Annual Report 2009

SPECIALISTS FOR SURFACE TECHNOLOGIES

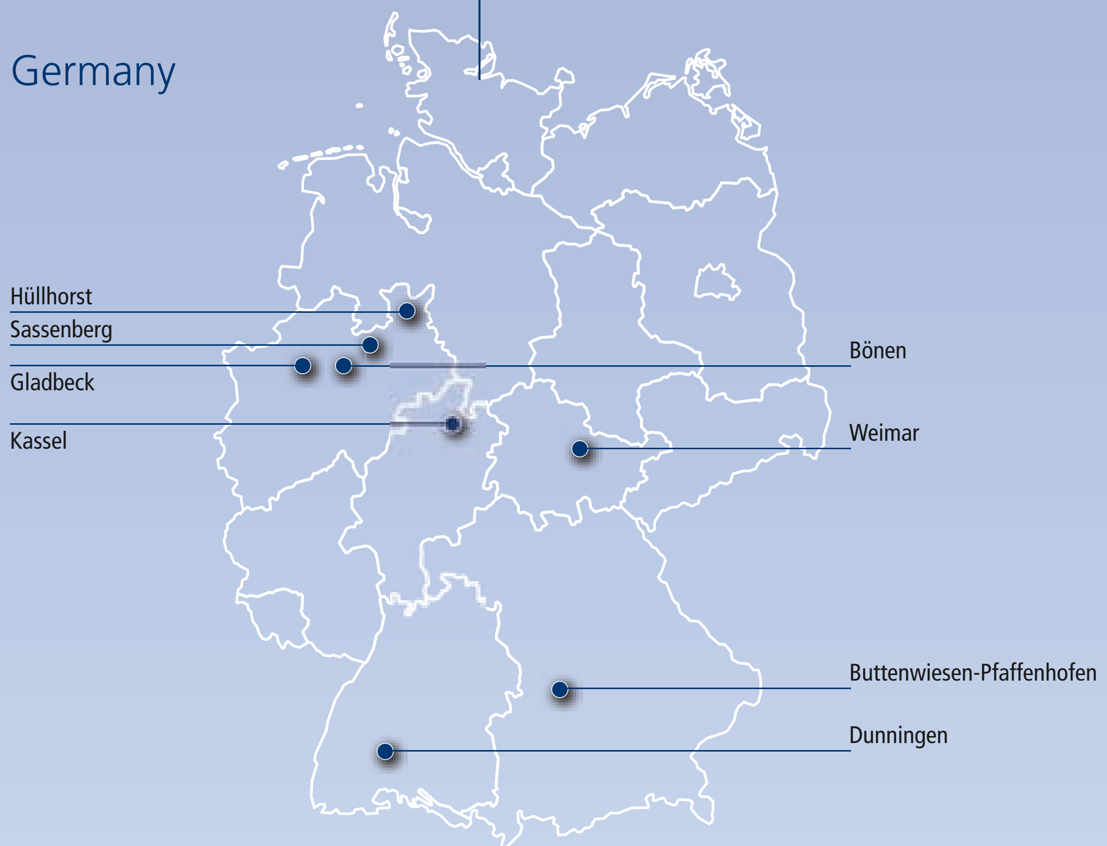
SURTECO

SOCIETAS EUROPAEA

SURTECO WORLDWIDE

- 15 production and sales locations
- 15 additional sales locations

Germany



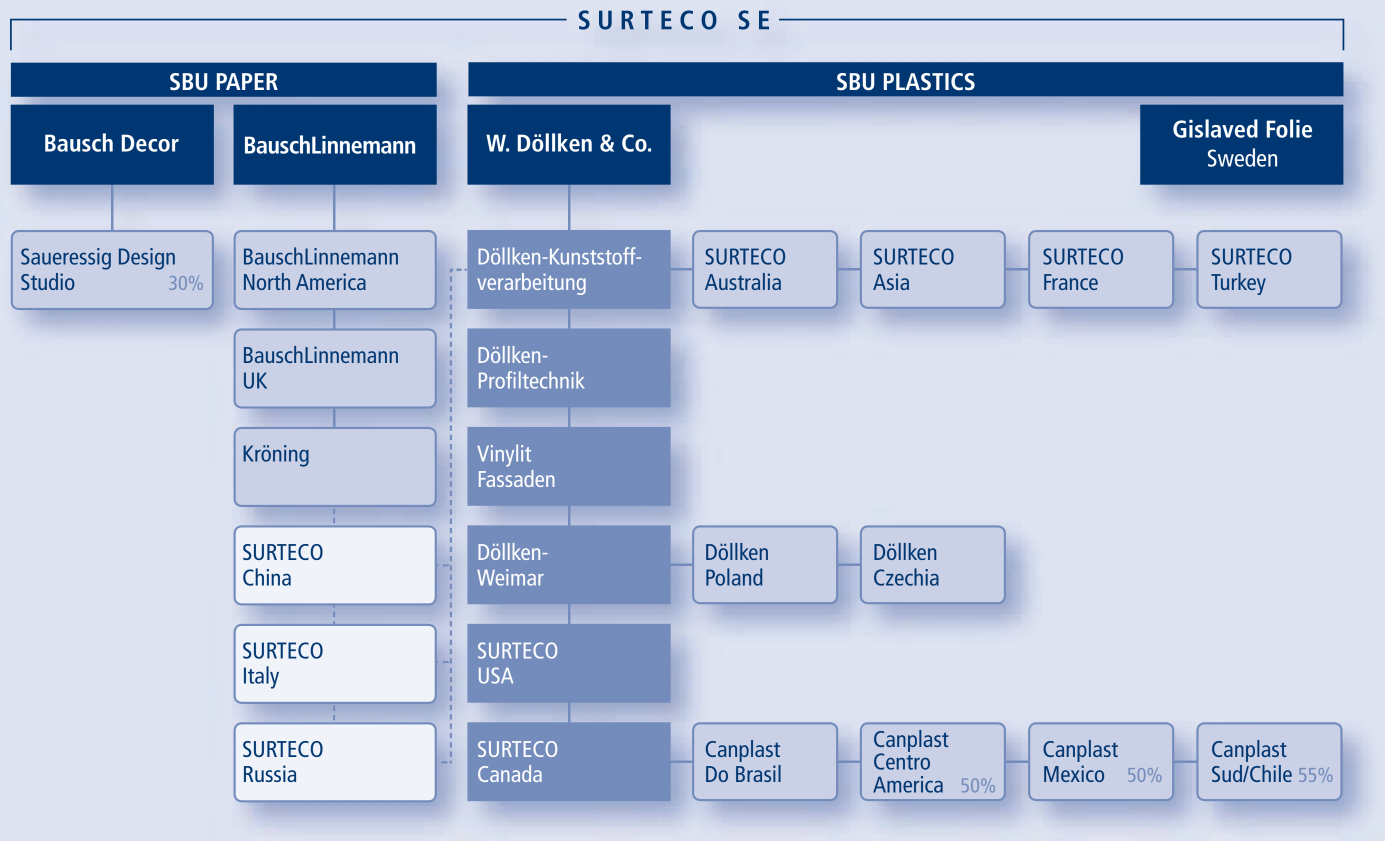
AT A GLANCE

SURTECO SE

[€ 000s]	2008	2009	Variation in %
Sales revenues	402,984	**341,145**	-15
Foreign sales in %	66	**64**	
EBITDA	56,828*	**54,317**	-4
Depreciation and amortization	-19,731	**-19,892**	
EBIT	37,097*	**34,425**	-7
Financial result	-21,320*	**-16,860**	
EBT	15,777	**17,565**	+11
Consolidated net profit	6,754	**9,239**	+37
Earnings per share in €	0.61	**0.83**	+37
Additions to fixed assets	44,092	**10,942**	-75
Balance sheet total	490,073	**481,676**	-2
Equity	180,516	**191,815**	+6
Equity ratio in %	36.8	**39.8**	+8
Net financial debt at 31 December	171,283	**122,826**	-28
Gearing (level of debt) at 31 December in %	95	**64**	-33
Average number of employees for the year	2,194	**1,979**	-10
Number of employees at 31 December	2,137	**1,903**	-11
PROFITABILITY INDICATORS IN %			
Return on sales	3.9	**5.1**	
Return on equity	3.8	**4.9**	
Total return on total equity	6.0	**6.2**	

* Adjusted on the basis of changes in disclosure for currency gains and losses
(see Notes to Consolidated Financial Statements Section VIII.)

OPERATING
GROUP STRUCTURE



SALES DISTRIBUTION

2009 (%)

SURTECO GROUP

Germany	36
Rest of Europe	43
America	12
Australia	5
Asia	4

Edgebandings	50
Foils	24
Skirtings	7
Decorative printing	5
Techn. extrusions	4
DIY	4
Cladding systems	3
Other	3

Percentage of total sales: 61 %

STRATEGIC BUSINESS UNIT PLASTICS

Germany	35
Rest of Europe	37
America	15
Australia	8
Asia	5

Edgebandings	57
Skirtings	12
Foils	10
Tech. extrusions	7
DIY	6
Cladding systems	4
Other	4

Percentage of total sales: 39 %

STRATEGIC BUSINESS UNIT PAPER

Germany	37
Rest of Europe	51
America	7
Australia	2
Asia	3

Foils	46
Edgebandings	37
Decorative printing	13
Laminates (CPL)	2
Other	2

THE PRODUCT RANGE

OF SURTECO SE

Plastic edgebandings

Roller shutter systems

Edgings and extrusions for cabinet making

Technical extrusions for industry

Printing decorative designs

Edgebandings based on paper

Skirtings and extrusions for professional floor layers

Ranges for building and DIY stores

Cladding systems

Plastic foils

STRATEGIC BUSINESS UNIT PLASTICS

DESIGNPREIS 2009

Finish foils based on paper

Multilayer laminates

STRATEGIC BUSINESS UNIT PAPER

COVER IMAGE

The photo shows a cross-section of the products that are manufactured in the companies of the SURTECO Group. The majority of the products are supplied to the international furnishing industry as edgebandings and flat foils for refining the surfaces of a wide range of different materials. The finish attribute is a key feature in this process, i.e. providing a surface finish after application of the materials that requires no further processing. Another focus is on a diverse range of extrusions that are used in many different industrial sectors and in interior design.

IMAGES IN THIS ANNUAL REPORT

Employees from the Sales Departments of Group companies are the focus of the image pages in this Annual Report. They present new and exciting products from their specialist areas and provide a superb demonstration of the top priority given to research and development by the SURTECO Group. Value added for our customers is the focus of all our efforts. Many developments result from the close dialogue and cooperation with future customers. Products are therefore tailormade to match their requirements for purposes of application, quality, fittings, colour scheme and design.

SURTECO SE
ISIN: DE0005176903
Ticker symbol: SUR

ANNUAL REPORT 2009

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Friedhelm Päfgen,
Chairman

Dr.-Ing. Herbert Müller

FOREWORD BY THE BOARD OF MANAGEMENT

Dear shareholders
and friends
of our company,

The global economy went through its biggest collapse since the Second World War during the business year 2009. Massive interventions by governments and central banks undoubtedly played a role in preventing an even more serious situation. Although the situation became more stable during the second half of the year, any amelioration of the effects engendered by the downward spiral was negligible. Since there is no tangible recovery in the economy as yet, we are now in the third year of the financial and economic crisis.

Despite all the adverse circumstances, the SURTECO Group succeeded in generating a result that was satisfactory overall during the business year 2009. The Group was also able to significantly reduce indebtedness. This outcome was only possible because harmonization measures were introduced at an early stage and implemented consistently. These included closure of the facility in Montréal/Canada and transfer of melamine edgebandings production from Buttenwiesen to Sassenberg.

The SURTECO share was unable to buck the downward trend caused by the crash on equity markets during the first half of the year. The rise at the end of the year to around 20 euros generates some hope that the capital markets will once again focus more on fundamental data when evaluating shares and that something approaching a fair valuation of the company will be forthcoming in 2010. The negative trend in equity markets also reduced the value of our shareholding in Pfleiderer AG last year and this in turn necessitated a further impairment and consequent negative impact on the result. Although the shares of Pfleiderer AG have meanwhile recovered, the accounting regulations mean that we can only reflect the recovery through higher equity and cannot regrettably recognize this in the income statement.

Against the background of stabilization in the economic environment, SURTECO will focus on continuing to develop the Group structure in 2010, with the aim of returning to the dynamic development of growth that was generated prior to the crisis. The first steps involve establishment of a sales company in Moscow and the planned takeover of the customer base of impress decor GmbH in the division edgebandings and fully impregnated foils during the course of 2010. However, since the furniture and construction industries – which are key to the future of SURTECO – have been disproportionately affected by the crisis, patience and hard work by all employees will be required if the Group is to return to the sales and income levels prevailing in 2007.

Our shareholders deserve to benefit from a fair share of the success of our company, despite the adverse framework conditions. The Supervisory Board and the Board of Management will therefore be recommending payment of a dividend amounting to € 0.40 per share (2008: € 0.35) to the Annual General Meeting on 24 June 2010.

We should like to take this opportunity to thank all our shareholders, customers, partners and suppliers for the confidence they have placed in our company and for the relationship of trust that has characterized our excellent cooperation. Furthermore, we should like to express our special thanks to all our employees working in the Group for the exceptional commitment and dedication they have shown during these difficult times.

Friedhelm Päfgen
Chairman of the Board of Management

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

COMPANY MANAGEMENT

SURTECO SE

EXECUTIVE OFFICERS OF SURTECO SE

SUPERVISORY BOARD

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

Björn Ahrenkiel — Vice-Chairman
Lawyer, Hürtgenwald

Bernd Dehmel — Deputy Chairman
Businessman, Marienfeld

Johan Viktor Bausch — Honorary Chairman
Engineer, Munich

Dr. Matthias Bruse
Lawyer, Munich

Hans-Jürgen Diesner — Employee Representative
Marketing salesman, Versmold — until 19 June 2009

Jakob-Hinrich Leverkus
Businessman, Hamburg

Richard Liepert — Employee Representative
Chairman of the Works Council,Wertingen — until 19 June 2009

Christa Linnemann — Honorary Chairwoman
Businesswoman, Gütersloh

Martin Miller — Employee Representative
Chairman of the Works Council,
Unterthürheim — since 19 June 2009

Udo Sadlowski — Employee Representative
Training Manager, Essen

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

Thomas Stockhausen — Employee Representative
Chairman of the Works Council, Sassenberg — since 19 June 2009

BOARD OF MANAGEMENT

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

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

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

SBU PLASTICS

DÖLLKEN-KUNSTSTOFFVERARBEITUNG GMBH Gladbeck	Oliver Beer Hartwig Schwab
VINYLIT FASSADEN GMBH Kassel	Stefan Schmatz
SURTECO AUSTRALIA PTY. LTD. Sydney	Marc Taylor
SURTECO ASIA (SURTECO PTE. LTD. + PT DÖLLKEN BINTAN) Singapore + Bintan, Indonesia	Hans Klingeborn
SURTECO FRANCE S.A.S. Beaucouzé	Gilbert Littner
SURTECO DEKOR A.Ş Istanbul, Turkey	Emre Özbay
DÖLLKEN-PROFILTECHNIK GMBH Dunningen	Wolfgang Buchhart
DÖLLKEN-WEIMAR GMBH Nohra	Tibor Aranyossy Wolfgang Breuning Frank-Jörg Schilaski
DÖLLKEN SP. Z O.O. Kattowitz, Poland	Rafael Pospiech
SURTECO CANADA LTD. Brampton/Ontario	Jürgen Krupp Tom Rieke Peter Schulte
SURTECO USA INC. Greensboro	Jürgen Krupp Tom Rieke Peter Schulte
CANPLAST SUD S.A. Santiago de Chile	Max Betzler
GISLAVED FOLIE AB Gislaved, Sweden	Roland Andersson
SURTECO RUSSIA OOO Moscow	Valeri Anissimov

SBU PAPER

BAUSCH DECOR GMBH Buttenwiesen-Pfaffenhofen	Dr.-Ing. Gereon Schäfer Dieter Baumanns
BAUSCHLINNEMANN GMBH Sassenberg	Dr.-Ing. Gereon Schäfer Dieter Baumanns
SURTECO CHINA Taicang	Franky Kam Yin Yip
BAUSCHLINNEMANN UK LTD. Burnley	Tim Barber David Fleming
BAUSCHLINNEMANN NORTH AMERICA INC. Greensboro, USA	Mike Phillips
SURTECO ITALIA S.R.L. Martellago	Marco Francescon
KRÖNING GMBH & CO. Hüllhorst	Reinhold Affhüppe

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,
partners and friends
of our company

The Supervisory Board regularly monitored the work of the Board of Management and provided advice in the business year 2009. The basis for the monitoring function of the Supervisory Board was formed by comprehensive, written and verbal reports by the Board of Management. The Supervisory Board was always kept informed about the intended business policy, the corporate plans including finance, investment and personnel planning, the profitability of the company, the current business situation, and the economic position of the company and the Group overall.

If decisions or measures required agreement on account of legislation, the Articles of Association or rules of procedure, the Members of the Supervisory Board, having been briefed by its committees, reviewed the proposals for resolutions in its meetings, or adopted them on the basis of written information. The Members of the Board of Management took part in the meetings of the Supervisory Board. The Supervisory Board was involved in all key decisions relating to the company. The economic situation presented in 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 were the subject of careful and detailed discussions.

The Supervisory Board convened for five meetings during the course of the year 2009. Three of these meetings took place in the first calendar half-year and two further meetings in the second calendar half-year. The Chairman of the Supervisory Board furthermore maintained regular telephone contact with the Board of Management outside these meetings, in order to continue providing advice on key items of business policy and strategic issues. No Member of the Supervisory Board took part in less than half of the meetings.

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

FOCUSES OF ADVICE AND CONSULTATION IN THE SUPERVISORY BOARD

During the year under review, the Supervisory Board 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 Members of the Supervisory Board addressed questions on individual items to the Members of the Board of Management which the Members of the Board of Management answered comprehensively.

The economic environment in which the company is operating was also discussed by the Supervisory Board. This related, for example to the development of energy costs, raw material prices and the availability of raw materials, exchange rates and product specifications with specific suppliers, and the resulting alternatives for action by the company. The situation of the most important customers was also discussed, in particular the changes in payment behaviour on account of the effects engendered by the financial crisis, and the business segments of the foreign companies.

In the business year 2009, the Supervisory Board devoted particularly attention to the effects of the international financial crisis on the SURTECO companies. The crisis has led to substantial declines in sales and income for the two Strategic Business Units of the Group. The measures already proposed by the Board of Management in the business year 2008 were implemented in the business year 2009. The Board of Management submitted regular reports concerning the effects on the net assets, financial position and results of operations of the Group to the Supervisory Board. Apart from a minor adjustment of prices, these measures mainly related to savings from other operating expenses and personnel expenses, augmented by restricting investments, reducing regular interest expenses and measures to optimize interest income. Structural changes were also discussed and decisions on these changes were taken. In particular, this involved relocation of edging production from Buttenwiesen to Sassenberg with the Buttenwiesen site focusing on surface production. As a consequence of these measures, the employee headcount was reduced at both sites. Production in Montréal (Canada) was shut down and transferred to facilities in Brampton/Canada, Greensboro (USA) and Santiago de Chile. At the Swedish company Gislaved Folie AB, the focus was increasingly shifted to the application areas “furniture” and “technical foils” in view of the anticipated decline in demand for foils used in marine interior design.

In preparation for the Annual General Meeting in 2009, the Supervisory Board carried out an intensive discussion of the proposal for the appropriation of profit and the advantages and disadvantages of making a payout, compared with accumulating (partly or entirely) the net profit in view of the effects of the international financial crisis. The interests of the company and shareholders were taken into account during these deliberations.

The plans submitted by the Board of Management for the business year 2010 were discussed at the meeting of the Supervisory Board held on 22 December 2009, reviewed by the Supervisory Board and adopted. This meeting also discussed the medium-term planning and along with an associated opportunity and risk analysis for the upcoming business years. Key factors, including future changes in technology (e.g. digital printing), consolidation within the sector, downward pressure on prices as a result of overcapacities, and the feasibility of implementing price rises to cover the increased costs of materials and personnel costs.

At its meeting on 22 December 2009, the Supervisory Board agreed to the binding offer on taking over the refining business (fully impregnated foils and edgebandings) of impress decor GmbH in Aschaffenburg. This means that BauschLinnemann GmbH will take over the customer base, formulations and inventories. The Presiding Board of the Supervisory Board had already previously reached agreement on this decision in the written circulation procedure. The offer is now open to acceptance by impress decor GmbH until 31 May 2010. The Board of Management anticipates that impress will accept its offer. If the conditions forming the basis of the offer are not complied with by this date, BauschLinnemann GmbH is entitled to withdraw from the offer. The Board of Management is assuming that this acquisition will generate additional net sales revenues for the Strategic Business Unit Paper. The companies in the SURTECO Group may also be able to supply other products from the companies within the Group to the former impress customers.

During the reporting year 2009, the Supervisory Board also addressed the issues of the corporate loan that was floated by the company as a private placement in the USA ("USPP") with a volume of up to € 150 million before the onset of the financial crisis. The Board of Management reported on the use of the funds up to the present time and on compliance within the covenants attached to the loan, whereby non-compliance with the covenants could result in the USPP loan being called in by the creditors. Compliance with the covenants was maintained until the close of the reporting period. The strategic shareholding held by the company in Pfleider AG was also discussed by the Supervisory Board. 3.02 % of the capital stock is held by the company (as at 31 December 2009) but the value of this share package sustained losses on account of the current situation on the stock exchange.

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

CONFIRMATION BY THE DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD AND THE CHAIRMAN, AND THE DEPUTY CHAIRMEN OF THE SUPERVISORY BOARD COMMITTEES

At its meeting on 22 October 2009, Mr. Björn Ahrenkiel was confirmed as Vice-Chairman and Mr. Bernd Dehmel as Deputy Chairman of the Supervisory Board. At this meeting, the Supervisory Board also confirmed the position of Mr. Ahrenkiel as Chairman of the Audit Committee and as a Member of the Personnel Committee of the Supervisory Board.

WORK OF THE COMMITTEES

The Supervisory Board formed an Audit Committee and a Personnel Committee. There is also a Presiding Board in accordance with the rules of procedure of the Supervisory Board. During the year under review, the Presiding Board comprised Dr. Jürgen Großmann (Chairman), Mr. Björn Ahrenkiel, Mr. Bernd Dehmel and Dr. Matthias Bruse. During the year under review, the Personnel Committee comprised Dr. Jürgen Großmann (Chairman), Mr. Björn Ahrenkiel and Dr. Matthias Bruse. During the year under review, the Audit Committee comprised Mr. Björn Ahrenkiel (Chairman), Dr. Matthias Bruse, Dr. Jürgen Großmann and Dr. Walter Schlebusch.

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. In December 2009, the Presiding Board passed in a written circulation vote a resolution agreeing to the acquisition of the refining business of impress decor GmbH by BauschLinnemann GmbH. This resolution was confirmed by a plenary session of the Supervisory Board at its meeting held on 22 December 2009. Otherwise, the Presiding Board did not need to convene during the period under review and was not required to give its consent to any measures or transactions of the Board of Management as a matter of urgency.

The Audit Committee addressed issues relating to accounting and risk management, the annual financial statements and the quarterly figures, the mandatory independence of the auditor, commissioning the auditor to carry out the audit and the agreement of the fee. The Chairman of the Audit

Committee was available to the auditors as a contact. The auditors reported to the Audit Committee on the result of their audit. The Audit Committee had one meeting during the course of the business year on 24 April 2009 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**, was responsible – in the place of the Supervisory Board – for taking decisions on the conclusion, amendment and termination of the contracts of employment with the Members of the Board of Management, and also the definition of bonuses and compensation of the Members of the Board of Management and the pensions of former members of the Board of Management, until the Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) came into force. Under the new version of the rules of procedure for the Supervisory Board dated 22 October 2009, this responsibility was amended to reflect the requirements of the Act on the Appropriateness of Management Board Compensation. In future, according to the new rules, the Personnel Committee will only prepare the contractual agreements with the Members of the Board of Management, while the subsequent discussion and decision-making will be carried out by the Supervisory Board in plenary session. The power to appoint Members of the Board of Management was held and continues to be held by the Supervisory Board. The Personnel Committee held one meeting during the year under review. The subject of this meeting was specifically the definition of variable remuneration for Members of the Management Board for the business year 2008 carried out before the Act on the Appropriateness of Management Board Compensation came into force. The other issue addressed related to whether adjustments needed to be made in future as a result of the introduction of the Act on the Appropriateness of Management Board Compensation, and if this was the case, the adjustments that needed to be made. There were no new appointments of Members of the Board of Management or changes to the contracts of employment of the Members of the Board of Management during the reporting period.

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

CORPORATE GOVERNANCE

SURTECO SE complies with the German Corporate Governance Code, which describes the control, management and organization of a company, and its business principles and guidelines. The Supervisory Board addressed the ongoing development of the corporate governance principles and took account of the amendments to the German Corporate Governance Code made on 18 June 2009. Within the scope of the efficiency inspection (item 5.6 of the German Corporate Governance Code), the Supervisory Board carried out a self-evaluation of its members and discussed the results in the plenary session of the Supervisory Board. A new Declaration of Compliance was submitted by the Board of Management and the Supervisory Board on 22 December 2009. The text of this Declaration of Compliance included the Declaration on Company Management pursuant to § 289a German Commercial Code (HGB) and may be viewed on the Homepage of the company's Internet site.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS, AUDITING

The annual financial statements were drawn up in accordance with German accounting principles. The consolidated financial statements for the fiscal year 2009 were prepared on the basis of the principles 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 auditors, Röver-Brönner GmbH & Co. KG, (auditors and tax consultants), Berlin, audited the Consolidated Financial Statements and the Annual Financial Statements of SURTECO SE and the Management Report and the Consolidated Management Report. The auditor explained the auditing principles applied in his audit report. The findings of the audit confirmed compliance with the relevant applicable accounting standards for drawing up the Annual Financial Statements and the Consolidated Financial Statements. The Consolidated Financial Statements and the Annual Financial Statements were granted 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 in relation to the financial statements. At the balance sheet meeting of the Supervisory Board held on 21 April 2010, the Supervisory Board also discussed these documents in detail in the presence of the auditor and on the basis of a report by the auditor pursuant to § 171 (1) sentences 2 and 3 Stock Corporation Act (AktG).

We examined the Annual Financial Statements, the Management Report and the proposal for appropriation of profit, as well as the Consolidated Financial Statements, and the Consolidated Management Report. 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. This also applies to the dividend policy and the decisions on reserves in 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 € 0.40 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 2010 and the Supervisory Board accepted this proposal.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

During the period under review, Mr. Richard Liepert and Mr. Jürgen Diesner came to the end of their period of office as employee representatives on the Supervisory Board of our company. In accordance with the agreement between the separate negotiating committee and the management of SURTECO AKTIENGESELLSCHAFT on the participation of employees in SURTECO SE dated 13 February 2007, Mr. Martin Miller and Mr. Thomas Stockhausen were appointed as employee representatives to the Supervisory Board. The Supervisory Board would like to take this opportunity to thank Mr. Richard Liepert and Mr. Jürgen Diesner for their many years of service and good mutual cooperation on the Supervisory Board of SURTECO.

The Supervisory Board would like to extend its thanks to the Board of Management, the executive managers, the members of the Works Council and all members of staff for the contribution they have made to the development of the company during the course of the past year.

Buttenwiesen-Pfaffenhofen, April 2010

The Supervisory Board

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

MANAGEMENT REPORT 2009

SURTECO GROUP AND SURTECO SE

GROUP STRUCTURE AND BUSINESS ACTIVITY

OVERVIEW

SURTECO SE is a leading global specialist in surface technologies for refining materials used in furnishing and interior design. Most of the materials involved in these processes are wood-based materials, such as chipboard or MDF boards (Medium Density Fibreboard). The coating provides these boards with an appealing visual effect and their technical properties lend them key qualitative benefits when they are used during everyday routines.

The product range supplied by SURTECO SE covers the entire spectrum of applications required by companies applying surface coatings. Finish foils based on technical papers for specialist applications are supplied for large areas. Plastic foils are more appropriate for specialist applications since their exceptional versatility in assuming varying shapes means that they are suitable for an extremely diversified range of applications. These include foils for interior design on ships, plastic floor coverings on industrial premises or other industrial applications. Sophisticated engineering techniques are used to provide high-quality refinement for the edges of wood-based materials. This is a field of business where the companies of SURTECO SE deliver tailormade solutions with a wide range of high-quality versions to deliver outstanding visual appeal. The edgebandings are either manufactured in a special extrusion procedure designed for plastics or produced using paper as the basic material.

Alongside foils and edgebandings, other high-quality business lines are also included in the product portfolio of SURTECO SE: specialist printed papers for melamine or manufacturers of melamine or laminate flooring, roller-shutter systems, skirtings and specialist extrusions (profiles) for professional floorlayers and DIY enthusiasts, wall-edging systems, cladding systems and technical extrusions for industrial applications and goods held for resale in the do-it-yourself sector.

ORGANISATION AND BUSINESS UNITS

Central controlling functions and management of the Group with manufacturing facilities on four continents is carried out through a holding company with Head Office based in Buttenwiesen-Pfaffenhofen. The functions of the holding company include strategic planning and monitoring of finance, investment and risk management across the group, human-resource strategy, group-wide accounting, investor relations activities and IT coordination for all subsidiary companies.

The product range is divided into Strategic Business Units (SBU) based on the specific production technology applied. The companies grouped within SBU Plastics manufacture their products primarily by extrusion and calendering of plastic materials. Alongside the main product of plastic edgebandings, all types of extrusion are manufactured for applications in interior design, cladding systems, plastic foils and many other products for specialist applications. The SBU Paper manufactures edgebandings and flat foils using specialist papers for technical applications. These are then printed, impregnated and given a protective paint coating to yield the appropriate finish. Saleable products tailored to customers' specifications are produced after each production stage. They are then ready to undergo further industrial processing.

The operating companies with the SURTECO Group are legally independent entities that bear overall responsibility for sales and earnings in their business lines. They supply their customers through direct sales, the Group's own dedicated sales offices and through a dense network of dealerships and agents. SURTECO has manufacturing facilities at 15 sites and has a global presence through a further 15 sales locations.

STRATEGIC BUSINESS UNIT PLASTICS*

The Strategic Business Unit Plastics comprises all the companies grouped under W. Döllken & Co. GmbH, as well as the Swedish company Gislaved Folie AB.

The operating companies of W. Döllken & Co. GmbH are divided into Döllken-Kunststoffverarbeitung GmbH, Döllken-Profiltechnik GmbH, Vinylit Fassaden GmbH, Döllken-Weimar GmbH and SURTECO USA and SURTECO Canada.

The Head Office of Döllken-Kunststoffverarbeitung GmbH is based in Gladbeck, North Rhine-Westphalia. Plastic edgebandings are manufactured at this location. Other production facilities for this product line are located with the subsidiary companies of Döllken-Kunststoffverarbeitung GmbH in Australia (SURTECO Australia Pty. Ltd.), in Indonesia (PT Doellken Bintan Edgings & Profiles) and in China (SURTECO China). Sales companies in Singapore (SURTECO PTE Ltd.), France (SURTECO France S.A.S.), Turkey (SURTECO DEKOR A.Ş.) and – in combination with the SBU Paper – in Italy (SURTECO Italia s.r.l.) and Russia (SURTECO OOO) supply products to the regional and neighbouring markets.

Vinylit Fassaden GmbH is a specialist for ready-to-assemble, environmentally friendly and energy-saving panels and cladding elements.

Döllken-Profiltechnik GmbH in Dunningen specializes in the manufacture and sale of technical extrusions and roller shutter systems.

Döllken-Weimar GmbH has manufacturing facilities in Nohra near Weimar and in Bönen. The production

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

JOACHIM DAUSCH

General Marketing Manager at Döllken-Kunststoffverarbeitung GmbH

"The Lightning Edge from Döllken has many diverse applications in areas where atmosphere, light or safety is required, for example in living areas, kitchen settings, shop fittings and office furniture. As soon as power is supplied to the edgebanding, an electric luminescent layer starts to gleam or flash. In contrast with a conventional bulb, the illumination generates virtually no heat. Service life is extremely high. Lightning Edge is ideal for machining centres and this opens up the prospect of boundless streamlined designs."

programme encompasses floor and skirting extrusions, as well as product ranges held for resale to professional floorlayers and for DIY stores. Other sales venues are also located in Poland (Kattowitz) and the Czech Republic (Prague).
On the American continent, the SBU Plastics produces edgebandings in Greensboro (SURTECO USA), Brampton (SURTECO Canada) and in Santiago de Chile (Canplast Sud). Additional sales bases are also located in Chicago, Curitiba/Brazil, Guatemala City and Chihuahua/Mexico.

STRATEGIC BUSINESS UNIT PAPER*

The Strategic Business Unit Paper comprises decorative printer Bausch Decor GmbH and BauschLinnemann GmbH, including their subsidiary companies and external offices.
Bausch Decor is a specialist dedicated to decorative printing for papers that are either supplied externally to customers or undergo further processing internally to manufacture edgebandings and flat foils at BauschLinnemann. The Group's in-house development department joins forces with Saueressig Design Studio based in Mönchengladbach to create new cylinder structures for decorative rotogravure printing. Bausch Decor GmbH holds a 30% stake in Saueressig Design Studio.
BauschLinnemann GmbH manufactures products and sells finish products for the furniture industry and interior design to the facilities in Sassenberg and Buttenwiesen-Pfaffenhofen, as well as to subsidiary company Kröning GmbH based in Hüllhorst. Semi-finished products are supplied from these facilities to the sales companies located in North America, the United Kingdom and Italy where they are finished to customer-specific order specifications and supplied at short notice.
The sales departments of BauschLinnemann GmbH and Bausch Decor GmbH were placed under a uniform management and reorganized in 2009. The areas of responsibility for the sales staff were restructured on the basis of geographical segments. Specialist advice and consultation now covers the complete range of products offered by both companies. This means that customers receive expert information and support on all paper-based products from a single source.

MANAGEMENT AND CONTROLLING

In accordance with 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 the 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.

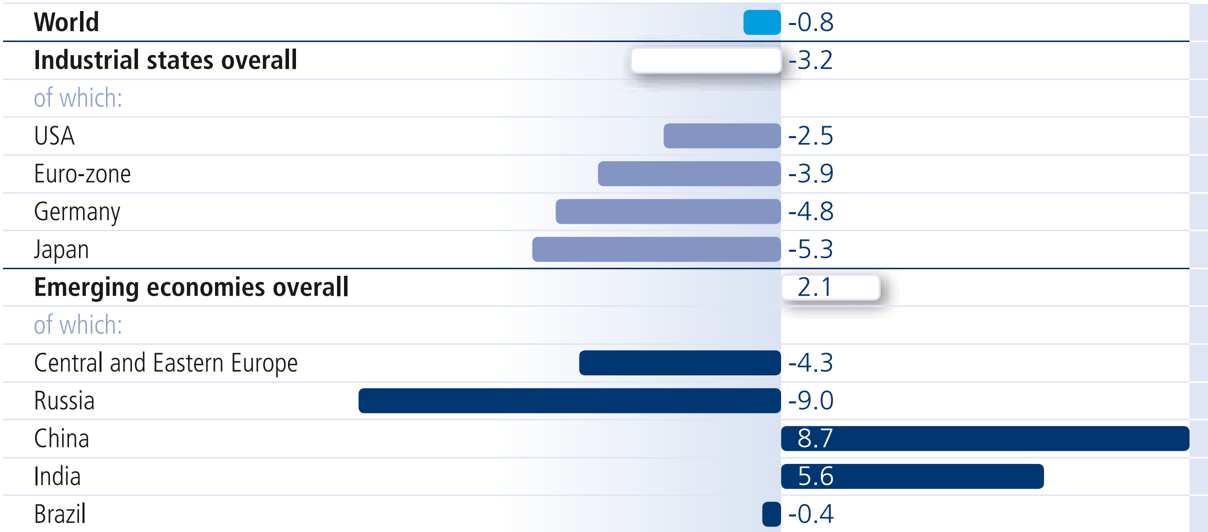
The Supervisory Board is comprised of six representatives of the shareholders and three representatives of the employees. It monitors and advises the Board of Management and the senior managers of the company.
The management of the SURTECO Group operates on the basis of the dual management and controlling 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 a sustainable manner.

COMPENSATION REPORT

Total compensation for the Supervisory Board in the business year 2009 amounts to € 000s 200 (2008: € 000s 178). The remuneration for the Members of the Board of Management is primarily based on success. It comprises a smaller, fixed element and a primarily variable element. The variable element is a bonus based on earnings and is calculated on the basis of the Earnings Before Income Tax (EBT) of the Group in accordance with IFRS taking the return on sales into account. The fixed remuneration of the active Members of the Board of Management for the business year 2009 amounted to € 000s 1,833 (2008: € 000s 1,293). Of this, the fixed salary amounted to € 000s 504 (2008: € 000s 504), the performance-based bonus amounted to € 000s 1,227 (2008: € 000s 596) and other remuneration elements amounted to € 000s 102 (2008: € 000s 193). A total of € 000s 596 was paid out to the Board of Management from the provision for performance-based bonuses amounting to € 000s 1,600 set aside in 2008. € 000s 1,004 were released on account of the economic development of SURTECO.
In accordance with § 286 Section 5 German Commercial Code (HGB), reporting of information on individual remuneration in accordance with § 285 sentence 1 no. 9 letter a sentences 5 to 9 German Commercial Code (HGB) will not be implemented on account of the resolution of the Annual General Meeting held on 24 June 2008.

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

ECONOMIC GROWTH FOR 2009 IN %



Source: International Monetary Fund (IMF), World Economic Outlook Update 26 January 2010

DECLARATION ON CORPORATE MANAGEMENT

The declaration on corporate management pursuant to § 289a German Commercial Code (HGB) in the form of the Corporate Governance Report, the Declaration of Compliance with justification and archive, relevant information on corporate management practices, the composition and working methods of the Board of Management and Supervisory Board, including its committees, the Articles of Association, the information on the Directors' Dealings, risk management and the auditor for 2009 are available on the home page of the company by clicking on www.surteco.com and going to the menu item "Declaration on Corporate Management".

ECONOMIC FRAMEWORK CONDITIONS

WORST RECESSION FOR MORE THAN 60 YEARS

The global economy was gripped by the biggest global recession for more than 60 years during the reporting year 2009. The threat of a collapse in the financial system was probably only averted by the coordinated actions of the central banks, which reduced base rates across the world to nearly zero percent and implemented a wide range of economic stimulus packages. This gradually put the brakes on the massive collapse in global trade towards the middle of the year and an economic floor was created. However, the International Monetary Fund (IMF) reported a decline in economic output of 0.8 % for the global economy in 2009 and this was significantly above the forecasts that were still being published in the middle of the year. The crisis exerted a major impact on traditional industrial regions heavily dependent on exports and countries dependent on raw materials. Companies and consumers across the world are postponing their investments. The entire industrialized world recorded a decline in economic output of 3.2 %. The US economy came off relatively lightly with a 2.5 % decline in economic output. Output in the eurozone plummeted by some 3.9 %, because some countries such as Germany (-4.8 %) were particularly hard hit as a result of their dependence on exports. This also affected Japan, whose economy shrank by 5.3 %.
By contrast, emerging economies and developing countries expanded overall by 2.1 % according to the IMF, although the global economic crisis still left its mark here. Growth was particularly dynamic in East and South-east Asia at +6.5 %. China's economy (+8.7 %) benefited from the stimulus measures implemented by the Chinese government. India's economy also achieved dynamic growth of 5.6 %. Brazil's economy also proved to be relatively robust (-0.4 %), whereas Russia paid a heavy price for its high level of dependence on raw materials and had to overcome a collapse of 9.0 % in economic output.

Lack of demand in 2009 also caused a significant decline in prices for raw materials and energy. The

BERND POLIWODA

Marketing Manager at Bausch Decor GmbH and BauschLinnemann GmbH

"Whatever the application and whatever the quality selected by the customer, we supply the entire range: decorative printed papers through to finish foils and edgings in a matching colour scheme. This allows customers to effortlessly combine parts being processed in different ways. The decorative design Chorona Sucupira is an outstanding example of this concept. The delicate lines and attractive colour composition yield a particularly sophisticated design. This decor is ideal for furniture in living areas, doors, flooring and wall surfaces, as well as small items of furniture. The design is also in tune with the modern trend because interior design is becoming brighter, lighter and conveys visual space."

average oil price over the year was 36 % below the record levels for the previous year, while other raw materials lagged 19 % behind year-earlier prices. The inflation rate in the industrial countries remained correspondingly stable (+0.1 %), whereas inflation in emerging economies went up by an average of 5.2 % over the year. Turbulence in interest rates and turbulence in the markets also resulted in a great deal of volatility for currency exchange rates. Although the year-end rate (1.43) between the euro and the US dollar was only slightly above the comparable year-earlier rate, prices during the year varied between 1.25 and 1.51.

2009: WEAK YEAR FOR FURNISHING INDUSTRY AND WOOD-BASED SECTOR

SURTECO SE generates a significant proportion of Group sales with customers from the wood-based and furnishing sector. Both groups of customers have not come out of the global economic crisis unscathed in 2009. The furnishing sector in Germany had to overcome a drop in sales of 10 % following overall growth of 18 % in the years 2004 to 2008. According to assessments by the associations of the wood and furniture industry (HDH/VDM), total sales in the furnishing sector therefore amounted to some € 14.3 billion during the year under review. Sales at the end of the year during the traditionally strong months of November and December were in fact buoyant and this would appear to indicate that the decline in industrial output had bottomed out. The continuing high levels of savings among consumers meant that the stimulus for the automobile industry (scrappage bonus) impacted particularly heavily on the furniture sector. For many households, this meant that purchases in the automobile sector were brought forward and acquisitions of furniture were postponed to take advantage of the auto subsidies. Negative impacts came primarily from export business, which experienced a decline of 16.2 % over the course of the year. Capital goods were particularly affected by the recession: office furniture and shop fittings had declined by some 17 % up to October, household furniture had fallen by around 12 %. Manufacturers of kitchen furniture came away a little better (-10.6 %).

The Association of the German Wood-based Materials Industry (VHI) has a similar perspective on developments over the year 2009. Negative impacts were evident in areas related to construction entailed by the decline in house building. Manufacturers of chipboard and fibreboard had to reduce their volumes by some 10 % during the year under review. As demand entered an upward trajectory in the second half of the year, the situation in this sector eased somewhat.

Industry experienced some relief from prices for raw materials and energy since they were significantly below the record levels previously experienced due to the overall decline in demand.

SURTECO ACTS QUICKLY AND CONSISTENTLY

SURTECO was unable to buck the general trend in 2009. Nevertheless, the Group – not least due to the early introduction of harmonization measures – reported satisfactory figures for sales and earnings. In addition to the inevitable adjustments in personnel carried out to reflect the reduced utilization of capacity, optimization of products and sites was also carried out. Furthermore, the Group continued to make consistent management of costs a top priority at all levels. Technical innovations, optimized use of raw materials, research and development work geared to customers' needs and aspirations, and rapid, flexible reaction to changes in market conditions defined the reporting year and will continue to place SURTECO in the position of being able to strengthen its leadership in the marketplace and on the technological front.

SALES AND INCOME SITUATION

BRAKE ON DECLINE IN SALES AT YEAR-END

The business year 2009 closed with sales totalling € 341.1 million and were hence € 61.9 million or 15 % below the volume for 2008. A drop in sales amounting to 20 % was still recorded for the third quarter of 2009. Sales of € 87.3 million for the fourth quarter returned to the level of the previous year and hence pointed in the direction of a modest recovery at the end of the year under review.

While foreign sales from international markets fell by a total of 18 % to € 219.5 million, a drop of "only" 11 % was posted in the German market with € 121.6 million. The proportion of foreign sales fell by two percentage points to 64 % across the Group.

Half of Group sales continued to be attributable to edgebandings based on plastic or paper. Around a quarter of the sales volume related to foils, which like edgebandings were marketed as plastic products or based on specialist papers for technical applications. Other important sources of sales in the Group were auxiliary flooring extrusions (share of total sales: 11%), decorative prints (5 %), roller shutter systems and technical extrusions (4 %), and cladding systems (3 %).

STRATEGIC BUSINESS UNIT PLASTICS: COMBATING THE CRISIS WITH INNOVATIVE PRODUCTS

The SBU Plastics – primarily the product group plastic edgings – was shaped by restrained consumer spending during the year under review in the processing industry as well as in retail and wholesale. Although

STEFAN SCHMATZ

Managing Director Vinylit Fassaden GmbH

"Vinylit has developed into a full-range supplier of cladding insulation systems. The insulation element presented can easily be combined with all the cladding systems manufactured by Vinylit. This approach provides users with various benefits: The wooden slats incorporated in the insulation permit optimum attachment to the substrate while at the same time forming the ideal sub-structure for the cladding extrusions. This considerably reduces the time required for assembly. Furthermore, it automatically creates a rear-ventilated system that is essential for optimum wall structure. The design also ensures reduction of thermal bridges and hence enhances the efficiency of heat insulation."

RENATE HORSTMANN

Product Designer at
Bausch Decor GmbH and
BauschLinnemann GmbH

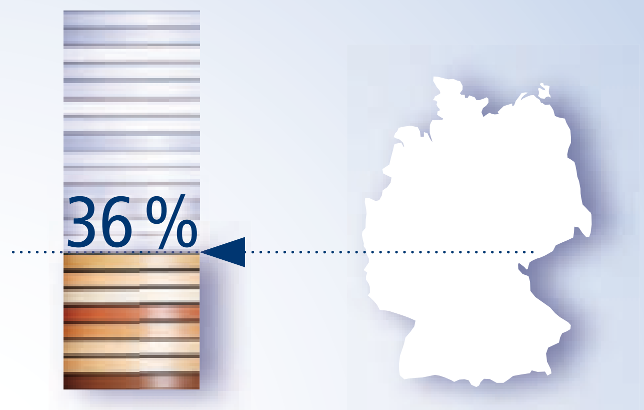
"HAPTEC is the new, tactile finish surface. Alongside the important visual aspects of design and texture, the haptic experience is steadily gaining in importance. Sparkling matt-gloss effects and the tactile surface to match the decorative design provide no more than a subtle hint of the variation on the theme of natural materials. The finish gains elegance and expressive strength while retaining the outstanding utility properties typical of foils, such as environment friendliness and non-fading qualities."

a number of European countries, such as the United Kingdom and France, succeeded in bringing a certain amount of stability to their situations during the course of 2009, massive collapses were recorded in Eastern Europe. At the close of the reporting period, signs of tentative trends in the direction of stabilization were beginning to re-emerge in Russia. The new Turkish sales subsidiary launched business operations with some positive initial steps, so that sales in excess of three million euros appear likely for 2010. Overall, foreign business fell back by € 35.2 million or 21 %. The proportion of foreign sales amounted to 65 %. Europe was the biggest sales market outside Germany for the SBU Plastics. 37 % of the sales for the business unit were generated here. Another 15 % were attributable to North, Central and South America, while 8 % were accounted for in Australia and 5 % in Asia.
The German market demonstrated no fundamental changes. Although the usual migration of customers typical within the sector continued, customer behaviour remained relatively stable overall. The trend towards quantifiably small batch sizes for each purchase order continued to be a feature of the market. At the same time, customers were becoming more price-conscious, more aware of quality, and increasingly concerned about service. The SBU Plastics rose to the challenge with a broadly based, innovative product range focusing on a very high level of quality. A clear trend towards thinner and more cost-effective coating materials emerged for plastic edgebandings. The decline in sales amounting to € 9.5 million remained moderate at 11 % for Germany.
The plastics business line closed the business year 2009 with a decline of 18 %. Sales amounting to € 210.0 million were € 44.7 million below the value for 2008.

STRATEGIC BUSINESS UNIT PAPER: SUCCESSFUL MEASURES TO COUNTERACT MORE INTENSE COMPETITION

The crisis in the segment of paper-based foils and edgebandings was manifested at an earlier stage than in many other areas of furniture manufacturing. Surplus capacities, plant shutdowns, significantly lower production batches and more intense competition with the associated price war were the key issues in the paper-processing sector during the year under review. The management of the SBU Paper, comprising the companies of BauschLinnemann GmbH including Kröning GmbH and Bausch Decor GmbH, initiated a package of measures designed to strengthen their market position. The sales activities were restructured. The "Speed" and "Modular" sales programmes present customers with some attractive offers enabling them to purchase lower batch sizes of standardized products with short delivery times and favourable prices. Organizational measures were implemented in production, resulting in improved

GERMANY
of sales of the SURTECO Group



SALES REVENUES in € 000s SURTECO GROUP

SIEGFRIED STENGEL

Marketing Manager at Döllken-Profiltechnik GmbH

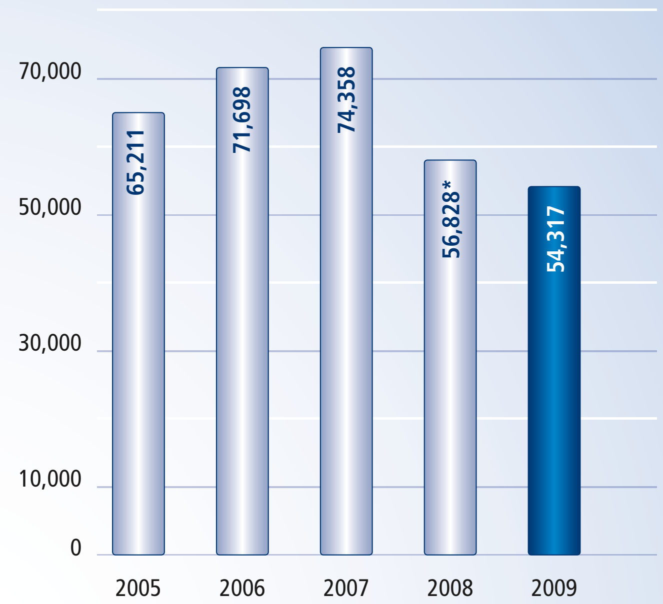
"Technical extrusions are a key factor for the functionality and aesthetic design of numerous products. Döllken has been creating technical extrusions from plastic for more than 50 years. Applications have included the electrical and lighting industry, machine and vehicle manufacture, and the construction industry. This specialist manufacturing company has been supplying customers throughout the world. The diversity of the areas of application, forms and functions is virtually unlimited. The extruded frame for flat screens demonstrates another innovative solution from Döllken-Profiltechnik. Genuine aluminium foils and high-gloss foils are used to create the impressive surface finish."

dovetailing of production units and contributing to even further reductions in throughput times. Advances were also made in the area of CPI (Continuous Improvement Process). For example, average reject volumes per production order were reduced despite lower batch sizes.
The comparatively moderate decline in sales of 12 % to € 131.1 million continued the development attained during the previous year. Customers in Germany contributed € 48.0 million (-10 %). Foreign markets closed the year with € 83.1 million (-13 %). Gains in individual European markets, such as Italy and the United Kingdom, contrasted with massive losses in Eastern Europe. Overall, business in Europe (not including Germany) declined by 13 %.
The proportion of sales for deliveries in Germany amounted to 37 %, European countries outside Germany accounted for 50 %. The remaining 13 % were generated by deliveries to America, Asia and Australia.
There were no significant shifts in the portfolio of products during 2009. However, a gradual transition from impregnated foils to more cost-effective pre-impregnates emerged in the foil sector.

EXPENSES

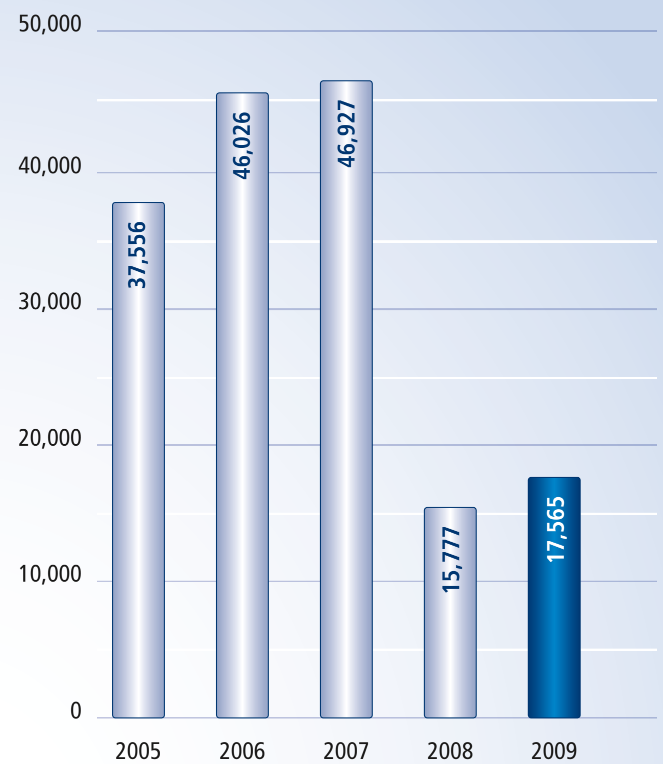
The expenses for materials in 2009 were 21 % below the value for the previous year. The cost of materials as a proportion of sales came down by two percentage points to 41.5 %. The disproportionately large fall was due to the development of prices in raw materials and supplies, which were for the most part favourably priced – as in the second half of 2008.
The prices for plastics were some 20 % lower than one year previously in mid-2009. However, the cost benefit was largely cancelled out by the fact that the SBU Plastics was forced to make concessions on the revenue side.
The price of technical raw papers again came down slightly in 2009. The cost reductions for chemicals were significantly bigger.
A targeted purchasing offensive was launched in the middle of the year and this was implemented successfully thanks to the economic framework conditions. Purchasing and engineering departments joined forces to identify alternative raw materials and suppliers to generate price benefits and qualitative and economic advantages.
Personnel expenses fell from € 104.2 million to € 91.7 million (-12 %) in 2009. This fall was entailed by the reduction in the number of employees in the wake of the crisis, which was 10 % lower than in 2008. The proportion of personnel costs to total output amounted to 27.5 % (2008: 25.8 %).
Other operating expenses came down by € 8.7 million to € 55.1 million.

EBITDA in € 000s SURTECO GROUP



* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to Consolidated Financial Statements Section VIII.)

EBT in € 000s SURTECO GROUP



GROUP RESULTS

The SURTECO Group generated an operating result (EBITDA) amounting to € 54.3 million (-4 %) in 2009. EBITDA in the previous year was impacted negatively by one-off restructuring expenses – essentially for several payments in conjunction with the harmonizing of the personnel headcount with the level of business activity and for site optimizations – amounting to € 7.3 million. Adjusted by this amount, EBITDA would have been 15 % lower during the reporting year and hence has moved in parallel with sales development.
Depreciation and amortization remained at the level for the previous year. EBIT at € 34.4 million fell short of the year-earlier value by € 2.7 million (-7 %).
The financial result for 2008 was defined by a currency-related correction to the investment book value of the share package in Pfleiderer AG, Neumarkt, held by SURTECO, amounting to € 11.5 million. This led to a financial result of € -21.3 million. During the year under review, a further impairment amounting to € 6.0 million was necessary – the ensuing financial result amounted to € -16.9 million. As a result, Earnings before Income Tax (EBT) improved by 11 % or € 1.8 to € 17.6 million.
Consolidated net profit at € 9.2 million was 37 % higher than in the previous year. Earnings per share – based on an unchanged number of shares at 11,075,522 no-par shares – were € 0.83 (2008: € 0.61).

RESULT FOR SURTECO SE

SURTECO SE closed the business year 2009 with earnings from ordinary activities based on the German Commercial Code (HGB) amounting to € 17.1 million and hence exceeded the value for the previous year by € 8.7 million. Net income at € 12.6 million was € 8.2 million higher than in 2008. In the previous year, earnings were impacted negatively by write-downs on financial assets amounting to € 14.4 million. In 2009, the equivalent value was only € 0.7 million.

DIVIDEND PROPOSAL

The Board of Management and the Supervisory Board of SURTECO SE will recommend to the Annual General Meeting of the company to be held in Munich on 24 June 2010 that the net profit amounting to € 6,399,988.78 should be distributed as follows: payment of a dividend per share amounting to € 0.40 (2008: € 0.35). This corresponds to a total amount distributed as dividend of € 4,430,208.80 for 11,075,522 no-par shares. € 1,900,000.00 will be transferred to retained earnings. € 69,779.98 will be carried forward to the new account.

FINANCIAL POSITION AND NET ASSETS

VALUE ADDED

4.5 % OF VALUE ADDED REMAINS IN THE COMPANY

During the year under review, corporate performance fell back by 14.4 %. A proportionate decline in net value added was averted by action taken at an early stage so that this figure only deteriorated by 9.1 %.

VALUE ADDED CALCULATION

	2008 € 000s	in %	2009 € 000s	in %
Sales revenues	402,984		341,145	
Other income	7,904		10,685	
Corporate performance	**410,888**	**100.0**	**351,830**	**100.0**
Cost of materials	-175,499	-42.7	-138,385	-39.3
Depreciation and amortization	-19,731	-4.8	-19,892	-5.7
Other expenses	-81,835	-19.9	-71,928	-20.4
Creation of value added (net)	**133,823**	**32.6**	**121,625**	**34.6**
Shareholders (dividends)	12,183	9.1	3,876	3.2
Employees (personnel expenses)	104,208	77.9	91,732	75.4
Government (taxes)	9,048	6.8	8,205	6.8
Lenders (interest)	13,838	10.3	12,328	10.1
Allocation of value added	**139,277**	**104.1**	**116,141**	**95.5**
Remainung in the company (value added)	**-5,454**	**-4.1**	**5,484**	**4.5**

ELMAR FLOREN

Sales Manager Germany for Gislaved Folie AB, Sweden

"Swedish foil company Gislaved Folie AB has a track record spanning more than 60 years of experience in the manufacture of plastic foils for decorative surfaces. Key criteria are colour, form and function. The photo shows a matt-metallic lustrous surface finished in a solid bronze colour and a matching floral decorative design entitled Ornamenta with an exceptionally effective matt-gloss effect. Plastic foils from Gislaved are exceptionally versatile with a diverse range of applications, robust resistance to wear and appealing visual effect. Orientation to the concrete requirements of customers allows optimum solutions to be developed."

LUDGER SCHMIDT

Sales Manager at
Bausch Decor GmbH and
BauschLinnemann GmbH

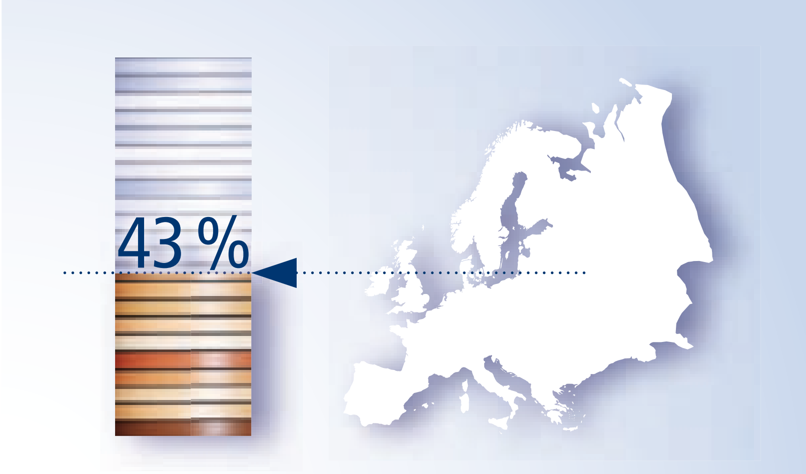
"As market leader in the sector for melamine edgebandings we set new benchmarks with the just-in-time inventory programme TECOLINE Speed.
Small order volumes, flexible supply and an edging range geared to the major melamine board manufacturers are the key parameters. This service allows furniture manufacturers, suppliers and dealers to reduce their inventory stockpiles. Rapid model changes can now be implemented easily and efficiently with the appropriate melamine edgings."

SURTECO also derived benefit from a fall in prices for raw materials occasioned by a drop in demand.
€ 23.1 million less was distributed from net value added than in the previous year. This is essentially due to a decrease in the dividend payout of € 8.3 million and a reduction of € 12.5 million in personnel expenses.

CASH FLOW STATEMENT

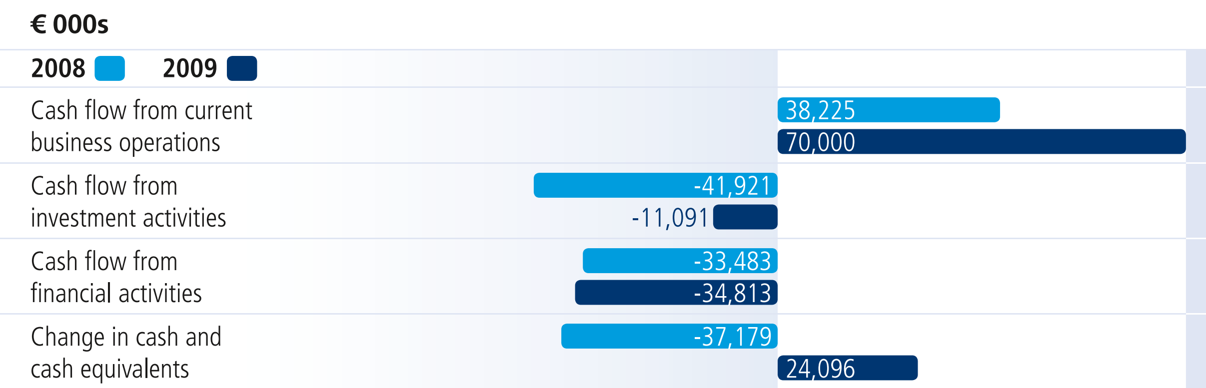
Cash flow from operating activities increased by € 23.9 million during the year under review by comparison with the previous year, primarily due to strict working capital management. Net assets and liabilities alone contributed a total of € 20.7 million to the company. A drop in income tax payments amounting to € 7.8 million resulted in cash flow from current business activities increasing by a total of € 31.8 million.
Investments were only made after the benefits had been carefully analyzed in the light of the difficult economic situation. This led to a reduction by half of investments in property, plant and equipment (2009: € 9.8 million; 2008: € 20.7 million). No significant shareholdings were acquired during the year under review. Overall cash outflows amounted to € 11.1 million (2008: € 41.9 million).
Cash outflows from financial activity remained largely unchanged at € 34.8 million during the year under review. Repayment of short-term and long-term debts amounting to € 23.8 million (2008: € 11.3 million) reduced interest payments by € 1.2 million.

REST OF EUROPE
of sales of the SURTECO Group



Overall, financial resources in the Group have been increased by € 24.4 million despite the adverse economic situation and this corresponds to an increase of some 40 %.

CHANGE IN FINANCIAL RESOURCES AT 31 DECEMBER



CALCULATION OF FREE CASH FLOW

€ 000s	1/1/-31/12/2008	1/1/-31/12/2009
Cash inflow from operating activity	52.213	76.152
Tax payments	-13.988	-6.152
Investments in property, plant and equipment	-20.659	-9.802
Investments in intangible assets	-1.180	-1.125
Cash inflow from disposal of assets	1.375	208
Free cash flow	**17.761**	**59.281**

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP

	31/12/ 2008 € 000s	Percentage in the balance sheet total in %	31/12/ 2009 € 000s	Percentage in the balance sheet total in %
ASSETS				
Current assets	171,654	35.0	177,917	36.9
Non-current assets	318,419	65.0	303,759	63.1
Balance sheet total	**490,073**	**100.0**	**481,676**	**100.0**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities	80,034	16.3	74,098	15.4
Non-current liabilities	229,523	46.9	215,763	44.8
Equity	180,516	36.8	191,815	39.8
Balance sheet total	**490,073**	**100.0**	**481,676**	**100.0**

BALANCE SHEET INDICATORS OF SURTECO GROUP

	2008	2009
Capital ratio in %	36.8	39.8
Gearing in %	95	64
Working capital in € 000s	67,001	48,925
Interest cover factor in%	5.2	6.3
Debt-service coverage ratio in %	15.5	23.7

REDUCTION IN NET INDEBTEDNESS BY € 48 MILLION

The SURTECO Group implemented strict working capital management and a policy of restrained investments during the year under review and this approach succeeded in significantly reducing net indebtedness from € 171.3 million to € 122.8 million. The equity ratio improved from 36.8 % to 39.8 %. Cash and cash equivalents increased by € 24.4 million for current assets while inventories fell back by € 16.1 million. Overall, current liabilities increased by € 6.3 million.

Non-current assets came down by € 14.7 million. Since write-downs exceeded investments during the year under review, property, plant and equipment fell by € 8.6 million to € 167.2 million. Other non-current assets also shrank by € 5.6 million.

The decline of € 5.9 million in current liabilities is mainly connected with the reduction in short-term financial liabilities (€ 9.0 million) and short-term provisions (€ 5.6 million) and an increase of € 8.1 million in trade accounts payable. Under short-term provisions, restructuring provisions amounting to € 7.0 million were recognized in the previous year, and these were used up apart from € 1.8 million.

Long-term liabilities were reduced by € 13.8 million mainly as a result of periodic repayments and the acquisition of finance-lease properties.

NATALIA PRIVALOVA
ZOHRA SPINGHER

Marketing Assistants at Döllken-Kunststoffverarbeitung GmbH

"The edgebanding range produced by Döllken-Kunststoffverarbeitung GmbH is extremely versatile and innovative. The Digital Edge is one of the many highlights. Döllken can create any image required with pioneering digital printing technology, also based on photo-quality templates, on the edgebanding. This allows customers to have direct input into determining the decorative design. Another advantage is that small batch sizes can now also be produced economically and new colours and images can be quickly launched in the marketplace. An important factor is that this provides designers and architects with the necessary scope to respond to modern design."

RESEARCH AND DEVELOPMENT

New ideas are being developed and made ready for market in all product groups at SURTECO SE.

Important technical and optical innovations with visual appeal were introduced for plastic edgebandings. For example, the glass edgebanding meets the demand created by the increasingly significant trend towards glass visual effects and is an example of a development that has already proved its worth in practice. Application of the appropriate edgebanding combined with a high-gloss surface gives the impression of a glass panel.

The “Fusion Edge” has reduced the visual effect of a joint that is evident between the edge and the board for all known edging solutions to generate a minimal optical profile. This product is now well on the way to becoming established in large areas of the market. The new joining technique for connecting wood-based materials with plastic edgebandings is based on a high-power laser. It has been designed to provide processors with significant improvement in quality combined with higher process certainty and productivity.

The trend towards thin edges is continuing with many customers. The SBU Plastics is rising to the challenge of this new trend by significantly expanding its Instant Edging Programme (IEP) for thinner edgebandings. The benefits for customers are lower sales volumes for each order and reduced delivery times.

Vinylit GmbH completes its product range for cladding systems by providing architects, craftsmen and developers with a perfectly harmonized complete package for high-performance insulation incorporating integrated sub-construction and ventilation. This easy-to-assemble solution gives customers perfect cladding insulation. In addition, Vinylit is also working on the development of large-scale elements for overlaying heat insulation material on buildings with a cladding system.

Döllken-Weimar, manufacturer of skirtings and flooring extrusions, is presenting a new, chlorine-free, wood-core skirting which was specially developed for design floor-coverings. This process involves strips of the floor covering simply being bonded into the skirting. A soft lip compensates for irregularities in the floor level.

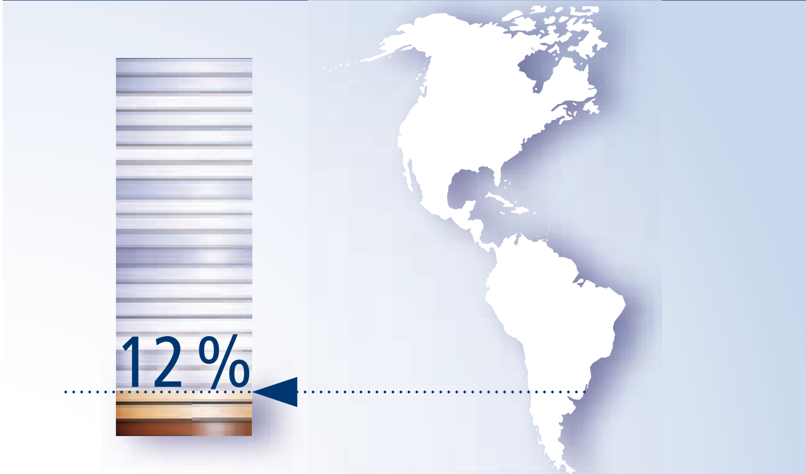
Swedish plastic foil producer Gislaved – another company belonging to the SURTECO Group – is working on the development of an electron-beam cured PET foil. This foil combines the typical characteristics of a plastic foil, in particular its multi-dimensional deformability, with a very high level of scratch resistance and a surface providing a matt finish.

The Corulan product family produced by the SBU Paper was initially developed as a highly resistant foil for the manufacture of flooring panels. This is now being supplemented by another version where the highly developed surface resistance combines with outstanding processing properties to create a high utility value for applications in office furniture and for door coatings. The exceptionally resistant foils are extremely resilient under service conditions and they significantly expand the product range of paper-based coating materials. In this segment, their excellent value for money makes them a very attractive alternative for furniture and door manufacturers. Presentations and tests are planned with selected pilot customers for the product launch during the coming year.
BauschLinnemann is pursuing a similar objective with the HAPTEC foil. This has an innovative surface textured to match the natural template in addition to the outstanding resistance attributes. A special technology ensures that the varnish has a matt or gloss finish to match the grain. A complex visual and haptic experience is presented in combination with the textured surface to create an impression that is extremely close to the original.
Testing alternative chemical raw materials also has a very high priority at the SBU Paper. This is necessary in order to meet the new technological requirements, guarantee production certainty when suppliers are changed, and optimize machine parameters in volume production.

ENVIRONMENTAL PROTECTION

Corporate environmental protection is a top priority in the companies of SURTECO SE. Ongoing projects were continued during the year under review. The focus of activities continued to concentrate on the issues of energy efficiency, energy saving, use of environmentally friendly raw materials and procedures, recycling of production rejects.
Research at SURTECO is focusing in particular on substitution of raw materials by suitable environmentally-friendly alternatives. The share of varnishes and paints containing solvents was significantly reduced in the plastics segment and these materials were replaced by water-soluble alternatives. A new plasticizer extracted from plants is currently being tested for the manufacture of plastic foils. The SBU Paper manufactures preimpregnated foils which are manufactured from formaldehyde-free components. The next stage is directed towards modifying edgebandings and impregnated foils using this process.

AMERICA
of sales of the SURTECO Group



The continuous improvement of internal processes and sustainable product development throughout the entire Group contributed towards identifying new potential measures for reducing greenhouse gases and implementing them.

PEOPLE AND TRAINING

At the end of the year under review, the workforce at SURTECO SE amounted to 1,903 employees. In line with expectations, a total of 234 jobs were eliminated during the course of 2009 in order to meet the new economic conditions entailed by the sustained crisis and the associated deterioration in utilization of capacity. This is equivalent to a decline of 11 % in the employee headcount.
In 2009, the average numbers of employees in the workforce fell by 215 or 10 % from 2,194 people to 1,979. 1,305 were employed in the Strategic Business Unit Plastics (2008: 1,411), 658 were employed in the Strategic Business Unit Paper (2008: 768) and 16 (2008: 15) at the SURTECO holding company.
The personnel indicators have changed slightly. On average, the employees in the SURTECO Group were 42.1 years old (2008: 41.6 years) and the average length of service in the company continues at 13.5 years. 47 employees celebrated their 10th anniversary with the company, 29 employees celebrated 25 years with the company and 3 employees were even able look back on 40 years of service with the company. The sickness ratio continued at a low level of 3.4 % (2008: 3.1 %), fluctuation fell by 5.9 % in the year 2008 to 3.5 %.
The number of apprentices in the German companies of the Group remained virtually constant at 117 during the year under review (2008: 120) despite the economic crisis. The fall in the number of employees yields a training ratio 0.8 percentage points higher at 9.2 %.

EMPLOYEES BY REGIONS

Site	Employees 31/12/2008	Employees 31/12/2009	Change
Germany	1,421	1,269	-152
Canada	189	139	-50
Sweden	149	124	-25
Australia	86	80	-6
USA	64	64	-
Indonesia	50	47	-3
South- and Central America	34	41	+7
China	38	33	-5
Great Britain	29	29	-
Italy	31	28	-3
France	13	14	+1
Poland	13	13	-
Singapore	12	11	-1
Türkey	8	11	+3
	2,137	**1,903**	**-234**

RISK AND OPPORTUNITIES REPORT

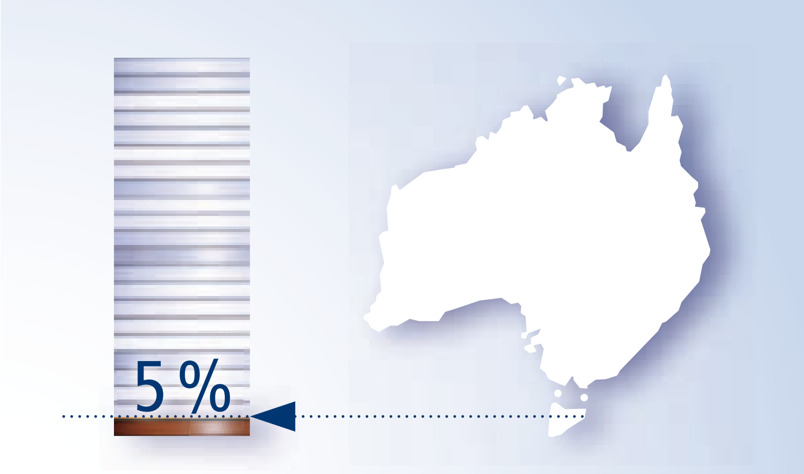
RISK MANAGEMENT SYSTEM

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

The Board of Management of the SURTECO Group is responsible for policy relating to risks and for the internal management and controlling system. The Board of Management works together with the subsidiaries to identify risks. The management of the subsidiary companies implements the instructions of the Board of Management and is responsible within this framework for risks that it enters into in the course of its business activities. The management includes the employees in the course of exercising their management functions. The Risk Management Manual applicable throughout the Group defines binding rules and conditions for the risk management process.

The Risk Management System is an integral element within the Group's strategy and planning process. It is made up of a number of modules which are integrated in the entire structural and workflow organization of SURTECO and its subsidiary companies. There is no independent structural organization. In order to measure, monitor and control risks, SURTECO SE uses a detailed controlling system. The controlling system encompasses the key controlling parameters specific to the industry and sector. Apart from regular reporting to the Board of Management and Supervisory Board, managers have a duty to report risks that occur unexpectedly without delay. The usefulness and efficiency of risk management and the controlling systems are monitored internally at regular intervals by the Board of Management and the managers of the subsidiary companies, and externally by the auditor. SURTECO is continually developing measures directed towards risk avoidance, risk reduction and risk hedging while also taking advantage of any business opportunities that arise.

AUSTRALIA
of sales of the SURTECO Group



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

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

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

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

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

STRATEGIC CORPORATE RISKS AND OPPORTUNITIES

MACROECONOMIC RISKS AND MARKET RISKS

In the market supplying coating products for the furniture and interior design industry, a local presence in the relevant countries and markets is crucially important. This enables customers to be supplied quickly and permits trends in regional markets to be identified at an early stage. SURTECO is very well positioned in international markets with 15 production and sales sites, and a further 15 sales sites.

During the year under review, the sales network was expanded by a branch office in Russia. In addition to local presence, cost leadership is a key factor for the market positioning and economic success of SURTECO SE. This entails a complete and diversified product portfolio tailored to the needs of the market, highly efficient operating processes and control of costs.

The development of the business is highly dependent on economic performance in the furniture and construction industries operating in the countries and markets where SURTECO supplies its product range. However, the continuing internationalization of the Group means that fluctuations in individual countries can be partly compensated. The economic trends and sales development in individual markets are therefore monitored continuously so that changes in trend can be anticipated or identified at an early stage. The qualitative and quantitative findings are recorded and evaluated with the assistance of a differentiated internal reporting system. They are then subjected to detailed assessment and analysis. Any deviations from budgets, the feasibility of planning goals and the occurrence of new monetary and non-monetary risks are highlighted and analyzed. The business is then managed on the basis of the results of reporting.

The economic environment continues to be shaped by the financial crisis. In particular, the industries relevant to SURTECO, such as the construction and furnishing sector, have been particularly hard hit. The furniture industry is operating on the basis of stagnation for the business year 2010, following a major reverse in the previous year. Building activity continues to be in decline across the world and is not expected to demonstrate any upward trend during the upcoming years. This entails the risk of sustained depressed demand or even further deterioration in demand. The sections entitled “Macroeconomic conditions” and “Outlook report” provide detailed information on development in the global economy and the furniture industry.

TECHNOLOGICAL RISKS

Technological leadership is crucial for future profitability. The company's technologies are continually being developed to retain this leadership. Technological development within the sector and related industries are also monitored and analyzed in order to retain leading-edge capability.

COMPETITIVE RISKS

SURTECO is very well positioned in the relevant markets. Excess capacities in the sector and the decline in demand due to the financial and economic crisis mean that competitive pressure is increasing throughout the world. New providers have come on the scene as a result of increases in production depth at major printers and new, locally active surface manufacturers who are operating in selected product areas. This market consolidation could exert a negative effect on revenues. SURTECO is countering massive pressure on prices by expanding and strengthening existing business, introducing innovative products and not least by further increasing efficiency.

OPERATING RISKS

PROCUREMENT RISKS

SURTECO SE is dependent on outsourcing from other providers for the procurement of semi-finished products and services. Inclusion of third parties in the equation creates risks such as unexpected supply difficulties or unforeseeable price increases resulting from market bottlenecks or currency effects, which could impact negatively on results. The Group meets risks associated with supply by a process of continuous material and supplier management. The measures involve monitoring the market intensively, carrying out in-depth quality inspection on the basis of jointly agreed specifications and arranging supply contracts. The continual increase in energy costs presents a spiralling risk. Following the demand-led price reductions in plastics and other chemical products experienced during the year 2009, a sharp rise in prices for plastics and technical papers is likely in 2010. Increasing energy prices and more expensive raw materials and consumables will lead to unavoidable additional costs in production. This means that further financial impacts can only be compensated by price increases.

IT RISKS

Ensuring secure operation of all business processes requires constant monitoring and adaptation of the information technologies used in the Group. Against the background of a growing potential for risk based on increasing integration of computer-supported business processes in communication between the Group companies and in communication with customers, suppliers and business partners,

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

PERSONNEL RISKS

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

PRODUCTION RISKS

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

FINANCIAL RISKS

INTEREST AND CURRENCY RISKS

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. Currency risks arising from the procurement of raw materials are negligible since the majority of procurement is carried out in the relevant national currencies of the production sites. Conversion of business figures and balance sheets from foreign subsidiaries into euros may 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. In order to limit exchange-rate risks associated with changes in interest rates, the Group operates a policy of systematic currency and interest management. This is controlled centrally by the holding company in Germany.

LIQUIDITY RISKS

Corporate Treasury monitors and controls the development of liquidity for the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that SURTECO has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.

Nevertheless, there is a risk that earnings and liquidity can be compromised by default on accounts receivable and non-compliance with payment targets. The company counters this risk by regularly reviewing the credit rating of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and cover provided by appropriate trade credit insurance policies. However, the ongoing difficult financial situation is likely to entail higher levels of default on receivables and relatively low cover from trade credit insurance.

FINANCING RISKS

The refinancing of the Group and the subsidiary companies is generally carried out by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years (see also maturity structure in the Notes to the Consolidated Financial Statements item 23) and is structured with fixed interest rates. Repayment of significant long-term loans is not necessary in the business year 2010. The Group operates with a wide range of lenders comprising insurance companies and banks. Financial indicators were agreed with lenders at standard market conditions in loan agreements and these have to be met by SURTECO.

FLUCTUATIONS IN VALUE FOR SECURITIES/DERVIATIVES AND PARTICIPATIONS

In January 2008, SURTECO SE acquired a share package amounting to 3.02 % (after capital increase 2.74 %) of the capital stock in Pfleiderer AG, Neumarkt. The turbulence in the financial markets and the associated massive falls in share price meant that impairments of € 11.5 million (2008) and € 6.0 million (2009) had to be carried out for the share package. The possibility of further impairments cannot be entirely excluded as a result of the ongoing difficult macroeconomic situation.

The SURTECO Group recognizes goodwill in the balance sheet. The values in use of the cash generating units were assessed as being higher than the book values within the scope of the impairment tests for the business year 2009. As a consequence, no impairments were carried out. However, the possibility that planned targets may not be reached in the future cannot be excluded and that a requirement for carrying out an impairment may arise.

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 rates, this may exert a negative impact on the earnings of the Group. Item 28 in the Notes to the Consolidated Financial Statements provides detailed information on the derivative financial instruments of the Group.

RISKS FROM CORPORATE GOVERNANCE/COMPLIANCE

Changes in supervisory requirements, customs regulations or other barriers to trade, as well as possible restrictions on price or foreign currency could impact negatively on our sales and profitability.

The companies in the Group have formed adequate provisions to meet warranty claims. Part of the warranty risks have been covered by commercially effective insurance policies. Risks are reduced by the high level of production certainty, and the outstanding quality standard for the products manufactured by the SURTECO Group acts to reduce risk. SURTECO SE is not currently involved in any court or arbitration proceedings that could exert a significant influence on the commercial situation of the Group.

OVERALL RISK ASSESSMENT

SURTECO regularly monitors the achievement of business goals, as well as the risks and risk limitation measures. The Board of Management and Supervisory Board are informed of any risks at an early stage. An overall analysis of all risks shows that the main risks relate to market risks. These include developments relating to price and volume due to economic conditions prevailing in customer industries or sectors, and in the procurement markets.

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

EFFECTS OF THE FINANCIAL AND ECONOMIC CRISIS

The financial and economic crisis is continuing to exert a significant effect on the furnishing and construction sectors. After the Group had to respond to a significant downturn in sales in 2009, the business is expected to stabilize over the business year 2010. The long-term refinancing of the Group means that the company is not significantly affected at present by the shortage of lending capacity and the higher costs of loans. It is currently assumed that it will be possible to meet the financial indicators agreed with lenders in the business year 2009. However, a risk may emerge in an increasingly negative development of the global economic framework conditions. The defaults on receivables to be expected cannot be quantified due to the financial and economic crisis and its consequences for SURTECO. The volatility of raw material prices and currency parities is likely to greater in the business year 2010 than during the year under review.

The management responded to the financial crisis as early as 2008 by initiating a rigorous programme of cost-cutting ("Preis 2010"). Personnel adjustment measures and production relocations were already implemented in 2009. All the advantages and disadvantages of investments will continue to be carefully considered prior to implementation.

SUMMARY

The early-warning risk identification system has been checked by our auditors. It meets the requirements of § 91 (2) of the Stock Corporation Act (AktG). Review of the risk situation has revealed that thanks to efficient, regular and comprehensive risk management the risks at SURTECO SE are limited and transparent, and there are hence no risks that alone or in combination with other risks could endanger the continued existence of the company and future risks likely to endanger existence as a going concern cannot currently be identified.

SURTECO has good prospects for overcoming this difficult phase in the global economy on account of the timely action taken and the financial strength of the company. The Group is also likely to benefit from the position of competitors who are less well placed.

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

CAPITAL STOCK

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

POWERS OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

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

RESTRICTIONS ON VOTING RIGHTS AND SHARE TRANSFERS

The Board of Management is aware that shareholders of SURTECO SE have joined together to form an association under civil law entitled "Share pool SURTECO". The objective of this pool is to jointly exercise the voting rights of 6,131,475 no-par-value shares in SURTECO SE (status 1 January 2010). Dispositions over shares in SURTECO SE are only permissible in accordance with the conditions of the pool agreement or with the consent of the other pool members.

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

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

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

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

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF MANAGEMENT

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

„CHANGE OF CONTROL" CLAUSE

In the case of a "change of control", the Members of the Board of Management have the right within the space of 12 months to serve notice on their contract of service to the end of the following month specified on the declaration. They have the right to payment of a fixed annual remuneration for the remaining term of the contract of service.

FOLLOW-UP REPORT

Although the initial months of the business year 2010 confirm the tentative indications of recovery on the demand side hinted at during the fourth quarter of 2009, a tangible economic surge has not yet been identified.

The earthquake in Chile at the end of February 2010 affected SURTECO SE in two ways. Firstly, the production facility for plastic edgebandings in Santiago de Chile was affected by the shocks. Although nobody was injured, parts of the building were damaged. After a week of clearing up and renovation, edging production was started up again. However, power supply proved to be problematic because it was sometimes shut down for several days at a time.

The other issue relates to the serious production losses in the Chilean cellulose industry with direct effects on paper manufacture in Europe. The already tense supply situation for paper producers in the case of eucalyptus cellulose became more acute as a result of this setback. The Strategic Business Unit Paper manufactures products based on specialist papers for technical applications and the difficult sourcing situation means that supply bottlenecks cannot be excluded in the near future. Furthermore, significant price increases are also anticipated.
When this Annual Report went to press, there were no other events of special significance that will exert an effect on the net assets, financial position, and results of operations of SURTECO SE.

OUTLOOK REPORT

RECOVERY IN THE GLOBAL ECONOMY EXPECTED FOR 2010

Experts remain confident that at least some of the significant ground lost by the global economy will be regained over the course of 2010, despite the fact that there are still major uncertainties relating to the sustainability of the projected recovery. According to data produced by the International Monetary Fund (IMF), low base rates and a large number of economic stimulus packages are projected to boost global economic output by 3.9 %. While the industrial nations are likely to experience rather more modest growth rates in the region of 2.1 %, growth in the emerging economies and developing countries is likely to be significantly more dynamic at some +6.0 %. The countries in the eurozone can only look forward to extremely modest growth of 1.0 %. Germany's domestic product is projected to rise by 1.5 %. Japan's economy is only predicted to perform slightly better at +1.7 %. Both countries will benefit disproportionately as exports start to ramp up again. East Asian and South-east Asian growth economies will be able to continue the boom experienced in recent years. Overall, the IMF anticipates expansion of the domestic product in these countries by 8.4 %. China will again lead the field in this area with growth of +10.0 %. 2010 will also be a growth year for the other BRIC countries of Brazil (+4.7 %), India (+7.7 %) and Russia (+3.6 %). The upswing in the global economy is likely to lead to a renewed increase in the prices of raw materials and energy. For example, the IMF is anticipating a 22.6 % increase in the price of oil averaged over the year, although the rate of inflation is only projected to rise by a moderate 1.3 % in the middle of the year.

However, forecasts will become increasingly difficult as the comprehensive economic stimulus packages gradually cease at the end of 2010. The experts also have economic concerns about the policies being pursued by the central banks in relation to the end of the low-interest policy also likely to ensue in the final quarter of the year. The allocation of credit is also likely to continue to be restricted in view of the increasing risks of default and this could put a significant brake on the investments necessary for economic growth.

IWF GROWTH FORECASTS FOR 2010 IN %

World	3.9
Industrial countries total	2.1
of which:	
USA	2.7
Euro-zone	1.0
Germany	1.5
Japan	1.7
Emerging economies total	6.0
of which:	
Central- and Eastern Europe	2.0
Russia	3.6
China	10.0
India	7.7
Brazil	4.7

Source: International Monetary Fund (IMF), World Economic Outlook Update 26 January 2010

FURNITURE AND WOOD-BASED INDUSTRY PERCEIVE SIGNS OF REVIVAL IN DEMAND

The Association of the German Wood-based Materials Industry is cautiously confident for 2010 in view of the revival in demand during the second half of 2009, and most particularly during the last two months. However, sector experts are reserved in their forecast due to the significant uncertainties and believe that sales will develop within a band between plus and minus 3 %. A key factor for this will be on the one hand the effects of the economic stimulus packages on infrastructure expenses and the effects of the tax breaks on private households. On the other hand, development of unemployment figures will play an important role. Domestic business will continue to remain stable or even improve slightly. The sector is also expecting positive stimuli from exports. The Association of the German Wood-based Materials Industry is also seeing the first signs of a general revival in demand. At the beginning of the third quarter of 2009, demand started to increase significantly in a number of industrial sectors – for example in chipboard and fibreboard and this is likely to lead to higher utilization of capacity.

DEVELOPMENT OF RAW MATERIALS CAUSES CONCERN

2010 will again be a year of major challenges for SURTECO SE. The crisis in the construction and furnishing industry is far from being at an end. Consumers continue to be restrained in their behaviour and as a result the manufacturers of furniture and interior fittings are adopting a very cautious approach. For this reason, order batch sizes during the current business year are unlikely to undergo any tangible growth. If anything, excess capacities in the sector will tend to intensify price competition. However, we are assuming that the floor has been reached on the sales side. The development of prices continues to be a significant cause for concern and the availability of raw materials and energy is also causing concern in some areas. Significant increases in costs and partial shortages should be assumed here.

CALCULATION OF INDICATORS

Cost of materials ratio in %	Cost of materials/Total output
Debt-service coverage ratio in %	(Consolidated net profit + depreciation)/Net debt
Dividend yield at year end in %	Dividend per share/year-end share price
Earnings per share in €	Consolidated net profit/Number of shares
Equity ratio in %	Equity/Total equity (= balance sheet total)
Free cash flow in €	Cash inflow from operating activities – (Tax payments + investments in property, plant and equipment, and intangible assets) + cash inflow from asset sales
Gearing in %	Net debt/Equity
Interest cover factor in %	EBITDA/(Interest income – interest expenses)
Market capitalization in €	Number of shares x Closing price on the balance sheet date
Net debt in €	Short-term and long-term debt – cash and cash equivalents
Personnel expense ratio in %	Personnel costs/Total output
Return on equity in %	Consolidated net profit/Equity without minority interests after appropriation of profit
Return on sales in %	(Consolidated net profit + income tax)/Sales
Total return on total equity in %	(Consolidated net profit before income tax and 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 receivables + inventories) – (Trade liabilities + short-term accrued expenses)

THE SURTECO SHARE

STOCK MARKET YEAR 2009 WAS NOT FOR WEAK NERVES

2009 was a turbulent year on the stock exchange with large fluctuations in share prices and an environment dominated by the effects of the global economy. Until the beginning of March, the pessimistic assessments fuelled by negative economic reporting dominated market sentiment. Following a very weak performance during the previous year (year-end close for 2008: 4,810 points), the German DAX benchmark index crashed by more than 25 % to its lowest point for the year at 3,589 points on 9 March. However, sentiment turned the corner at the end of the first quarter powered by the hope of the global economy recovering more swiftly than was originally anticipated on the back of massive interventions by central banks and the huge economic stimulus packages. The DAX and all the other key stock-exchange indexes embarked on a steady upward trajectory until the end of the year. The benchmark index finally closed the year at 5,957 percentage points, delivering yields of almost 24 % to investors for the year as a whole, levels which were regarded as virtually unattainable at the beginning of the year. The dynamic performance in other leading global stock markets, such as the Dow Jones in the USA and the Nikkei in Japan, demonstrated a similarly positive development. Mid Caps and Small Caps also benefited from the recovery in prices, with the MDAX advancing by 34 % in a year-on-year comparison and the SDAX moving upwards by some 27 %.

SURTECO SHARES WITH GROWTH OF 96 % OVER THE YEAR

The price of the SURTECO share was no exception in being unable to buck the general trend prevalent in the stock market. At the beginning of the year, it had to endure a particularly negative development as a result of the trend towards a significant decline in consumption worldwide. Hence, the value of the share fell from the closing price of € 10.20 at the end of the business year 2008, sliding by around one third to the low for the year at € 6.35 on 12 March. The return in confidence to German stock markets then resulted in a rapid recovery in prices, and SURTECO was no exception. The stock had already rebounded and breached the ten-euro barrier at the beginning of May, when the share price embarked on a phase of sustained consolidation until the middle of July, with virtually no change in the value of the stock. However, reporting sound company figures at the end of the first half of the year rekindled interest and investor activity strengthened significantly. The price rose dynamically and doubled by the end of November, even rising above € 20. The annual high for the year came on 8 December when prices reached € 22.55. Profit-taking then resulted in moderate falls in price. The SURTECO share closed the year at a price of

€ 19.99 on 30 December. This year-end price brought investors who had invested in shares at the beginning of the year an increase in price of 96 %.

LISTING IN THE SDAX REMAINS A MEDIUM-TERM GOAL

The market capitalization of the company rose significantly from around € 113.00 million to € 221.4 million in the course of 2009 in line with rises in share prices and an unchanged number of 11.1 million no-par shares. The trading volume of the SURTECO share also decreased as a function of performance in all trading sales on German stock exchanges, which fell back by nearly half in the course of 2009. The monthly average trading volume of the SURTECO share fell back from some 148,000 shares to approximately 79,000 shares. In the ranking of Deutsche Börse AG, which relates to Prime Standard companies that are not included in the TecDAX or DAX30, the company is gradually approaching the criteria for a listing in SDAX, despite the comparatively low level of free float. The market capitalization of SURTECO (based on free float) fell back at the end of 2009 to position 109 (2008: 121) at the end of December 2009 and to 117 (2008: 115) for trading volume. According to these criteria, SURTECO would have to be ranked in the top 110 in order to meet the medium-term goal of the company for obtaining a listing in the SDAX. The shareholder structure remained virtually unchanged throughout 2009. 77.4 % of the shares are in the hands of the existing shareholders of the company and the remaining 22.6 % are in free float.

DIVIDEND INCREASED DESPITE DIFFICULT FRAMEWORK CONDITIONS

Despite the continuing weak economic framework conditions, the Board of Management and the Supervisory Board will propose to the Annual General Meeting that dividend payout be made for the business year 2009, which marks a slight increase over the previous year amounting to € 0.40 per share (2008: € 0.35).

INVESTOR RELATIONS ARE A TOP PRIORITY – PARTICULARLY DURING DIFFICULT TIMES

Transparent communication with all the players in the capital markets are a top priority for the Board of Management of SURTECO, particularly when times are turbulent on the stock exchange. Measures include personal interviews with investors and analysts, and presentations at capital market conferences in Germany and the international arena. All information on companies can be accessed on the Internet pages of SURTECO SE (www.surteco.com). The Investor Relations Department can also be contacted directly at any time using the contact details printed on the back cover of the Annual Report.

Share price performance 2009 in €

Development of the dividend 2005-2009 in €

* Proposal by the Board of Management and Supervisory Board

SURTECO SHARES

€	2008	2009
Number of shares	11,075,522	11,075,522
Price at start of year	27.15	10.20
Year-end price	10.20	19.99
Price per share (high)	30.02	22.55
Price per share (low)	8.66	6.35
Stock-market turnover in shares per month	148,213	79,198
Market capitalization at year-end in € 000s	112,970	221,400
Free float in %	23.7	22.6

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

€ 000s	2008	2009
Sales	402,984	341,145
EBITDA	56,828*	54,317
EBIT	37,097*	34,425
EBT	15,777	17,565
Consolidated net profit	6,754	9,239

* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to Consolidated Financial Statements Section VIII.)

SHAREHOLDER INDICATORS OF THE SURTECO GROUP PER SHARE

€	2008	2009
Earnings	0.61	0.83
Dividend	0.35	(Proposal by the Board of Management and Supervisory Board) 0.40
Dividend yield at year-end in %	3.4	2.0

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

MICHAEL RECKE

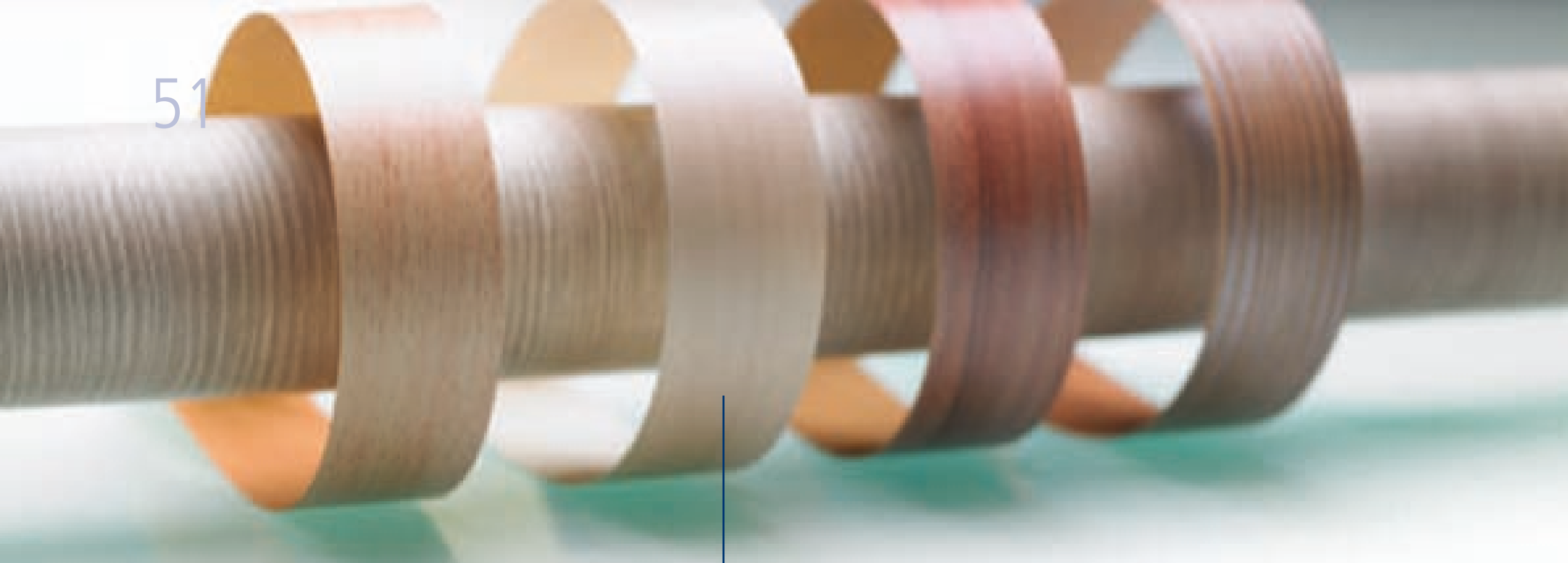
Marketing Manager at
Kröning GmbH & Co.

"The Patina Foil from Kröning demonstrates the very latest printing technique. Patina lines and embossing effects are printed to precisely match the previously defined zones of the furniture foil and follow the profile of the furniture. The customer first selects the Patina version, supplements this with 3-D embossing, determines gold or silver coloured segments and then decides on the appropriate varnishing, gloss and wood-grain effect – an outstanding furniture finish is then complete. This process provides customers with streamlined furniture production without complex manual operations."

WOLFGANG BREUNING

Managing Director at
Döllken-Weimar GmbH

"Döllken-Weimar is the leading producer of skirtings, flooring extrusions and technical extrusions made of plastic. We offer perfect solutions for linking up floors and walls on any kind of flooring surface. We are now marketing a professional hot-melt adhesive fixing system for skirtings from Döllken-Weimar under the slogan "fast, clean, safe". This system provides tangible benefits for professional floor layers because the carefully integrated composite system of extrusions and tools reduces the complexity of preparation work and accelerates the floor-laying process."



CONSOLIDATED FINANCIAL STATEMENTS

2009

CONSOLIDATED INCOME STATEMENT

	Notes	1/1/-31/12/ 2008* € 000s	1/1/-31/12/ 2009 € 000s
Sales revenues	(1)	**402,984**	**341,145**
Changes in inventories		-349	-8,628
Own work capitalized	(2)	1,149	892
Total		**403,784**	**333,409**
Cost of materials	(3)	-175,499	-138,385
Personnel expenses	(4)	-104,208	-91,732
Restructuring expenses	(21)	-7,297	0
Other operating expenses	(5)	-63,812	-55,054
Other operating income	(6)	3,860	6,079
EBITDA		**56,828**	**54,317**
Amortization and depreciation	(15)	-19,731	-19,892
EBIT		**37,097**	**34,425**
Interest income		2,895	3,714
Interest expenses		-13,838	-12,328
Other financial expenses and income		-10,377	-8,246
Financial result	(7)	-21,320	-16,860
EBT		**15,777**	**17,565**
Income tax	(8)	-9,048	-8,205
Net income		**6,729**	**9,360**
Group share (consolidated net profit)		6,754	9,239
Minority interests		-25	121
Basic and diluted earnings per share (€)	(9)	0.61	0.83

* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to Consolidated Financial Statements Section VIII.)

STATEMENT OF COMPREHENSIVE INCOME

€ 000s			1/1/-31/12/2008			1/1/-31/12/2009
Net income			**6,729**			**9,360**
Currency changes	-8,192			5,831		
Tax effect	1,056			-395		
		-7,136			5,436	
Actuarial gains/losses	863			-639		
Tax effect	-258			190		
		605			-449	
Market value of financial assets and cash flow hedges	4,117			-1,437		
Tax effect	-1,122			1,981		
		2,995			544	
Other Comprehensive Income for the year			**-3,536**			**5,531**
Comprehensive Income			**3,193**			**14,891**
Group share			3,218			14,770
Minority interests			-25			121

CONSOLIDATED BALANCE SHEET

	Notes	31/12/2008 € 000s	31/12/2009 € 000s
ASSETS			
Cash and cash equivalents	(10)	60,468	84,846
Trade accounts receivable	(11)	34,465	35,022
Inventories	(12)	59,759	43,664
Current income tax assets	(13)	6,912	6,312
Other current assets	(14)	10,050	8,073
Current assets		**171,654**	**177,917**
Property, plant and equipment	(16)	175,840	167,223
Intangible assets	(17)	8,471	8,636
Goodwill	(18)	108,227	109,721
Investments in associated enterprises	(19)	1,683	1,614
Financials assets	(19)	10,804	10,074
Non-current tax assets	(13)	1,233	801
Other non-current assets		6,768	1,157
Deferred taxes	(8)	5,393	4,533
Non-current assets		**318,419**	**303,759**
		490,073	**481,676**

LIABILITES AND SHAREHOLDERS' EQUITY			
Short-term financial liabilities	(23)	35,239	26,228
Trade accounts payable		18,290	26,385
Income tax liabilities	(20)	3,131	3,771
Short-term provisions	(21)	8,933	3,376
Other current liabilities	(22)	14,441	14,338
Current liabilities		**80,034**	**74,098**
Long-term financial liabilities	(23)	196,512	181,444
Pensions and similar obligations	(24)	9,589	10,443
Other non-current financial liabilities	(23)	0	2,802
Deferred taxes	(8)	23,422	21,074
Non-current liabilities		**229,523**	**215,763**
Capital stock		11,076	11,076
Reserves		162,711	171,120
Net profit		6,754	9,239
Capital attributable to shareholders		**180,541**	**191,435**
Minority interests		-25	380
Equity	(25)	**180,516**	**191,815**
		490,073	**481,676**

CONSOLIDATED CASH FLOW STATEMENT

	1/1/-31/12/ 2008 € 000s	1/1/-31/12/ 2009 € 000s
Earnings before income tax and minority interests	**15,777**	**17,565**
Reconciliation to cash flow from current business operations:		
- Depreciation on property, plant and equipment	19,731	19,892
- Impairment on investments	11,186	6,021
- Interest income and result from investments	10,407	8,684
- Income/losses from disposals of fixed assets	48	183
- Change in long-term provisions	-1,593	812
- Other expenses/income with no effect on liquidity	-2,913	2,247
Internal financing	**52,643**	**55,404**
Increase/decrease in		
- Trade accounts receivable	-4,873	-541
- Other assets	-983	2,423
- Inventories	6,669	16,510
- Accrued expenses	7,445	-5,610
- Trade accounts payable	-3,686	7,818
- Other liabilities	-5,002	148
Change in assets and liabilities (net)	**-430**	**20,748**
Cash flow from operating activities	**52,213**	**76,152**
Payments for income tax	-13,988	-6,152
CASH FLOW FROM CURRENT BUSINESS OPERATIONS	**38,225**	**70,000**
Acquisition of consolidated companies	-107	-359
Acquisition of non-consolidated companies	0	-13
Acquisition of other participations	-21,862	0
Acquisition of property, plant and equipment	-20,659	-9,802
Acquisition of intangible assets	-1,180	-1,125
Proceeds from the disposal of property, plant and equipment	1,375	208
Dividends received	512	0
CASH FLOW FROM INVESTMENT ACTIVITIES	**-41,921**	**-11,091**
Proceeds from capital increase for minority interests	0	284
Dividend paid to shareholders	-12,183	-3,876
Issue of long-term financial liabilities	0	514
Repayment of long-term liabilities	-13,552	-20,498
Change in short-term financial liabilities	2,227	-3,252
Interest received	2,895	3,714
Interest paid	-12,870	-11,699
CASH FLOW FROM FINANCIAL ACTIVITIES	**-33,483**	**-34,813**
Change in cash and cash equivalents	**-37,179**	**24,096**
Cash and cash equivalents		
1 January	97,782	60,468
Effect on changes in exchange rate on cash and cash equivalents	-135	282
31 December	**60,468**	**84,846**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ 000s	Capital stock	Additional capital paid in	Retained earnings: Fair value measurement for financial instruments	Retained earnings: Other comprehensive income	Retained earnings: Currency translation adjustments	Retained earnings: Other retained earnings	Consolidated net profit	Minority interests	Total
31/12/2007	**11,076**	**50,416**	**3,436**	**45**	**-10,944**	**103,640**	**31,837**	**0**	**189,506**
Dividend payout	0	0	0	0	0	0	-12,183	0	-12,183
Net income	0	0	0	0	0	0	6,754	-25	6,729
Actuarial gains/losses (net)	0	0	0	605	0	0	0	0	605
Market value of financial assets and cash flow hedges	0	0	2,995	0	0	0	0	0	2,995
Currency differences from net investment in foreign business operations	0	0	0	0	-2,519	0	0	0	-2,519
Currency changes	0	0	0	0	-4,617	0	0	0	-4,617
Reclassification to retained earnings	0	0	0	0	0	19,654	-19,654	0	0
31/12/2008	**11,076**	**50,416**	**6,431**	**650**	**-18,080**	**123,294**	**6,754**	**-25**	**180,516**
Dividend payout	0	0	0	0	0	0	-3,876	0	-3,876
Net income	0	0	0	0	0	0	9,239	121	9,360
Capital increase	0	0	0	0	0	0	0	284	284
Actuarial gains/losses (net)	0	0	0	-449	0	0	0	0	-449
Market value of financial assets and cash flow hedges	0	0	544	0	0	0	0	0	544
Currency differences from net investment in foreign business operations	0	0	0	0	943	0	0	0	943
Currency changes	0	0	0	0	4,493	0	0	0	4,493
Reclassification to retained earnings	0	0	0	0	0	2,878	-2,878	0	0
31/12/2009	**11,076**	**50,416**	**6,975**	**201**	**-12,644**	**126,172**	**9,239**	**380**	**191,815**

SURTECO SE
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE BUSINESS YEAR 2009

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

The consolidated financial statements of SURTECO SE and its subsidiaries for the fiscal year 2009 have been prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the balance sheet date, as they were adopted by the EU, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the regulations to be applied in addition pursuant to § 315a (1) German Commercial Code (HGB). New standards adopted by the IASB will be applied after they have been adopted by the EU from the date on which they are first mandatory. Application and change to the valuation and accounting methods will be explained under the appropriate items in the Notes to the Consolidated Financial Statements as necessary.

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

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

The balance sheet date of SURTECO SE and the consolidated subsidiaries is 31 December 2009.

The consolidated financial statements and the consolidated management report for 2009 will be published in the official electronic gazette of the Federal Republic of Germany (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 currency gains and currency losses recognized in the previous year were reclassified from other operating income or other operating expenses to the financial result (see section VIII. Disclosure changes).

The auditors RöverBrönner GmbH & Co. KG and other appointed auditing companies have audited the financial statements or the sub-groups that form part of the consolidated financial statements.

On 1 April 2010, 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 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. Application of the following IFRS in particular has exerted an effect in the SURTECO Group:

IAS 1 (Presentation of Financial Statements) relates to new regulations on presentation of the financial statements. In particular, these include proposals for reclassification of individual components of the financial statements, the obligation to provide separate presentation of equity transactions with shareholders or non-shareholders, and expanded disclosure obligations relating to Other Comprehensive Income, and recognizing the income-tax effects for each component recorded in the Statement of Comprehensive Income with no effect on income or in the Notes to the Consolidated Financial Statements. The first-time application of changes led to changes in the presentation in the Consolidated Financial Statements and to expanded information in the Notes to the Consolidated Financial Statements.

The changes to IFRS 7 (Financial instruments: disclosures) relate to expanded disclosures about financial instruments that are valued on the basis of fair-value measurements. The disclosures for liquidity are expanded. The main changes to IFRS 7 essentially relate to disclosure of the basis on which the fair values were calculated using a three-level hierarchy. The highest hierarchy level relates to fair values calculated on the basis of market prices. Fair values that are not based on externally observable valuation factors (unobservable inputs) correspond to the lowest hierarchy level. The first-time application in the SURTECO Consolidated Financial Statements led to expanded information in the Notes to the Consolidated Financial Statements.

Application of the other new and revised standards and interpretations lead to the following effects on the net assets, financial position and results of operations of the Group:

Standard / Interpretation		Application obligation for business years beginning on or from	Adoption by the EU Commission	Effects on SURTECO
IAS 1	Presentation of Financial Statements, in particular "Statement of Comprehensive Income"	1/1/2009	yes	Change in the Statement of Changes in Equity
IAS 23	Recognition of borrowing costs as assets that can be assigned to a qualified asset.	1/1/2009	yes	none
IAS 32	Puttable financial instruments and obligations arising in liquidations	1/1/2009	yes	none
IFRS 2	Share-based payment: vesting conditions and cancellations	1/1/2009	yes	none
IFRS 7 / IAS 39	Reclassification of financial assets	1/11/2008	yes	none
IFRS 7 / IAS 39	Enhanced disclosures on financial instruments (disclosures on measurement of fair value and liquidity risk)	1/1/2009	yes	SURTECO makes use of the option of providing no comparative information on these disclosures
IFRS 8	Operating segments	1/1/2009	yes	Earlier Application by SURTECO in 2008
IFRIC 9	Changes in IFRIC 9 "Reassessment of embedded derivatives"	1/7/2009	yes	none
IFRIC 13	Customer loyalty programmes	1/7/2008	yes	none
IFRIC 15	Agreements for the construction of real estate	1/1/2009	yes	none

The amendments to the existing individual standards in the scope of the annual improvements project that were adopted on 22 May 2008 have been implemented in the year under review to the extent that they are applicable. They only led to insignificant effects on the net assets, financial position and results of operations of SURTECO.

The following new and revised standards and interpretations that were to be applied voluntarily during the year under review or were not yet adopted by the European Union are not being applied earlier:

Standard / Interpretation		Application obligation for business years beginning on or from	Adoption by the EU Commission	Expected effects at SURTECO
IAS 24	Related party disclosures	1/1/2011	no	none
IAS 32	Classification of rights issues	1/2/2010	yes	none
IAS 39	Amendment to IAS 39 Recognition of eligible hedged items	1/7/2009	yes	none
IFRS 2	Share-based payment: Share-based payment with cash compensation	1/1/2010	yes	none
IFRS 3 (r)/ IAS 27 (r)	Consolidated and separate financial statements in accordance with IFRS or business combinations whose date of acquisition falls during business years that begin on or after 1 July 2009	1/7/2009	yes	none in 2009; SURTECO will apply IFRS 3 (r) for all future company acquisitions from 01/01/2010
IFRS 9	Financial instruments	1/1/2013	no	yes
IFRIC 14	Amendment; Advance payments in the scope of minimum funding requirements	1/1/2011	no	none
IFRIC 17	Distribution of non-cash assets to owners	1/7/2009	yes	none
IFRIC 18	Transfer of assets from customers	1/7/2009	yes	none
IFRIC 19	Extinguishing financial liabilities with equity instruments	1/7/2010	no	none

Minor amendments to the existing individual standards in the scope of the annual improvements project were adopted on 16 April 2009. Most of the amendments are to be applied for business years that begin on or after 1 January 2010.

The relevant standards and interpretations for the SURTECO Group will only be applied from the business year 2010 or later. The SURTECO Group is currently examining the extent to which first-time application of the standards and interpretations will exert effects on the net assets, financial position and results of operations of the Group.

III. CONSOLIDATED COMPANIES

SURTECO SE and all significant companies, in which SURTECO SE directly or indirectly has a controlling influence, are included in the consolidated financial statements on 31 December 2009. A controlling influence is exerted if SURTECO SE holds more than half of the voting rights in the company or has the possibility in some other way of exercising a dominant influence over the finance and business policy of a company in such a manner as to derive a benefit from the activity of these companies. Potential voting rights that can be currently exercised or converted are also taken into account when assessing a controlling influence. The financial statements of subsidiary companies are included in the consolidated financial statements from the point in time at which the control exists until it is no longer possible to exercise such control.

Joint-venture companies were included proportionately in the consolidated financial statements.

Associated companies are included in accordance with the equity method. An associated company is a company in which the Group exercises a significant influence over the finance and business policy of the company, but cannot exercise control. A significant influence is assumed if the Group holds a share of 20 % or more (associated company). If a group company carries out significant transactions with an associated company, proportionate unrealized gains or losses arising from such transactions are eliminated in accordance with the share of the Group in the associated enterprise.

Two companies are not included in the consolidated financial statements for 2009 (2008: 1 company) on the grounds that they either did not transact any active business or only transacted minimal business and the influence of its aggregate value on the net assets, financial position and results of operations of the Group was not significant.

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

	31/12/2008	Additions/ Disposals	Reorganization within the Group	31/12/2009
Consolidated subsidiaries				
- of which in Germany	12	0	-1	11
- of which abroad	27	-1	-3	23
Subsidiaries reported at acquisition costs				
- of which abroad	1	1	0	2
Companies accounted for using the equity method				
- of which in Germany	1	0	0	1
	41	**0**	**-4**	**37**

The reorganization within the Group in Germany relates to the merger of Döllken & Praktikus GmbH, Gladbeck with Döllken-Weimar GmbH, Profile für den Fachmann, Nohra carried out with retrospective effect to 1 January 2009.
The reorganization within the Group abroad results from the reorganization under company law of the North American activities of the SBU Plastics.
Pro-Plast Distribution Inc., Canada, which did not exert a significant influence on the net assets, financial position and results of operations of the Group, was sold during the course of the year under review.
The newly established Russian sales company SURTECO OOO, Moscow, commenced operations during the year under review, but was not consolidated due to the insignificant nature of its business activity.

The companies included in the consolidated financial statements at 31 December 2009 and the information on subsidiaries and participations held directly and indirectly by SURTECO SE are listed in a separated section. The annual financial statements and the management report of SURTECO SE for the business 2009 are submitted to the official electronic gazette of the Federal Republic of Germany (Bundesanzeiger) and published there.

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

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

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

V. CONSOLIDATION PRINCIPLES

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

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

With the exception of Canplast Mexico, the balance sheet date of the consolidated financial statements coincides with the balance sheet date of the financial statements for the individual companies included in the consolidated financial statements (31/12/2009). However, the balance sheet date of the relevant interim financial statements does not extend back further than three months.

The amendments to IFRS 3 (revised 2008), which is to be applied to business combinations, whose date of acquisition falls during business years that begin on or after 1 July 2009, were not applied earlier for SURTECO. Accordingly, the acquisition costs of the business combination are allocated to the acquired identifiable assets and identified liabilities and contingent liabilities taken over on the basis of their fair value at the date of acquisition. The acquisition costs of the acquired shareholdings are then offset with the proportionate newly valued equity capital of the subsidiary company. Any remaining positive netting difference between the purchase price and the identified assets and liabilities is reported as goodwill. The shares in equity capital of subsidiary companies not attributable to the parent company are recognized in the consolidated equity as "Minority interests". Minority interests are calculated on the basis of the book value of the assets and liabilities attributable to them.
Goodwill arising from the acquisition of an associated enterprise is included in the amortized investment book values of associated enterprises. Goodwill resulting from the acquisition of a subsidiary company or business operation is recognized separately in the balance sheet.

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

Investments in associated enterprises are valued at the equity method. An associated enterprise is a company over which the Group can exert a significant influence by influencing the finance and business policy but where the Group does not exercise control. A significant influence is assumed if the Group has a share of the voting rights amounting to 20 % or more. Reporting in the balance sheet is at acquisition costs plus any changes in the share of the Group in the net assets of the associated enterprise which have occurred after the acquisition. The goodwill of the associated enterprise is included in the book value of the share and is neither subject to scheduled amortization nor to a separate impairment test. The income statement includes the share of the Group in the success of the associated enterprise.

The business year of an associated enterprise ends at a differing closing date. Interim financial statements are therefore available at 31 December 2009. Adjustments to uniform consolidated accounting and valuation methods are carried out as necessary. Proportionate gains and losses are reported in the consolidated balance sheet as a change in book value and in the income statement for the group under the item "Results from associated enterprises". Any dividends reduce the book value.

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

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

Sales, expenses and income within the Group and intercompany profits arising from sales within the Group, which have not yet been disposed of to third parties, are eliminated if they materially affect the presentation of the current net assets, the financial position and results of operations. Elimination of interim profits from trade account relationships with associated enterprises is waived on account of the immateriality.

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

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

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

VI. CURRENCY TRANSLATION

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

Foreign subsidiaries included in the consolidated financial statements draw up their individual financial statements in the relevant local currency. These financial statements are translated into euros in accordance with IAS 21, based on the concept of the functional currency. Because all consolidated companies transact their business autonomously from a financial, commercial and organizational perspective, the relevant national currency is the functional currency. Assets and liabilities, as well as contingent obligations and other financial obligations, are therefore translated at the rate prevailing on the balance sheet date, whereas equity capital is translated at historic rates. Expenses and income and hence also the profit/loss for the year recognized in the income statement are translated at the average rate for the year. Differences arising from currency translation for assets and debts compared with translation in the previous year and translation differences between the income statement and the balance sheet are reported with no effect on the income statement under shareholders' equity (currency changes)".

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

Translation was based on the following currency exchange rates:

Exchange rates with the euro		**Rate on the balance sheet date**		**Average rate**	
		31/12/2008	**31/12/2009**	31/12/2008	**31/12/2009**
US dollar	USD	0.7155	0.6944	0.6832	0.7195
Sterling	GBP	1.0417	1.1249	1.2579	1.1227
Swedish krona	SEK	0.0916	0.0975	0.1042	0.0942
Singapore dollar	SGD	0.4956	0.4955	0.4822	0.4944
Australian dollar	AUD	0.4937	0.6248	0.5773	0.5662
Canadian dollar	CAD	0.5828	0.6623	0.6420	0.6310
Chinese renminbi	CNY	0.1041	0.1024	0.0984	0.1052
Polish zloty	PLN	0.2391	0.2429	0.2848	0.2309
Turkish lira	TRY	0.4647	0.4639	0.5258	0.4622

VII. ACCOUNTING AND VALUATION PRINCIPLES

UNIFORM ACCOUNTING AND VALUATION METHODS

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

CONSISTENCY OF ACCOUNTING AND VALUATION METHODS

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

STRUCTURE OF THE BALANCE SHEET

Assets and liabilities are recognized in the balance sheet as non-current if their residual term is more than one year. 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 similar obligations, and claims or obligations arising from deferred taxes are reported as non-current assets or liabilities. Insofar as assets and liabilities have a current and a non-current share, this is divided into its term components and recognized in accordance with the classification scheme for the balance sheet as current or non-current assets and liabilities.

INCOME AND EXPENSE REALIZATION

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

Sales revenues from the sale of goods have been recorded as soon as the substantial opportunities and risks of ownership have been transferred to the purchaser and the level of realizable sales 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 shares is recognized if the legal right to payment of SURTECO as a shareholder has arisen.

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

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

EARNINGS PER SHARE

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

FINANCIAL INSTRUMENTS

In accordance with IAS 39, a financial instrument is a contractually agreed claim or a contractually agreed obligation from which an inflow or outflow of financial assets or financial liabilities or the issue of equity capital rights results. Financial instruments comprise primary financial instruments such as trade accounts receivable or trade accounts payable, financial receivables, debts and other financial liabilities, as well as derivative financial instruments which are used to hedge risks arising from changes in currency exchange rates and interest rates.
Financial instruments are reported on the date at which the obligation to buy or sell an asset is entered into.

a) Determination of the fair value

The fair value of financial instruments is equivalent to the amount which the Group would receive or pay, if it wanted to exchange or settle the financial instruments on the balance sheet date. If market prices are quoted on the markets for financial instruments, these values are used. This relates in particular to financial instruments which are classified as available for sale. Otherwise, the fair values are calculated using the average price on the basis of the market conditions – interest rates, foreign exchange rates, commodity prices – prevailing on the balance sheet date. The fair values are calculated using recognized actuarial models. The fair value for derivatives is based on external valuations by our financial partners.

b) Primary financial instruments

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

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

1. Changes in fair value of assets "valued at fair value through profit and loss" – which are either categorized accordingly at first-time recognition or are classified "as held for trading" – are immediately reported in the income statement. They are also reported as current assets if they are likely to be realized within twelve months of the balance sheet date.

2. "Financial assets held to maturity" – which include fixed or determinable payments at the date of first-time recognition and have a fixed maturity and are to be held until that point – are reported at amortized acquisition costs and recognized in accordance with their remaining term as non-current or current assets. Impairments are recorded in the income statement with an effect on earnings.

3. "Loans and receivables" – which have fixed or determinable payments and are not listed in a market are valued at amortized acquisition costs taking into account necessary impairments. Insofar as they did not arise as a result of supplies and services, they are recognized in the balance sheet under other financial assets in accordance with their maturity as non-current or current assets.

4. "Financial assets available for sale" – which are designated at the date of first-time recognition as available for sale – are insofar recognized at current value and reported as non-current or current assets in accordance with their expected availability for sale. Unrealized gains or losses are recognized under equity capital (market valuation 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, a significant or sustained decline in the current value of the instrument below its purchase costs would amount to objective evidence. If a sale or impairment is carried out on the balance sheet date, the fluctuations in value recognized up to that point under equity capital are recognized in the income statement. Impairments for equity instruments are not reversed with effect on income; an increase in the fair value after a reduction in value is recorded directly under equity. If no fair values are available, for example for financial assets of non-consolidated companies and participations, the assets are recognized at acquisition costs.

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

c) Derivative financial instruments and hedging

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

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

For purposes of reporting hedging relationships, hedging instruments are classified as follows:

- as hedging of the fair value, if the relationship relates to hedging the risk of a change in the fair value of a reported asset or a reported liability or a fixed obligation not reported (apart from currency risk);

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

At the beginning of the hedging transaction, the hedging relationship and the risk management objectives and strategies of the Group 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 2009 as being exclusively cash flow hedges.

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

If the occurrence of the planned transaction or fixed obligation is no longer anticipated, the amounts recorded in equity are transferred to 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 remain as separate items under equity until the planned transaction or fixed obligation has occurred.

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

Cash and cash equivalents comprise liquid funds and sight deposits, as well as financial assets that can be converted into cash at any time and are only subject to minimal fluctuations in value. They are valued at amortized cost.

Receivables and other financial assets are reported at face value with the exception of derivative financial instruments. Impairments are carried out in accordance with the default risks anticipated in individual cases or determined at a flat-rate on the basis of qualitative values. Trade receivables with standard commercial payment terms are recorded at face value, less bonuses, discounts and impairments. The Group sells trade receivables in the context of forfaiting. The receivables are removed from the accounts if the Group has transferred its contractual rights to cash flows from the financial assets and all opportunities and risks that are associated with the ownership have essentially been transferred or also if the power of authority over the asset has been transferred.

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

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

Finished products and work in progress have been recognized at production cost. These costs include costs directly attributable to the manufacturing process and a reasonable proportion of production-related overheads. These include production-related depreciation, proportionate administrative expenses, and proportionate social security costs. Inventory risks arising from the storage period or reduced usability have been taken into account by write-downs.
In the case of inventories, write-downs on the net sale proceeds are carried out, if the book values of the inventories are too high on the basis of the lower stock-market or market values.

Development costs for intangible assets produced within the company have been capitalized under income at directly attributable acquisition or production cost, if the manufacture is likely to bring commercial benefit to the SURTECO Group and the value can be reliably assessed.

Property, plant and equipment have been recognized at acquisition or production cost, including incidental acquisition expenses, less accumulated scheduled depreciation and, if necessary, extraordinary depreciation. A fixed value is calculated to cover spare parts for machinery.

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

The production costs of self-constructed plant include direct costs and an appropriate flat-rate proportion of the overheads and depreciation.

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

The costs for replacement of part of a fixed asset (repair and maintenance costs) are included in the book value of the fixed asset (property, plant and equipment) at the date on which they were incurred, insofar as the criteria for recognition are fulfilled. When a major inspection is carried out, the costs are capitalized in the book value of the fixed asset as 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 resulting 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 lease or as operating lease. 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 lease). 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 market value or the lower cash value of the future leasing rate at the point in time at which the contract was concluded and the reporting of the corresponding liabilities to the lessee as a debt. Depreciation and repayment of the liability is effected according to schedule over the useful life or over the term of the lease, if this is shorter – corresponding to comparable items of property, plant and equipment acquired. The difference between the entire leasing obligation and the market value of the leased item corresponds to the finance costs that are distributed over the term and included in income, so that a uniform interest rate is applied to the remaining debt over the period. All other lease agreements, where SURTECO is the Lessee, are treated as operating leases, with the consequence that the leasing rates are reported to expenditure when they are paid. When amendments are made to finance lease contracts, an adjustment of the cash 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.

State grants and subsidies have been accrued as liabilities and released over the useful life of the underlying assets.

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

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

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

The **shares in unconsolidated companies** recorded under financial assets are recognized at acquisition costs because fair values are not available and other valuation methods do not yield reliable results. **Associated enterprises** are recorded with their proportionate equity 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.

Impairment

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 cash value based on a discounting rate before taxes, which reflects the current market expectations in relation to the interest effect and the specific risks of the asset. A reasonable valuation model is applied in order to determine the fair value less sale costs. This is based on valuation multiplicators, stock-market prices of shares in subsidiary companies traded on stock exchanges or other indicators available for the fair value.

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 acquisition is allocated to the identifiable cash generating units which are supposed to derive benefit from the synergies arising from the acquisition. Such cash generating units are the lowest reporting level in the Group at which the goodwill is monitored by the management for internal controlling purposes. The recoverable amount of a cash generating unit, which is allocated goodwill is subjected to an annual impairment test. Reference is made to our comments under item 18 in the notes to the consolidated financial statements for further details.

The standard IFRS 3 (Business Combinations) and the standard IAS 36 (Impairment of assets) no longer permit **goodwill** and **intangible assets** to be subject to scheduled depreciation and amortization with an unspecified period of usage, 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 an undefined period of use, for which no future own cash flows can be identified on an individual basis, are to be allocated to the cash generating unit, the impairment test of those assets should be carried out annually or also, if events or changed circumstances result which could indicate a possible impairment, more frequently. The residual book 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 cash value of the future payments, which are anticipated on the basis of the ongoing use by the Strategic Business Unit and their disposal at the end of the useful life, are used as the basis. The forecast of the payments is based on the current medium-term plans of SURTECO.

The cash generating units of the Group are identified in consultation with the internal reporting of the management taking into account regional allocations on the basis of strategic business units (Paper and Plastics).

In the cases in which the cash value of the cash generating units 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 Units proportionately to the book value. Any impairment carried out as necessary is recognized under other operating expenses in the income statement.

The cost of capital at SURTECO is calculated as a weighted average of the costs of equity and debt, and the relevant proportions of total capital are decisive.

The actual **tax refund claims** and **tax liabilities** for the current and earlier periods are measured at the amount of the expected refund by the tax authority or the payment to the tax authority. They also include tax relief claims arising from the anticipated utilization of existing losses carried forward in subsequent years and where there is sufficient likelihood that they will be realized. The calculation of the amount is based on the tax rates and tax regulations that are applicable on the balance sheet date.

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

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

- deferred tax liabilities from the first-time recognition of goodwill or an asset or liability arising from a transaction which is not a business combination and at the point in time of the transaction neither influences the result for the period nor taxable earnings, and

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

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

- deferred tax assets comprising deductible temporary differences from first-time recognition of an asset or a liability arising from transaction that is not a business combination and at the point in time of the transaction neither influences the result for the period nor the taxable earnings, and

- deferred tax assets arising from temporary differences which occur in conjunction with shareholdings in subsidiary companies, associated enterprises and shares in joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future and no appropriate taxable earnings will be available against which the temporary differences can be used.

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

Deferred taxes that relate to the items that are reported directly under equity are not reported in the income statement but are also recorded under equity. Deferred tax assets and deferred tax liabilities are offset, if the Group has a legal claim to netting the actual tax reimbursement claims against actual tax liabilities and these relate to income tax of the same tax subject and are levied by the same tax authority.

In accordance with IAS 1.70, deferred taxes are recognized as long term.

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

Pension accruals and similar obligations include obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards. The pension institutions were closed in the past and new employees joining the company receive no payments from the company pension scheme.
Pension accruals are valued using the projected unit credit method in accordance with IAS 19. This method recognizes the pensions and projected unit credits acquired on the balance sheet date. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The calculation has been carried out using actuarial methods taking into account biometric accounting principles. The expense of allocating pension accruals, including the interest portion contained therein, is reported under "Personnel expenses". Actuarial gains or losses from defined benefit plans are reported under equity capital with no effect on income (Other comprehensive income).

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

The obligations principally exist in Germany and they are calculated taking the following actuarial assumptions into account:

	2008	**2009**
Interest rate	6.25 %	5.50 %
Salary increases	2.00 %	2.00 - 2.40 %
Pension increases	2.00 %	2.00 - 2.40 %

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 exists – as in the case of statutory warranty – the probability of a charge on assets is calculated on the basis of the group of these obligations. A provision is recognized under liabilities, if the probability of a charge on assets is lower in relation to an individual obligation held within this group. Reserves for warranty claims are formed on the basis of previous or estimated future claims. Other reserves have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not recognized with rights of recourse. Provisions for restructuring measures are formed, to the extent that a detailed, formal restructuring plan has been drawn up and this has been communicated to the relevant parties.

Changes in equity without effect on income are reported under the item **recognized expenses and income accumulated directly in equity**, provided that they are not based on capital transactions with shareholders (e.g. capital increases or payouts). This includes the difference arising from currency translation, accrued actuarial gains and losses arising from the valuation of pensions and similar obligations, and unrealized gains and losses arising from the fair valuation of 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 operating 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 the impairment test and the formation of reserves 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.

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. DISCLOSURE CHANGES

The currency gains and currency losses on other operating income and other operating expenses recognized in the consolidated income statement were reclassified in the financial result in order to improve presentation of the operating performance of the SURTECO Group. The figures for the previous year were adjusted appropriately in accordance with IAS 1. These changes exert no effect on the balance sheet, the consolidated operating result and earnings per share.

The disclosure changes exert the following effects on the consolidated income statement as at 31 December 2008:

[€ 000s]	Before change 31/12/2008	Change	After change 31/12/2008
Income statement			
Total output	**403,784**	**0**	**403,784**
Cost of materials	-175,499	0	-175,499
Personnel expenses	-104,208	0	-104,208
Restructuring expenses	-7,297	0	-7,297
Other operating expenses	-65,323	1,511	-63,812
Other operating income	6,864	-3,004	3,860
EBITDA	**58,321**	**-1,493**	**56,828**
Depreciation and amortization	-19,731	0	-19,731
EBIT	**38,590**	**-1,493**	**37,097**
Interest income	2,895	0	2,895
Interest expenses	-13,838	0	-13,838
Other financial expenses and income	-11,870	1,493	-10,377
Financial result	-22,813	1,493	-21,320
EBT	**15,777**	**0**	**15,777**
Income tax	-9,048	0	-9,048
Net income	**6,729**	**0**	**6,729**

IX. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES REVENUES

Sales revenues are comprised as follows:

Business (product) [€ 000s]	2008	**2009**
Edgebandings	203,184	169,374
Foils	95,143	80,248
Skirtings	27,727	25,485
Do-It-Yourself sector	12,938	12,308
Decorative printing	18,815	17,393
Technical extrusions	18,047	14,226
Cladding systems	10,105	9,019
Other	17,025	13,092
	402,984	**341,145**

(2) OWN WORK CAPITALIZED

Own work capitalized principally relates to tools manufactured in the company at the SBU Plastics.

(3) COST OF MATERIALS

Composition of the cost of materials in the Group:

[€ 000s]	2008	**2009**
Cost of raw materials, consumables and supplies, and purchased merchandise	172,465	136,605
Cost of purchased services	3,034	1,780
	175,499	**138,385**

(4) PERSONNEL EXPENSES

The following table shows personnel expenses:

[€ 000s]	2008	**2009**
Wages and salaries	86,160	75,332
Social security deductions	10,857	8,933
Pension costs	7,191	7,467
	104,208	**91,732**

In the case of defined-contribution pension provision systems, the company pays contributions to state pension insurance institutions based on statutory obligations. These payments entail no further obligations for the company to make payments. The current contribution payments are included as expenses for the relevant year from the business year 2009 under pension costs. The figures for the previous year were adjusted.

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

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

	Industrial	Salaried	2008 Total	**Industrial**	**Salaried**	**2009 Total**
Production	1,145	148	1,293	1,012	120	1,132
Sales	12	261	273	12	246	258
Engineering	95	33	128	90	32	122
Research and development, quality assurance	39	64	103	41	59	100
Administration, Materials management	105	292	397	93	274	367
	1,396	**798**	**2,194**	**1,248**	**731**	**1,979**

The number of employees by regions is as follows:

	2008	**2009**
Germany	1,440	1,313
European Union	238	215
Rest of Europe	8	11
Asia/Australia	187	168
America	321	272
	2,194	**1,979**

(5) OTHER OPERATING EXPENSES

The following table shows how other operating expenses are structured:

[€ 000s]	2008	**2009**
Operating expenses	15,067	10,759
Sales expenses	34,869	29,737
Administrative expenses	13,034	13,631
Impairment losses	842	927
	63,812	**55,054**

Research and development expenses (personnel and material expenses) in the Group amounted to € 000s 4,135 (2008: € 000s 5,162).

Other operating expenses include the following fees for the Group auditor RöverBrönner GmbH & Co. KG:

[€ 000s]	2008	**2009**
Auditing	358	363
Tax consultancy	94	161
Other consultancy	94	60
	546	**584**

(6) OTHER OPERATING INCOME

The following table shows other operating income:

[€ 000s]	2008	**2009**
Release of unused amounts of provisions and obligations	978	1,286
Claims for compensation	236	903
Income from fixed asset disposals	245	56
Other operating income	2,401	3,834
	3,860	**6,079**

(7) FINANCIAL RESULT

[€ 000s]	2008	**2009**
Interest and similar income	2,895	3,714
Interest and similar expenses	-13,838	-12,328
Interest (net)	**-10,943**	**-8,614**
Income from market valuation for financial derivatives	238	633
Expenses from market valuation for financial derivatives	-839	-624
Currency gains/losses, net	1,493	-2,039
Income from investments	483	0
Earnings from associated enterprises	-22	-70
Impairment on shares in Pfleiderer AG	-11,509	-6,021
Miscellaneous financial expenses and income	-221	-125
Other financial expenses and income	**-10,377**	**-8,246**
Financial result	**-21,320**	**-16,860**

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 691 (2008: € 000s 968).

(8) INCOME TAX

Income tax expense is broken down as follows:

[€ 000s]		2008		2009
Current income taxes				
- Germany	6,927		5,173	
- International	2,742		3,096	
		9,669		8,269
Deferred income taxes				
- from time differences	103		742	
- on losses carried forward	-724		-806	
		-621		-64
		9,048		**8,205**

The corporate income tax rate of 15 % and the trade tax rate of 3.5 % remain unchanged compared with the previous year. An average overall tax burden of 29.5 % therefore results for the German companies, which is recognized for calculation of deferred taxes.

The applicable local income tax rates for the foreign companies vary between 17 % and 40 %.

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 4,284 due to restricted utility.

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

[€ 000s]	Deferred tax assets			Deferred tax liabilities		
	2008	Change	**2009**	2008	Change	**2009**
Inventories	809	-181	628	0	343	343
Receivables and other assets	221	-15	206	1,608	-1,525	83
Tax losses carried forward	724	806	1,530	0	0	0
Goodwill	0	0	0	1,514	251	1,765
Property, plant and equipment	264	19	283	21,556	-4,091	17,465
Intangible assets	3	1	4	1,034	263	1,297
Other non-current assets	1,540	-1,540	0	28	-7	21
Financial liabilities	4,285	-2,158	2,127	1,789	385	2,174
Pension accruals	603	236	839	97	-53	44
Other liabilities	1,196	-153	1,043	48	-39	9
	9,645	**-2,985**	**6,660**	**27,674**	**-4,473**	**23,201**
Netting	-4,252	2,125	-2,127	-4,252	2,125	-2,127
	5,393	**-860**	**4,533**	**23,422**	**-2,348**	**21,074**

Reconciliation between expected and actual tax expenditure is as follows:

[€ 000s]	2008	2009
Earnings before Taxes (EBT)	**15,777**	**17,565**
Expected income tax (29.5 %)	4,655	5,182
Reconciliation:		
Differences from foreign tax rates	679	37
Losses for which no deferred taxes were formed	421	843
Expenses not deductible from taxes	3,768	2,449
Tax expenses/income not related to the reporting period	-112	304
Tax-free income	-169	-872
Other effects	-194	262
Income tax	**9,048**	**8,205**

Taxes recorded directly in equity:

[€ 000s]	2008	2009
Actuarial gains/losses arising from defined benefit plans	258	-190
Fair value measurement of financial instruments	1,187	-1,920
Actual taxes	-1,121	333
	324	**-1,777**

(9) EARNINGS PER SHARE

	2008	2009
Consolidated net profit in € 000s	6,754	9,239
Number of no-par-value shares issued	11,075,522	11,075,522
Basic and diluted earnings per share in €	0.61	0.83

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

X. NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) CASH AND CASH EQUIVALENTS

[€ 000s]	2008	2009
Cash in hand and bank balances	20,454	32,846
Fixed-term deposits	40,014	52,000
	60,468	**84,846**

(11) TRADE ACCOUNTS RECEIVABLE

All trade accounts receivable have a residual term of less than one year. Provisions for specific debts and general bad debt charges have been recorded in the amount of € 000s 1,310 (2008: € 000s 1,294) to take account of general interest, processing and credit risks.

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.

Development of impairments

[€ 000s]	2008	**2009**
1/1/	**1,146**	**1,294**
Recourse	-208	-458
Release of unused amounts	-466	-215
Addition (effect on expenses)	822	689
31/12/	**1,294**	**1,310**

The following table shows the maturity structure of receivables:

[€ 000s]		2008	**2009**
Book value		**34,465**	**35,022**
of which: not overdue not impaired		25,558	28,232
of which: not impaired on the balance sheet date and overdue in the following periods	up to 3 months	8,008	5,131
	3-6 months	530	864
	6-12 months	306	385
	more than 12 months	63	410

(12) INVENTORIES

The inventories of the Group are comprised as follows:

[€ 000s]	2008	**2009**
Raw materials, consumables and supplies	19,082	14,410
Work and services in progress	8,406	4,908
Finished products and goods	32,271	24,346
	59,759	**43,664**

Impairments of € 000s 2,847 (2008: € 000s 4,632) were reported on inventories.

Out of the inventories, € 000s 14,727 (2008: € 000s 14,423) were recognized under assets at the net disposal value.

(13) CURRENT AND NON-CURRENT INCOME TAX ASSETS

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

Corporate income tax credits are recognized under non-current tax assets. These were granted when the law on tax measures to accompany the adoption of European companies and amendment to additional tax regulations (SE Introductory Act, SEStEG) came into force. On 13 December 2006, a legal unconditional claim to refund of corporate income tax credits from the period of the tax imputation system (§ 37 Corporate Income Tax, 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 956 (2008: € 000s 1,358), of which € 000s 155 are recognized under current income tax assets.

(14) OTHER CURRENT ASSETS

[€ 000s]		2008		**2009**
Tax credits (sales tax, wage tax)		514		202
Land		3,714		3,958
Accrued interest		734		76
Prepaid expenses		1,311		1,094
Financial assets				
Financial derivatives	158		0	
Bonuses, receivables	694		114	
Debit balances in accounts payable	1,025		172	
		1,877		286
Other		1,900		2,457
		10,050		**8,073**

The item financial derivatives (previous year) comprises in particular forward exchange deals, interest and currency swaps.

No significant impairments were carried out on other current assets.

(15) FIXED ASSETS

[€ 000s]	**Property, plant and equipment**	**Intangible assets**	**Goodwill**	**Financial assets**	**Total**
Acquisition costs					
1/1/2008	**383,282**	**18,708**	**155,549**	**1,940**	**559,479**
Currency adjustment	-6,894	-71	-1,566	0	-8,531
Additions	20,803	1,193	275	21,821	44,092
Disposals	-5,595	-242	0	-89	-5,926
Transfers	545	-545	0	0	0
31/12/2008	**392,141**	**19,043**	**154,258**	**23,672**	**589,114**
Currency adjustment	3,876	211	1,362	0	5,449
Additions	9,409	1,125	396	12	10,942
Disposals	-6,751	-233	-149	-71	-7,204
Transfers	-609	609	0	0	0
31/12/2009	**398,066**	**20,755**	**155,867**	**23,613**	**598,301**
Depreciation and amortization					
1/1/2008	**205,986**	**9,383**	**45,689**	**0**	**261,058**
Currency adjustment	-3,615	-10	342	0	-3,283
Additions	18,297	1,441	0	11,185	30,923
Disposals	-4,367	-242	0	0	-4,609
31/12/2008	**216,301**	**10,572**	**46,031**	**11,185**	**284,089**
Currency adjustment	1,807	82	115	0	2,004
Additions	18,271	1,621	0	6,021	25,913
Disposals	-5,521	-171	0	0	-5,692
Transfers	-15	15	0	0	0
Write-ups	0	0	0	-5,281	-5,281
31/12/2009	**230,843**	**12,119**	**46,146**	**11,925**	**301,033**
Book value at 31/12/2009	**167,223**	**8,636**	**109,721**	**11,688**	**297,268**
Book value at 31/12/2008	**175,840**	**8,471**	**108,227**	**12,487**	**305,025**

(16) PROPERTY, PLANT AND EQUIPMENT

[€ 000s]	Land and buildings	Leased land and buildings (finance leasing)	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
1/1/2008	**97,406**	**29,261**	**191,890**	**60,901**	**3,824**	**383,282**
Currency adjustment	-2,337	0	-4,060	-555	58	-6,894
Additions	554	0	10,578	5,155	4,516	20,803
Disposals	-1,667	0	-1,107	-2,709	-112	-5,595
Write-ups/Transfers	1,444	0	3,180	499	-4,578	545
31/12/2008	**95,400**	**29,261**	**200,481**	**63,291**	**3,708**	**392,141**
Currency adjustment	1,150	0	2,345	235	146	3,876
Additions	149	159	4,273	2,887	1,941	9,409
Disposals	-137	-722	-3,983	-1,720	-189	-6,751
Transfers	18,466	-18,290	949	776	-2,510	-609
31/12/2009	**115,028**	**10,408**	**204,065**	**65,469**	**3,096**	**398,066**
Depreciation and amortization						
1/1/2008	**30,605**	**5,612**	**124,794**	**44,975**	**0**	**205,986**
Currency adjustment	-350	0	-2,903	-362	0	-3,615
Additions	2,708	729	10,732	4,128	0	18,297
Disposals	-1,386	0	-686	-2,295	0	-4,367
Write-ups/Transfers	23	0	-79	56	0	0
31/12/2008	**31,600**	**6,341**	**131,858**	**46,502**	**0**	**216,301**
Currency adjustment	208	0	1,564	35	0	1,807
Additions	2,690	726	10,643	4,212	0	18,271
Disposals	-97	0	-3,824	-1,600	0	-5,521
Transfers	4,569	-4,531	207	-260	0	-15
31/12/2009	**38,970**	**2,536**	**140,448**	**48,889**	**0**	**230,843**
Book value at 31/12/2009	**76,058**	**7,872**	**63,617**	**16,580**	**3,096**	**167,223**
Book value at 31/12/2008	**63,800**	**22,920**	**68,623**	**16,789**	**3,708**	**175,840**

Finance leasing contracts were concluded over a basic leasing period of between 15 and 25 years and after the expiry of the basic leasing period provided for a purchase option or the option of extending the contract at least once for a period of 5 years. Apart from finance leasing contracts, the SURTECO Group has also concluded rental and leasing contracts that qualify as operating lease contracts on the basis of their commercial profile, whereby the lease item should be reported by the lessor.

(17) INTANGIBLE ASSETS

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

[€ 000s]	Concessions, patents, licences and similar rights	Customer relations and similar values	Development expenses	Total
Acquisition costs				
1/1/2008	**14,460**	**3,710**	**538**	**18,708**
Currency adjustment	75	-146	0	-71
Additions	1,193	0	0	1,193
Disposals	-242	0	0	-242
Transfers	-545	0	0	-545
31/12/2008	**14,941**	**3,564**	**538**	**19,043**
Currency adjustment	-26	207	30	211
Additions	1,125	0	0	1,125
Disposals	-182	0	-51	-233
Transfers	609	0	0	609
31/12/2009	**16,467**	**3,771**	**517**	**20,755**
Depreciation and amortization				
1/1/2008	**9,237**	**123**	**23**	**9,383**
Currency adjustment	10	-39	19	-10
Additions	1,062	321	58	1,441
Disposals	-242	0	0	-242
31/12/2008	**10,067**	**405**	**100**	**10,572**
Currency adjustment	-97	175	4	82
Additions	1,218	341	62	1,621
Disposals	-171	0	0	-171
Transfers	15	0	0	15
31/12/2009	**11,032**	**921**	**166**	**12,119**
Book value at 31/12/2009	**5,435**	**2,850**	**351**	**8,636**
Book value at 31/12/2008	**4,874**	**3,159**	**438**	**8,471**

(18) GOODWILL

Goodwill is comprised of the following amounts from the takeover of business operations (asset deals) and from capital consolidation.

Goodwill developed as follows:

[€ 000s]	2008	**2009**
1/1/	**109,860**	**108,227**
Currency adjustment	-1,908	1,247
Additions	275	396
Disposals	0	-149
31/12/	**108,227**	**109,721**

Goodwill is allocated to cash generating units (CGU level) for purposes of carrying out annual or event-related (triggering events) impairment tests. Goodwill is comprised as follows:

[€ 000s]	2008	**2009**
Strategic Business Unit Paper	6,878	6,878
Strategic Business Unit Plastics	101,349	102,843
	108,227	**109,721**

The value in use to be used for carrying out the impairment text 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. The 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 of the regional market, the market opportunities and experiences in the past. The underlying growth rates applied for the impairment test are based on medium-term planning for a period of 5 years amounted to an average of 3.5 %. The value in use is mainly determined by the terminal value which responds in a particularly sensitive way to changes in assumptions with respect to its growth rate and its discounting rate. For this reason, no additional growth is assumed and the discounting factor is increased by 1 % which leads to a flat-rate reduction of the terminal value.

The costs of capital are calculated as a weighted average of the costs of equity and debt. As far as possible, external information from the comparator group or available market data are used. The costs of equity correspond to the expectations of return held by investors in our shares. Market conditions for loans are taken into account for borrowing costs. This yielded a discounting rate of 8.9 % (2008: 9.0 %) before taxes in December 2009.

On the basis of impairment tests carried out in the business year 2009, the values in use of the cash generating units are estimated as higher than the book values. As a result, no impairments have been recognized.

(19) INVESTMENTS IN ASSOCIATED ENTERPRISES AND FINANCIAL ASSETS

[€ 000s]	Investments in associated enterprises	Investments in affiliated enterprises	Participations	Securities	Financial assets
Acquisition costs					
1/1/2008	**1,732**	**167**	**41**	**0**	**208**
Additions	0	1	6	21,814	21,821
Disposals	-49	0	-40	0	-40
31/12/2008	**1,683**	**168**	**7**	**21,814**	**21,989**
Additions	0	7	5	0	12
Disposals	-69	0	0	-2	-2
31/12/2009	**1,614**	**175**	**12**	**21,812**	**21,999**
Depreciation and amortization					
1/1/2008	**0**	**0**	**0**	**0**	**0**
Additions	0	0	0	11,185	11,185
31/12/2008	**0**	**0**	**0**	**11,185**	**11,185**
Additions	0	0	0	6,021	6,021
Write-ups	0	0	0	-5,281	-5,281
31/12/2009	**0**	**0**	**0**	**11,925**	**11,925**
Book value at 31/12/2009	**1,614**	**175**	**12**	**9,887**	**10,074**
Book value at 31/12/2008	**1,683**	**168**	**7**	**10,629**	**10,804**

Detailed information on investments in associated enterprises, affiliated enterprises and participations are not given for reasons of materiality. The securities recognized under financial assets relate to a share package amounting to 3.02 % of the capital stock in Pfleiderer AG, Neumarkt.

(20) INCOME TAX LIABILITIES

Tax liabilities include the income tax due for the business year 2009 or earlier business years and not yet paid, and the anticipated tax payments for previous years. Deferred taxes are not included.

(21) SHORT-TERM PROVISIONS

[€ 000s]	1/1/2009	Expense	Release	Allocation	31/12/2009
Restructuring provisions	7,011	-5,260	0	10	1,761
Warranty	1,340	-327	-151	662	1,524
Fair value measurement for financial derivatives	446	0	-435	0	11
Other	136	-136	0	80	80
	8,933	**-5,723**	**-586**	**752**	**3,376**

The restructuring provisions amounting to € 1.8 million (2008: € 7.0 million) essentially relate to redundancy payments that still had to be paid out at the beginning of 2010 on account of the programmes started in the business year 2008. The capacity situation in the business year 2008 necessitated an adjustment in personnel strength that involved reducing the number of jobs throughout the Group by 234 jobs. In the SBU Paper, edging production was transferred from the Buttenwiesen site to the Sassenberg production facility. In the SBU Plastics, the plant in Montréal/Canada was closed and production was transferred to facilities in Brampton/Canada, Greensboro/USA and Santiago/Chile.

Forward exchange deals and interest swaps and currency swaps with a term of less than one year are recognized under financial derivatives.

(22) OTHER CURRENT LIABILITIES

[€ 000s]	2008	**2009**
Liabilities from employment relationships	8,760	6,884
Bonuses and promotion costs	897	730
Debit balances in accounts payable	1,890	1,910
Tax liabilities (value added tax)	151	874
Social insurance against occupational accidents	535	417
Supervisory Board remuneration	178	204
Other	2,030	3,319
	14,441	**14,338**
- of which social security	686	1,460

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

(23) DEBT AND OTHER FINANCIAL LIABILITIES

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

The debt is secured in the amount of € 000s 963 (2008: € 000s 1,444) by charges on property.

In the business year 2007, a loan amounting to some € 150 million was floated in the form of a US private placement. The US private placement comprised a US$ tranche amounting to US$ 70 million with a term of 10 years and euro tranches of € 100 million with terms of 7 to 12 years. The loans are repayable on maturity and are fixed-interest agreements charged at 5.5% - 5.7% before hedging. The capital payment and interest flows in US$ were fully hedged in euros with interest and currency swaps. This resulted in the following effects during the year under review: realization of interest income amounting to € 000s 206 (2008: € 000s 219), increase in equity capital (before deduction of deferred taxes) by € 000s 1,948 (2008: € 000s 8,665) through direct recording of the cash flow hedge under the item market valuation financial instruments, reduction of the US-$ liability by € 000s 3,182 (2008: € 000s 1,711) on the basis of the valuation on the balance sheet date and recording the market value of the hedging transactions amounting to € 000s 2,802 under other non-current financial liabilities (2008: € 000s 5,181 in other non-current assets).

Fixed-interest agreements have been primarily agreed for the other non-current banking liabilities with interest rates in a range between 3.45 % and 5.70 %.

Short-term debt includes short-term credit lines that have been drawn down and variable-interest credit lines for supplies, the short-term proportion of loan liabilities and finance leasing liabilities of € 000s 438 (2008: € 000s 6,564).

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

[€ 000s]	2008	**2009**
Leasing payments to be made in the future		
due in less than one year	9,307	698
due between one year and five years	3,410	2,790
due after more than five years	6,826	4,908
Interest share		
due in less than one year	-2,629	-260
due between one year and five years	-1,566	-923
due after more than five years	-1,513	-725
Present value		
due in less than one year	6,678	438
due between one year and five years	1,844	1,867
due after more than five years	5,313	4,183
	13,835	**6,488**

The maturity structure of long-term debt and other financial liabilities is as follows:

[€ 000s]	1-5 years	more than 5 years	**2008 Total**	1-5 years	more than 5 years	**2009 Total**
Financial liabilities						
- of which to banks	34,802	154,453	189,255	65,043	110,351	175,394
- of which from finance lease	2,208	5,049	7,257	1,867	4,183	6,050
	37,010	**159,502**	**196,512**	**66,910**	**114,534**	**181,444**
Other financial liabilities	0	0	0	0	2,802	2,802
	37,010	**159,502**	**196,512**	**66,910**	**117,336**	**184,246**

(24) PENSIONS AND SIMILAR OBLIGATIONS

Agreements for company pension provision were concluded for staff of the SURTECO Group, which were financed exclusively within the scope of defined benefit plans through pension accruals. The provisions for pensions and similar obligations including plan assets developed as follows:

[€ 000s]	Pensions	Phased retirement	Anniversary bonuses	Total
1/1/2008	**8,743**	**2,186**	**1,252**	**12,181**
Payments	-533	-887	-142	-1,562
Current service expense	136	409	33	578
Interest expense	419	0	0	419
Actuarial gains/ losses	-855	0	7	-848
Release	-198	0	-17	-215
31/12/2008	**7,712**	**1,708**	**1,133**	**10,553**
Business year 2009				
Payments	-534	-744	-137	-1,415
Current service expense	436	458	214	1,108
Interest expense	443	0	0	443
Actuarial gains/ losses	654	0	56	710
31/12/2009	**8,711**	**1,422**	**1,266**	**11,399**
Less plan assets				
1/1/2008	**-139**	**-800**	**0**	**-939**
Change	14	-39	0	-25
31/12/2008	**-125**	**-839**	**0**	**-964**
Business year 2009				
Change	-20	28	0	8
31/12/2009	**-145**	**-811**	**0**	**-956**
Balance sheet value 31/12/2008	**7,587**	**869**	**1,133**	**9,589**
Balance sheet value 31/12/2009	**8,566**	**611**	**1,266**	**10,443**

€ 000s 670 (2008: € 000s 912) out of the long-term obligations arising from phased retirement arrangements are due in 2010.

The Group recognizes actuarial gains and losses from defined-benefit plans in shareholders' equity (Other comprehensive income). The amount included for 2009 taking into account deferred tax is € 000s -449 (2008: € 000s 605).

The annual payments for pension obligations over the coming years should be in the same order of magnitude as the payments for 2008 and 2009. A reduction is anticipated in payments for obligations arising from phased retirement arrangements, since this instrument was discontinued in 2009.

(25) SHAREHOLDER'S EQUITY

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

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 7 July 2010 by overall up to € 1,100,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash consideration **(Authorized capital I)**. The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders up to a proportionate amount of the capital stock of € 1,100,000.00, if the new shares are issued at an issue amount, which is not significantly lower than the stock-market price. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. If the Board of Management does not make use of the above authorizations to exclude pre-emptive rights, the pre-emptive right of the shareholders may only be excluded for equalization of fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized to increase the capital stock of the company once or in several stages in the period to 7 July 2010 by overall up to € 4,400,000.00, with the consent of the Supervisory Board by the issue of no-par-value bearer shares, for a cash or a non-cash consideration **(Authorized capital II)**. In the case of a capital increase for a cash consideration, the shareholders should be granted a pre-emptive right, although the Board of Management is authorized to exclude the fractions from shareholders' statutory pre-emptive right. The Board of Management is further authorized to have the new shares taken over by a bank or a company operating pursuant to § 53 (1) Sentence 1 or § 53 b (1) Sentence 1 or (7) of the German Banking Act (KWG), with the obligation to offer them for purchase to shareholders. In the case of a capital increase for a non-cash consideration, the Board of Management is entitled to exclude the statutory pre-emptive right of shareholders. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve

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

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

Retained earnings

Retained earnings include:

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

Dividend proposal

The dividend payout of SURTECO SE is based on net profit reported in the financial statements of SURTECO SE in accordance with the commercial law in conformity with § 58 (2) of the Stock Corporation Act (AktG). The financial statements drawn up in accordance with commercial law have recorded a net profit of € 000s 6,400 (2008: € 000s 3,877). The Board of Management and Supervisory Board of SURTECO SE propose to the Annual General Meeting that a dividend payout of € 0.40 (2008: € 0.35) per share, amounting to a total of € 000s 4,430 (2008: € 000s 3,876) be paid out and the amount of € 000s 1,900 be transferred to the capital reserve. The Board of Management further recommends carrying forward the residual amount of € 000s 70 (2008: € 000s 1) as profit carried forward.

(26) OTHER FINANCIAL OBLIGATIONS

[€ 000s]	2008	2009
Rental and operate leasing obligations, due		
- within one year	1,381	770
- between one and five years	1,157	1,348
- more than five years	200	0
Purchase commitment	0	2,504
	2,738	4,622

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 factory and office equipment.

Payments from operate leasing arrangements in the period are recorded in the amount of € 000s 1,653 (2008: € 000s 2,409).

(27) CAPITAL MANAGEMENT

The goals of capital management are derived from financial strategy. This includes safeguarding liquidity and guaranteeing access to the capital market. Measures for achieving the goals of capital management are optimization of the capital structure, equity capital measures, compliance with covenants, acquisitions and disinvestments, as well as the reduction of net debts.

The Group is not subject to the imposition of any statutory capital requirements.

The dividend was adjusted to the earnings situation during the business year 2009. Cash flow not required for investments and dividend payments was used to reduce the existing net debt. The private placement of the loan in the business year 2007 is directed towards the future-oriented strategy and the long-term financing of the Group.

Our finance controlling is based on the indicators defined in our finance strategy. The interest cover factor was 6.3 (2008: 5.2) in 2009. The debt-service coverage ratio was 23.7 % (2008: 15.5 %) in 2009. The net debt amounted to € 000s 122,826 (2008: € 000s 171,283) on 31 December 2009 and the equity ratio was 39.8 % (2008: 36.8 %). The calculation of the indicators is presented in the management report.

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

(28) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

1. Security guidelines and principles of financial risk management

The international activities of the SURTECO Group mean that changes in interest rates and currency exchange rates exert an effect on the net assets, financial position and results of operations of the SURTECO Group. The risks result from foreign currency transactions carried out in the course of operating business, from financing and from investment. Corporate Treasury controls centrally the currency and interest-management of the Group and correspondingly the key transactions with financial derivatives and other financial instruments. In individual cases, currency hedging transactions are concluded at the foreign subsidiaries in close consultation with central treasury. Contract partners are major German and international banks. 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.

The subsidiaries report on their key currency and interest-rate risks within the scope of Group reporting. These risk positions are then analyzed and evaluated on the basis of attributes relevant to decision-making.

Derivative financial instruments are used by the Group exclusively for hedging purposes and to reduce risk. They are valued on a monthly basis. If significant fluctuations of underlying values, such as interest base rates and currency parities occur, this can impact negatively on the earnings of the Group.

2. Financing risks

The refinancing of the Group and the subsidiary companies is generally carried out centrally by SURTECO SE. The majority of the Group's financial liabilities have residual terms of more than five years and is structured with fixed interest rates (see maturity structure item 23 in the Notes). Repayment of significant long-term loans is not necessary in the business year 2010. 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 and these have to be met by the SURTECO Group.

3. Liquidity risk

Corporate Treasury monitors and controls the development of liquidity for the major subsidiary companies. This provides an up-to-date picture of liquidity development at any time. The high levels of free cash flow and the short payment targets mean that the SURTECO Group has adequate liquid funds continuously available. There is also the option of drawing on open credit lines.
However, there is the risk that earnings and liquidity are compromised by default on accounts receivable from customers and non-compliance with payment targets. The Group counters this risk by regularly reviewing the credit rating of contracting parties and carefully monitoring default with customers. The risk arising from debit balances in accounts payable is low on account of the broadly based customer structure and taking out cover through trade credit insurance policies. However, the difficult ongoing financial situation is likely to entail increased levels of default on receivables and relatively low cover from trade credit insurance.

The following table shows the undiscounted contractually agreed **cash outflows** in respect of financial liabilities and derivative financial instruments with a negative market value. Financial liabilities to banks are recognized less current-account liabilities in the amount of € 000s 12,594. If the maturity date is not fixed, the liability relates to the earliest liability date.

[€ 000s]	Book value	2010		2011 - 2014		2015 ff.	
	31/12/2009	Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial liabilities	188,591	10,069	13,197	34,275	65,556	23,565	110,384
Finance leasing liabilities	6,488	260	438	923	1,867	725	4,183
Trade accounts payable	26,385	0	26,385	0	0	0	0
Other liabilities	9,349	0	9,349	0	0	0	0
Derivative financial instruments							
- without hedging	11	11	0	0	0	0	0
- with hedging	2,802	0	0	0	0	0	3,182

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. Currency risks arising from the procurement of raw materials are negligible since the majority of procurement is carried out in euros. 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. In order to limit exchange-rate risks associated with changes in interest rates, the Group operates a policy of systematic currency and interest management. This is controlled centrally by the holding company in Germany.

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

[€ 000s]	Income statement		Equity	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2009				
Variable-interest instruments	261	-261	261	-261
Derivates	5	-7	3,759	-4,068
Total	**266**	**-268**	**4,020**	**-4,329**
31/12/2008				
Variable-interest instruments	254	-254	254	-254
Derivates	58	22	4,021	-4,302
Total	**312**	**-232**	**4,275**	**-4,556**

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

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

[€ 000s]	Income statement		Equity	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2009				
Financial instruments	1,223	-1,001	3,670	-3,003
Derivates	-27	22	1,687	-895
Total	**1,196**	**-979**	**5,357**	**-3,898**
31/12/2008				
Financial instruments	200	-245	200	-245
Derivates	1,674	-2,045	284	2,209
Total	**1,874**	**-2,290**	**484**	**1,964**

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

5. Fluctuations in value for securities

In January 2008, SURTECO SE acquired a share package amounting to 3.02% of the share capital in Pfleiderer AG, Neumarkt. The turbulence in the financial markets and the associated massive falls in share price meant that impairments on the package of shares amounting to € 11.5 million and € 6.0 million were carried out in the business years 2008 and 2009 respectively. An impairment results in a changed subsequent measurement of the securities reported as available for sale. An impairment reversal may only be carried out under equity. Each additional reduction in the market value (fair value hierarchy level 1) of the share package below the impaired book value results in a further cash-effective impairment. The continuing uncertainty prevailing in the equity markets means that further cash-effective impairments cannot be entirely excluded. The change in the MDAX stock-exchange index may exert the following effect on the portfolio of shares in Pfleiderer AG, Neumarkt, classified as available for sale:

[€ 000s]	Income statement		Equity	
	100 bp Rise	100 bp Fall	100 bp Rise	100 bp Fall
31/12/2009				
Pfleiderer AG	0	0	1,463	-1,463
31/12/2008				
Pfleiderer AG	0	-560	882	-882

6. Valuations of financial instruments

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

[€ 000s]	Category acc. to IAS 39	Book value 31/12/2008	Market value 31/12/2008	Book value 31/12/2009	Market value 31/12/2009
Assets					
Cash and cash equivalents	LaR	60,468	60,468	84,846	84,846
Trade receivables	LaR	34,465	34,465	35,022	35,022
Other financial assets	LaR	5,044	5,044	3,487	3,487
Other non-financial assets		6,435	6,435	5,733	5,733
Other investments	AfS	12,487	12,487	11,687	11,687
Derivative financial assets					
- without hedging	FAHfT	158	158	40	40
- with hedging	n.a.	5,181	5,181	0	0
Liabilities					
Financial liabilities	FLAC	217,930	201,645	201,185	198,985
Liabilities from finance leasing	n.a.	13,820	13,820	6,488	6,488
Trade accounts payable	FLAC	18,290	18,290	26,385	26,385
Miscellaneous financial liabilities	FLAC	10,395	10,395	9,349	9,349
Miscellaneous non-financial liabilities		4,046	4,046	4,990	4,990
Derivative financial liabilities					
- without hedging	FLHfT	444	444	11	11
- with hedging	n.a.	0	0	2,802	2,802
Of which aggregated according to valuation categories in accordance with IAS 39					
Loans and Receivables	LaR	99,977	99,977	123,355	123,355
Available for Sale Financial Assets	AfS	12,487	12,487	11,687	11,687
Financial Assets Held for Trading	FAHfT	158	158	40	40
Financial Liabilities Measured at Amortised Cost	FLAC	246,615	230,330	236,919	234,719
Financial Liabilities Held for Trading	FLHfT	444	444	11	11

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

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

Fair value hierarchy:
The calculation and recognition of the fair values of financial instruments is based on a fair value hierarchy which takes account of the significance of the input data used for the valuation and classifies it as follows.
Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
Level 3: inputs for the valuation of the asset and liability that are not based on observable market data (unobservable inputs)

On 31 December 2009, Financial Assets Held for Trading were reported at cash-effective fair value in the amount of € 000s 40 and Financial Liabilities Held for Trading were reported in the amount of € 000s 11. The calculation and recognition of the fair value was carried out in accordance with level 2. During the business year no classifications were carried out between the levels.

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

[€ 000s]	2008	2009
Loans and Receivables	-863	-504
Available for Sale Financial Assets	-11,509	-6,021
Financial Assets and Liabilities Held for Trading	-601	-2,328
Financial Liabilities Measured at Amortised Cost	1,628	16

The net gains and losses from Loans and Receivables essentially related to changes in impairments, income from cash inflows and currency translations and impairment reversals.
Net losses from Available for Sale Financial Assets show the cash-effective impairment on the package of shares held in Pfleiderer AG, Neumarkt.

The net gains and losses from Financial Assets and Liabilities Held for Trading include effects from the market value of derivatives that are not part of a hedging arrangement.
Net gains and losses from currency translation are shown for Financial Liabilities Measured at Amortised Cost.

7. Derivative financial instruments

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

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

Nominal and market values of derivative financial instruments:

[€ 000s]	2008		**2009**	
	Nominal amount	Market value	**Nominal amount**	**Market value**
Interest-related transactions	42,269	-168	1,008	-23
Currency-related transactions	19,082	-847	7,850	29
Interest- and currency-related transactions	50,082	5,181	48,611	-2,802
	111,433	**4,166**	**57,469**	**-2,796**

Negative market values of derivative financial instruments are reported under “Other provisions”.

XI. SUPPLEMENTARY INFORMATION

(29) NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7. It is structured on the basis of cash flows arising from operating activities and those arising from investment and financing activities. The effects of changes in the group of companies consolidated are eliminated in the relevant items. The cash flows arising from investment and financing activities are calculated on the basis of payments, the cash flow arising from operating activity is derived indirectly from earnings before taxes and minority interests.

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 gains on disposal of assets, are eliminated in cash flow from operating activities.

The cash flow from financing activity is comprised of dividend payments, capital payments from and repayments of debts, and interest payments from loans.

(30) SEGMENT REPORTING

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

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

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

- 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 the borrowings – with liquid funds, interest-bearing 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 segments required to report. 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-arms-length. Administrative services are allocated on the basis of cost.

SEGMENT INFORMATION [€ 000s]	**SBU Paper**	**SBU Plastics**	**Reconciliation**	**SURTECO Group**
2009				
External sales	131,176	209,969	0	341,145
Internal sales in the Group	721	380	-1,101	0
Total sales	131,897	210,349	-1,101	341,145
Interest income	85	70	3,559	3,714
Interest expenses	-1,175	-2,274	-8,879	-12,328
Depreciation and amortization	-8,745	-11,059	-88	-19,892
Segment earnings (EBT)	11,018	22,365	-15,818	17,565
Income from associated enterprises	-70	0	0	-70
Segment assets	132,116	238,152	3,190	373,458
Segment liabilities	43,367	74,731	-71,208	46,890
Net segment assets	88,749	163,421	74,398	326,568
Book value of participations recorded at equity	1,614	0	0	1,614
Investments in property, plant and equipment	3,175	7,358	1	10,534
Employees	658	1,305	16	1,979
2008				
External sales	148,341	254,643	0	402,984
Internal sales in the Group	1,241	832	-2,073	0
Total sales	149,582	255,475	-2,073	402,984
Interest income	45	139	2,711	2,895
Interest expenses	-855	-1,746	-11,237	-13,838
Depreciation and amortization	-9,030	-10,599	-102	-19,731
Segment earnings (EBT)	6,089	28,030	-18,342	15,777
Income from associated companies	-20	0	0	-20
Segment assets	150,778	235,940	10,243	396,961
Segment liabilities	63,352	61,466	-83,599	41,219
Net segment assets	87,426	174,474	93,842	355,742
Book value of participations recorded at equity	1,683	0	0	1,683
Investments in property, plant and equipment	8,845	13,083	67	21,995
Employees	768	1,411	15	2,194

Segment information by regional markets	2008		2009	
[€ 000s]	Sales revenues	Investments	**Sales revenues**	**Investments**
Germany	136,212	37,904	121,604	6,721
Rest of Europe	179,515	2,517	144,338	1,899
Asia/Australia	35,168	1,639	32,141	356
America	49,073	1,749	40,578	1,558
Other	3,016	0	2,484	0
	402,984	**43,809**	**341,145**	**10,534**

The classification of sales revenues by regions was changed during the year under review.
The figures for the previous year were adjusted accordingly.

Reconciliation of balance sheet total with net segment assets [€ 000s]	2008	**2009**
Balance sheet total	**490,073**	**481,676**
Less financial assets		
- Cash and cash equivalents	60,468	84,846
- Investments	12,535	11,687
- Tax credits/deferred taxes	14,770	11,645
- Financial derivatives	5,339	40
Segment assets	**396,961**	**373,458**
Current and non-current liabilities	**309,556**	**289,861**
Less financial liabilities		
- Short-term and long-term financial liabilities	231,751	207,673
- Financial derivatives	444	11
- Tax liabilities/deferred taxes	26,553	24,844
- Pension accruals	9,589	10,443
Segment liabilities	**41,219**	**46,890**
Net segment liabilities	**355,742**	**326,568**

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

Supervisory Board:
Total compensation for the Supervisory Board for the fiscal year 2009 amounts to € 000s 200 (2008: € 000s 178).

Incentive-based remuneration for the Board of Management:
Most of the remuneration for Member of the Board of Management is incentive based. It includes a small fixed element and a primarily variable element. The variable element is a bonus based on earnings and is calculated on the basis of the Earnings Before Tax (EBT) of the Group in accordance with IFRS taking the return on sales into account. The total remuneration of the active members of the Board of Management amounted to € 000s 1,833 (2008: € 000s 1,293) for the business year 2009. Out of this amount, € 000s 504 (2008: € 000s 504) were attributable to the fixed salary, € 000s 1,227 (2008: € 000s 596) were accounted for by performance-related bonuses and € 000s 102 (2008: € 000s 193) to other elements of the salary. A provision amounting to € 000 1,600 was formed for performance-related bonuses in 2008 and a total of € 000s 596 was paid out to the Board of Management during the year under review. € 000s 1,004 were released on account of the economic development of SURTECO.
In accordance with § 286 (5) German Commercial Code (HGB), reporting of information on individual remuneration in accordance with § 285 sentence 1 no. 9 letter a sentence 5 to 9 German Commercial Code (HGB) will not be implemented on account of the resolution by the Annual General Meeting held on 24 June 2008.

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

On the balance sheet date, 10,230 shares (2008: 10,230) of the company were held by the members of the Board of Management and 204,655 shares (2008: 205,755) were held by members of the Supervisory Board.

(33) EVENTS AFTER THE BALANCE SHEET DATE

No events or developments occurred up until 8 April 2010 which could have resulted in a significant change to the recognition or valuation of individual assets or liabilities at 31 December 2009.
The SURTECO production plant for plastic edgebandings in Santiago de Chile was affected by the shocks during the earthquake in Chile at the end of February 2010. Although nobody was injured, parts of the building were damaged. After a week of clearing up and renovation, edging production was started up again. However, power supply proved to be problematic because it was sometimes shut down for several days at a time.
Serious production losses in the Chilean cellulose industry exerted direct effects on paper manufacture in Europe. The already tense supply situation for paper producers in the case of eucalyptus cellulose became more acute as a result of this setback. The Strategic Business Unit Paper manufactures products based on specialist papers for technical applications and the difficult sourcing situation means that supply bottlenecks cannot be excluded in the near future. Furthermore, significant price increases are also anticipated.

XII. EXECUTIVE OFFICERS OF THE COMPANY
(at 31/12/2009)

Board of Management	
Name	Memberships in other companies*
Friedhelm Päfgen Businessman Buttenwiesen-Pfaffenhofen Chairman, SBU Paper	• Deputy Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck • Member of the Supervisory Board of Pfleiderer AG, Neumarkt
Dr.-Ing. Herbert Müller Engineer Heiligenhaus SBU Plastics	• Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck • Chairman of the Supervisory Board of Ewald Dörken AG, Herdecke

Supervisory Board	
Shareholder representatives	
Name	Memberships in other companies*
Dr.-Ing. Jürgen Großmann Chairman of the Board of Management of RWE Aktiengesellschaft Essen Chairman	• Member of the Supervisory Board of Deutsche Bahn AG, Berlin • Member of the Supervisory Board of Volkswagen AG, Wolfsburg • 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 • Chairman of the Supervisory Board of Amprion GmbH, Dortmund (since 30/11/2009, Member of the Supervisory Board since 22/10/2009) • Member of the Board, Hanover Acceptances Limited, London
Björn Ahrenkiel Lawyer Hürtgenwald Vice Chairman	
Bernd Dehmel Businessman Marienfeld Deputy Chairman	
Dr. Matthias Bruse Lawyer Munich	• Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching • Member of the Supervisory Board of Smart IPO AG, Munich (until June 2009) • Member of the Advisory Council of CELIA Capital Partners GmbH, Munich (since June 2009)
Jakob-Hinrich Leverkus Businessman Hamburg	• Member of the Advisory Council of Drewsen Spezialpapiere GmbH + Co. KG, Lachendorf • Member of the Advisory Council of Dinse GmbH, Hamburg • Member of the Supervisory Board of SFC, Smart Fuel Cell AG, Ottobrunn • Member of the Supervisory Board of MIT Munich Industrial Technologies AG, Unterhaching • Member of the Advisory Council of elcomax GmbH, Munich • Member of the Supervisory Board of Solon SE, Berlin (since 17/6/2009)
Dr.-Ing. Walter Schlebusch Managing Director of the Banknotes Division of Giesecke & Devrient GmbH Munich	

* Memberships in Supervisory Boards to be formed in accordance with the statutory regulations and comparable domestic and foreign supervisory boards

Employee representatives
Name
Hans-Jürgen Diesner Marketing Salesman Versmold until 19/6/2009
Richard Liepert Chairman of the Works Council Wertingen until 19/6/2009
Martin Miller Chairman of the Works Council Unterthürheim since 19/6/2009
Udo Sadlowski Head of Training Essen
Thomas Stockhausen Chairman of the Works Council Sassenberg since 19/6/2009

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

The Board of Management and the Supervisory Board of SURTECO SE have submitted a Declaration of Compliance pursuant to § 161 sentence 1 of the Stock Corporation Act (AktG) on 22 December 2009 and made this declaration available to shareholders on the website of the company. This declaration is intended to demonstrate compliance with all key aspects of the recommendations on conduct promulgated by the "Government Committee on the German Corporate Governance Code".

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

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

Shareholder	Date of reaching the threshold limit of the portfolio	Percentage of voting rights held in %	Addition in %	
Christa Linnemann, Gütersloh	18/03/2005	72.2495	§ 22 (2) WpHG	64.2209
Claus Linnemann, Gütersloh	18/03/2005	73.0873	§ 22 (2) WpHG	61.2883
Elke Schlautmann, Hamburg	01/04/2002	74.2394	§ 22 (2) WpHG	72.2480
Katrin Schlautmann, Gütersloh	01/04/2002	74.2394	§ 22 (2) WpHG	72.2480
Christian Schlautmann, Gütersloh	01/04/2002	74.2394	§ 22 (2) WpHG	72.2480
Klöpfer & Königer Management GmbH, Garching	01/04/2002	73.7969	§ 22 (2) WpHG	52.9312
Klöpfer & Königer GmbH & Co. KG, Garching	01/04/2002	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	20.8657 52.9312
G.Schürfeld + Co. (GmbH & Co.), Hamburg	01/01/2007	6.4155	§ 22 (1) no.1 WpHG	6.4155
G.A.Schürfeld Verwaltungs GmbH, Hamburg	01/01/2007	6.4155	§ 22 (1) no. 1 WpHG	6.4155
PKG Schürfeld GmbH, Hamburg	01/01/2007	6.4155		
Jens Schürfeld, Hamburg	01/01/2007	11.9306	§ 22 (1) no. 1 WpHG	6.4155
Johan Viktor Bausch, Munich	01/04/2002	73.8181	§ 22 (2) WpHG § 22 (1) no. 4 WpHG	69.3983 0.1580
J. V. Bausch GmbH & Co. Vermögensverwaltungs KG, Grünwald	09/03/2006	70.4653	§ 22 (2) WpHG	68.6596
J. V. Bausch GmbH, Grünwald	09/03/2006	70.4653	§ 22 (1) no. 1 WpHG § 22 (2) WpHG	1.8057 68.6596
Ricarda Bausch, Glashütten	01/04/2002	73.8283	§ 22 (2) WpHG § 22 (1) no. 6 WpHG	73.4110 0.0213
Oliver Bausch, Osnabrück	01/04/2002	73.8290	§ 22 (2) WpHG	73.3773
Th. Bausch GmbH & Co. Vermögensanlage KG, Berlin	01/04/2002	73.7969	§ 22 (2) WpHG	65.5132
Th. Bausch GmbH, Berlin	01/04/2002	73.7969	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Dr. Dr. Thomas Bausch, Berlin	01/04/2002	74.2715	§ 22 (1) no. 1 WpHG § 22 (1) no. 1 in conj. with § 22 (2) WpHG	8.2837 65.5132
Coralie Anna Bausch, Berlin	01/04/2002	73.8111	§ 22 (2) WpHG	73.6550
Camilla Bausch, Berlin	01/04/2002	73.8330	§ 22 (2) WpHG	73.6550
Constanze Bausch, Berlin	01/04/2002	73.8181	§ 22 (2) WpHG	73.6550
Marion Ramcke, Hanover	01/04/2002	73.8725	§ 22 (2) WpHG	70.7774
Hans Christian Ahrenkiel, Hürtgenwald	01/04/2002	73.8612	§ 22 (2) WpHG	73.5699
Björn Ahrenkiel, Hürtgenwald	01/04/2002	73.7973	§ 22 (2) WpHG	71.0048

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

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

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

pursuant to section 22 (1) sent. 1 no. 1 and no. 6 and sent. 2 and 3 WpHG.
The chain of controlled undertakings through which the voting rights are held is: Delta Lloyd Asset Management NV and Delta Lloyd Europees Deelnemingen Fonds NV.

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

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

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

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

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

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

SURTECO HOLDINGS

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	PARENT COMPANY				
100	**SURTECO SE, Buttenwiesen-Pfaffenhofen**	Germany			
	STRATEGIC BUSINESS UNIT PAPER				
300	Bausch Decor GmbH, Buttenwiesen-Pfaffenhofen	Germany	F	100	100
310	Saueressig Design Studio GmbH, Mönchengladbach	Germany	E	30	300
401	BauschLinnemann GmbH, Sassenberg	Germany	F	100	100
210	Bausch (U.K.) Limited, Burnley	Great Britain	F	100	100
405	BauschLinnemann UK Ltd., Burnley	Great Britain	F	70 30	210 401
410	Kröning GmbH & Co., Hüllhorst	Germany	F	100	401
420	Kröning Verwaltungsgesellschaft mbH, Hüllhorst	Germany	F	100	401
441	BauschLinnemann North America, Inc., Greensboro	USA	F	100	401
460	SURTECO Decorative Material (Taicang) Co. Ltd.	China	F	100	401
470	SURTECO Italia s.r.l., Martellago	Italy	F	50 50	401 510
499	BauschLinnemann Beteiligungsgesellschaft mbH, Sassenberg	Germany	F	100	100

Company no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO SE	Participation in no.
	STRATEGIC BUSINESS UNIT PLASTICS				
500	W. Döllken & Co. GmbH, Gladbeck	Germany	F	100	100
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	F	100	500
511	Vinylit Fassaden GmbH, Kassel	Germany	F	100	500
512	SURTECO Australia Pty Limited, Sydney	Australia	F	100	510
513	SURTECO PTE Ltd.	Singapore	F	100	510
514	PT Doellken Bintan Edgings & Profiles, Bintan	Indonesia	F	99 1	510 513
515	Döllken-Profiltechnik GmbH, Dunningen	Germany	F	100	500
516	SURTECO France S.A.S., Beaucouzé	France	F	100	510
517	SURTECO DEKOR Ürünleri Sanayi ve Ticaret A.Ş,Istanbul	Turkey	F	89 8 1 1 1	510 520 300 401 500
518	SURTECO OOO, Moscow	Russia	NC	50 50	510 401
520	Döllken-Weimar GmbH Profile für den Fachmann, Nohra	Germany	F	100	500
531	Döllken Sp. z o.o., Kattowitz	Poland	F	100	520
532	Döllken CZ s.r.o., Prague	Czech Republic	NC	100	520
550	SURTECO USA Inc., Greensboro	USA	F	100	500
560	SURTECO Canada Ltd., Brampton	Canada	F	100	500
561	Doellken-Canada Ltd., Brampton	Canada	F	100	560
563	1784824 Ontario Inc, Brampton	Canada	F	100	561
564	2054872 Ontario Inc., Quebec	Canada	F	100	561
566	Canplast Centro America S.A., Guatemala	Guatemala	P	50	561
567	Canplast Do Brasil S/A Comercio E Importacao de Componentes Para Moveis, Curitiba	Brazil	F	100	561
568	Inversiones Doellken South America Ltd, Santiago	Chile	F	100	561
569	Canplast SUD S.A., Santiago	Chile	F	55	568
572	Canplast Mexico S.A. de C.V., Chihuahua	Mexico	P	50	561
599	W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Gladbeck	Germany	F	100	500
610	SURTECO Svenska AB, Gislaved	Sweden	F	100	100
611	Gislaved Folie AB, Gislaved	Sweden	F	100	610

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

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

We have audited the Consolidated Financial Statements prepared by SURTECO SE comprising the income statement, reconciliation of comprehensive income for the period, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes to the consolidated statements, together with the Management Report on the Company and the Group, for the business year from 1 January 2009 to 31 December 2009. The preparation of the Consolidated Financial Statements and the Management Report on the Company and the Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) of the German Commercial Code (HGB) are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Management Report on the Company and the Group based on our audit.
We conducted our audit of the Consolidated Financial Statements in accordance with § 317 German Commercial Code (HGB) and Germany generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). 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 Management Report on the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and the 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 Management Report on the Company and the Group 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 the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Management Report of the Company and the Group.

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 IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) German Commercial Code (HGB), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the requirements. The Management Report on the Company and the Group 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.

Berlin, 9 April 2010

RöverBrönner GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Helmut Schuhmann	Udo Heckeler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

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

Buttenwiesen-Pfaffenhofen, 8 April 2010

Board of Management

Friedhelm Päfgen
Chairman of the Board of Management

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

BALANCE SHEET (HGB)

	31/12/2008 € 000s	31/12/2009 € 000s
ASSETS		
Intangible assets	0	0
Tangible assets	254	160
Investments	307,771	308,347
Fixed assets	**308,025**	**308,507**
Receivables and other assets		
- Receivables from affiliated enterprises	60,452	52,467
- Other assets	6,618	6,527
Cash in hand, bank balances	54,583	70,918
Current assets	**121,653**	**129,912**
Prepaid expenses	**60**	**124**
	429,738	**438,543**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital stock	11,076	11,076
Additional paid-in capital	94,864	94,864
Retained earnings	83,684	89,884
Net profit	3,877	6,400
Equity	**193,501**	**202,224**
Pension accruals	221	248
Tax accruals	1,690	601
Other accruals	2,483	1,835
Accrued expenses	**4,394**	**2,684**
Liabilities to banks	203,352	192,128
Trade accounts payable	52	289
Liabilities to affiliated enterprises	28,170	39,003
Other liabilities	269	2,215
Liabilities	**231,843**	**233,635**
	429,738	**438,543**

INCOME STATEMENT (HGB)

	1/1/-31/12/ 2008 € 000s	1/1/-31/12/ 2009 € 000s
Earnings from profit transfer agreements	28,085	25,943
- of which earnings from tax allocations transferred from subsidiaries € 000s 4,281 (previous year: € 000s 3,483)		
Investment income	1,782	0
Other operating income	5,397	3,295
Personnel expenses	-3,513	-3,101
Amortization and depreciation on intangible assets and property, plant and equipment	-101	-74
Other operating expenses	-2,957	-4,169
Income from loans from financial assets	1,443	2,620
- of which to affiliated enterprises € 000s 2,620 (previous year: € 000s 1,443)		
- of which write-ups on financial assets € 000s 1,316 (previous year: € 000s 0)		
Interest income	-7,357	-6,692
Write-downs on investments	-14,429	-740
Result from ordinary activities	**8,350**	**17,082**
Income taxes	-3,983	-4,452
Other taxes	-5	-31
Net income	**4,362**	**12,599**
Profit carried forward from the previous year	0	1
Transfer to retained earnings	-485	-6,200
Net profit	**3,877**	**6,400**

The Annual Financial Statements of SURTECO SE have been published in the Official Gazette of the Federal Republic of Germany (Bundesanzeiger) and file at the Company Register of the Local Court (Amtsgericht). RöverBrönner GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Berlin, audited the Annual Financial Statements and provided them with an unqualified auditor's opinion. The Balance Sheet and the Income Statement from these Annual Financial Statements are published here.

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

GLOSSARY

AUTHORIZED CAPITAL
Authorized capital relates to the authorization of the Board of Management to increase the capital stock up to a specified nominal amount by issuing new shares subject to the approval of the Supervisory Board. The authorization is granted by the Annual General Meeting and requires a three-quarter majority of the 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 (Clause 4 Section 2 SE-VO). The capital stock in a AG and an SE is divided into shares. In the case of par shares, the total of all the par values form the capital stock. In the case of no-par-value shares, each share forms a numerical share of the capital stock.

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

DEALING-AT-ARM'S LENGTH PRINCIPLE
Services between legally independent companies of a group are exchanged at intercompany prices. Intercompany prices must be subject to the test of dealing-at-arm's length, which would involve an offset of an exchange of services between affiliated companies at conditions that were agreed or would have been agreed under comparable circumstances with or among third parties.

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

EBIT
Earnings before financial result and income tax

EBITDA
Earnings before financial result, income tax and depreciation and amortization

EBT
Earnings before income tax

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

EXTRUSION
The process of extrusion (from the Latin extrudere = push out, drive out) involves plastics or other thermosetting materials, e.g. rubber, being squeezed through a nozzle in a continuous procedure. The plastic – the extrudate – is initially melted as it passes through an extruder (also known as a screw extruder) by the application of heat and internal friction, and homogenized. The necessary pressure for extruding the material through the nozzle is built up in the extruder. After the plastic has been extruded from the nozzle, it generally sets in a water-cooled calibration. The application of a vacuum ensures that the extrusion is pressed against the calibre wall and the process of forming is completed in this way. This stage is often followed by a cooling phase carried out in a cooled water bath. The cross section of the geometrical component created corresponds

with the nozzle or calibration used. The merging of like or unlike plastic melts before exiting from the extruder nozzle is also known as coextrusion.

FINANCE LEASE

Leasing contract in which the lessor essentially takes over the financing function. The commercial ownership is transferred to the lessee.

GERMAN CORPORATE GOVERNANCE CODE

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

IMPAIRMENT TEST

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

IMPREGNATION

In the decorative paper industry, the process of impregnation (also known as resin coating) involves a wide range of different papers being impregnated in a resin bath and then dried. The impregnated – and generally varnished – papers can then be compressed onto different substrate boards (chipboard, MDF board, etc.) under high pressure and at high temperature.

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

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

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

The IFRIC is a committee in the International Accounting Standards Committee Foundation. The group has twelve members. The function of the IFRIC is to publish interpretations of accounting standards in cases where different or incorrect interpretations of the standard are possible, or new factual content was not adequately taken into account in the previous standards. The IFRIC meets every six weeks and initially publishes interpretations, as a draft for purposes of discussion in the public domain.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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 f or 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.

SE

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

SENSITIVITY ANALYSIS

The sensitivity analysis is a form of analysis used for complex systems and problems in which simple relationships between system variables are linked together to form a sphere of influence. The influence of input factors (individual or joint) is examined on the basis of specific parameters determining results. The analysis can be mathematical by using model equations for analysis or by the application of varied individual input factors (iteration procedure) and hence permit comparison with the results of the standard input.

SBU

Strategic Business Unit

FINANCIAL CALENDAR

2010

12 May	Three-month report January – March 2010
24 June	Annual General Meeting at the Sheraton München Arabellapark Hotel
25 June	Dividend payout
11 August	Six-month report January – June 2010
11 November	Nine-month report January - September 2010

2011

29 April	Annual Report 2010
12 May	Three-month report January – March 2011
17 June	Annual General Meeting at the Sheraton München Arabellapark Hotel
20 June	Dividend payout
11 August	Six-month report January – June 2011
11 November	Nine-month report January - September 2011

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TEN YEAR OVERVIEW

	2000	2001	2002	2003
	HGB	IFRS	IFRS	IFRS
Sales revenues in € 000s	193,375	270,551	367,642	355,037
Foreign sales in %	64	61	60	60
Restructuring expenses in € 000s	0	0	0	0
EBITDA in € 000s	44,010	45,666	69,761	63,976
Depreciation and amortization in € 000s	-11,659	-15,207	-27,025	-26,762
EBIT in € 000s	32,351	30,459	42,736	37,214
Financial result in € 000s	-4,776	-4,134	-12,721	-10,120
EBT in € 000s	27,575	26,325	30,015	27,094
Consolidated net profit in € 000s	18,120	13,091	17,616	14,847
Balance sheet total in € 000s	198,400	372,235	390,510	356,414
Equity in € 000s	54,438	101,863	104,046	108,710
Equity ratio in %	27	27	27	31
Average number of employees for the year	940	2,159	2,053	1,941
Number of employees at 31/12/	964	2,113	2,033	1,937
Capital stock in €	8,293,325	10,575,522	10,575,522	10,575,522
Number of shares	8,293,325	10,575,522	10,575,522	10,575,522
Earnings per share in €	2.02	1.28	1.67	1.40
Dividend per share in €	0.92	1.10	0.65	0.70
Dividend payout in € 000s	7,633	11,633	6,874	7,403
PROFITABILITY INDICATORS				
Return on sales in %	14.3	9.7	8.2	7.6
Return on equity in %	38.9	14.5	18.1	14.7
Total return on total equity in %	16.5	9.2	11.0	10.5

2004	2005	2006	2007	2008	2009
IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
380,428	396,372	403,156	414,519	402,984	341,145
61	64	64	65	66	64
1,329	3,871	0	0	7,297	0
70,346	65,211	71,698	74,358	56,828*	54,317
-25,912	-17,765	-17,612	-19,060	-19,731	-19,892
44,434	47,446	54,086	55,298	37,097*	34,425
-9,686	-9,890	-8,060	-8,371	-21,320*	-16,860
34,748	37,556	46,026	46,927	15,777	17,565
18,205	21,987	28,761	31,837	6,754	9,239
362,130	370,121	373,198	516,728	490,073	481,676
116,609	148,967	165,678	189,506	180,516	191,815
32	40	44	37	37	40
1,998	2,132	2,059	2,121	2,194	1,979
2,192	2,109	2,051	2,181	2,137	1,903
10,575,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522
10,575,522	11,075,522	11,075,522	11,075,522	11,075,522	11,075,522
1.72	1.97	2.60	2.87	0.61	0.83
0.80	0.80	1.00	1.10	0.35	0.40
8,860	8,860	11,076	12,183	3,876	4,430
9.1	9.4	11.4	11.3	3.9	5.1
17.0	15.6	18.4	15.8	3.8	4.9
12.3	12.8	14.7	11.1	6.0	6.2

* Adjusted on the basis of changes in disclosure for currency gains and losses (see Notes to Consolidated Financial Statements Section VIII.)

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