,430
PROFITABILITY INDICATORS				
Return on sales in %	11.4	11.3	3.9	5.1
Return on equity in %	18.4	15.8	3.8	4.9
Total return on total equity in %	14.7	11.1	6.0	6.2

2010	2011	2012	2013	2014	2015
388,793	408,809	407,720	402,115	618,469	638,394
67	67	69	70	72	72
62,547	56,116	51,699	59,660	62,842	64,957
-20,934	-21,099	-22,045	-22,613	-35,235	-33,847
41,613	35,017	29,654	37,047	27,607	31,110
-9,520	-12,089	-8,463	-9,056	-5,344	-4,293
32,093	22,928	21,191	27,991	22,263	26,817
21,754	12,484	15,028	21,876	18,464	17,695
480,996	482,135	467,250	626,109	636,669	656,127
212,969	216,504	223,178	311,025	321,101	334,900
44	45	48	50	50	51
1,990	2,050	1,994	2,114	2,682	2,727
2,003	2,005	1,967	2,664	2,705	2,695
11,075,522	11,075,522	11,075,522	15,505,731	15,505,731	15,505,731
11,075,522	11,075,522	11,075,522	15,505,731	15,505,731	15,505,731
1.96	1.13	1.36	1.86	1.19	1.14
0.90	0.45	0.45	0.65	0.70	0.80*
9,968	4,984	4,984	10,079	10,854	12,405
8.2	5.6	5.3	6.9	3.6	4.2
10.8	5.9	6.9	7.3	6.0	5.5
8.9	6.8	6.6	5.9	5.1	5.5

* Proposal by the Board of Management and Supervisory Board

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